Final Report of the Special Legislative Commission to Study the Employees Retirement System in Rhode Island

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THE
EMPLOYEES
RETIREMENT SYSTEM
IN
RHODE ISLAND

FINAL REPORT
OF THE
SPECIAL COMMISSION
TO STUDY . . .
EMPLOYEES RETIREMENT SYSTEM

1970
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

FINAL REPORT

OF THE

SPECIAL LEGISLATIVE COMMISSION

TO STUDY THE

EMPLOYEES RETIREMENT SYSTEM IN RHODE ISLAND

State House
Providence, Rhode Island
February, 1970
TO THE HONORABLE GENERAL ASSEMBLY:

The Special Legislative Commission to Study the State Retirement System is pleased to submit its report in compliance with provisions of Assembly Resolution #265 of the January session, 1969.

Legislation to implement the Commission's recommendations accompanies this report and will be introduced by Assembly members who participated in the study.

The Commission is appreciative of the opportunity to be of assistance to the General Assembly, and trusts that its findings and recommendations will benefit legislators in their deliberations.

Respectfully,

[Signatures]

Joseph G. Iannelli, Chairman
Charles W. Hill, Vice Chairman
Hon. Raymond H. Hawksley
Sen. Francis P. Smith
Sen. William D'Abate
Sen. Millicent S. Foster
Rep. John J. Hogan
Rep. J. Howard Duffy
Rep. Bradford Gorham
Paul E. Bassett
James D. Warren
James P. Flynn
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SUMMARY OF RECOMMENDATIONS

The Commission to Study the State Retirement System proposed the following recommendations in summary form, which it considers feasible and practicable for revising and upgrading the existing retirement plans in accordance with principles that have received general acceptance in the field of pension planning for public employees.

The recommendations are intended to resolve, in the most satisfactory manner, the several basic problems that have arisen during recent years, to the end that the retirement systems may continue to fulfill, with maximum effectiveness, their personnel and security objectives. The effective date proposed for all recommendations is July 1, 1970 unless otherwise noted.

RECOMMENDATION 1: SERVICE RETIREMENT ALLOWANCE
The present rate of 1-2/3% of average compensation (3-year average) should be revised to a graded rate schedule according to periods of credited service:

(a) For each of the first 10 years.................1.7%
(b) For the 11th year and each year thereafter, to and including the 20th year........1.9%
(c) For the 21st year and each year thereafter........2.4%

The maximum retirement allowance, now 75% of average salary, would be raised to 80% of average salary with such rate to be payable for 38 years of service, instead of the present 45 years of service.

COMMENT  This graded rate schedule conforms more closely to the principles underlying pensions since it recognizes longevity of service by an increased measure of pension credit. It should serve to encourage employees to continue in service, and to that extent it may be construed as an incentive formula.

RECOMMENDATION 2: RETIREMENT AFTER 30 YEARS OF CREDITED SERVICE
Any member completing 30 years of credited service should be eligible to retire at a full rate of service retirement allowance, but not earlier than age 58.

COMMENT  This would effect a reduction of two years in the age of retirement at full benefits. It is designed to meet the conditions of those employees who may wish to retire at a slightly earlier age. The effect of this change may
be mitigated by the incentive retirement allowance schedule proposed under Recommendation 1.

RECOMMENDATION 3: COMPULSORY RETIREMENT AGE
The compulsory retirement age for members of the Employees' Retirement System, including state employees and teachers, would be 70 years; also, no extension beyond such age should be granted after July 1, 1971.

COMMENT
The discretionary provision presently in force whereby extensions of employment beyond age 70 are provided is impractical and operates against the best interests of the state government. The effective date of July 1971 permits affected employees sufficient time to make plans accordingly.

RECOMMENDATION 4: REEMPLOYMENT OF RETIRED MEMBERS
Any retired member of the system should be permitted to reenter the service of the system for not more than 75 working days in a calendar year without interruption of pension benefits. Pension payments, however, should be suspended when this period is exceeded. If the retired member continues in service beyond the 75-day period (with his annuity temporarily suspended) he should not be eligible for pension credit for such additional service, nor be required to make pension contributions for this service.

COMMENT
This provision is intended as an emergency measure to allow the state or the cities and towns to temporarily reemploy persons on retirement possessing special skills or experience. It also extends to state employees the same provision which has covered school teachers for several years.

RECOMMENDATION 5: VARIABLE ANNUITIES FOR RETIREE.
It is recommended that a variable annuity be made available to members upon retirement, granting them the privilege of allocating a proportion of their equity in the service retirement allowance, not exceeding 50%. This program should be reinsured with a private underwriter who would handle all management and administrative details.
COMMENT

This new program is intended for those members who, at the time of retirement, wish to seek the assurance of stability of purchasing power under the variable annuity which is derived in whole or in part from an investment account composed of equity-type securities. Its acceptance would be strictly optional with the member, at time of retirement, who would be subject to the jurisdiction of the private underwriter once he subscribes to the program.

RECOMMENDATION 6: POST-RETIREMENT PENSION ADJUSTMENTS

The commission recommends that the systematic plan adopted in 1968 for state employees retired on or before December 31, 1967, of the 1½% increase in the retirement annuity for each year on retirement, based upon the original pension annuity, be retained provided that these retirees receive a 3% increase for the year beginning January 1, 1971 and each year thereafter subject to the $500 maximum. The commission also recommends extending the above plan to cover public school teacher members who retired on or before December 31, 1967, with payments to begin July 1, 1970.

For state employees and public school teachers retired on or after January 1, 1968 the commission recommends a plan that would provide an increase in the retirement annuity of 3% for each year on retirement, based on the original annuity, beginning on January 1, of the year next following the third anniversary date of retirement to continue thereafter during the lifetime of the annuity.

COMMENT

The continuous decrease in the value of pension income due to the persistent rise in living costs constitutes a problem of first magnitude in the operation of retirement systems. Some systematic plan for increasing pensions is desirable in order to avoid recurring proposals for increases in pensions on the part of retired employees.

This recommended plan has merit because (1) it is simple to understand and apply in practice, and (2) more importantly, the financial obligation thereunder may be determined with some preciseness. It is the judgement of this commission that such a plan is desirable and in the public interest.
RECOMMENDATION 7: ORDINARY DEATH BENEFITS
The present rate of benefit of $250. per year of service should be increased to $400. per year of credited service, with the minimum of $1,000. increased to $2,000. and the maximum payment increased from $5,000 to $8,000. As at present the full benefit would be carried into retirement and reduced 25% annually to a minimum of $2,000.

COMMENT
This change is dictated by economic factors. It is required to establish a more adequate measure of insurance protection for employees whose death occurs while in service or after retirement.

RECOMMENDATION 8: TEACHER SURVIVOR BENEFITS
The commission recommends that the survivor benefits program for public school teachers created by an act effective July 1, 1963, should be repealed as of January 1, 1973; and that teachers covered under this program presently, be given coverage in the federal social security plan.

COMMENT
The survivor benefits plan for public school teachers was enacted in 1963 and affected only those not covered by federal social security. The plan is not in proper balance and is limited in its scope and benefits. It is totally inadequate in meeting the requirements of the teachers for proper protection for their survivors.

It resulted in dual standards for teachers, some with social security and some with survivor benefits.

The commission feels that there is no genuine comparison between the two plans and that repeal of the survivor benefits plan is in the best interest of teacher members.

RECOMMENDATION 9: TRANSFERABILITY OF IN-STATE PENSION CREDITS
The Commission recommends establishment of a plan for the transferability of pension credits for public employment within the state, for any participating governmental unit so as to assure full credit for pension purposes for all public employment. Each participating governmental unit should assume its proportional financial obligation for the amount of service rendered such unit.

COMMENT
The purpose of this plan is to encourage mobility within public employment in Rhode Island, and to enable employees to receive pension credit for periods of service which may be less than the minimum
qualifying periods prescribed by the several pension laws in the state for public employees. This would apply only between the Employees' Retirement system and the Municipal Employees' Retirement systems.

RECOMMENDATION 10: TRANSFERABILITY OF SPECIAL TEACHING PENSION CREDITS
The present provision granting pension credit, under prescribed conditions, for out-of-state service, should be repealed effective upon passage. In lieu thereof, provision should be made for allowing the purchase of pension credits for certified teaching services only, in non-profit schools within the state upon payment by the teachers of the full actuarial cost. This should represent the full-funded rate for the normal cost for such service, based upon the salary in effect at the date pension credit is applied for.

COMMENT
Even though the teachers coming into the retirement system contribute partially for such service, the rate of contribution and the basis thereof represents only a fraction of the total cost, resulting in a sizable financial obligation to the fund. It is the judgment of the Commission that this credit for certified teaching service in non-profit schools within Rhode Island be maintained, provided the teacher pays for the full actuarial cost thereof.

RECOMMENDATION 11: CODIFICATION OF PENSION LAWS
The subject of pensions is essentially complex, but much can be done to simplify and clarify such laws without making substantive changes. As a long-term objective, the Commission believes that a valuable contribution can be made in the direction of simplifying the existing pension laws. Codification of these laws, therefore, is recommended. In the process of this codification, the name of the Employees' Retirement System should be changed to the "Public Employees' Retirement System of Rhode Island" which would be more expressive of the scope of its operation.

COMMENT
It is not necessary that a pension law be complex in form and lengthy in verbiage to meet the requirements of good pension planning in accordance with established principles. It is a fallacy to assume that a law based upon actuarial criteria must necessarily be phrased in highly-technical language. A revision should be made of these laws to reduce their length and to eliminate much of the abstruse and repetitious language.
Recommendation 12: Financing the Recommended Pension Benefits

Some recommendations presented in this report entail increases in cost. It is the judgement of the Commission that increases in costs be met by the revision of the contribution rate schedule which is to become effective on July 1, 1972 based upon the 5-year actuarial survey to be completed prior to such date.

**Comment**

Under the law, a reexamination of the rate schedule is made every 5 years for determining the new contribution rates by actuarial valuation according to the method of funding the costs of the retirement system. The current five-year period was effective July 1, 1967 and extends to June 30, 1972. Accordingly, the present contribution rates are scheduled to be reexamined prior to July 1, 1972, at which time all changes to the system since July 1, 1967, including the enactment of any of the changes recommended in this report will be taken into account in the determination of the contribution rates to be made effective for the five-year projection period to follow. A review of the present financial condition of the Employees' Retirement System has disclosed that the cost of the benefit increases recommended at this time may conveniently be met for the intervening period from existing revenues without any serious disruption of its financial status.

Other Findings and Recommendations. Several proposals were made to the Commission during its study that involved non-members of the retirement system and/or non-state employees. Our findings are included as recommendations of the Commission, but because of time-limitations in working out details for legislation or because some Commission members felt the subjects were perhaps outside the scope of the original assignment, no legislation is offered to accompany the recommendations. These subjects include:

**Recommendation 13: Retired School Teachers (Pre-1948)**

A cost-of-living adjustment for school teachers who retired before 1948 has merit, and the present annual pension should be increased from $2,000 to $2,500 effective July 1, 1970.
COMMENT This is a direct grant to a group of school teachers for whom the state feels a special obligation. They were never permitted to join the employees' retirement system. Many are infirm or totally disabled and have no means of support other than the present $2,000 annual grant made to them.

RECOMMENDATION 14: MUNICIPAL EMPLOYEES' RETIREMENT
In the interest of uniformity and standardization, and an effective pension program for public employees in the state, the same standards should be maintained for all employees.

COMMENT In the interest of fostering and promoting a statewide policy on pension legislation with uniformity in standards, qualifying conditions and rates of benefit, the recommended standards for state employees and teachers should be made available to the members of the Municipal Employees' Retirement System who participate in the plan subject to acceptance by the legislative bodies thereof.

RECOMMENDATION 15: STATE POLICE RETIREMENT
The Commission recommends that state policemen be brought into the State Employees Retirement System with the necessary special provisions to give recognition to the nature and extent of state police services, and with assurance that present pension rights would not be jeopardized by this change from a non-contributory program to the contributory state employees' plan. The Commission suggests that legislation for this change be initiated by the State Retirement Board, along with action which would extend to state policemen annual cost-of-living adjustments for present and future retirees and coverage in the federal Social Security System.

COMMENT The present pension plan for the state policemen is inadequate and extremely limited in the scope of its benefit schedule. The plan is non-contributory. If a full benefit schedule is to be established conforming in all respects to standards and concepts governing retirement planning for police personnel, a complete revision of the plan should be undertaken.
RECOMMENDATION 16: JUDGES' RETIREMENT

The Commission recommends a revision of the retirement program for members of the state's Judiciary, and suggests that this may be accomplished by the state Retirement Board and legislation initiated by them at a later time.

COMMENT

In the course of its study, the Commission found that a number of variances exist in the pension provisions for Judges of the several courts in the state. Conditions for retirement are different as between the judges of the Supreme, Superior and Family Courts and the judges of the District Courts. Retirement benefits vary also between judges of these courts. After a review of this confusing situation, the Commission decided that this situation be adjusted by corrective legislation to the end that uniformity of coverage and standardization of benefits and contributions may be established for all members of the Judiciary in Rhode Island.
Organization and Officers. The organizational meeting of the Commission was held in the Executive Chamber of the State House on June 18, 1969 where members were sworn in and, in turn, elected their officers. Those chosen included Mr. Iannelli as Chairman and Mr. Hill as Vice-Chairman.

Meetings and Hearings. During the course of its study, the Commission held a total of eleven meetings, and several other meetings were held by a sub-committee appointed by the chairman to review special subjects or undertake miscellaneous tasks. In addition, the Commission held five hearings to elicit the views of state employees, school teachers and similar interested groups. Organizations who had representatives testify or who mailed recommendations included:

- R.I. State Employees Association
- R.I. Education Association
- R.I. Federation of Teachers
- R.I. Retired Teachers Association
- State Employees' Retirement Organization
- R.I. State Police Retired Members Association
- American Federation of State, County, and Municipal Employees-Council 70
- R.I. State Nurses' Association
- Municipal Employees' Retirement System Association

In all, nineteen persons appeared at Commission hearings to express views on the retirement systems or to offer suggestions for the improvement of the state's retirement plans. All proposals offered in writing or by spokesmen at hearings, totalling 26 different subjects, were taken under consideration by the Commission and accepted, modified or rejected by members in the course of the Commission's deliberations. On most proposals, if not all, the views of the state's actuary were sought as to cost factors, feasibility of the recommendation,
and conformance to reasonable pension-plan standards.

Acknowledgments. The Commission operated throughout the period of study without full-time staff or professional assistance. It did retain, however, on a per-diem basis the services of its capable research assistant, John F. Sullivan, who performed in numerous helpful capacities. Also, the Commission retained A.A. Weinberg of Chicago on a per-diem consulting basis. Mr. Weinberg has been the consulting actuary of the state's retirement system since 1947 and is a widely-known authority throughout the United States on public retirement plans. The Legislative Council provided legal staff to draft legislation to implement recommendations. The Commission acknowledges their special efforts, and extends its gratitude, also, to numerous other persons whose appearance, testimony, or suggestions during the course of the study was of inestimable value to the Commission in performing its task.
I. INTRODUCTION

Ever-changing economic and social patterns directly affect pension policies and pension standards. These changes give rise to recurring proposals for revisions of existing retirement plans in public administration. This trend is further evidenced by the constant adjustments of retirement plans in private enterprise and in the federal social security program.

The pension problem, like other problems of broad content and application, seldom remains static. Current economic trends, the introduction of new and unforeseen factors, a broadening public consciousness of the objectives of the pension plans, the continuing desires of employees for improved benefits above the levels which no longer reflect their actual needs -- these and a multitude of other factors make the entire subject one requiring constant re-evaluation and analysis. Neither the government nor the public can long ignore these considerations for they are basic to a proper understanding and solution of the conditions to which they give rise.

It was in recognition of all of this, and in consideration of its role as the prime determinant of public policy, that the Rhode Island legislature in 1969 decided to review the employees' retirement system--the first overall review of pension provisions here in twenty-two years.

II. ORGANIZATION AND BACKGROUND OF THE COMMISSION

Legislative Authority. The Special Legislative Commission to Study the State Retirement Systems was established by action of the General Assembly at the January session, 1969, through Resolution #265 approved by the Governor on May 14, 1969. Terms of the resolution provided (a) that the Commission consist of twelve members, (b) that commission members be appointed within thirty days of adoption of the resolution, (c) that the purpose of the study be "to
make recommendations for a plan whereby state retirements would be adjusted...in keeping with the present cost of living and for changes in the present retirement law....", and (d) that the commission reports its findings and recommendations to the General Assembly on or before February 3, 1970.

Since the legislative authority of the Commission did not extend to a study of the Municipal Employees' Retirement System, the Commission limited its findings and recommendations concerning this system to a statement of principles and standards as set forth in the section "Municipal Employees' Retirement" under Chapter IV of this report.

(See Appendix A for the resolution itself). The commission's report completes its responsibilities in accordance with terms of the resolution.

Membership of Commission. The Resolution provided the means for appointing members to the Commission. Accordingly, the Lieutenant Governor appointed Senators Millicent S. Foster and William D'Abate to serve as members; the Speaker of the House of Representatives selected Representative J. Howard Duffy and Bradford Gorham and the Governor appointed Charles W. Hill, James D. Warren, Paul E. Bassett and James P. Flynn, Esq. to represent respectively the state employees, school teachers, municipal employees, and the general public. Mr. Hill is the state controller. Mr. Warren is a public school teacher, Mr. Bassett is finance director of the city of Pawtucket, and Mr. Flynn is a practicing attorney. In addition to these appointed members, the following served on the commission as ex-officio members: Honorable Raymond H. Hawksley, General Treasurer; Honorable Joseph G. Iannelli, Executive Director to the Employees' Retirement System; Senator Francis P. Smith and Representative John J. Hogan, chairmen of the Senate and House Finance Committees, respectively. Also, by virtue of the resolution terms, Representative Hogan selected William J. DeNuccio, Fiscal Advisor to the House Finance Committee to serve as his designee and as his replacement.
III. THE RETIREMENT SYSTEM IN RHODE ISLAND

The System Today. The Employees Retirement System currently includes all state employees and public school teachers in the State of Rhode Island with certain minor exceptions specified by law. The system provides a complete schedule of benefits for eligible members and beneficiaries, for service retirement, and in cases of disability or death. In many instances, these benefits supplement federal social security provisions.

The main (but not all-inclusive) features of the system include the following conditions for retirement:

1. optional at age 60, provided the member has completed 10 years of service;
2. retirement before age 60 with 30 years of service at a reduced allowance;
3. retirement at any age with 35 years of service, with no reduction in allowance;
4. compulsory at age 70 with certain exceptions.

And the principal benefits of the system include:

1. Monthly pensions for life of member;
2. Optional pensions for members' beneficiaries;
3. Ordinary disability (incurred off-the-job);
4. Accidental disability (incurred while on-the-job);
5. Death benefits before or after retirement;
6. Accidental death benefits (due to occupation);
7. Survivor benefits for teachers.

As of June 30, 1969 there were 12,501 state employees and 8,249 teachers included as contributing members of the system. Also, there were 1,683 state employees and 1,487 teachers listed as retirees, pensioners, or beneficiaries on the same date. A breakdown of membership statistics can be seen in Appendix B.
Origin and Background. The Employees' Retirement System became operative on July 1, 1936 (see Chapter 2334, P.L. 1936). State employees who were in service on that date received full pension credit for service prior to such date. Membership in the system for employees in service at that time was optional.

School teachers were included in the system on July 1, 1949 by enactment of the legislature (see Chapter 2101, P.L. 1948, and teachers with prior teaching credits received pension credit for all such service.

The original membership of the system in 1936 showed 2,561 state employees. The original teacher members in 1949 when the system was extended to cover them numbered 4,269.

Since the establishment of the system in 1936 there have been numerous amendments to the law extending benefits, modifying restrictions, and in general upgrading and modernizing retirement provisions. Many of the improvements were the direct result of a broad review of the system undertaken by the retirement study commission in 1947 (the first and only complete examination of the system other than the current study).

Membership. All employees of the state whose service is of a regular character must belong to the retirement system, but this does not include employees whose service is of a casual nature. Nor does the compulsory feature extend to certain other categories of employees who are excluded by law or who are extended optional provisions.

Those excluded from the system are employees who enter state service after their sixtieth birthday, judges of the state's courts, and members of the state police. Optional membership is afforded to elected officials of the state and members of the general assembly. Also, academic and certain administrative personnel of the state colleges and university have an option to join the system or participate in the Teachers Insurance Annuity Association.
Teachers of the public schools in the cities and towns of Rhode Island are also included as compulsory members of the system. This category includes superintendents, principals, school nurses and certain other public school officials.

Administration. The management of the system is handled by a retirement board of eleven members, consisting of the General Treasurer, the Directors of Administration and Business Regulation, the Commissioner of Education, the Chairmen of the Senate and House of Representatives Finance Committees, and representatives of the general public, the state employees, the school teachers, and the municipal employees and employers.

The board holds regular meetings for the purpose of reviewing the current operations of the system and approving retirement applications of members. The law requires the board to develop a retirement program for state employees and teachers, and to make an annual report to the General Assembly. The board is also required to furnish each member with an annual statement of his retirement account.

The day-to-day administrative business of the board is supervised by the Executive Director, assisted by a staff of administrative, financial, and clerical personnel. Administrative expenses of the staff are provided by direct appropriations of the state.

Method of Funding the System. The system is financed on a contributory basis with employees and employers sharing in its cost. State employees contribute 5% of salary, and school teachers contribute 6%—the difference resulting from actuarial determination. The remainder of the cost for state employees is chargeable wholly to the state. The cost of teachers' pensions over and above the contributions by the teachers (except for survivors' benefits) is shared equally by the State and the cities and towns.

The employer's share of the cost of the system is determined as a rate
per cent of payroll for each year based upon the projected requirements for pension and benefit payments after deducting contributions made by the beneficiaries, and after adjustment for other pertinent factors in the application of actuarial criteria. The latest rates of contribution by the employers, which became effective July 1, 1967 are:

(a) State of Rhode Island: For state employee members ..... 5.55%
(b) State of Rhode Island and Cities and Towns of the State: for teacher-members, (each contributing one-half of the cost) ........................................ 7.80%

These percentage rates are applied to the total salaries paid to the members in order to arrive at the amounts to be contributed to the system.

In accordance with the provisions of law enacted in 1967 projected costs will be established every five years. The first of these calculations will be made prior to July 1, 1972 so as to have any change in rate take effect on that date.

Other Financial Data. The total assets of the system on June 30, 1969 amounted to $116,831,814. Total revenues for the fiscal year ending on that date from member contributions, employer contributions, investment income and miscellaneous sources amounted to $24,403,167, a gain of almost $4 million over 1968. Total expenditures in fiscal 1969 for pensions, benefits, refunds and other purposes totalled $12,568,112. The excess of revenue over expenditures during the year of $11,835,055. was credited to the system's reserves to provide for future payments. A breakdown of financial and statistical data may be found in Appendix C.

IV. FINDINGS AND RECOMMENDATIONS

General Considerations. The Commission accepts the proposition that retirement plans for public employees are essential to a progressive personnel policy in government and to the fostering of good employee-employer relations. It subscribes to the view that pensions are merited and are fully justified by the
governmental, social and economic advantages that accrue from their operations.

It is recognized further that a reasonable expenditure by an employer towards the operation of a retirement plan is justified, as has been demonstrated convincingly by successful experience over the years. The expenditures by government for this purpose have not reached the same proportions that exist in private enterprise. The welfare provisions for public employees are somewhat more limited in scope, and do not embody the many features that are frequently found in industry. The profit motive and tax saving factors which have assumed increasing importance in recent years in the operation of private enterprise are not found in government. These factors, therefore, cannot be offered as compelling reasons for the adoption of retirement or other welfare provisions for public employees. Since these factors do not exist, the only persuasive arguments in support of the retirement plans for public employees are the advantages accruing from the operation of the plans as a part of an enlightened personnel policy.

This is the most potent and practically the only argument in favor of the maintenance of a retirement plan in government. The expenditures by government are justifiable in terms of improved service, economies in operation, the attraction to the service of persons of proved abilities and special skills, and the retention of competent and experienced personnel. All of these factors contribute to the value of the plans to the public as an employer. Translated into monetary terms, they partially, if not wholly, offset the allocation of funds by government towards the retirement plan.

Specific Issues and Recommendations. During the course of its work, the Commission considered many aspects of the pension problem. However, it gave particular attention to the recurring proposals presented to the General Assembly during recent years which were not enacted. It also considered the various requests for changes and revisions of existing plans presented to the Commission at regularly scheduled hearings for representatives of employee organizations
as previously discussed in this report.

From the employee point of view, the pension problem under present circumstances is simply one of securing increased benefits to offset the effect of inflated costs of living. Some employee groups are thoroughly alert to the necessity of conforming their demands to recommended pension principles. Others are not as willing to concede that their requests are opposed to sound standards.

The Commission has tried to be sensitive to all factors and problems, keeping uppermost in mind the need for achieving a balance between the demands of the employees and the principles of pension planning. The Commission has thoroughly reviewed all proposals in its own perspective and evaluated their impact on state policy in the light of current concepts and standards governing pension legislation for public employees.

In the recommendations presented in this report, the Commission has proposed changes which it considers feasible and practicable for revising and upgrading the existing retirement plans in accordance with principles that have received general acceptance in the field of pension planning for public employees. The effective date proposed for all recommendations is July 1, 1970 unless otherwise specified.

The recommendations are intended to resolve, in the most satisfactory manner, the several basic problems that have arisen during recent years, to the end that the retirement systems may continue to fulfill, with maximum effectiveness, their personnel and security objectives.

The Commission is convinced that approval of these recommendations and their translation into affirmative legislative action will help immeasurably in bringing about improvement in the form and content of the existing retirement plans.

In light of all of the foregoing, and specifically in view of current concepts and standards governing pension legislation for public employees, the Commission has arrived at the recommendations which follow:
RECOMMENDATION 1: SERVICE RETIREMENT ALLOWANCE

Since 1947, the basic rate of pension credit per year of credited service has been 1-2/3% of average salary, with the average salary representing the highest in effect in three consecutive years. This rate of pension credit was recommended at that time by a Pension Study Commission following a comprehensive study and reexamination of the state retirement plan and constituted an upgrading of the retirement benefit formula then in effect.

Many proposals have been made in recent years for a further upward revision of the rate of pension credit. Practically all such proposals provided for a 2% rate of pension credit, irrespective of the periods of credited service. No consideration was given to the factor of longevity of service which is basic and predominant in pension planning and the principal motivating factor prompting the establishment of the retirement plan.

The Commission gave careful study to all proposals on this subject. Every one of these proposals seemed to emphasize the desirability of achieving a rate of pension credit of 60% of average salary after 30 years of service. Accordingly, the Commission decided after due consideration to propose a graded schedule of rates of pension credit starting at approximately the present level and increasing with length of service. The recommended rate schedule is: 1.7% of average salary for each of the first 10 years of service; 1.9% of average salary for each of the next 10 years; and 2.4% for each year after 20, with the maximum pension of 80% of average salary payable for 38 years of credited service.

The Commission is of the opinion that this formula is better balanced than the straight 2% rate and conforms more closely to the principles underlying the retirement benefit.

RECOMMENDATION 2: RETIREMENT AFTER THIRTY YEARS OF CREDITED SERVICE

At various times during recent years, proposals have been submitted to the General Assembly to allow for retirement after 30 years of service, at full retirement benefits, regardless of age. These proposals were consistently dis-
approved on the basis of both policy and cost and the fact that they were at variance with principle. A retirement benefit is designed for superannuation retirement and not to encourage an employee to leave the service at a comparatively young age when he is still fit for productive employment.

Several proposals were presented to the Commission on this subject with various supporting arguments. Since the Commission is recommending a change in the retirement benefit formula to a basis which should create some incentive to continue in service, the Commission could see no objection to proposing retirement privileges with full benefits after 30 years of service, provided it is coupled with a minimum age of retirement of 58 years.

It is the view of the Commission that this type of provision, together with the proposed benefit schedule, should entail a minimum cost burden to the system and should have the least adverse effect on the service. The Commission subscribes fully to the view that retirement after a fixed period of service regardless of age is opposed to principle, and that a minimum retirement age is an indispensable feature in any progressive and properly-constituted retirement plan.

RECOMMENDATION 3: COMPULSORY RETIREMENT AGE

Compulsory retirement is essential to the effective operation of a progressive personnel program. Properly, therefore, such a provision should be embodied in the laws or regulations governing employment of personnel and not included in the retirement plan. The subject is essentially a management prerogative and one that should be under the direct jurisdiction of the personnel administrator.

The provision, however, is presently included in the retirement law for state employees and teachers. It calls for the retirement of an employee at age 70, but employment may be extended upon application of the employee and approval by the employer.

The Commission is of the opinion that the discretionary extension of
employment is not practical, and may frequently be misused in the case of some employees. It believes in an inflexible and non-discretionary type of provision. Accordingly, it recommends that age 70 be retained as the age for compulsory retirement, but that the provision for extension of employment beyond such age be stricken. In order to phase out this change in policy without any disruption in operations and to permit employees to adjust their personal plans, it recommends further that the extension of employment privilege be continued for a temporary period until July 1, 1971.

RECOMMENDATION 4: REEMPLOYMENT OF RETIRED MEMBERS

During recent years some shortage of skilled personnel has prompted both public agencies and private industry to reemploy for temporary periods those retired persons who possess special skills and experience. This has been particularly noticeable in teaching service and in other occupations involving certain technical knowledge and experience. Current conditions of the labor market has created a shortage of skilled personnel and has forced governmental units to seek temporary help among the retired employees.

Accordingly, the Commission recommends that retired members who are reemployed for not more than 75 working days during a calendar year should be permitted to receive their pension payments during the period of temporary reemployment. After 75 working days of such service, the retirement annuity should automatically be suspended. The retiree should not be subject to salary deductions during any periods of reemployment, nor should he be entitled to additional pension credit for this service.

The Commission is aware, too, that its proposal here is simply extending the privilege to state employees which the legislature has granted in past years to school teachers.
A variable annuity is one which is derived in whole or in part from an investment account composed of common stocks or other equity-type securities. The annuity is adjusted in amount at regular intervals, often annually, according to the market value of the investments, the income therefrom, and the mortality experience among participating members.

Its purpose is to assure a stable income, in terms of purchasing power, during retirement years. It is also intended to share in the expanding economy of the country through the profits of business and industry. At the same time it affords protection, in some measure, against the hazards of inflationary trends.

There is a strong belief that common stock prices in general, over a long period of time, correlate fairly closely with the cost of living and that a program of retirement benefits balanced between fixed income and a variable income based on common stock investment performance will tend to keep the beneficiaries' purchasing power relatively stable. However, few of these programs emphasize a 100% variable annuity. Most of them provide for a division of the total value of the annuity between a variable annuity and a fixed annuity on a 50-50 basis.

The Commission has considered this subject at length. Its view is that the variable annuity should be made available to the members on an optional basis at the time of retirement of the member when he would make his election; that the election of the variable annuity should be limited to 50% of the value of his retirement allowance equity at such date; and that the operation of the program, including full management and administration should be reinsured with a private underwriter so as to avoid the problems, complexities and expenses that may arise in administering the plan. Thus, the responsibilities and costs incident in the operation of the program will be imposed upon those who express
the desire to be covered thereby. The Commission records its recommendation in accordance with the foregoing conditions.

RECOMMENDATION 6: POST-RETIREMENT PENSION ADJUSTMENTS

The Commission recognizes that the decreasing value of pension income due to inflation and improved living standards for all persons has been a source of concern for many years. The plight of pensioners everywhere has become intensified by the persistent upward trend in living costs. Pensioners, more than any other segment of the population, are particularly vulnerable to decline in the purchasing power of the dollar because they are living closest to a subsistence level, and because of their aged or infirm condition, these persons are generally in an unemployable state. Upon retirement, their income is substantially reduced from their previous income from employment.

The legislature was likewise aware of this problem, and in 1968 enacted an automatic cost of living adjustment plan for state employees who retired on or before December 31, 1967. This plan provided for an annual adjustment of 1 1/2% of the original retirement pension for each year on a retirement (not compounded). This increment is limited to a maximum of $500. For those who retired prior to January 1, 1958, the total increase is not less than $200 per year. For uniformity sake, the Commission now recommends the extension of this same plan with the same maximum of $500. to public teachers who retired on or before December 31, 1967.

Further, to meet this problem on a continuing basis, the Commission recommends a similar plan for automatic annual cost of living adjustments for future retirements (on and after January 1, 1968) for both state employees and public school teachers, at the rate of 3% for each year on retirement based upon the original grant of annuity, not compounded.

If this plan is to be realistic and serve effectively its sole purpose—to provide some measure of economic relief to retired employees—the Commission
believes the 3\% rate is required for the future operation of such a plan, which rate is about one-half of the increase in the cost of living in the calendar year 1969. (Actual increase for the eleven months through November 1969 was 5.8\%.) The first increment under this plan would become operative on January 1 of the year next following the 3rd anniversary date of retirement to continue thereafter during the remaining lifetime of the retired employee and/or beneficiary. This new rate would also be made effective January 1, 1971 for future annual adjustments to employees who retired prior to January 1, 1968.

The Commission's studies disclosed that the adoption of cost-of-living adjustment plans is becoming a trend throughout the country.

This plan has merit because (1) it is simple to understand and apply in practice, and (2) more importantly, the financial obligation thereunder may be determined with some preciseness. It is the judgement of this commission that such a plan is desirable and in the public interest.

**RECOMMENDATION 7: ORDINARY DEATH BENEFITS**

In view of the persistent upward trend in living costs and the prospects for its continuance in future years, the Commission's judgement is that an upward revision in the amount of the ordinary death benefit is a justifiable change. This death benefit is essentially life insurance, on a term basis, with no coverage extended after termination of service, except in the case of retirement with a retirement benefit from the system in which event a reducing benefit is provided.

Accordingly, the Commission feels that the rate of death benefit should be increased from $250 to $400 per year of credited service; the minimum payment be increased from $1,000 to $2,000; the maximum benefit be fixed at $8,000 instead of $5,000; and that the benefit coverage be continued to retired members at the reduced rate, as at present, with the reduction being 25\% of the amount established at date of retirement subject to a minimum payment of $2,000.

This Commission is of the opinion that this change reflects a reasonable policy and may be justified by current economic conditions.
RECOMMENDATION 8: TEACHER SURVIVOR BENEFITS

The survivors' benefits for teachers became effective on July 1, 1963 and apply to both male and female teachers without distinction. The beneficiaries are a widow or widower, a dependent parent, and minor children under age 18.

In this provision an effort was made to emulate the survivors' benefits under federal social security. The benefits do not apply, however, to teachers of any city or town who have federal social security coverage.

Teachers under this program are required to contribute 1½% of earnings on salaries up to $4,800 per year. The contribution is matched equally by the cities and towns of the state whose teachers are subject to this provision. The state of Rhode Island, through the Employees' Retirement System, is administrator of the program with the state assuming the entire cost of administration.

Existing provisions are outmoded today with respect to rates of benefit and are of little value to the teachers. The total payments made are considerably below the revenues accruing from teachers and employer contributions. In terms of actuarial criteria, revenues for the year under the prescribed rate schedule are considerably above the value of the current obligations that are incurred.

The teachers who participate in this provision should be under federal social security. While contributions under that program would be greater, the benefits accruing thereunder are of much greater advantage to them, particularly the Medicare provisions. Also, the federal schedule is more realistic and provides survivors' benefits in amounts that are considerably above those provided by this survivors' benefit provision. Placing these teachers under federal social security would effect uniformity of pension coverage for all public school teachers in the state instead of having some under social security and others without that coverage. This is especially important from the standpoint of a sound statewide pension policy.

Therefore, the Commission recommends that this program be repealed as
of January 1, 1973 and that contributions be refunded. And further, teachers not under federal social security now, should be extended this coverage by cities and towns on a mandatory basis. The Commission feels that the proposed effective date of 1973 will permit ample time for cities and towns to plan their financial requirements accordingly.

RECOMMENDATION 9: TRANSFERABILITY OF IN-STATE PENSION CREDITS

The operation of several separate retirement systems in the state has created a problem in the case of employees who transfer from one governmental unit to another during their working lifetime. There is no uniformity in pension coverage and systematic plan to insure that transferred employees will have full pension credit at the end of their working life in this state for all of their public employment.

The Commission has given consideration to this problem with the view of resolving it equitably within legal and policy limitations on a practical and workable basis. It is possible to formulate a plan providing for transferability of pension credit so as to preserve for the employee all of his pension credits. This may be accomplished by combining the service rendered all governmental units for qualifying purposes in the retirement system in which the employee finds himself at the end of his working lifetime. Each retirement system involved in the total service of the employee shall assume, however, its proportionate obligation according to the amount of service credited in such system.

The Commission subscribes to this view and recommends the enactment of legislation to insure transferability of pension credits between the Employees Retirement and the Municipal Retirement System (and limiting it to those cities and towns in the latter system). Such a plan is in the public interest. It will make it possible for the several governmental units in the state to obtain the services of employees experienced in certain aspects of governmental opera-
tions without curtailing their mobility.

**RECOMMENDATION 10: TRANSFERABILITY OF SPECIAL TEACHING PENSION CREDITS**

Pension credit for teaching service in any of the public schools of the United States, or in a capacity similar or equivalent to that of a teacher, or in any private school or institution operated not for profit, is allowable at this time for a period not to exceed 10 years upon payment of certain contributions, provided such service was rendered at least 10 years prior to retirement. The contributions to be made for such service are 10% of the salary in effect at the date of entry into teaching service in Rhode Island, provided that for teachers who were members of the system prior to July 1, 1951, the rate is 6% of salary.

According to the National Education Association, about one-half of the states have such a provision. Some limit the total service credit to 10 years. Others limit it to 2/5ths of the total service at retirement but not more than, say, 10 years. Still other limitations are imposed. However, indications are that states today are restricting the practice, rather than expanding it.

The present state policy has been reexamined by the Commission in the light of current trends and with respect to its impact on the fiscal affairs of the state and the cities and towns. The Commission has found that this credit involves a substantial cost to the retirement fund even with the prescribed rate of contribution required from the teachers for this service.

Accordingly, the Commission recommends that this provision be completely revised and modified. Pension credit should be granted for certified teaching service only in non-profit schools within the state of Rhode Island upon payment of the full actuarial cost for the credit being sought based upon the salary in effect on the date the pension credit is applied for. At the same time, the privilege of purchasing credits for teaching service outside the state of Rhode Island should be repealed.
RECOMMENDATION 11: CODIFICATION OF PENSION LAWS

Present pension laws had their origin many years ago. Over the years, these laws have undergone numerous amendments in various basic provisions. The context of these laws has been broadened from time to time by these amendments to the point where the laws are now burdened with much excess and superfluous verbiage and have become unnecessarily complex.

The Commission, therefore, recommends a codification of the existing pension laws in an orderly and simple form devoid of complex and repetitious phraseology. It is proposed that the work of codification be initiated at as early a date as possible by Retirement Board. The Commission feels, also, that when such laws are codified the name of the Employees Retirement system should be changed to "Public Employees Retirement System of Rhode Island". This would be more expressive of the scope of its operations.

RECOMMENDATION 12: FINANCING THE RECOMMENDED PENSION BENEFITS

A pension obligation represents a long-term commitment, maturing many years after it has been initiated. The obligation begins when an employee enters service and increases progressively until the employee attains the prescribed age for superannuation retirement. The obligation accrues, therefore, as services are rendered. Upon its maturity, the obligation is converted into an annuity to be paid monthly during the remainder of the employee's and/or beneficiary's lifetime.

The pension obligation, therefore, is definite and accruing and will eventually mature. While not all employees survive or qualify for a retirement annuity, a certain number will meet the stipulated conditions and become eligible for retirement. It is for these survivors that reserves must be accumulated during active service so that funds will be available to pay the annuities during their expected lifetime after retirement. Part of this obligation is met by the employees in the form of systematic contributions with the retirement system as a fixed percentage of salary. Part is met by
the employing governmental unit, and part comes from the substantial investment earnings of the retirement fund.

The ultimate cost of a retirement plan consists of the benefits to be paid. The assets accumulated by the retirement system represent the reserve from which the benefit payments will be made. A plan of finding the liabilities for future payments makes it possible to anticipate and provide for these liabilities. The benefit payments to be incurred are not changed in any way by the actuarial assumptions used in financing the plan or by the methods adopted for funding the liabilities for these payments. The obligations for these benefits exist regardless of the method of financing. These obligations can best be met through the application of actuarial principles which in essence reflect the process of budgeting for the future payments to be made by the retirement system.

The factor of interest is basic in operations. All calculations of costs and liabilities and all mortality tables reflect an assumed and earnable interest rate, and the effect of the factor of interest on cost is quite pronounced. Earnings from investments have a direct bearing on the amounts to be contributed for pensions. The larger the earnings, the smaller will be the requirements from the employees or employer, or both. Under the funded method of financing whereby reserves are accumulated as services are rendered, the advantages of earnings on invested reserves are secured, resulting in large savings in cost. The amount of these earnings depends upon: (1) the rate of income on investments, and (2) the length of service rendered by those qualifying for pension benefits. Upon the basis of a fixed return of 4% per year, and assuming regular monthly contributions to the system, the interest earnings after 20 years would equal 35% of the total accumulated sum.

The Employee's Retirement System is financed on a partial-funded basis as was noted earlier. Employees contribute 5% of their salaries. Teacher-members of the system contribute 6% of their salaries due to their increased
longevity of service and a longer life expectancy which results in a substantially larger pension cost on their account. The state and cities and towns match these contributions by projecting costs and liabilities over a period of five years and establishing contribution rates representing the average requirements for future benefit payouts after taking into account the contributions of those employees on whose account benefits were to become payable. The rates of contribution established as of July 1, 1967 are 5.55% for state employees and 7.80% for teachers, with the latter rate being shared equally by the state and the cities and towns.

The aforesaid method of funding (partial-funded basis) provided for a ten year projection period for determining contribution rates. The effect of this method is to accumulate reserve in the system sufficient to establish and maintain some degree of stability and security. This method was conceived by A.A. Weinberg (the present consulting actuary for the system), and was enacted into law on recommendation of the 1947 State Pension Commission. The continued fiscal improvement of the system over the past 22 years, and the present fiscal soundness of the system is proof of the validity of this method of financing for meeting the costs and liabilities of the system. This Commission subscribes fully to this partial funded basis of financing the state system. For any retirement system in which the state is not the employer, the Commission recommends full actuarial funding.

The ten-year projection for determining contribution rates was reduced to five years in 1967. Accordingly, the contribution rates are scheduled to be re-examined prior to July 1, 1972, at which time all changes to the system since July 1, 1967, including the enactment of any of the changes recommended in this report will be taken into account in the determination of the contribution rates to be made effective for the five-year projection period to follow.

A review of the present financial condition of the Employees' Retirement
System has disclosed that the costs of the benefit increases recommended at this time may conveniently be met for the intervening period from existing revenues without any serious disruption of its financial status.

Other Findings and Recommendations. Several proposals were made to the Commission during its study that involved non-members of the retirement system and/or non-state employees. Our findings are included as recommendations of the Commission, but because of time-limitations in working out details for legislation or because some Commission members felt the subjects were perhaps outside the scope of the original assignment, no legislation is offered to accompany the recommendations. These subjects include:

RECOMMENDATION 13: RETIRED SCHOOL TEACHERS (PRE-1948)

This group was not included in the retirement system originally because they had retired before the system was adopted on July 1, 1949; consequently, they never contributed to the system nor were eligible for regular pensions. In recognition of this, the General Assembly enacted special legislation for these teachers which provides them now with a minimum pension grant of $2,000 per year, payable by annual appropriations from the general fund. There are now 83 retired teachers in this group at an average age of 87 years, and their ranks are diminishing at the rate of about fifteen persons a year. Many are infirm or totally disabled and have no other means of support. The total cost to the state for these allowances in fiscal 1969 was $196,316, and the appropriation for fiscal 1970 is $180,000.

The Commission feels that a cost of living adjustment for the pre-1948 school teachers has merit and suggests that the present annual pension be increased from $2,000 to $2,500 effective July 1, 1970. The additional initial cost of this increase would be approximately $40,000 and diminish each year.
RECOMMENDATION 14: MUNICIPAL EMPLOYEES' RETIREMENT

The original retirement plan for employees of the cities and towns of the state, of the general classifications, was largely patterned after the plan underlying the state Employees' Retirement System. Some variances now exist as the result of amendments enacted during recent years. Further differences will be created if part or all of the changes recommended herein for state employees and teachers are enacted.

As a matter of promoting and developing sound principles and standards for public employees in Rhode Island on a statewide basis and avoiding competitive employee activities in the field of retirement planning for public employees in this state, it is highly desirable that the state policy be directed towards the establishment of uniformity and standardization wherever possible in the major aspects of these plans.

It is the view of the Commission, therefore, that the future legislative policy should be directed towards maintaining uniformity whenever feasible.

RECOMMENDATION 15: STATE POLICE RETIREMENT

Members of the state police have been covered for many years by a special and non-contributory retirement plan. This program is extremely limited in its scope. It does not conform to the standards and provisions that exist in other states for similar occupations, and is much more restrictive in its benefit schedule than the retirement plans in effect for policemen of the cities and towns of this state. In addition to all of this, state police members are excluded from social security coverage because of federal regulations.

The Commission noted that the pension payable is 50% of the final earned salary after twenty years of service. But it noted further that the provisions for survivors are grossly inadequate; that the plan is noncontributory; and that the restrictive scope of its benefit schedule places these employees of the state, who constitute a very important segment of state government personnel,
at a decided disadvantage in comparison with other groups of state employees and employees of the cities and towns.

Complicating the state police situation is the fact that, in 1962, the General Assembly revised the law so that retirees' pensions were raised to 50% of the salary then paid to officers of comparable rank. Since then, several bills have been introduced in recent legislative sessions to make the law a continuing escalating one, and a proposal was made to the Commission recommending this. The factual data on retired state policemen shows there are 70 men presently receiving pensions totalling $375,000 a year. To raise these retirees to 50% of the salary now paid to the rank at which they retired would cost approximately $100,000 more in the first year, and varying amounts in succeeding years depending on the number of new retirees, death of older retirees, and salary changes of existing state policemen.

In the light of the foregoing, the Commission recommends that state policemen be brought into the State Employees' Retirement System with the necessary special provisions to give recognition to the nature and extent of state police services, and with assurance that present pension rights would not be jeopardized by this change from a non-contributory program to the contributory state employees' plan. The Commission suggests that legislation for this change be initiated by the State Retirement Board, along with action which would extend to state policemen annual cost-of-living adjustments for present and future retirees and coverage in the federal Social Security System.

RECOMMENDATION 16: JUDGES' RETIREMENT

In the course of its study, the Commission found that a number of variances exist in the pension provisions for Judges of the several courts in the state. Conditions for retirement are different as between the judges of the Supreme, Superior and Family Courts and the judges of the District Courts. Retirement benefits vary also between judges of these courts. After a review of this confusing situation, the Commission decided that this situation be adjusted by
corrective legislation to the end that uniformity of coverage and standardization of benefits and contributions may be established for all members of the Judiciary in Rhode Island.

The Commission therefore, recommends a revision of the retirement program for members of the state's Judiciary, and suggests that this may be accomplished by the state Retirement Board and legislation initiated by them at a later time.

V. CONCLUSIONS

The findings and recommendations presented in this report deal with fundamental aspects of the pension problem affecting public employees in Rhode Island. They are of importance to the maintenance of a constructive and enduring pension structure and they have been equated to principles and policies that apply in effective retirement provisions for public employees.

In formulating these recommendations, the Commission has sought to be impartial and objective to the extent that the broad and complex nature of the pension problem would permit. It has been guided by the conviction that retirement systems for public employees serve an essential public purpose. The promotion of and preservation of these systems is not only desirable for the public welfare, but necessary in the interest of good government.

The recognition of these principles, however, does not mean that the systems are for the exclusive benefit of the employees, or that in the formulation of policy the employees are entitled to an unrestricted discretion. Although the Commission is committed to the principle that retirement provisions are deferred compensation for services rendered and not a mere gratuity, it believes also that the costs thereof should be shared in reasonably-equitable proportions. It also wishes to emphasize that the retirement systems should be maintained in substantial conformance with pension principles which reflect the factor of superannuation as the basis for the granting of benefits, particularly the retirement allowance.
In its many meetings and hearings, and in the formulation of this report, the Commission has sought to discharge its responsibility to the legislature, to the employees, and to the public generally, in accordance with standards of objective judgment. It was fully aware of the interests and pressures which are always present in this highly-important area of governmental concern. Its objective throughout the study was the proper reconciliation and balancing of these interests, which may be accomplished only through the application of tested principles of pension policy.

The Commission presents this report to the General Assembly in its belief that the findings, conclusions and recommendations are defensive in logic and principle. They are consistent with the welfare of all interested groups in the maintenance of retirement systems properly conceived and operated.
CREATING A SPECIAL LEGISLATIVE COMMISSION TO STUDY AND MAKE RECOMMENDATIONS FOR A PLAN WHEREBY STATE RETIREMENT BENEFITS PRIOR TO JULY 1, 1969 WOULD BE ADJUSTED TO A LEVEL MORE COMPARABLE AND IN KEEPING WITH THE PRESENT COST OF LIVING AND TO ALSO MAKE RECOMMENDATIONS FOR CHANGES IN THE PRESENT RETIREMENT LAW SO THAT FUTURE RETIREE'S BENEFITS WOULD BE MORE FLEXIBLE AND REALISTIC THAN THE PRESENT FIXED RETIREMENT BENEFITS.

RESOLVED, That a special commission shall be and the same is hereby created consisting of twelve (12) members: two (2) of whom shall be from the house of representatives, not more than one (1) from the same political party, to be appointed by the speaker; two (2) of whom shall be from the senate, not more than one (1) from the same political party to be appointed by the lieutenant governor; one (1) of whom shall be the general treasurer; one (1) of whom shall be the secretary of the retirement board; four (4) of whom shall be appointed by the governor: one member to represent the municipal employees who are members of the system; one (1) member to represent the general public; one (1) member to represent the teachers who are members of the system pursuant to the provision of chapter 16 of title 16 of the general laws; one (1) of whom shall represent the Rhode Island state employees; and the senate and house finance chairmen, ex-officio or their respective designees; and whose purpose it shall be to study and make recommendations for a plan whereby state retirement benefits prior to July 1, 1969 would be adjusted to a level more comparable and in keeping with the present cost of living and to also make recommendations for changes in the present retirement law so that future retirees' benefits would be more flexible and realistic than the present fixed retirement benefits.

The said commission shall be appointed within thirty (30) days from the passage of this act following which it shall meet without delay and organize and in so doing shall select from among themselves a chairman. Vacancies in said commission shall be filled in like manner as the original appointment.

The membership of said commission shall receive no compensation for their services, but shall be allowed their travel and necessary expenses. The commission may engage such clerical, technical and other assistance as it may deem necessary, and spend such other funds as is necessary to accomplish its purpose.

All departments and agencies of the state shall furnish such advice and information, documentary and otherwise, to said commission and its agents as is deemed necessary or desirable by the commission to facilitate the purposes of this act.

The director of administration is hereby authorized and directed to provide suitable quarters for said commission.

The commission shall report its findings and recommendations to the general assembly on or before February 3, 1970.
### Appendix B

**MEMBERSHIP STATISTICS**
*(as of June 30, 1969)*

<table>
<thead>
<tr>
<th></th>
<th>State Employees</th>
<th>Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACTIVE MEMBERS</strong></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Number</td>
<td>6,431</td>
<td>6,070</td>
</tr>
<tr>
<td>Per cent of total</td>
<td>51.4%</td>
<td>48.6%</td>
</tr>
<tr>
<td>Average salary</td>
<td>$6,951</td>
<td>$5,223</td>
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<tr>
<td>Average age</td>
<td>47.1</td>
<td>45.6</td>
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<tr>
<td>Average service(years)</td>
<td>9.2</td>
<td>7.4</td>
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</tbody>
</table>

| **RETIREMENTS**      | Male            | Female    |
| Number on retirement | 955             | 728       | 240        | 1,247     |
| Per cent of total    | 56.8%           | 43.2%     | 16.2%      | 83.8%     |
| Average age at June 30, 1969 | 71.7            | 71.3  | 71.0       | 72.3      |
| Average pension      | $2,104          | $1,893    | $3,928     | $3,986    |
| Service retirements during year | 106             | 89       | 20         | 123       |
| Terminations         | 45              | 19        | 14         | 31        |
| Average age of retirements during year | 64.8            | 64.9  | 60.0       | 63.1      |
## Appendix C

**FINANCIAL AND STATISTICAL FACTS**
*(as of June 30)*

### At Year-End

<table>
<thead>
<tr>
<th></th>
<th>1969</th>
<th>1968</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves (Net Assets)</td>
<td>$116,831,814</td>
<td>$104,237,811</td>
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<tr>
<td>Number of Contributing Members:</td>
<td></td>
<td></td>
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<tr>
<td>State Employees</td>
<td>12,501</td>
<td>11,656</td>
</tr>
<tr>
<td>Teachers</td>
<td>9,249</td>
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<tr>
<td>Number of Pensioners:</td>
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<tr>
<td>State Employees</td>
<td>1,683</td>
<td>1,538</td>
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<tr>
<td>Teachers</td>
<td>1,487</td>
<td>1,368</td>
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<tr>
<td>Unfunded Accrued Liability:</td>
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</tr>
<tr>
<td>State Employees</td>
<td>$ 40,688,000</td>
<td>$ 41,032,997</td>
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<tr>
<td>Teachers</td>
<td>$ 87,646,000</td>
<td>$ 83,612,994</td>
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### For the Year

<table>
<thead>
<tr>
<th></th>
<th>1969</th>
<th>1968</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$24,403,166</td>
<td>$20,812,710</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>12,568,111</td>
<td>9,995,854</td>
</tr>
<tr>
<td>Member Contributions</td>
<td>8,385,053</td>
<td>8,012,773</td>
</tr>
<tr>
<td>Employer Contributions</td>
<td>9,708,719</td>
<td>8,402,934</td>
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<tr>
<td>Investment Income</td>
<td>6,305,265</td>
<td>4,374,490</td>
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<tr>
<td>Pension and Benefit Payments</td>
<td>9,528,663</td>
<td>8,083,125</td>
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<tr>
<td>Refunds of Member Contributions</td>
<td>2,288,880</td>
<td>1,909,850</td>
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<tr>
<td>Number of retirements</td>
<td>413</td>
<td>377</td>
</tr>
<tr>
<td>Deaths among retirants</td>
<td>149</td>
<td>109</td>
</tr>
</tbody>
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