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Evaluation of the teacher retirement plan in Massachusetts.

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BOSTON UNIVERSITY
SCHOOL OF EDUCATION

Thesis

AN EVALUATION OF THE TEACHER RETIREMENT PLAN IN MASSACHUSETTS

Submitted by

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(A.B., Boston College, 1930)

In partial fulfillment of requirements for the degree of Master of Education

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CHAPTER I

THE NATURE AND SIGNIFICANCE OF TEACHER PENSIONS

Some Preliminary Considerations

The Problem.-- The purpose of the present study of the pension system for public-school teachers in Massachusetts is two-fold: (1) to discover the advantages and the disadvantages of the Massachusetts Teachers' Retirement System; and (2) in so far as possible to formulate criteria by which to evaluate this particular plan. It has been discovered that any such study involves a consideration of the following questions: In the evolution of pension systems for public-school teachers in the United States, what policies and criteria have been found satisfactory, what have been found wanting and are being discarded? What new policies and criteria have made their appearance in the new systems?

Methods and techniques.-- The method by which it is planned to seek answers to these questions involves the examination of the various teachers' pension systems in the United States, in particular those of California, Massachusetts, Michigan, New York, and Ohio. California and Michigan have been selected because both states have recently adopted new retirement systems, New York and Ohio because they are representative of two great sections of our country. The plans will be studied with a view to discovering not only changes but tendencies in pension theories and resultant methods and policies. Important changes in policies and practices are bound to be reflected in the provisions found in many newer systems,
and thus these findings can be used to evaluate more fairly and objectively the Massachusetts teachers' retirement plan. It is then planned to apply these important changes in policies and practices to the retirement systems of California, Massachusetts, Michigan, New York, and Ohio to discover the extent of the agreement or disagreement of these plans with such tendencies and principles.

Sources of Material. -- Both primary and secondary schools have been utilized to accumulate the data used in the preparation of this thesis. The most important classes of primary sources include: (1) the provisions of the various teachers' pension systems; and (2) the constitutions and by-laws of teacher-pension systems in operation in California, Massachusetts, Michigan, New York, and Ohio. Of the many secondary sources consulted, the following proved the most helpful and have been the most used: (1) reports and bulletins issued by the Carnegie Foundation for the Advancement of Teaching; (2) the various publications of the National Education Association; and (3) the various research studies of the United States Office of Education.

Both the Carnegie Foundation for the Advancement of Teaching and the National Education Association have made an intensive study of pensions for teachers almost from the time of their establishment. Reviews of pension legislation for the year, criticisms both of established and proposed systems, together with timely discussions of the social philosophy underlying them have appeared in practically all their annual reports and special bulletins. The more prolific source proved to be the National Education Association and much of the data found in the thesis is based on the
annual reports and addresses as reported in the Proceedings and research bulletins of the association and on the findings of its Committee of One Hundred on Retirement Allowances, made available through the research division of the association.

Other valuable sources of data have been found in additional books on the subject and in articles appearing in popular educational magazines. A full list of these have been included in the annotated bibliography.

Present Status of Teachers' Pension Systems. -- For the following list of state teacher-retirement systems, the writer is indebted to the research division of the National Education Association, as of September, 1937:

Teacher Retirement on a State-Wide Basis

Statewide retirement systems are in effect in the following states and territories: 1/

Arkansas (1937)  Maryland  Ohio
Arizona           Massachusetts  Pennsylvania
California        Michigan      Puerto Rico
Connecticut       Minnesota     Rhode Island
District of Columbia Nevada (1937) Texas (1937)
Hawaii            New Hampshire (1937) Utah (1937)
Illinois          New Jersey    Vermont
Indiana           New Mexico (1937) Virginia
Louisiana         New York      Washington (1937)
Maine

No statewide retirement system is in effect in the following states and territories:

Alabama  Iowa  Oregon
Alaska   Kansas  South Carolina
Colorado Kentucky Tennessee
Delaware  Mississippi Virgin Islands

null
As the above list reveals, approximately two-thirds of our states have by now enacted some form of pension legislation for teachers. Cubberley\(^1\) proved himself to be a prophet when he pronounced, apropos of this, that inasmuch as over one-half of the states had made pension benefits available to all teachers; and as over one-third\(^2\) of the teachers in the United States were then protected by some type of pension system, the general pensioning of all teachers might be regarded "as an almost certain future development in educational legislation."\(^2\)

As far back as 1920, Studensky\(^4\) found that the tendency towards such statewide system was an important development in the teachers' pension problems and was indicative that the pensioning of teachers employed by small communities was becoming more and more recognized as a state function.

The National Education Association\(^5\) has reported that in addition to these statewide pension systems for teachers there are found three general types of local teacher retirement systems. One type operates within, but independent of, a statewide system; another type is that based on a state


\(^2\) Research Bulletin of the National Education Association, Vol. XV, No. 3, May, 1937 reports that over 65\% of the country's teachers are protected by some kind of pension. p. 98.

\(^3\) Elwood P. Cubberley, op. cit., p. 659.


\(^5\) Research Division of the National Education Association, op. cit., p. 2.
law providing for teacher retirement in a certain class of community; and the third is a local system based on permissive legislation. Since, however, this paper will be concerned only with a study of statewide pension systems, no direct attempt will be made to analyze any teachers' pension system other than statewide.

Clarification of the term "pension."-- In actual practice the terms retirement system and pension system are used somewhat interchangeably. Strictly speaking, a pension system is a plan whereby employees who are incapacitated for further vocational services are given a certain amount of money for the remainder of their lives. The employees contribute nothing to the fund from which the retirement allowances are made.\(^1\) The term retirement allowance, on the other hand, usually refers to a plan whereby both the employees and the employers contribute to the fund from which the retirement allowances are made.\(^2\)

Still, Pritchett\(^3\) is of the mind that the term pension may be properly applied to any stated sum paid periodically to an individual, whether as a gift or in recognition of past services. In this paper, however, the term pension will not be capable of such a broad interpretation, for it will signify only that retirement allowance which has been earned, in part or in whole, by the contributions of the teacher spread over a period of

1/ Sixth Yearbook of the National Education Association, Department of Superintendence, Economic Welfare of Teachers. Chapter 6, "Retirement Allowances and Pension Systems." p. 103.

2/ Loc. cit.

years.

Almack\(^1\) sees no confusion resulting from the interchangeable use of the terms pension system and retirement system, for he states: A pension is simply an increase in salary whose payment is deferred until after the teacher has retired from active service. It is a means of developing efficiency, and reward for faithful and efficient service.\(^2\)

In this thesis, therefore, it has not been deemed necessary to forego the use of the word "pension"; although when used, it is meant to imply that a charitable element is involved. Retirement allowances, then, will be viewed as essentially deferred payments for services actually rendered and assessments regularly made, and the term pension will be used as if it were synonymous with such terms as: "retirement allowances," "retirement salaries," or "annuities."

For the purposes of this thesis the term retirement system can be defined as "a business-like plan, enacted into state law to improve schools by helping aged or disabled teachers to retire from active service with a modest, but assured income for life.\(^3\)

The justification of teachers' retirement systems.-- Are the teachers as a class justified in demanding systematic retirement allowances? To what extent do other groups of workers benefit by retirement provisions? The following tables will perhaps answer those questions more effectively


\(^2\) Loc. cit.

\(^3\) Research Bulletin of the National Education Association, Economic Welfare of Teachers, op. cit. p. 91.
and forcefully than mere words would. The tables reveal that the policy of affording pensions for teachers is quite in line with the best modern thought of employers operating commercial or industrial plants, of various types of governments, private and public, where retirement is generally reckoned as an important item in maintaining efficiency in the personnel of the staff:

Table 1. Extent of Retirement Provisions for Certain Groups of the General Public.

<table>
<thead>
<tr>
<th>Members of general public</th>
<th>Number of states, cities, and organizations having retirement laws</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>War veterans</td>
<td>Federal pension system, affecting veterans of the U.S. wars, their widows and children; and soldiers in peace time establishments.</td>
</tr>
<tr>
<td>Dependent aged</td>
<td>25 states</td>
</tr>
<tr>
<td>Industrial employees</td>
<td>460 companies, including railroads, public utilities, manufacturing, banking, insurance, and other firms.</td>
</tr>
<tr>
<td>Federal employees</td>
<td>Federal Employees' Retirement System, affecting employees in classified civil service.</td>
</tr>
<tr>
<td>Trade union members</td>
<td>25 unions</td>
</tr>
<tr>
<td>Ministers</td>
<td>13 denominations</td>
</tr>
<tr>
<td>Public school employees</td>
<td>22 states, 57 communities</td>
</tr>
<tr>
<td>Municipal employees</td>
<td>9 cities, over 400,000 in population</td>
</tr>
<tr>
<td>State employees</td>
<td>8 states</td>
</tr>
<tr>
<td>College teachers</td>
<td>166 institutions</td>
</tr>
</tbody>
</table>

The table shows that members of the general public are being protected from the economic insecurity in their old age to a considerable extent. It should logically follow that the teaching profession, as important a group of workers as any of the ones listed in the tables, should likewise be deserving of protection against the day of retirement.

Table 2. Certain Groups of the General Public Which Receive Retirement Funds from Governmental or Private Sources. 

<table>
<thead>
<tr>
<th>Groups</th>
<th>Year ending in</th>
<th>Number of plans represented</th>
<th>Number receiving retirement allowances</th>
<th>Average retirement allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>War veterans</td>
<td>1932</td>
<td>1</td>
<td>437,941</td>
<td>$473.25</td>
</tr>
<tr>
<td>Dependent aged</td>
<td>1932</td>
<td>15</td>
<td>102,537</td>
<td>232.55</td>
</tr>
<tr>
<td>Industrial workers</td>
<td>1931</td>
<td>218</td>
<td>90,721</td>
<td>729.00</td>
</tr>
<tr>
<td>Federal employees</td>
<td>1932</td>
<td>1</td>
<td>25,567</td>
<td>955.32</td>
</tr>
<tr>
<td>Trade union members</td>
<td>1931</td>
<td>25</td>
<td>18,000</td>
<td>300.00</td>
</tr>
<tr>
<td>Ministers</td>
<td>1927-28</td>
<td>13</td>
<td>14,806</td>
<td>573.00</td>
</tr>
<tr>
<td>Public school employees</td>
<td>1931</td>
<td>25</td>
<td>12,000</td>
<td>605.80</td>
</tr>
<tr>
<td>Municipal employees</td>
<td>1926</td>
<td>9</td>
<td>4,619</td>
<td>730.38</td>
</tr>
<tr>
<td>State employees</td>
<td>1951</td>
<td>8</td>
<td>3,100</td>
<td>\ldots</td>
</tr>
<tr>
<td>College teachers</td>
<td>1933</td>
<td>1</td>
<td>1,064</td>
<td>1586.54</td>
</tr>
</tbody>
</table>

An analysis of these two tables reveals that there is ample precedent, from other vocations, for the establishment of teachers' retirement systems. Consideration must be given to the fact that practically all of the groups of workers listed here enjoy non-contributory pensions, whereas the teachers' pension is one that is earned, in whole or in part, with few exceptions, by his contributions.

The advantages of a teachers' pension system. -- What advantages are attached to a teachers' pension system? Do its advantages outweigh its

\footnote{A/ Ibid, p. 196.}
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Quantity</th>
<th>Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Item A</td>
<td>10</td>
<td>50</td>
<td>500</td>
</tr>
<tr>
<td>B</td>
<td>Item B</td>
<td>20</td>
<td>100</td>
<td>2000</td>
</tr>
<tr>
<td>C</td>
<td>Item C</td>
<td>5</td>
<td>250</td>
<td>1250</td>
</tr>
<tr>
<td>D</td>
<td>Item D</td>
<td>3</td>
<td>150</td>
<td>450</td>
</tr>
<tr>
<td>E</td>
<td>Item E</td>
<td>15</td>
<td>75</td>
<td>1125</td>
</tr>
</tbody>
</table>

*Note: Total does not include tax.*

Expenses for the quarter: $10,000.
disadvantages, its merits its demerits? Can we state logically and unequivocally that a typical retirement system for teachers possesses benefits of large importance? Many authorities feel quite certain that we can. One of our leading educational writers has this to say concerning a statewide teachers' retirement law:\footnote{1}

(1) It protects the children in the school from being taught by teachers of advanced age who are no longer efficient, but whom boards of education have not the heart to drop from service.

(2) It tends to attract capable young people into teaching because a retirement allowance dignifies the service and removes one of its most discouraging features.

(3) It tends to retain the most capable teachers, who are today continually leaving the profession to accept other forms of employment in which they can make better provision for their old age.

(4) It tends to increase teaching efficiency by removing from the mind of the teacher the thought that he must always be saving to provide for the days when he can no longer teach.

(5) It increases public respect for the teacher, and indirectly tends to augment both salary and tenure.

(6) The plan actually costs the public little or nothing and under a properly built salary schedule may really save money for the state because it decreases teacher turnover, and hence the cost of training new teachers, as well as removes superannuated and high-salaried teachers and replaces them by beginners.

(7) It applies to teaching what has been provided for many other forms of public service, and what is today common in industry and business. More than a million employees of the Federal Government have already been provided for in this way, while universities, banks, railroads, and business corporations are adopting the pension idea in greatly increasing numbers.

Still other advantages from the point of view of teachers who come under the provisions of a statewide retirement plan are listed by Cooper:\footnote{2}

"(a) Teachers can change from one school to another without losing benefits; (b) it opens an equal opportunity to all teachers; (c) it places all

\footnote{1} Elwood P. Cubberley, op. cit., p. 660.

\footnote{2} Lewis B. Cooper, "Statewide Teacher Retirement Benefits," \textit{Texas Outlook}, Vol. XX (August, 1936), p. 31-32."
salaries on a higher plane; (d) it results in greater permanency; and (f) it equalizes conditions throughout the state in contributions and provisions for retirement.

Thus it would appear that if the schools are to be kept functioning at a high peak of efficiency, if capable teachers are to be attracted to and retained in the teaching profession, a teachers' pension system should be in operation in every community and state.

Some common objections to a teachers' pension system.-- Most of the objections to teachers' pensions are specifically directed against points in systems which have been adopted. These may be removed, of course, by making changes here and there. Still others are fundamental and, as Almack 1/ points out, if they could be established, would be worthy of attention. This authority finds that the first type of objection to teachers' pensions is that they are nothing more than charity which a self-respecting teacher should not bring himself to accept. The obvious answer to that is that teachers' pensions are earned, and are definitely not charitable bequests.

The second type of objection has to do with the argument that the granting of a teachers' pension is an acknowledgement that present salaries are too low or that teachers are incompetent or improvident. Several answers are on hand for this. As has been premised, the pension allowance should be looked upon as an increase in salary which would not be forthcoming if it were not put in that form. This can also be stated. Inasmuch as the participation of the whole teaching force is necessary in order to

1/ John C. Almack, op. cit., p. 258.
have a pension system, the charge that teachers lack financial ability or fail to practice thrift is unwarrantable.

Almack¹ deduces that even if this pension allowance were added to the monthly salary, the margin between the total and the amount required to meet absolute needs would be too slight to safeguard all teachers against speculation or waste.

An objection on legal grounds is considered by Edwards,² he reveals that teacher-pension legislation has been attacked on the ground that it violates either the state or federal constitution. The most common objection³ being that such legislation violates the fourteenth amendment which declares that no state shall deprive any person of liberty or property without due process of law. (Compulsory participation is, of course, here alluded to.)

Yet another objection⁴ is that pension laws are class legislation, that they result in the expenditure of public money for private purposes; and that they are local or special laws for the management of public schools.

The best defense against these cited arguments, says Edwards⁵, is that the courts, with one exception, have denied all these contentions.

Force⁶ cites an objection that is based on the fact that some school

¹ John C. Almack, op. cit., p. 259.
³ Ibid, p. 469.
⁴ Loc. cit.
⁵ Ibid, p. 474.
⁶ Anna Laura Force, op. cit., p. 189.
boards have used retirement regulations as a convenient excuse for removing from the active payroll the older, more experienced, higher-salaried teachers in favor of younger, less experienced, and lower-salaried teachers. She finds that while this is done infrequently, this condition constitutes no valid objection to the existence of retirement systems, for this condition would be worse were there not any system.

Some objections to retirement systems as such are voiced by Cooke¹, who sees the following undesirable social and economic results of teacher-retirement systems: "(1) it leads to a certain stratification of the labor class. An employee, after twenty years of service is not likely, on account of his old-age pension, to take chances of bettering his conditions by changing; (2) the teacher lacks freedom in dealing with his employers: he feels his dependence on his old-age pension; and (3) a teacher-retirement system produces a natural tendency towards a lower rate of money wages: without response to increased cost of living or desires on the part of the employees as a class."²

Cooke³, who advances these objections, states that to some extent these conditions are brought about by the natural regimentation involved in a retirement plan, yet the advantages of the plan outweigh its disadvantages, consequently, these objections should be dismissed as being infrequent and isolated.

The establishment of a retirement system.—The Sixth Yearbook of the


² Ibid, p. 131.

³ Ibid, p. 132.
National Education Association\(^1\) reports that the establishment of a good retirement system requires the enactment of sound and adequate legislation, the procedure to involve three steps of major importance:\"(1) a scientific study of the conditions and needs of the teaching personnel with respect to retirement from service; (2) the drafting of a suitable law worthy of the support of teachers and public alike; and (3) a campaign for educating teachers, the general public, and legislators concerning the merits of the proposed measure and the reasons why it should be enacted into law.\"\(^2\)

From this authoritative statement, it can be easily seen that we cannot expect to rub the lamp of Aladdin and have a sound retirement plan emerge from out of the misty beyond. Hard and untiring work is needed, political and legislative fences have to be built, public opinion must be aroused, and the merits and demerits of the plan must be known to all. Much of the teacher's sorry social and economic plight is due to the fact that he has not made himself felt beyond the confines of his own classroom; he has waited for a belated public recognition of the invaluable services that he has rendered the community and the nation, when he should have adopted the initiative, as many educators are now doing, as presented them forcefully and dramatically to the public and demanded some public and material acknowledgement.

The social and economic position of the teacher never was an enviable one, and it speaks highly of the teaching profession as a whole that men

\(^{1}\) Sixth Yearbook of the National Education Association, Economic Welfare of Teachers, op. cit., p. 123.

\(^{2}\) Ibid., p. 124.
and women of high moral fibre, of superior intellectual ability will teach, day after day, unceasingly and unremittingly, for a stipend that is, on the average, less than that paid factory hands. The writer proposes in the following section of this chapter to substantiate the statements herein made.

Some Social Considerations

Although it is true that an enlightened public intelligence has today generally accepted the pension idea for the various classes of workers, and only a feeble minority now voice any protest against the payment of pensions to public servants, it is believed advisable to enumerate some social considerations now, and some economic considerations immediately following, that are involved in teachers' pensions.

From a purely social standpoint, no pension system for teachers based on charity to the individual can be defended. Society does not owe any man a pension. It does owe him, however, as Pritchett comments, if his service is fruitful and of high quality, "a reasonable salary and is under obligation to set up machinery through which he can, with reasonable foresight and self-control, protect his dependents against the hazards of his own premature death and himself against the hazards of dependence in old age."  

Carrying Pritchett's point a bit further, it is to the well-being of society that the individual should be free to pursue whatever vocation

1/ Henry S. Pritchett, op. cit., p. 10.
2/ Ibid., p. 11.
he wishes without losing the equity in the retired pay which goes with his years of service. This is, of course, easily possible under a system of individual contracts, under a contributory system of pensioning. That free pensions make this practically impossible constitute one of their gravest faults, asserts one authority.\(^1\)

Another authority\(^2\) in the field finds that the objections to the wholly non-contributory pension system are several in number and weight. In the first place, it almost necessarily means a system "over whose management and specific provisions the teachers, themselves, are given little or no control; and, secondly, because they eventually become contributory systems in a disguised form, wherein the burden is shifted to an inequitable degree upon the younger members."\(^3\)

Pritchett lists two highly important social considerations which are involved in the free teacher-pension: "(1) Professional men of high intellectual and moral standards need to preserve not only their economic independence and self-respect, but also their own individual freedom of action. (2) Any pension system under which the beneficiary is provided with an old-age annuity without cost or participation by himself is, in the long run, demoralizing to any group of men however high-minded."\(^4\)

That teachers' pension systems are part of a recent world movement for social insurance is observed by Furst and Kandel, who further note

\(^1\) Pritchett, op. cit., p. 10.

\(^2\) Studensky, op. cit., p. 119-120.

\(^3\) Ibid., p. 120.

\(^4\) Pritchett, op. cit., p. 12.
that the justification of a teacher-pension system arises from the interests of both the employer and the employee, and the demand of economic efficiency as well as social justice. 

But should the public become concerned with the social status of the teacher? Is he so important as a social being that he should be singled out for attention by a busy public? Possibly the answers to both these questions can be found in the number of teachers in the country and their respective contributions to the community. Givens contends that education accounts for over one-third of all public employees and for more than three per cent of all the nation's workers, and that there are more teachers than there are carpenters, miners, machinists, bookkeepers, physicians, or lawyers. Yet, as Givens declares, the importance of the teacher in American life is not limited to mere statistical measures, "for upon the skill, devotion, and intelligence of the teacher depends much of the future social safety and material progress of the country."

No one will deny that teaching should be a career wherein men and women of the highest caliber can render distinguished service without an ever-present fear of future poverty. Yet such is the case, and many superior men and women refuse to enter the teaching profession because of the insecure economic status that confronts them.


3/ Ibid., p. 124.
The establishment of teachers' pension systems, then ceases to be a matter of sentiment, or a reward for past services, or a compensation for low salaries if it is considered that by such an establishment, the teaching profession will attract persons of intelligence, ability, and devotion, because they realize the avenue of promotion is open to them and that security can be had.

Why not then take the teacher for what he really is: a public servant, performing a task of unsurpassed importance to the nation, and on that account just as fully entitled to adequate compensation, or its equivalent, as the soldier, the industrial worker, or the judge. The writer realizes that teachers of character and intelligence are willing to undertake public service and labor poorly paid, but he feels that it is too much to expect them also to sacrifice prospects of security in old age and disability. He feels that no greater work can be attempted than the enrolling of all of the teachers in the country under statewide teachers' retirement systems, and that to this end, all educators should dedicate themselves.

Some Economic Considerations

What is the real economic status of the teacher? Is there any economic justification for the establishment of a teachers' retirement system? Are not teachers as a class so paid and so protected from unemployment that they are far more able to protect themselves against old age, premature death, and disability than any other class of workers?

One authority\(^1\) testifies to the contrary. He finds that the teach-
\(^1\) Willard E. Givens, op. cit., p. 124.
ing profession is not now adequately protected against unemployment and old age and that the prevailing salaries are utterly inadequate in many cases to permit the accumulation of reserves through private initiative. His findings are bolstered by those of the United States Office of Education and special state-wide surveys which indicate that unemployed teachers constitute a group one-fifth as large as the employed teachers who number approximately one million.

Yet, some one will remark, over one-half of the states have state-wide teachers' retirement systems, and over sixty-five per cent of the nation's teachers come under their provisions. Surely, at least, these teachers are protected against the hazards of old age? Givens\textsuperscript{1/} retorts emphatically not, for he asserts that many of these teachers are members of financially unsound systems, that many older teachers have not accumulated any significant reserves, and that the allowances paid are often inadequate. How inadequate these allowances often are will be considered later.

How well paid are teachers as a class? Calling upon Givens\textsuperscript{2/} again, it is discovered that the average annual salary for all principals, supervisors, and teachers during the last year (1937) has ranged from $1222 to $1440. That in 1926, when teachers' salaries were at about the same average level as at present, less than one per cent of all school teachers and executives received $4000, and less than two per cent received over $3300; and that at the lower end of the scale over fifteen per cent

\textsuperscript{1/} Ibid., p. 124.
\textsuperscript{2/} Ibid., p. 124.
received less than $700, and nearly forty per cent received less than $1000.\footnote{1}

As a result, one can estimate that one teacher in every three (figuring on approximately one million teachers) is now paid less than $750 per year. In other words, about 250,000 teachers receive annual wages below the minimum for factory hands under the blanket code of the late-lamented N.R.A., and below the minimum wage set up in the proposed wage and hour law, now pending in Congress.

Add to these disagreeable facts the report of the United States Office of Education, as of January 8, 1937, which sets forth that there are over 200,000 certified teachers who are in the ranks of the unemployed, and that there are 24,000 fewer teaching positions than in 1932, and it can be easily seen that the economic status of the average teacher is far from being roseate financially.

The following table reveals graphically how the average salary of the teacher as a class compares with the average earnings of other gainfully employed persons:

Table 3. Trend of Average Earnings of All Gainfully Occupied Persons and Teachers. 1913 to 1928.\footnote{2}

<table>
<thead>
<tr>
<th>Year</th>
<th>Average earnings of all gainfully occupied persons</th>
<th>Average salary of teachers, principals and supervisors</th>
<th>Per cent column 3 is of column 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>$965</td>
<td>$512</td>
<td>53</td>
</tr>
<tr>
<td>1916</td>
<td>1120</td>
<td>576</td>
<td>51</td>
</tr>
<tr>
<td>1918</td>
<td>1496</td>
<td>635</td>
<td>42</td>
</tr>
<tr>
<td>1920</td>
<td>1850</td>
<td>871</td>
<td>47</td>
</tr>
</tbody>
</table>

\footnote{1}{Ibid, p. 124.}

\footnote{2}{"What's Ahead for Teachers' Salaries?" Pamphlet of the Research Division of the National Education Association, 1930. p. 11.}
### Table

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Column D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value 1</td>
<td>Value 2</td>
<td>Value 3</td>
<td>Value 4</td>
</tr>
<tr>
<td>Value 5</td>
<td>Value 6</td>
<td>Value 7</td>
<td>Value 8</td>
</tr>
<tr>
<td>Value 9</td>
<td>Value 10</td>
<td>Value 11</td>
<td>Value 12</td>
</tr>
</tbody>
</table>

For further details or additional analysis, please refer to the original document.
### Table 3. (concluded)

<table>
<thead>
<tr>
<th>Year</th>
<th>Average earnings of all gainfully occupied persons</th>
<th>Average salary of teachers, principals and supervisors</th>
<th>Per cent column 3 is of Column 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1922</td>
<td>$1595</td>
<td>$1161</td>
<td>73</td>
</tr>
<tr>
<td>1924</td>
<td>1789</td>
<td>1227</td>
<td>69</td>
</tr>
<tr>
<td>1926</td>
<td>1920</td>
<td>1277</td>
<td>67</td>
</tr>
<tr>
<td>1928</td>
<td>1920</td>
<td>1364</td>
<td>71</td>
</tr>
</tbody>
</table>

On consulting the table, we find that it is true that teachers' salaries have shown some increase in recent years, but the increase has been small and the trend seems to be approaching a plateau. Secondly, if the trend of recent years continues, it appears that the average salary of teachers will stabilize at a figure which is approximately 70 per cent of the average earnings of all gainfully occupied persons. Then, too, it must be observed the salaries of teachers have been slashed during the depression.

Overn\(^1\) comments that a teachers' pension system then should be treated as a salary adjustment and that a plan for retired pay should be considered not as charity but as a business arrangement by which a state or municipality retires those teachers who are unable to render their best services because of advanced age or disability. Another fact, of course, that has not been as yet brought out is that the amount of the retirement allowance is in direct relationship to the salary received over a course of years. Decrease or keep low the salary and you decrease or keep inadequate the retirement allowance. Thus we can agree with Overn

<p>| | | | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>0</td>
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<td>0</td>
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</tr>
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<tr>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

The table above shows the values for different parameters. The values range from 0 to 7. The table is structured in a grid format with each parameter having a corresponding value.
and others and state that a retirement plan aims to provide the average teacher with a living wage for life.

Baldwin\(^1\), in connection with a study of teachers' salaries, drew the following conclusions: "If teaching is to attract men and women of outstanding character and teaching power, it must have a professional salary schedule adequate to meet current living costs and to liquidate risks of personal accident, illness, unemployment, death, and old age; these figures can be reduced by adopting a plan of retired pay with professional tenure previously determined."

The figures and facts speak for themselves. On the material and economic side, the systematic retiring allowances help to promote efficiency by making the teacher more contented with his job, by attracting the best type of man and woman to the teaching profession, and by working a public good in aiding to raise the salaries of teachers to prevailing standards. To these conclusions, Graves\(^2\) would add that systematic retirement allowances bring about a large financial saying to the public, since they tend to protect it at small cost against dependency and the burden of indigent and incapacitated people.

To sum up the economic point which has been developed in this division of the thesis, a statement of Givens\(^3\) can not be improved upon. He finds that the extent to which an occupational group is subject to the economic


hazard arising from old age and unemployment depends on a variety of factors, namely: "the probability that a particular hazard such as unemployment will occur; the extent to which the occupational group is insured against the hazards by local, state or national legislation; and the opportunity which exists to accumulate financial reserves."^1/

Since this paper has endeavored to show that unemployment is not an uncommon thing among teachers, and that the teachers as a group are not adequately and comprehensively protected by insurance against old age and disability, and that the teachers' salaries are not adequate enough to allow them to accumulate reserves to protect them against these hazards, the writer believes that there exists a very good argument for the establishment and maintenance of a teachers' pension system, financed by the joint contributions of the state and teacher.

Thus the thesis of this paper is that a teachers' retirement plan tends to raise the whole tone of the teaching profession by automatically removing from the profession all those teachers who have become less efficient through age or disability, by encouraging young men and women of exceptional ability to stay in the profession; and by making it possible for every teacher in the system to do better work because he is free from the worries of his economic future.

^1/ Loc. cit.
CHAPTER II
CRITERIA OF A SOUND TEACHERS' RETIREMENT PLAN

Summary of the Principal Tendencies

Before any serious attempt is made to consider the fundamental principles of a sound retirement system for teachers, it is believed admissible at this point to present a summary of the leading tendencies, because out of these tendencies or changes spring the criteria used in evaluating a particular teachers' retirement system.

The principal tendencies in teacher-retirement legislation were last published by Palmer and few, if any, departures have been noted by the writer in recent literature. The principal tendencies, then, in teacher-pension legislation are:

I. Development of statewide teachers' pension systems.
II. Retention of teacher representation in the administration of pension systems but a decrease in its extent.
III. Establishment of a partly contributory rather than a free or wholly contributory pension system.
IV. Support of teachers' pension systems by both public and private funds.
V. Disappearance of such uncertain source of funds as gifts or legacies.
VI. Provision for raising by taxation the funds required to meet the public's obligation to the system.
VII. Adoption of the actuarial reserve plan of financing.
VIII. Provision for subsequent actuarial investigation.
IX. Adoption of special provisions for meeting the problem of accrued liabilities.

X. Optional membership in the pension system for those teachers in service at the time of the establishment of the system accompanied by a time limit for the making of their choice.

XI. Compulsory membership in the pension system for new entrants.

XII. Increase in the amount of the assessment against the teacher's salary.

XIII. Assessment of a fixed percentage of teacher's salary with no relation to length of service.

XIV. Abandonment of limits and special requirements with respect to the teacher's contributions.

XV. Discontinuance of the policy of pooling teachers' contributions and substitution thereof of a policy of crediting to separate individual accounts the contributions of each teacher from which fund annuities shall be paid.

XVI. Increase in the amount of the retirement allowance and provision for two distinct sums, an annuity purchased from the teacher's contributions and a pension from the city or state, payable according to the option selected by the teacher.

XVII. Retirement of teachers, regardless of sex, upon a basis of thirty years of service, a portion of which must have been rendered within the pensioning city or state.

XVIII. Provisions for disability benefits upon a decreased service requirement and without the requirement of a medical examination.

These are the tendencies that all new retirement plans must manifest if they are to be judged financially sound; the success or failure of these plans will rise or fall on the extent to which these conditions are met.

Since these are the leading tendencies that are observed in teacher-pension legislation, what then are the fundamental principles of a sound retirement system? What provisions should such a system contain?

The National Education Association, for many years, has devoted careful study and consideration to the problems and principles involved in the establishment of a sound teachers' retirement system, and during the course of many years these principles have been revised and extended. Since the writer has found that the literature on teachers' pension systems borrows liberally of these findings of the Association, he believes that the best set of principles that can be advanced are those of the Association.
The writer believes that it is pertinent to add, at this juncture, that this set of criteria was accepted only after a critical analysis of the literature revealed to him that they have been approved by a great number of educational authorities as being complete and comprehensive.

Among the authorities studied who have subscribed to all of these principles are: Almack¹, Cooke², Cubberley³, Force⁴, Furst⁵, Housman⁶, Lantman⁷, Palmer⁸, Pritchett⁹, and Studensky¹⁰.

Following is a statement of the fundamental principles of a sound teachers' retirement system as seen by the National Education Association.¹¹

I. Membership should be compulsory for teachers entering the

¹/ John C. Almack, op. cit., p. 269.
³/ Elwood P. Cubberley, op. cit., p. 660.
⁴/ Anna Laura Force, op. cit., p. 207.
⁷/ Nida Pearl Palmer, op. cit., p. 48-49.
⁹/ Henry S. Pritchett, op. cit., p. 23.
¹⁰/ Paul Studensky, op. cit., Chapter IV.
service after the enactment of the retirement law; optional for teachers already in service.

Concerning this principle the National Education Association has this to say:

Early entrance into the retirement system is desirable for a number of reasons, (1) the stabilization of the profession; (2) the making of teaching a permanent career rather than a transient occupation; (3) the providing of a large retirement allowance; (4) the possibility that young teachers will unduly delay entering; (5) the early establishment of thrift; (6) the guarantee that all members can be retired upon reaching old age; and (7) the increasing ease with which an adequate reserve is built up.

The National Education Association further reports that while it is desirable for all teachers to join the retirement system, pressure should not be brought to bear upon teachers already in service, lest they prevent the enactment of the plan.

II. Retirement ages and rules should be defined and administered so as to retain teachers during efficient service and provide for their retirement when old age or disability makes satisfactory service no longer possible. The retirement allowance should be sufficient to enable the retiring teacher to live in reasonable comfort, thereby removing the temptation to remain in the classroom beyond the period of efficient service.

III. The sums deposited by the teacher and by the public during the period of service should be approximately equal.

IV. The deposit by the teacher and the payment by the public during the period of service should be stated by the organic act creating a retirement system, subject to adjustment in accordance with future actuarial investigations.

V. The teacher's contribution and the state's payments to the retirement fund should be made regularly and concurrently during the teacher's period of service.


2/ Loc. cit.
VI. The retirement board should open an account with each individual teacher. Sums deposited in that account by the teacher should be held in trust for that teacher.

VII. An adequate and actuarially sound reserve fund should be created to guarantee that the necessary money to pay the benefits promised will be on hand at the time of retirement.

VIII. Periodic actuarial investigations should be made of every retirement system to insure its financial soundness.

IX. A retirement allowance should be provided for disabled teachers after a reasonable period of service.

X. Teachers leaving the service before the regular retirement should retain rights to all moneys accumulated in their accounts. Teachers' accumulated deposits should be returnable upon withdrawal from teaching service, or death prior to retirement.

XI. The teacher should have the opportunity to elect the manner in which he will receive the benefits represented by the accumulated value of his deposits and the state's payments.

XII. Upon the adoption of the retirement plan, teachers should be given credit for their service prior to the establishment of the system. Funds for this purpose should be provided by the public.

XIII. The public should guarantee active teachers all the benefits which they had a reasonable right to expect under the old system. It should guarantee teachers retired under a previous system the allowance promised at the time of their retirement.

XIV. Provision should be made for cooperative or reciprocal relations between the retirement systems of the different states.

XV. The administration of the retirement system should be in the hands of a retirement board whose make-up is carefully prescribed in the retirement law, and which represents both the public and the teacher.¹

In addition to the above fifteen fundamental principles of a sound retirement system, the Review of Educational Research² believes that to

¹ Ward W. Keesecker, op. cit., p. 8.
this list can be added the following three principles inasmuch as they have been mentioned by one or more writers in the field:

XVI. A teacher should be required to fulfill certain minimum age or service conditions before he may qualify for regular retirement benefits.

XVII. An age for compulsory superannuation should be set up.

XVIII. The teacher's deposit to the retirement system should be expressed as a percentage of salary.

These principles, then, will be accepted as being comprehensive inasmuch as they represent the pooled findings of scores of competent experts, some working independently, some for the research division of the National Education Association, some under the auspices of the United States Office of Education, and still others for the Carnegie Foundation for the Advancement of Teaching.

Practical and systematic use will be made of them in the comparative study that will be made in the following chapter of the retirement plans of California, Massachusetts, Michigan, Ohio, and New York. Each criterion will be applied separately and individually to these five retirement systems, and on the basis of their agreement or disagreement with the established criteria, an evaluation will be attempted.
CHAPTER III

THE APPLICATION OF THE ESTABLISHED CRITERIA

An Evaluation of the Five Retirement Plans

In this final chapter the retirement systems of California, Massachusetts, Michigan, New York, and Ohio will be compared with a view to discovering the extent of their agreement or disagreement with the eighteen criteria that have already been established. The extent to which affirmative answers can be given to questions based upon these criteria should reveal to what extent these particular systems may be judged to accord with the criteria.

Insofar as it is feasible, the answers will be presented in tabular form so that a more graphic picture may be had of the conformity or disagreement.

The criteria, expressed interrogatively, herewith are applied to the retirement plans under consideration:

I. Is membership in the retirement system compulsory for teachers entering the service after its enactment and optional for teachers already in service?

Table 1 presents data on membership in the teachers' retirement systems under analysis. In all five states membership is compulsory for new teachers. Membership is also compulsory for present teachers in Ohio, although this state does grant its teachers an opportunity to receive exemption. Only teachers who have been in service since September 1, 1920 can secure this exemption, and, if successful, they lose prior-service credit.
Table 1. Compulsory Membership in Teacher Retirement Systems.\(^\text{a/}\)

<table>
<thead>
<tr>
<th>States</th>
<th>Compulsory</th>
<th>Optional</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New teachers</td>
<td>Teachers in service</td>
</tr>
<tr>
<td>(1) California</td>
<td>x</td>
<td>.............</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>x</td>
<td>.............</td>
</tr>
<tr>
<td>Michigan</td>
<td>x</td>
<td>.............</td>
</tr>
<tr>
<td>New York</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Ohio</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

In California teachers who claimed exemption and later desire benefits must make certain payments to the fund; also applicants offering service outside of the state and subsequent to June 1, 1914. Members of previous teachers' retirement associations in Massachusetts are required to join. Other present teachers may apply for membership anytime before the age of 70, and join the system by making certain payments to the fund. Membership may be elected at any time in Michigan.

II. (a) Are retirement ages and rules so defined and administered that teachers are retained during efficient service and their retirement provided for when old age or disability makes satisfactory service no longer possible?

Table 2 shows the nature of the conditions for optional retirement under these state-wide retirement systems. All five systems require certain minimum conditions to be fulfilled before a teacher may qualify for retirement. The conditions mentioned refer to age or term of service. The exceptions to the conditions expressed as follows:

1. In California deposits must be made up at 5 per cent interest for years of outside service claimed. May receive credit for service

<table>
<thead>
<tr>
<th></th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Row</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Row</td>
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<td></td>
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<tr>
<td>Third Row</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Row</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fifth Row</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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The table above shows the distribution of various categories across different groups. The data is presented in a clear and organized manner, allowing for easy comparison and analysis. Each row represents a different group, while the columns indicate various categories. The values in each cell correspond to the count or percentage of occurrences within that category for the respective group.

---

Government statistics on population growth show a steady increase from 2015 to 2020. The population in 2015 was approximately 100 million, and by 2020, it had grown to 120 million, indicating a growth rate of 20% over the five-year period. This growth is attributed to the country's efforts in improving healthcare, education, and economic opportunities.

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In conclusion, the rise in population growth is a significant indicator of the country's development and the success of its policies aimed at improving living standards. It is crucial to continue monitoring these trends and implementing strategies to ensure sustainable growth and equitable distribution of resources.

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in teachers colleges, certain state schools, southern branch of the University of California, and war-time service in United States military and naval forces. Must apply within 2 years of last month of service, unless absent 2 years or more on duly granted leave; in such case, may apply at any time during leave.

2. In Massachusetts, present teachers, for whom there is no age requirement, must have given 15 years of service in the state, five to immediately precede retirement. Pension for these teachers increased to what it would have been had retirement taken place at age 60 with 30 years service. Periods of leave of absence or sickness are not counted in 5 years immediately preceding retirement, but, on approval of board, not considered continuity of service.

3. In Michigan, a teacher, age 60, may receive smaller allowance on 25 years of service, 15 in the state, including the last 5 years.

4. In New York these conditions apply to new entrants. Present teachers age 60 may retire on 25 years of total service. Any teacher may retire on 35 years of service, regardless of age.

5. In Ohio new entrants with less than 5 years of service are not eligible for retirement. Teachers with 36 years of service may retire at any age. Outside service may be counted as prior service, if teacher makes up deposits due for such period.

Table 2. Conditions for Optional Superannuation Retirement.

<table>
<thead>
<tr>
<th>States</th>
<th>Years of service</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total number required</td>
<td>Amount of Total to be in state</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>California</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>.......</td>
<td>.......</td>
</tr>
<tr>
<td>Michigan</td>
<td>30</td>
<td>.......</td>
</tr>
<tr>
<td>New York</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Ohio</td>
<td>.......</td>
<td>.......</td>
</tr>
</tbody>
</table>

Table 3 reveals that all of the states demand that a certain number

\[a/\] Ibid, adapted from Table 9, p. 249.
null
of years of service be had before the applicant can apply for a disability allowance. Each of these states, New York excluded, demands that all of the stipulated years be spent within the state. In addition to its other requirements, Massachusetts prescribes that the teacher seeking disability allowance be under 60 years of age. California and Michigan stipulate that a certain sum be deposited before eligibility is ruled.

Table 3. Conditions for Disability Retirements.\(^2\)

<table>
<thead>
<tr>
<th>States</th>
<th>Years of service</th>
<th>Conditions</th>
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<tbody>
<tr>
<td></td>
<td>Total number required</td>
<td>Amount of total to be in state</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>California</td>
<td>15</td>
<td>All</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>20</td>
<td>All</td>
</tr>
<tr>
<td>Michigan</td>
<td>15</td>
<td>All</td>
</tr>
<tr>
<td>New York</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Ohio</td>
<td>10</td>
<td>All</td>
</tr>
</tbody>
</table>

In California, a teacher must apply within 2 years of the last month of service, unless absent 2 years or more on duly-granted leave; in such case, he may apply at any time during such leave. All years of service must be in the state including the last 10 immediately preceding retirement, which, however, may be broken under certain circumstances. In Massachusetts the last five must be consecutive. In New York the total number of years of service is 20 for present teachers; otherwise 15 years of service in all in the state. New York requires that only the last ten years of service must be in that state. In Ohio, all the years of service must be spent in the state as member each of 10 years of service subsequent to

\(^a\) Ibid, adapted from Table 13, p. 258.
The given text is not legible due to the quality of the image. It appears to be a page from a document, possibly containing data or tables, but the content cannot be accurately transcribed or interpreted.
II. (b) If the retirement allowance sufficient to enable the retiring teacher to live in reasonable comfort, thereby removing the temptation to remain in the classroom beyond the period of efficient service?

The following table shows the allowances that are being paid in the states under analysis:

Table 4. Retirement Allowances in the Five States

<table>
<thead>
<tr>
<th>States</th>
<th>Total number living entrants</th>
<th>Smallest</th>
<th>Average</th>
<th>Largest</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>1,506</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>1,783</td>
<td>13</td>
<td>.792</td>
<td>1429</td>
</tr>
<tr>
<td>Michigan</td>
<td>932</td>
<td>250</td>
<td>600</td>
<td>1200</td>
</tr>
<tr>
<td>New York</td>
<td>2,982</td>
<td>400</td>
<td>899</td>
<td>....</td>
</tr>
<tr>
<td>Ohio</td>
<td>3,508</td>
<td>23</td>
<td>670</td>
<td>1534</td>
</tr>
</tbody>
</table>

An examination of these figures discloses that in practically all of these systems the average retirement allowance is about one-third of the present average salary. Consequently, this severe reduction in income at the time of retirement means that teachers must supplement the retirement allowances by savings or other forms of income, or restrict their form of living.

The question that now rises is whether or not the allowances paid by these systems are sufficient to enable the retiring teacher to live in "reasonable comfort." The National Education Association has established

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The table below shows the results of a scientific experiment. Each column represents a different variable, and the rows indicate the conditions under which the experiment was conducted. The data in the table can be used to analyze the effects of the variables on the outcome of the experiment.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Variable 1</th>
<th>Variable 2</th>
<th>Variable 3</th>
<th>Variable 4</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
</tr>
<tr>
<td>B</td>
<td>15</td>
<td>25</td>
<td>35</td>
<td>45</td>
<td>55</td>
</tr>
<tr>
<td>C</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
</tr>
</tbody>
</table>

To further analyze the data, statistical methods such as regression analysis can be applied to identify correlations between the variables and the result. This can help in understanding the underlying mechanisms and in making predictions for future experiments.
Table 5. Retirement Allowances Provided by the Five States.a/

<table>
<thead>
<tr>
<th>States</th>
<th>Flat Benefit</th>
<th>Allowance composed of combined annuity and pension</th>
<th>Allowance from teacher's deposits</th>
<th>Pension from state's payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Massachusetts</td>
<td>...</td>
<td>Annuity purchases by sum of deposits with interest. Maximum annuity one-third at age 60, $650. Average salary for last five years preceding retirement.</td>
<td>Amount equal to annuity secured by teacher's deposits.</td>
<td>Pension in addition to that in column 4. Sum must equal amount due had teacher retired at age 60 with 30 years service, an extra amount given for service in excess of 30 years. Maximum pension $500 average salary.</td>
</tr>
<tr>
<td>Michigan</td>
<td>...</td>
<td>Teacher age 60 with 30 years of service receive annuity equal to $500, nor less than $300. Teacher's age 60 with 25 yrs. of service receive annuity in proportion to one due for 30 yrs. as teacher's service is to 30.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---
<table>
<thead>
<tr>
<th>States</th>
<th>Flat Benefit</th>
<th>Annual allowances paid different groups of teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>New York</td>
<td>.......</td>
<td>Annuity having reserve equal to sum of deposits with regular interest.</td>
</tr>
<tr>
<td>Ohio</td>
<td>.......</td>
<td>Annuity representing actuarial equivalent of sum of deposits with regular interest.</td>
</tr>
<tr>
<td>Serial No.</td>
<td>Description</td>
<td>Quantity</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------</td>
<td>----------</td>
</tr>
<tr>
<td>001</td>
<td>Item A</td>
<td>100</td>
</tr>
<tr>
<td>002</td>
<td>Item B</td>
<td>50</td>
</tr>
<tr>
<td>003</td>
<td>Item C</td>
<td>75</td>
</tr>
</tbody>
</table>

The above table represents the inventory details of the specified items. The total weight is calculated by multiplying the quantity by the weight per unit.
that a median figure of at least $636 is required annually to meet minimum needs. Therefore, if by "reasonable comfort" we mean being able to provide the necessities of life and but little more, all of the states under consideration, save possibly California, grant retirement allowances that permit this form of living. While the pension may appear to be inadequate, it must be borne in mind that the size of the pension depends upon the size of the teacher's contributions, and that if the pension allowance is to be increased significantly it can only be done by increasing the rate of contribution. Again, as one grows older, his wants tend to decrease, and the pension received is usually ample enough for him to discharge his ordinary financial obligations. It is also to be presumed that over a period of years the teacher has been reasonably economical so that he does not have to depend entirely upon his pension for economic security.

III. Are the sums deposited by the teachers and by the public during the period of service approximately equal?

Table 6 reveals that in California, Massachusetts, New York, and Ohio the contributions of the teacher are matched by the state, and the teacher's annuity is merged with the state's pension. It must also be noted that the California legislature only appropriates money for the teacher's retirement fund when necessary. The only state not contributing equally to the teachers' retirement fund is Michigan. The table also reveals that New York is the most generous in the awarding of pensions, Ohio next, and then Massachusetts, with California placing last.

Table 6. Comparative Analysis of the Sums Deposited in the Five State Systems.

<table>
<thead>
<tr>
<th>States</th>
<th>By Teachers</th>
<th>Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>California</td>
<td>$2 monthly. (Total contribution at date of retirement minimum $360.)</td>
<td>Appropriation if necessary. 5% inheritance taxes. Donations, legacies, etc.</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Not less than 3% nor more than 7% of salary; rate established each year and must be uniform for all members, except that minimum rate shall be $35 and maximum $130 a year.</td>
<td>State grants pension equal to annuity, with certain limitations. State also takes care of total administrative expense.</td>
</tr>
<tr>
<td>Michigan</td>
<td>One-half per cent salary (maximum $5) first 5 years; one per cent (maximum $10) next 10 years; 2 per cent (maximum $20) thereafter. (Total contributions minimum is year's pension.)</td>
<td>None, although donations, gifts, legacies and bequests constitute a permanent fund of which only the income is used.</td>
</tr>
<tr>
<td>New York</td>
<td>4 per cent of annual salary (compulsory); state pays annually a percentage of all earnable compensation of all teachers known as the Deficiency Contribution. The total payments shall be such as, when combined with amounts in pension accumulation fund, to provide for all pensions granted.</td>
<td>An annuity actuarially equivalent to accumulated contributions, and a pension of ( \frac{2}{3} ) final average salary; not less than $400 per annum if 25 years of state service; members 70 years of age with less than 25 years' service receive pension of one-hundredth of final average salary multiplied by years' service.</td>
</tr>
<tr>
<td>Ohio</td>
<td>4 per cent of salary, not applicable to that part of salary exceeding $2,000.</td>
<td>Annuity equal to accumulated contributions and a pension of equal amount, plus an amount equal to ( \frac{2}{3} ) average fixed salary multiplied by years' service.</td>
</tr>
</tbody>
</table>

IV. Are the deposits by the teacher and the payment of the public stated by the organic act creating a retirement system?
In California the organic act provides for a deposit of $24 per annum by the teacher, and for a payment by the state of 5 per cent of the taxes collected from the inheritance tax, and for an appropriation from the legislature, if necessary.\(^1\)

In Massachusetts the deposit of the teacher, based on a percentage of his salary, varies from 3 per cent to 7 per cent, or from $35 to $130. This rate is determined annually; the custom in recent years has been to fix the deposit at 5 per cent. The payment of the state is not worded so definitely: "Such amount as shall be appropriated by the general court ...."\(^2\)

The state of Michigan which makes no payment to the teachers' retirement fund requires each teacher to deposit an expressed per cent of his salary, graded according to his service: one-half per cent of his salary (maximum $5) first five years; one per cent (maximum $10) next ten years; 2 per cent (maximum $20) thereafter. (Total contribution: minimum, one year's pension.) In case of insufficiency of the fund, the board may increase the contributions from one-half per cent to one per cent, from one per cent to 2 per cent, and from 2 per cent to 3 per cent.\(^3\)

A member of the New York Teachers' Retirement Plan deposits 4 per cent of his salary annually and the state makes a payment that is a "uniform, \(^1\) Laws and Rules Governing the Retirement of California Public School Teachers, Article I, Chapter 9, p. 13.

\(^2\) Commonwealth of Massachusetts, General Laws Relating to the Retirement System for Public School Teachers, Chapter 32, Section 9, p. 3.

\(^3\) Michigan Teachers' Retirement Fund Law, Act 134 of the Public Acts of 1937, Chapter I, p. 5.
constant per cent of earnable compensation of average new entrant.\(^1\)

In Ohio the teacher makes a deposit of 4 per cent of his salary up to $2,000, while the state annually makes a payment equal to the accumulated contributions.\(^2\)

A scansion of the data indicates that the deposit of the teacher has been clearly stated by the organic act. The payments of the states of California, New York and Ohio are clearly expressed, but the payment of the state of Massachusetts can be criticized inasmuch as this payment is not definitely stated, the amount to be appropriated being annually determined by the state legislature. Michigan, as has been shown, does not provide for a payment by the state.

V. Does the retirement board open an account with each individual teacher?

In all of the five retirement systems under analysis, provision is made for the keeping of individual accounts. Each member of these retirement associations is assured that his annuity contract is an inviolable one. In each system the deposits of the member are set aside in a trust fund for him.\(^3\)

VI. Are the teacher's contributions and the state's payments to the retirement fund made regularly and concurrently during the teacher's period of service?

1/ New York State Teachers' Retirement Fund for Public School Teachers, Article 43-b, p. 21-22.


In four of the states the teacher's contributions and the state's payments are made regularly and concurrently. The practice is for the stipulated amount to be withdrawn from the salary of the teacher by the local school system each month, and for the state to make its payments annually. This agreement is also shown graphically in Tables 5, 6 and 7 which reveal the nature, the time, and extent of the payments of the teacher and the state. Since Michigan does not make any payment to the teachers' retirement fund, its answer to the question must be a negative one inasmuch as its teacher-retirement system is essentially a teacher-contributory one.

VII. Are these retirement systems on an actuarially reserve basis?

Table 7. Form of the Payments of the States to the Retirement Fund.

<table>
<thead>
<tr>
<th>States</th>
<th>Fund receiving payment</th>
<th>Amount paid</th>
<th>When paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>California</td>
<td>Public school teachers' permanent fund</td>
<td>Five per cent of taxes collected under inheritance or transfer tax laws of the state. Fund also to receive appropriations from the legislature.</td>
<td>Annually. From time to time.</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Pension fund</td>
<td>&quot;Such amount as shall be appropriated by the...&quot;</td>
<td>From time to time. (Annually)</td>
</tr>
</tbody>
</table>

1/ Retirement Law of California, op. cit., Section 5.844, p. 13, Section 5.853, p. 20; Retirement Law of Mass., op. cit., Section 14, p. 7; Retirement Law of N.Y., Section 1109-6, p. 16-7; Ohio, Section 7895-19, p. 11.

Table 7. (concluded).

<table>
<thead>
<tr>
<th>States</th>
<th>Fund receiving payment</th>
<th>Amount paid</th>
<th>When paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts</td>
<td>Teacher-contributory only</td>
<td>general court.</td>
<td></td>
</tr>
<tr>
<td>Michigan</td>
<td>Pension accumulation fund</td>
<td>a. Uniform, constant percentage of earnable compensation of average new entrant. At present this equals 2.67% b. Rate per centum of total compensation of all contributors in preceding school year. To be at least 3% greater than preceding annual payment.</td>
<td>Annually</td>
</tr>
<tr>
<td>New York</td>
<td>Pension accumulation fund</td>
<td>a. Uniform, constant percentage of earnable compensation of average new entrant. At present this equals 1.82% b. Rate percentum on basis of payroll used in computing deposits during the previous school year. At present this equals 1.57%</td>
<td>Annually</td>
</tr>
<tr>
<td>Ohio</td>
<td>Employer's accumulation fund</td>
<td>Annually</td>
<td></td>
</tr>
</tbody>
</table>

Table 7 reveals that California and Massachusetts are on the cash
disbursement plan, and that no effort is made ahead of time to meet the cost of retirement allowances or to provide for accrued liabilities. The benefits are appropriated for at the time they come due. Michigan is not listed since its teachers' retirement system is essentially a teacher-contributory plan.

In the case of New York and Ohio the annual deposits of the state take the form of a percentage of payroll, so calculated as to provide advance payments against the future retirement allowances of the members of the system. These rates of payments are on an actuarial basis therefore, while the rates of the payments of California and Massachusetts definitely are not.

VIII. Are periodic actuarial investigations provided for?

The amounts to be paid into the reserve funds in order to guarantee the benefits promised and other features of a sound retirement system should be based upon careful actuarial calculations.

From time to time it may be found necessary to revise the calculations or estimates if the financial soundness of the system is to be preserved, and the changes that take place should be based upon an actuarial evaluation.

Table 8 reveals that in California, New York and Ohio the retirement boards are empowered to employ actuarial advice and to keep records in such form that it is possible to prepare accurate mortality and service tables. Michigan makes no provision for an actuarial investigation. The retirement law of Massachusetts does not call for an investigation of the system by a competent actuary, but leaves that task to the insurance com-
<table>
<thead>
<tr>
<th>States</th>
<th>When Required</th>
<th>Nature of Investigation, when Specified</th>
<th>Related Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>Not to exceed six year period.</td>
<td>Actuarial investigation into the mortality, service and other experiences of members and beneficiaries and further shall make an actuarial valuation of the assets and liabilities of the system.</td>
<td>Board shall determine the rates of interest being earned on the fund created. Upon the basis of any or all such investigations, valuations shall adopt such interest rates, mortality, service and other tables as shall be deemed necessary.</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>...</td>
<td>No provision, although the retirement law states that the insurance commissioner or his agent shall at least once every year examine the affairs of the retirement system, and the mortality and service experience of each contributor and beneficiary.</td>
<td>For the purposes aforesaid, the commissioner or his agent shall have access to all the securities, books and papers of the retirement system, and may summon and administer path to any person relating .... to the conduct of the system.</td>
</tr>
<tr>
<td>Michigan</td>
<td>...</td>
<td>No provision.</td>
<td>...</td>
</tr>
<tr>
<td>New York</td>
<td>At such times as retirement board may consider it necessary, and at least once within first 3 years and each 5 year period thereafter.</td>
<td>Competent actuary familiar with retirement systems to prepare reports showing complete valuation of present and prospective assets and liabilities of funds, with exception of expense fund, shall investigate mortality and service experience</td>
<td>Board shall have power to secure services of such technical employees as may be necessary to transact business of system. Shall collect and keep in convenient form data necessary to preparation of required mortality and service tables.</td>
</tr>
</tbody>
</table>

---

a/ "Current Issues in Teacher Retirement," op. cit., p. 266. Adapted from Table 19.
Table 8. (concluded)

<table>
<thead>
<tr>
<th>States</th>
<th>When Required</th>
<th>Nature of Investigation, when Specified</th>
<th>Related Provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) New York</td>
<td>(2)</td>
<td>of members of system.</td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>At such times as retirement boards may consider it necessary and at least once within first 3 years of operation and each 5 year period thereafter.</td>
<td>Competent actuary familiar with retirement systems to prepare report showing complete valuation of present and prospective assets and liabilities of funds created. Shall investigate mortality and service experience of members of system.</td>
<td>Board shall have power to secure services of such technical employees as may be necessary to transact business of retirement board. Shall collect and keep in convenient form data necessary to preparation of required mortality and service tables.</td>
</tr>
</tbody>
</table>

missioner who may or may not avail himself of the advice of an actuary. The payment of the state pension in Massachusetts is not on an actuarial reserve basis, although the annuity of the teacher is thus protected.

IX. Is disability provided for after a reasonable period?

Table 3 on page 32 of this chapter divulges that all of the states herein discussed provide for disability allowances after a certain period of service. In all of the states except New York the complete period of service must have been rendered in the state wherein the applicant was teaching at the time the disability occurred. As the table reveals, the disability allowance represents a fraction of the regular superannuation retirement allowance.

X. Are teachers' accumulated deposits returnable in case of withdrawal from service prior to retirement?
Authorities appear to be generally agreed that the sum of the teacher's deposits should be available in some form in case a teacher leaves prior to regular superannuation retirement, although there are some who hold that such a provision tends to encourage resignation as a means of obtaining funds to meet temporary financial stringencies. However, inasmuch as the deposit of the teacher represents money that has been withdrawn from his salary, the loss that would accrue is one that would not materially affect the finances of the retirement system. His deposit should be considered as a savings account being held in reserve for him and not as the exclusive property of the state.

Table 9. Amount of Deposit Withdrawals by Teacher Who Leaves System Prior to Retirement.\(^{\text{a/}}\)

<table>
<thead>
<tr>
<th>States</th>
<th>Amount of Deposit Withdrawable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All (2)</td>
</tr>
<tr>
<td>California</td>
<td>..........</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>x</td>
</tr>
<tr>
<td>Michigan</td>
<td>..........</td>
</tr>
<tr>
<td>New York</td>
<td>x</td>
</tr>
<tr>
<td>Ohio</td>
<td>x</td>
</tr>
</tbody>
</table>

The above table discloses that the practice in all the states save California is to consider the deposit of the teacher as his personal property, returnable to him upon withdrawal from the retirement system by resignation or dismissal. It is pertinent to note that there are only three statewide retirement systems currently functioning, California, Minnesota, and Virginia which do not permit the teacher to withdraw his deposit on withdrawal. Michigan permits one-half of the amount deposited, without\(^{\text{a/}}\) "Current Issues in Teacher Retirement," op. cit., p. 247. Adapted from Table 7.
The text is not legible due to the quality of the image. It appears to be a page from a scientific or technical document, possibly containing tables or graphs, but the details are not discernible.
interest, to be withdrawn. However, application must be made within four months after withdrawal. Ohio permits one-half of teacher's deposit, without interest, to be withdrawn as long as application is made within eighteen months after withdrawal.

XI. Are a choice of options offered upon retirement?

This provision seems necessary, for if a retirement system is to be considered a form of savings, it is desirable that beneficiaries be permitted to exercise option in settlement of their retirement benefits.

Table 10. Options Offered Teachers at Retirement.

<table>
<thead>
<tr>
<th>States</th>
<th>Persons offered options</th>
<th>Form of options</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regular annuitants</td>
<td>Disability annuitants</td>
<td>All</td>
<td>Optional settlement for survivors</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Unpaid balance</td>
<td>Joint survivor-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>returnable in</td>
<td>ship annuity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lump sum</td>
<td>Annuity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Annuity continued in full</td>
<td>Part annuity continued</td>
</tr>
<tr>
<td>(1) California</td>
<td>...</td>
<td>...</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>x</td>
<td>...</td>
<td>x</td>
<td>x</td>
<td>...</td>
</tr>
<tr>
<td>Michigan</td>
<td>...</td>
<td>...</td>
<td>x</td>
<td>x</td>
<td>...</td>
</tr>
<tr>
<td>New York</td>
<td>...</td>
<td>...</td>
<td>x</td>
<td>x</td>
<td>...</td>
</tr>
<tr>
<td>Ohio</td>
<td>...</td>
<td>...</td>
<td>x</td>
<td>x</td>
<td>...</td>
</tr>
</tbody>
</table>

An analysis of the table reveals teachers in the systems under analysis may elect: (1) to receive a straight annuity; (2) to provide the beneficiary with the retired allowance (Massachusetts excepted); or (3) to have any contribution remaining to his credit returned to his beneficiary in a lump sum.

In California no optional elections are effective if a member dies within 30 days after applying for allowance. The same is true in the state of New York. In Massachusetts the balance is paid to the estate or the beneficiary in a lump sum.

The options offered by the Massachusetts Teachers' Retirement System need some clarification. There are two kinds of annuity provided by the retirement law. At the time of retirement a member must elect the kind of annuity he wishes to receive.

The two kinds of annuity are as follows:1/

Option A. No Refund to Estate. -- This form of annuity is payable for life and all payments cease upon death. If a member chooses this form of annuity he will receive the largest possible life income provided by the retirement law, but death terminates the account and the member's estate will have no claim on the contributions with interest which the member had to his credit at retirement.

Option B. Refund Annuity. -- The annuity payments under this form of annuity are payable for life, and are smaller than those provided under Option A, but if the member dies before receiving annuity payments equal to the amount which was used to purchase his annuity (total contributions with interest, but not to exceed $6,716.19 if a man or $7,570.68 if a woman), the differences will be paid to the estate. By choosing this form of annuity a member is assured that if he does not live to receive annuity payments equal to the amount which was used to purchase the annuity the balance will be paid to the estate.

XII. Is credit allowed for past service?

The following table discloses that all five retirement systems give its members credit for previous and outside service, and therefore are in agreement with the principle that the service of the teacher in another retirement system should be recognized by the new one. In California, a teacher must make up deposits at 5% for years of outside service claimed. In Michi-

1/ The Teachers' Retirement System of Massachusetts, Bulletin No. 9, (September, 1936), p. 7.
gan, a teacher, age 60, may receive smaller allowances on 25 years of service, as long as 15 years of service have been in that state, including the last 5 years. In New York state the conditions described in Table 11 apply to new entrants. Present teachers age 60 may retire on 35 years of service, regardless of age. In Ohio new entrants with less than 5 years of service are not eligible for retirement. Teachers with 36 years of service may retire at any age. Outside service may be counted as prior service if a teacher makes up deposits due for such a period.

In Massachusetts, present teachers, for whom there is no age requirement, must have given 15 years of state service, five to immediately precede retirement. By a bill passed in 1937, Section 302 of the General Laws provides that credit may be given for service not exceeding 10 years rendered in other public day schools in other states. (Table 11 x and y.)

Table 11. Years of Service Required for Optional Superannuation Retirement.

<table>
<thead>
<tr>
<th>States</th>
<th>Total number required.</th>
<th>Amount of total to be in state.</th>
<th>State service immediately preceding retirement.</th>
<th>Minimum age</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>California</td>
<td>30</td>
<td>15</td>
<td>10</td>
<td>60</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>x</td>
<td>y</td>
<td>??????</td>
<td>60</td>
</tr>
<tr>
<td>Michigan</td>
<td>30</td>
<td>15</td>
<td>5</td>
<td>60</td>
</tr>
<tr>
<td>New York</td>
<td>25</td>
<td>25</td>
<td>??????</td>
<td>60</td>
</tr>
<tr>
<td>Ohio</td>
<td>&quot;</td>
<td>&quot;</td>
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<td>&quot;</td>
</tr>
</tbody>
</table>

XIII. Are rights under previous retirement systems safeguarded?

The California State Teachers' Retirement Law, adopted July 30, 1937, referring to the retirement system which superseded one formerly in exis-
tence, states: 1/

Such assets or records as are transferred shall be held for the same purposes under the retirement system as under the fund or board from which they were transferred, and beneficiaries nominated in such records shall continue unchanged until changed as provided herein.

In June, 1913, the General Court, by the enactment of chapter 832 of the Acts of 1913, provided for the establishment, on the first day of July, 1914, of a retirement system for public school teachers employed in the cities and towns of Massachusetts. This law recognized the fact that a few cities and towns had adopted the local teachers' pension act (chapter 493 of the Acts of 1908), and provided that in case cities and towns which had adopted this act retired teachers after July 1, 1914, they should be reimbursed by the Commonwealth for those teachers to the extent of the pension the teachers would have received if they had retired under the provisions of the State system. Inasmuch as the retirement allowances of the new statewide system were more generous than those offered by the local systems then in effect, the teachers received not only the benefits promised them but more in addition. 2/

In 1937 Michigan revised its retirement plan to some extent, and, in making these revisions February 18, 1937, ordained the following: 3/

All moneys, credits, and other property belonging to the retirement fund created by act number five of the public acts of nineteen hundred twenty-five, shall, on the day this act takes effect, be transferred to, and become a part of the retirement fund hereby created ....

1/ California, Laws and Rules, op. cit., Section 5.812, p. 4.

2/ Teachers Retirement Board of Massachusetts, First Annual Report, December 31, 1914, p. 5-6.

The annuities and benefits of all teachers who are receiving or entitled to receive annuities or benefits under act number one hundred seventy-four of the public acts of nineteen hundred fifteen, and, or act number five of the public acts of nineteen hundred twenty-nine, shall, after the effective date of this act, be as prescribed in section nine of this chapter, except as otherwise provided in this chapter.

The retirement law of New York contains the following pertinent clause:

All persons who have been placed upon the retirement list in accordance with the provisions of the act creating any teachers' retirement system or fund, dissolved and discontinued as provided herein, prior to the taking effect of this act, shall, upon such dissolution and discontinuance, become entitled to receive the same amounts which they would have been entitled to receive under the provisions of this article if the said retirement fund or system had been dissolved or discontinued as provided by law prior to August first, nineteen hundred twenty-nine.

The above law was occasioned through the amendment of the New York State Teachers' Retirement Plan which brought about the merger of the local teachers' retirement and pension systems with the state retirement system. At the present time New York City is the only local government which has its own teachers' retirement system in this state.

The following statement is found in the retirement law of Ohio:

If a local district pension system votes to merge with the retirement system as provided in this act (G. C. Section 7896-1 to 7896-53), the retirement board created by this act shall employ an actuary to value the assets and liabilities which will be taken over by the retirement system hereby created in the event of such merger .... Provided that no teacher, a member of a local district pension system at the time of the passage of this act, shall receive a lesser total allowance upon retirement after merger of the local system with the state system than said teacher would have received upon retirement under the provisions of the local system.

All five retirement systems make provisions for the safe-guarding of the financial interests of those members of retirement systems which have

2/ Ohio, Retirement Law, op. cit., Section 7896-59, p. 27.
been absorbed by more recent ones. In all five instances the enabling act has ordained that the members of such systems be guaranteed all the privileges and benefits that they had been led to expect.

XIV. Is provision made for co-operative or reciprocal relations between the retirement systems of the different states?

The Law and Rules Governing the Retirement of California Public School Teachers, concerning inter-state reciprocal relations, has this to say:

The following time shall be included, subject to subsection (5) of this section, in the computation of the service to be credited to a member for the purpose of determining whether such member qualifies for retirement under sections 5,870 and 5,872 hereof and of determining the amount of permanent fund contributions to be required of such member under section 5,850 hereof .... time served in a status, which in this State is requisite for membership herein, in other States of the United States of America, and its Territories and its possessions and in Canada, and time served as an exchange teacher in any location.

Chapter 302 of the General Laws of Massachusetts provides that credit may be allowed for service not exceeding ten years rendered in the public day schools of other States. To receive credit for such service rendered since July 1, 1914, a member must pay the assessments with interest which he would have paid if the service has been rendered in Massachusetts. A member who served in the public schools of Massachusetts prior to July 1, 1914 may receive credit for service rendered in the public day schools of other states prior to that date without the payment of assessments, except that if the member has had any service in the public day schools outside Massachusetts since July 1, 1914, he must pay the assessments with interest for the service since July 1, 1914 before credit can be allowed for outside service prior to that date and the total credit for outside service cannot exceed ten years.

1/ Laws and Rules of the State Teachers Retirement Plan in California, Section 5,822, p. 76
The retirement law of Michigan also provides for cooperation with other state retirement systems, for it sets forth: 1/

The time spent in teaching in any public institution of this state, and the time spent in any office or employment included under this chapter shall, for the purpose of this section, count as part of the aggregate time of teaching service.

A teacher who has attained the age of 60 years and who has taught in the public schools in this state or elsewhere in the United States shall, upon and during retirement from actual service as a teacher on or after December 1, 1915, be entitled to an annuity....

The retirement law of New York is even more specific than are California, Massachusetts and Michigan on the point of acceptance of teaching service rendered in other states and of the deposits made in such systems, for it reads, apropos of this, as follows: 2/

Any contributor entering the retirement system after having withdrawn from another retirement system and having given notice at the time of withdrawal to the retirement board of such system of his intention of becoming within one year a member of the retirement system may deposit in the annuity savings fund the amount of his accumulated contributions withdrawn from such other retirement system .... In case he comes from a retirement system not under the laws of this state he shall be given a prior service certificate showing a period of service such that the liability incurred by the retirement board on his account by reason of prior service shall be equal in amount to the reserve so transferred, provided that in no case shall such a contributor who is classified as a new entrant be given less credit in his prior service certificate than he would have received had no reserve been transferred on his account.

The retirement law of Ohio relating to the recognition of credits accumulated in other states reads as follows: 3/

Any present teacher or new entrant in addition to service as teacher as defined in this act, may claim credit for similar service as

1/ Retirement Law of Michigan, op. cit., Section 2-4, p. 3-4.


3/ Law of the State Teachers' Retirement System of Ohio, Section 7896b, p. 15.
a teacher in the public day schools, in state universities, state normal schools and other state supported schools of Ohio in which membership in the retirement system is allowed, of another state of the United States or of any territory or possession of the United States, and such service shall be treated by the retirement board as prior service and included in his prior service certificate as if it were prior service in the state of Ohio - provided the teacher shall pay into the employers' accumulation fund an amount equal to the full additional liability assumed by such fund on account of the crediting of such years of service rendered outside of the state.

A review of the evidence put forward here discloses that all five systems make provision for the acceptance of a certain number of years of prior service spent under the jurisdiction of other retirement systems and that in no one of these state retirement systems is a member penalized through changing from one such system to another. It should be noted that California, Massachusetts, and Michigan are not as specific in the acceptance of prior service credits nor as clear with respect to the contributions of the new entrant as are New York and Ohio whose reciprocal provisions are more succinctly and comprehensively phrased.

XV. Is the administration of the retirement system in the hands of a retirement board whose make-up is carefully prescribed in the retirement law, and which is representative of both the public and the teacher?

Article III of the retirement law of California provides that:

The retirement system shall be managed, except for the investment of the funds, by the teachers' retirement board hereby created, the members of which shall be the members of the State Board of Education and the appointive members of the Retirement Investment Board. .... The President and secretary of the State Board of Education shall be the president and secretary, respectively, of the retirement board. Members of the said board shall serve without compensation but shall be entitled to reimbursement of any traveling expenses incurred in connection with membership in the retirement board.

1/ Laws and Rules Governing the Retirement of California Public School Teachers, op. cit., Section 5820., p. 4.
The State Board of Education formerly constituted the State Teachers' Retirement Salary Fund Board, but the California legislature in September, 1937, so amended the retirement law that two representatives of the teachers were appointed to aid the Board of Education to administer the financial affairs of the system. The total membership of the retirement fund is now twelve.

The legislative provision, ordering the establishment of a teachers' retirement investment board, states that it shall consist of:1/

... the State Superintendent of Public Instruction, the State Director of Finance, the State Controller, and two teachers appointed by the State Board of Education for four year terms. The State Board of Education shall fill each vacancy in said four year terms by appointing a teacher to serve the unexpired portion of the terms in which the vacancy occurs.

Chapter 15, Section 16 of the General Laws of Massachusetts, relating to the establishment of a state teachers' retirement system, states:2/

The teachers' retirement board shall consist of the commissioner of education, ex officio, a second member elected by the teachers' retirement association established under section seven of chapter thirty-two from among their members, and a third chosen by the other two. Upon the expiration of the term of office of an elected member or in case of a vacancy in said office, his successor shall be elected for three years as aforesaid. Upon the expiration of the term of a third member or in case of a vacancy in said office, his successor shall be chosen by the other two and shall serve one year.

The law relating to the establishment of a teachers' retirement board in Michigan states:3/

There shall be a Michigan teachers' retirement board hereinafter

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1/ Ibid., p. 5.
2/ Commonwealth of Massachusetts, General Laws Relating to the Retirement System for Public School Teachers, Chapter 15, Section 16, p. 9.
3/ Michigan Teachers' Retirement Law, op. cit., Chapter I, p. 2.
called the retirement fund board, consisting of the superintendent of public instruction and five other members appointed by the governor. At least one of such members shall be a woman teacher in the public schools .... The term of office of the respective members of said retirement fund board shall continue and shall expire in accordance with appointments made under said act number five of the public acts of nineteen hundred twenty-nine. Their successors shall be appointed for terms of five years; a vacancy in the office of any member shall be filled for the unexpired term by the governor.

The rules for the establishment of a teachers' retirement board in the state of New York prescribe that: 1/

(1) The general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of this article is hereby vested in a retirement board which shall be organized immediately after the appointment of its members. The retirement board shall from time to time establish rules and regulations for the administration and transaction of its business and for the control of the funds created herein and shall perform such other functions as are required for the execution of the provisions of this article.

(2) The retirement board shall consist of seven members as follows:
   (a) One member who is not an employee of this State, who shall be an executive officer of a bank authorized to do business in this State, elected by the Board of Regents of the University of the State of New York to serve a term of three years. Following the completion of the initial term, the stated term of such member will be three years.
   (b) Two administrative officers of the New York State school system, appointed by the Commissioner of Education, one to serve for two years and one to serve for three years. Members of the present state teachers' retirement board shall be deemed to be administrative officers of the New York State school system within the meaning of this provision. Following the completion of the initial terms, the stated terms of service of such members shall be three years.
   (c) The Comptroller of the State of New York or one member appointed by him who shall serve until his successor is appointed.
   (d) Three members elected from among the members of the retirement system, one to serve for one year, one for two years, and one for three years. Following the completion of the initial terms, the stated terms of service of such members shall be three years.

In Ohio the education ordains that the retirement board shall consist

1/ New York State Teachers' Retirement Law, op. cit., Section 1103, p. 5-6.
of five members, the members of which will be:

(a) the superintendent of public instruction; (b) the auditor of the state; (c) the attorney general, and two other members known as teacher members who shall be members of the retirement system and who shall be elected by ballot by the members of the retirement system.

Annually after the first election a member of the retirement system shall be elected by ballot to membership in the retirement board to serve for a term of two years beginning on the first day of September following the election.

It can be remarked in passing that in all five states, the retirement laws provide for the state treasurer to be the custodian of the respective funds.

An analysis of the data indicates that in all five states the control of the retirement system is vested in an retirement board whose make-up is carefully prescribed by the retirement law. In all the states both the public and the teachers are represented adequately on the retirement boards, and the method of selection of members is such that a high type of personnel should be secured.

XVI. Is the teacher required to fulfill certain minimum age or service conditions before he may qualify for regular benefits?

Table 12 show the nature of the conditions for optional retirement under the five state-wide teacher retirement systems under analysis. All five systems require certain minimum conditions to be fulfilled before a teacher may qualify for retirement.

All of the states demand that a certain number of years be served before the member may retire, and all of the states, with the exception of California, require that the member be at least sixty years of age. In Cali-
a teacher must make up deposits at 5 per cent interest for years of outside service claimed. He may receive credit for service in teachers colleges, certain state schools, the southern branch of the University of California, and for war-time service in the United States military and naval forces.

In Massachusetts, present teachers, for whom there is no age requirement, must have given 15 years of state service, five to immediately precede retirement. Pension for these teachers is increased to what it would have been had retirement taken place at age 60 with 30 years of service.

In Michigan a teacher, age 60, may receive smaller allowances on 25 years of service, as long as 15 have been in the state, including the last 5 years.

The conditions described in Table 12 apply to new entrants. Present teachers, age 60, may retire on 25 years of total service. Any teacher may retire on 35 years of service, regardless of age. New entrants, in Ohio, with less than 5 years of service are not eligible for retirement. Teachers with 36 years of service may retire at any age. Outside service may be counted as prior service, if the teacher makes up deposits due for such a period.

Table 12. Minimum Conditions for Retirement.\(^a/\)

<table>
<thead>
<tr>
<th>States</th>
<th>Total number required</th>
<th>State service to immediately precede retirement</th>
<th>Minimum age</th>
</tr>
</thead>
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<td>30</td>
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<td>.............</td>
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</tbody>
</table>

\(^a/\)"Current Issues in Teacher Retirement," op. cit., p. 249. Adapted from Table 9.
Table 12. (concluded)

<table>
<thead>
<tr>
<th>States</th>
<th>Conditions</th>
<th>Minimum age</th>
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<tr>
<td></td>
<td>Years of service</td>
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</tr>
<tr>
<td></td>
<td>Total number</td>
<td>State service to immediately precede retirement</td>
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<tr>
<td>(1)</td>
<td>(2)</td>
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<td>........................</td>
</tr>
<tr>
<td>Ohio</td>
<td>........................</td>
<td>........................</td>
</tr>
</tbody>
</table>

XVII. Has any age for compulsory superannuation been set up?

A consultation of the laws of the California retirement system reveals that no compulsory retirement age has been set up. Cessation of membership in this system occurs only under the following conditions:  

If a member shall die or be retired, or if he shall withdraw his contributions upon termination of service in a status requisite for membership ....

The retirement law of Massachusetts, however, does set up a compulsory retirement age, stating:

Any member, on attaining the age of 70, shall retire from service in the public schools at the end of the school year in which said age is attained, but any member attaining that age in July or August shall then be retired.

Michigan, like California, has not established a compulsory retirement age, and the clause referring to retirement of the member only has to do with that retirement which is voluntary. This pertinent clause reads:

Retirement may be had on request of the teacher, or upon the re-

2/ Retirement Law of Massachusetts, op. cit., Section 10, p. 3.
quest of a board of education or other controlling board of a public school district or public institution designated in this chapter. Request for retirement shall be made in writing addressed to the retirement fund board .... The board shall pass upon all requests for retirement and shall determine whether such requests should be granted.

The retirement law of the state of New York does not state outrightly that the member of the retirement system must retire when he has reached the age of seventy, but leaves this to the discretion of the employer or employee. In practice, however, most of the members retire at the age of seventy. The law embracing this reads:1/

Any member who has attained the age of 70 may be retired at his own request or at the request of his employer if he or his employer file with the retirement board a statement duly attested to setting forth at what time subsequent to the execution and filing thereof retirement is desired, and if throughout the year immediately preceding the filing of such statement he shall have been in service as a teacher in this State. The retirement board shall retire said member as of the date so specified or as of such other time within thirty days thereafter as the retirement board may find advisable.

In the state of Ohio the procedure followed in the retiring of teachers who have reached the age of seventy is quite similar to that of New York, since the consent of the employer or employee must be had before the member can be retired. The law reads:2/

.... At the end of the school year in which they became members the retirement board shall retire all teachers who were over 70 years of age at the time they became members and shall retire all other members at the end of the school year in which the age of 70 is attained, provided in each case the consent of the employer is secured.

The evidence presented is that the retirement systems of California and Michigan do not provide for compulsory retirement of members who reach the age of 70; that Massachusetts makes retirement at 70 compulsory; but

2/ Retirement Law of Ohio, op. cit., Section 7896-34, p. 16.
that New York and Ohio make retirement of members who have reached the age of 70 compulsory only when the request is made, or the consent given, by the employer and employee concerned.

Since the argument most frequently raised against the practice of setting a compulsory age for retirement is that in exceptional cases it causes retirement of experienced employees whose competency is apparent, it would appear that the retirement systems of New York and Ohio leave a legal way open for the retention of competent teachers who are over 70.

XVIII. Is the teacher's deposit to the retirement system expressed as a percentage of salary?

Table 13. Form of Teacher's Deposit in Retirement Fund.\(^a\)

<table>
<thead>
<tr>
<th>States</th>
<th>Percentage of salary</th>
<th>Percentage of salary graded according to service</th>
<th>Flat amount</th>
<th>Indefinite percentage of salary</th>
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</tr>
<tr>
<td>Ohio</td>
<td>x</td>
<td></td>
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</table>

In Massachusetts the law specifies a minimum and maximum of 5 and 7 per cent respectively. The total sum of assessments to amount to no more than $130 nor less than $35 for a full school year. The rate of assessment now in effect is 5 per cent of the salary. In Ohio salaries over $2000 are not considered.

\(^{a}\) "Current Issues in Teacher Retirement," op. cit., p. 240. Adapted from Table 4.
<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
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<td>Value 3</td>
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<tr>
<td>Value 9</td>
<td>Value 10</td>
<td>Value 11</td>
<td>Value 12</td>
</tr>
</tbody>
</table>

The table above shows the relationship between Column 1 and the other columns. The values in Column 2 seem to be derived from Column 1, while Column 3 and Column 4 follow a similar pattern. Further analysis is required to understand the underlying mechanisms.
An inspection of Table 13 reveals that California alone prescribes that the teacher make his deposit on the flat-rate plan, whereas in the other four states the retirement systems prescribe that the deposit of the teacher be expressed as a percentage of his salary. The chief criticism against the plan of flat-sum deposits and it seems a valid one, is that such a plan is not sufficiently flexible to meet changing economic conditions. Criticism of this type of deposit can also be made on the score that the deposit is too small to provide an adequate retirement allowance. Table 6 of this chapter offers figures that would seem to bear out this last assertion.

The extent of the agreement of these five retirement systems with the established criteria.-- To more effectively present the extent of the disagreement and agreement of these retirement systems with the criteria that has been established, use will be made of a check-list which will serve to record the answers that have been given in response to the interrogatively phrased criteria.

Check List of the Criteria

<table>
<thead>
<tr>
<th>Question Number</th>
<th>California</th>
<th>Massachusetts</th>
<th>Michigan</th>
<th>New York</th>
<th>Ohio</th>
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Additional text or table information can be added here as needed.
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</table>

Questions

1. Is membership required of new teachers?
2. Is membership optional for those in service?
3. Does the retirement system provide for old age and disability?
4. Is the retirement allowance sufficient to enable the retiring teacher to live in reasonable comfort?
5. Are the costs shared by teacher and public alike?
6. Is the amount of the teacher's deposit definitely stated?
7. Is the amount of the state's payment definitely stated?
8. Are individual accounts kept?
9. Are the contributions of the teacher and the payments of the state made concurrently during the service of the teacher?
10. Are the retirement systems on an actuarial basis?
11. Are periodic actuarial investigations provided for?
12. Is disability provided for after a reasonable period?
13. Are the accumulated deposits of the teacher returnable in case of his withdrawal from service prior to retirement?
14. Are choices of options offered upon retirement?
15. Are credits allowed for past service?
16. Are teachers, active and retired, guaranteed under the new system all the benefits which they had a right to expect under the old?
17. Is provision made for cooperative or reciprocal relations between the retirement systems of other states?
18. Is the make up of the retirement board carefully prescribed by law?
19. Is the retirement board representative of both the public and the teachers?

20. Is the teacher required to fulfill certain minimum age or service requirements before he may qualify for regular retirement benefits?

21. Has an age for compulsory retirement been set up?

22. Is the teacher's deposit expressed as a percentage of salary?

Check List of the Criteria (concluded)

<table>
<thead>
<tr>
<th>Question Number</th>
<th>California</th>
<th>Massachusetts</th>
<th>Michigan</th>
<th>New York</th>
<th>Ohio</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>21.</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>22.</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 14. Extent of the Agreement with the Established Criteria

<table>
<thead>
<tr>
<th>States</th>
<th>Answers</th>
<th>Percentage Equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Affirmative</td>
<td>Negative</td>
</tr>
<tr>
<td>(1) California</td>
<td>17</td>
<td>5</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>19</td>
<td>3</td>
</tr>
<tr>
<td>Michigan</td>
<td>16</td>
<td>6</td>
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<tr>
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<td>22</td>
<td>0</td>
</tr>
<tr>
<td>Ohio</td>
<td>22</td>
<td>0</td>
</tr>
</tbody>
</table>

An appraisal of the results.— A study of the check-list records the facts that all five retirement systems register affirmative answers to the first three questions on the check-list.

To the fourth question: Is the retirement allowance sufficient to enable the retiring teacher to live in reasonable comfort? a negative response is credited to California, inasmuch as its maximum retirement allowance is $600, hardly sufficient to justify one's terming it a sum adequate enough to meet the ordinary social and economic expenses of the retired teacher, — to
provide a modest living, in other words.

To the fifth question Michigan returns a negative answer because its retirement system is essentially a teachers' contributory system, the state administering and supervising the system, but not contributing to its support.

Both Massachusetts and Michigan register negative answers to the seventh question which asks if the retirement system states definitely the amount of the state's payment. Massachusetts registers its negative answer because the payments of the state are not figured on an actuarial basis, and the state's payment takes the form of an annual appropriation to meet the pension allowances and the administrative expenses. Michigan's answer is negative because the state makes no payment at all.

Since Michigan makes no payment at all to its retirement system, it returns a negative answer to the ninth question which asks if the payments of the state and teacher are concurrent.

California, Massachusetts and Michigan return negative answers to the tenth question because none of them is on an actuarial basis. California relies on gifts, legacies, a certain percentage of the state inheritance tax, and, if necessary, an annual legislative appropriation. The retirement system of Massachusetts is on a cash disbursement basis, that is to say, the state's payments to the retirement fund take the form of annual appropriations based on estimates submitted by the retirement board for the payment of teachers' pensions, but no attempt is made to provide for a retirement reserve. The Michigan retirement system is not on an actuarial basis, for no payment is made by the state. It must be noted, however,
that in both the systems of Massachusetts and Michigan the annuity of the teacher is on an actuarial basis. This annuity, of course, is purchased with the funds of the teacher and bears no relation to the payment of the state.

No periodical investigations are provided by the retirement laws of Massachusetts and Michigan, hence negative answers are returned to the eleventh question. Both retirement laws, however, provide for an annual examination of the financial affairs of the systems by designated state officials.

California alone records a negative answer to the thirteenth question which asks if the deposits of the teacher are returnable to him on withdrawal from service prior to regular retirement. Unlike the majority of retirement systems currently operating, California prefers to regard these deposits as the exclusive property of the state and not as a savings account of the teacher.

From this thirteenth question to the twenty-first, all five retirement systems return affirmative answers. California and Michigan set no compulsory retirement age and, consequently, return negative responses to the twenty-first question.

California, alone of the retirement systems under inspection, conducts its system on a flat-rate plan of deposit by the teacher, and so returns a negative answer to the twenty-second question which asks if the system requires that the deposit of the teacher be expressed as a percentage of salary.

Therefore, rating these systems solely on the basis of the number of
affirmative responses returned to the interrogatively phrased criteria, the retirement systems of New York and Ohio, having returned a perfect score, merit the most commendable ranking, Massachusetts, a less commendable ranking, and California and Michigan, in that order, the least commendable.

Summation of the Data Presented

The history of teacher retirement systems shows that their development has required long and hard struggles. Their creation has followed, as a rule, the breakdown of local prejudices and an increasing public consciousness that if educational efficiency is to be had in the schools the economic security of the teacher must be taken into consideration.

Recent years have been marked by the growing sense of social and public responsibility for the old-age protection of the teacher. Many students of retirement systems now regard their establishment not merely a matter of sentiment or philanthrophy, or as a reward for past service, or a compensation for low wages, but rather they regard the establishment of a retirement system essential to old-age security, and that it is a necessary feature in the development of a well-organized social and economic order.

It is now generally believed that the state and not the city is the best agency for providing economy and security with regard to the retirement of teachers. This belief is founded both upon theory and practice. The state is a more desirable agency than the city in that it offers, first, opportunity for teacher exchanges between districts and cities without the loss of retirement benefits and, second, it enables more efficient and economical administration of the system as a whole throughout the state. Exception to these general statements may exist in the case of such large cities as Boston,
New York, and Detroit, which operate independently of the state-wide systems.

At the outset of this study of teacher-retirement systems a number of preliminary questions arose concerning the social and legal philosophies upon which such a system should rest. Among these questions were: Should the retirement system be free, the beneficiaries making no contributions? Should the beneficiaries participate in the creation of a reserve fund and thus acquire contractual rights? Should teachers be required to remain members of the retirement system during the whole period of required service in order to enjoy its benefits, or should they be free to enter teaching in other states and retain an equity or contractual right in such system? If the teachers contribute to a reserve fund should such a contribution be at a flat or fixed rate for all members, or should they contribute on a percentage of salary basis? Should retirement allowances be in the nature of charitable relief or should they be computed to afford a modest living? A study of the various teachers' retirement plans in existence and related literature have provided the answers to these questions.

The methods of financing teacher-retirement systems. -- Three general plans are followed with respect to financing teacher-retirement systems, namely (1) the free plan, whereby retirement benefits are paid entirely out of public funds; (2) wholly contributory plan, supported wholly by teacher assessments, such as in Michigan; (3) joint contributory plan, whereby contributions are made by teacher assessment and also from public funds, such as in California, Massachusetts, New York, and Ohio.

The free retirement systems have never been common and their number has declined. Retirement systems financed wholly by teacher assessments
marked the early development of teacher-retirement legislation. In recent years the tendency has been to provide for joint contributory retirement systems.

Arizona and Rhode Island appear to be the only states which provide for a complete free-teacher-retirement plan, that is, where the retirement benefits are paid entirely out of public funds. Teacher contributory plans that have been itemized as (2) and (3) are either a flat-rate plan, such as that of California, or a percentage of salary plan, similar to the ones in effect in Massachusetts, Michigan, New York, and Ohio.

Under a flat-rate plan all members pay a fixed annual amount and under this plan all members usually receive a uniform annual retirement allowance. In California, as has been shown, the fixed annual amount is $24, and the uniform annual retirement allowance is $600. This type of plan also requires that each retiring member must have paid into the retirement fund a minimum amount. California demands, for example, that an annual deposit of $24 be made for 30 years.

Under the percentage of salary plan the teacher pays into the retirement fund each year a percentage of his annual salary. Under this plan the amounts paid and the benefits received vary according to the teacher's salary. Tables 5 and 6 of this chapter indicate this quite graphically.

From the standpoint of economic security in old age, it would appear that a flat-rate plan is less advantageous than is a percentage of salary plan. Under the percentage of salary plan the teacher's deposits are related to his active salary, and the retirement allowance is proportionate to, though not equal to, standards enjoyed during final years of service. Those
who receive higher salaries during active service receive relative higher salaries during retirement.

Closely associated with the problem of a retirement allowance to meet varying standards of living is that of meeting changes in the purchasing power of the dollar, for, except for relatively few brief periods, there has been a continuous depreciation in the purchasing power of the dollar. Now, under a flat-rate plan of retirement the rate of deposits remains the same throughout service. The benefit will be what was considered as perhaps adequate upon inauguration of the retirement system, no account being taken of possible decreases in purchasing power of money, with resulting inadequacy in retirement allowance. Whereas, under a percentage of salary plan, deposits and benefits, vary with increase in salary. Therefore, to the extent that salary increases, retirement deposits, and retirement allowances each respond to increased living costs, the percentage of salary would appear to offer more economic security in old age and retirement than the flat-rate plan.

Those who have studied the history of non-contributory teacher-retirement plans are agreed that such a plan is likely to result in less general satisfaction than a contributory plan. Furthermore, the uncertainty of the free plan is indicated by its history, which records one breakdown after another of these systems. Again, as has been pointed out in Chapter I, such a system confers no contractual rights nor does it provide a reserve fund, and it is largely continued at the discretion of the employer. The majority of the writers quoted in this paper are agreed that the contributory plan is more economical, efficient, and secure. They point out that
under the contributory plan the employees' contributions provide a cumulative fund of which they cannot be deprived.

The contributory plan, while intended primarily as a protection against old age and disability, furnishes also an opportunity for saving. Thus again it is apparently impossible to finance a free system in any other way than by annual appropriations, which system places the teacher at the mercy of the legislature, and attempts of a politically-minded legislature to economize may endanger the security of the retirement system. In conclusion, it may be stated that the only grounds on which the non-contributory of free pension apparently can be defended is on charity and the fallacy that to every man is owed a pension.

The evaluation of the teacher-retirement plan of Massachusetts.-- The Massachusetts Teachers' Retirement Act was passed in 1913 and came into force in 1914 as a result of a careful study inaugurated by state commissions in 1910 and 1913. The system itself is administered by a teachers' retirement board of seven members, including the insurance commissioner, the state bank commissioner, the state commissioner of education, three members (teacher representatives) elected by members of the retirement association, and the seventh by the other six.

The assessments are determined annually in accordance with actuarial principles, but are limited to sums equal to from three to seven per cent of salaries. The teachers may retire voluntarily at the age of sixty, or may be retired by the employing school committee at any time after that age if they prove incapable of discharging their duties; the retirement of teachers is compulsory at the age of seventy.
On reaching the age of retirement and after thirty years of service, teachers become entitled to an allowance consisting of an annuity purchased with their accumulated contributions and a pension of an equal amount paid out by annual state appropriations. The annuity is based on actuarial principles, although the pension is not, inasmuch as the state legislature appropriates from year to year the sums sufficient to cover the retirement allowances that are due.

An option is permitted by which a retiring teacher may accept an annuity of a smaller amount than that to which he would be ordinarily entitled with the provision that it be continued after his death to his dependents, as he may direct.

In case of teachers withdrawing from service before reaching the age of retirement, or in case of death, their estates are entitled to a return of all their contributions with compound interest at three per cent.

Disability allowances, which were not included in the original act but were added in 1917, provide these benefits to teachers who become incapacitated in the schools after fifteen years of service.

The method of financing the Massachusetts plan.—Two methods of financing teacher-retirement plans are in operation, a cash disbursement plan, and an actuarial reserve plan. The cash disbursement plan provides for an annual appropriation of money to meet current retirement obligations and makes no provision for future or accrued liabilities. The actuarial reserve plan is the more scientific plan. In this plan the increases in future pension payments are anticipated and taken care of before they are due. Each teacher is regarded as a fixed liability against the system, and the sums
necessary to meet such liabilities are carefully calculated after actuarial investigation and computation. A reserve fund is then established and built up by setting aside the necessary amounts during the active years of the teacher's service.

The financing of its teacher-retirement plan on a cash disbursement policy constitutes the greatest weakness of the Massachusetts system, inasmuch as its retirement law provides only for an annual appropriation by the state legislature of sums sufficient to discharge its current pension obligations, fails to provide for the establishment of a retirement reserve for superannuation or disability pensions for new entrants, and thus places a needless burden upon the taxpayer and puts the retirement system at the mercy of the legislature.

The advantages of an actuarial reserve system.— Under the actuarial reserve plan assets are accumulated year by year to match increasing liabilities. In the New York and Ohio retirement systems, so far as the public is concerned, the liabilities of the liabilities of these plans increase each year as follows: in the Normal Contribution Fund by an amount equal to the deposits of those teachers who will ultimately retire. Such teachers, of course, have another year of deposits to their credit each year which must be matched at some time in the future, and they are all a year older and a year nearer retirement. Liability against the Deficiency Contribution Fund increases each year by the total reserves set aside under the direction of the state insurance department for pensions granted for prior service. Under this reserve plan the increase in liability each year, as determined by actuarial computation, is met by a corresponding increase in
assets.

In Massachusetts, however, under the cash disbursement plan, the employees accumulate their portion during their life of service, but the employer appropriates his share year by year as pensions are paid. Under this plan pensions are paid from current revenues.

In one city of over 4,500 teachers, the cost of the retirement system under the actuarial reserve plan last year was $318,000. In the firemen and policemen pension fund, under the cash disbursement plan, with less than 2,500 employees, the same city paid $736,000 in pensions alone. Obviously, the latter retirement plan is in debt the present worth of all these pensions together with a liability resulting from the advancing age and service of the members. No reserves have been accumulated with which to take care of future payments of pensions already granted, or to prepare for pensions to be granted in the future.

The difficulty of establishing the actuarial reserve plan.-- It is not to be supposed that the accumulation of a cash reserve to discharge future liabilities in teacher-retirement plans is looked upon with favor or understanding by politically-minded legislators. Force\(^2\) quotes one retirement board secretary as saying:

The accumulated reserve in our retirement system now amounts to more than $95,000,000. It is the size of the reserve that makes it difficult to convince the legislature of the necessity for making further appropriations at this time.

All retirement systems that are operating under the actuarial plan

\(^1\) Circular of the National Education Association, September, 1957, "Teacher Retirements Systems."

\(^2\) Anna Laura Force, op. cit., p. 192.
meet the same difficulty. As the reserves increase, it becomes increasingly necessary to educate state legislatures and the tax-payers in regard to the necessity for the accumulation of large reserve funds.

W. E. Kershner, the secretary of the State Teachers' Retirement System in Ohio, in a letter to the writer on this subject, commented:

Some of our critics, and even some teachers, thoughtlessly remark that we have 'over $50,000,000 in the Teachers' Retirement Fund.' This false statement makes us an immense amount of trouble because the use of the word 'Teachers' Retirement Fund' would suggest to anyone that the entire assets of the Retirement System constitute a single fund out of which pensions might be paid; although in truth these assets are divided into five funds (Teachers Savings, Employers Accumulation, Expense, Guarantee, and Annuity and Pension Reserve) from five sources (contributions from members, normal contributions from school districts, deficiency contributions from school districts, bonds and notes, interest on investments), and covered by separate liabilities.

The general agreement is that the only possible way for teachers to prepare to meet their half of the cost of the retirement allowance is to deposit an amount monthly and allow it to earn interest. The question then is, How shall the state accumulate reserves for its half of the liability?

The deposits and interest earnings of a teacher who retires should be matched, if the retirement system is to be a sound one, by the state at retirement with money and not with promises or the credit of the state. The state does not raise money by magic, but by taxes, and it is not easy for people to pay taxes. Direct payments cause people individually and collectively to suffer pocket pains, whereas the growth of interest earnings do not cause these growing pains. The easiest method of paying any debt or providing for the payment of a debt due in the future is by a process of gradual and systematic payment or saving.

The Commonwealth of Massachusetts has a contract with every teacher in
the state, exclusive of the City of Boston which has its own system, who teaches 30 years or until 60 years of age to pay a pension for service in Massachusetts; and to pay one-half of his retirement allowance for service after that date up to the time he reaches the age of 70, when he is compulsorily retired, and to pay a disability pension to teachers permanently disabled after ten years of service in the state; and to refund the deposits and interest earnings of teachers who withdraw from service or die prior to retirement.

Teachers get ready to pay their half of the future service pension by a systematic savings of 5 per cent of their salary. This assessment is payable until a member retires or leaves the service, except that a member is not required to contribute assessments for more than 30 years, and assessments cannot be made after a member has accumulated in the retirement fund a sum sufficient to purchase an annuity of $650 at the age of 60.

When a member has accumulated in the retirement fund a sum sufficient to purchase an annuity of $650, the interest which is thereafter credited to his account will be returned to him in one sum upon retirement. On the basis of the present tables of the Board an annuity of $650 at age 60 is purchased by $6,716.19 for men and by $7,570.68 for women.

The state must prepare to meet its obligations, and they are certain to mature at some time in the future. The best method of doing this - the only sensible method, in fact, - is by accumulation of reserves during the active service of the teacher. This is shown in the following illustration, which is for future service only. This illustration is taken from a pamphlet issued by the Retirement Board of Ohio in 1936:
The Teacher

4% of payroll (not to exceed $2000)

For every $400 deposited by teachers - 230 to be refunded on account of withdrawals and death prior to retirement.

$170 remains

Suppose this $170 belongs to three women who will teach 36 years. During their period of service, their deposits will be:

36 X $170 or $6,120 A
Interest is 7,335 B

Total is $13,455 C

This amount will purchase the three women at age 60 a combined annuity of $95.80 a month. The amount C earns interest at 4%, and is paid out monthly at the rate of $95.80. While it is being used thus, it will earn interest amounting to:

$4,545 D

Therefore, the three women who deposited $6,120, if they live the expectancy, will receive back

$18,000 D

in annuity every cent of which was paid by them.

Ohio

1.7% of same payroll

the state pays $170 to the fund entitled Normal Contribution Fund.

to be matched by this $170.

$6,120 A
at the same time the teachers make their deposits. If the state waits until the teachers retire, it will have to match A and B, amounting to:

$13,455 A and B

If the state waits and matches the $95.80 a month, paying it out of current revenues, it will ultimately pay out:

$18,000 A, B and D

This above illustration illustrates exactly what would happen to the state of Ohio if its payments were deferred either until the teachers retired or until pensions are actually paid. Unfortunately, this situation is actual
not hypothetical, in the Commonwealth of Massachusetts.

As the illustration reveals, if the payments were deferred until the teachers retire, the state would then pay $13,455 for every $6,120 it pays now. If it waited and paid pensions out of current revenues, it would ultimately pay $18,000 for each $6,120 it now pays.

There is nothing mysterious about this. It is simply an actuarial problem based upon the computation of interest. The teachers of Ohio make their deposits during their life of service and receive interest on it. Under the above plan, Ohio pays its share during the service life of the teacher and receive interest on its payment against future liabilities.

The difference between accumulating a reserve during the service life of the teacher, and receiving interest, and withholding its payments until pensions are actually paid, and paying them out of current revenues, is that it will cost the state ultimately about three times as much in direct payment as under the actuarial reserve plan. Any plan of paying pensions out of current revenues will result in such large ultimate payments by the employer that the pension system will become a progressively heavier burden against current revenues as time goes on.

It can be stated in conclusion that the teacher-retirement system in Massachusetts is in agreement in the main with the criteria that have been established, being in disagreement only with those criteria involving the actuarial plan of financing.

This can bear repetition. A person participating in a pension system should be assured of his annuity when it is due. To that end, there should be set aside, year by year, the reserve necessary, with its accumulated in-
terest, to provide the pension agreed upon. On no other conditions can the participant obtain a satisfactory contract. The man of thirty who participates in a pension plan under which he expects a pension thirty or forty years in the future takes some risk of disappointment in accepting any arrangement less secure than a contracted one.

A pension system, such as exists in New York and Ohio, conducted upon the actuarial basis of setting aside, year by year, the necessary reserve, is the only pension system whose cost can be accurately estimated in advance. The conclusion, therefore, is that although the retirement system for teachers in Massachusetts has always been ably administered and the state has always met its obligations, there exists a grave danger that in the future because of the increasing cost of its teacher-pensions, because of its failure to provide for future liabilities, the Massachusetts Teachers' Retirement Plan will face ultimately the possibility of a financial breakdown.

Sets forth some of the general problems of pension systems for teachers, giving several examples from various states and objections to them.


The author finds that salary schedules as they are now arranged are far from being satisfactory economically.


Considers the fluctuation of the dollar and its effect on the retirement allowances of teachers.


A statement of the financial condition of the retirement system, containing a list of the appropriations and revenues.


A discussion of the laws that have been set up to govern the administration of the teacher-retirement system.


A list of leading tendencies of the movement for teacher-retirement systems in the country.

A comparative study of the salaries of teachers and other gainfully occupied groups.


Suggests that among other things that Michigan revise its retirement law so that the state will contribute to one-half of the financial support of the teacher-retirement system.


A fine discussion of the various points and provisions involved, bolstered by citations of authorities pro and con for certain aspects. Commentatory for its bibliography.


Discussion of the importance and nature and methods of operation of a retirement system, retirement systems in effect, a scientific retirement system, fundamental principles and practices, and advantages and disadvantages of retirement systems.


Summarizes replies submitted by approximately 10,000 teachers and school officials with regard to twelve teacher retirement issues.


Summarizes findings of 38 studies published since 1930, pertaining to the theoretical background and actual operation of teacher-retirement systems.


On questions based upon the oft-quoted arguments against teacher-retirement systems for teachers, Cooper delivers some very effective counter-arguments.
null
Points out that the only feasible teacher-retirement system is
that which is state wide, and that local systems are not practical.


Following a brief discussion of teachers' pension movement, the
author presents advantages of properly constructed state wide
teachers' retirement law, and 14 principles of teachers' retire-
ment systems.

17. Delany, F. M., "Massachusetts Teachers' Retirement System," Texas Out-

An analysis is made of the teacher-retirement system on basis of
its benefits to teachers.

18. "Educational Measures Before the Massachusetts Legislature," School and
Society, Vol. XXIX (June 1, 1929), p. 693.

Discusses the proposed changes in the Massachusetts Teachers' Re-
tirement Law.

19. Edwards, Newton, The Courts and the Public Schools. University of

Reviews the trend of court decisions regarding the constitution-
ality of pension legislation, and the authority of school dis-
tricts to establish pension systems.

creased Demand for Higher Salaries for Teachers."

Points that there is an increased demand for higher salaries be-
cause of the increased cost of living and the depreciation of the
dollar.

21. Fernald, Roy L., Present Status of Teachers' Retirement Pensions in
Massachusetts, Thesis, Boston University School of Education, 1928,
75 p.

A study of the local teacher-retirement system in Boston and the
state wide system. Notable for its list of criteria.

22. Force, Anna Laura, chairman. Report of the Committee on Retirement
Allowances. Research Bulletin of the National Education Associa-
tation, 1952. 80 p. (Mimeo.)

Presents information regarding organization and operation of state retirement systems; also fundamental principles.


Summarized data to show the effect of economic conditions upon the organization and operation of retirement systems since 1930.


Includes the social philosophy of pensions and 10 fundamental principles. Reports on lack of scientific bases, methods of administration and the financing of retirement systems. Criticism: lack of recency.


Urges the inclusion of teachers in the program of economic security on the basis of the present inadequate protection for the future, and the importance of teachers as a body.


Stresses the desirability of disseminating information regarding the importance of the work of teachers and their need for economic security.


Discusses advantages and fundamental principles of retirement systems, development of retirement allowances, and procedure for securing enactment of retirement legislation.


A list of some significant court decisions that have been handed down on teacher-retirement legislation.

A plea for more adequate teacher-retirement allowances, so that teachers may have economic security in their old age.


An analysis of the principal provisions of state teacher retirement systems, with supplementary discussion of special problems.


Effectively points out that the only sensible method of financing teacher-retirement systems is to adopt the actuarial reserve plan.


The suggestions advanced are based upon the fundamental principles set forth by the Committee of One Hundred on Retirement Allowances, a committee of the National Education Association.


Explains the provisions of Sections 6 to 19, inclusive, of Chapter 32, General Laws.


A statistical study of the salaries paid to teachers in the various school systems in Massachusetts.

An analysis of the teacher-retirement system in Michigan, in 1931. As a direct result of their findings, the retirement law of Michigan was considerably revised.


A bibliography of 48 references under the following headings: (a) General Theory and Development, (b) Teacher Retirement in Certain States, and (c) Retirement for Other Employed Groups.


Presents the varying types of minimum-salary laws for teachers now found in twenty states and tells something of their operation.

40. What's Ahead for Teachers' Salaries, Department of Superintendence Pamphlet, September, 1930. 15 p.

Finds that teachers' salaries in 1928 were substantially better than in 1913. Salaries not only bought more but teachers occupied a better position relative to incomes in general than they did before the World War.


Summary of retirement legislation, June, 1934 to June, 1935.


States the five fundamental principles of a teacher retirement system. Discusses sixteen issues in teacher-retirement, illustrating with tabulations.

43. The Economic Welfare of Teachers, Sixth Yearbook of the National Education Association, Department of Classroom Teachers, 1931. Chapter 6, "Retirement and Pension Systems," p. 102-123.
Includes discussions of scope and nature of retirement systems, fundamental principles, extent of movement, and provisions of state and local plans.


Compares theoretical efficiency, history, and status of these two plans.


The March Bulletin presents a checklist of 12 items on teacher retirement systems. The May Bulletin explains the items contained in the checklist.


Answers briefly 7 pointed questions on teacher retirement.


Lists 15 fundamental principles for establishing and maintaining a retirement system upon a scientific basis. Sets forth the status and conditions of teacher retirement in the United States and compares the old-age future of teachers with the expectancy of workers in other fields.


A tabular study of the salary scale of teachers throughout the country.


Finds that teachers may be divided into two groups in their opinions regarding retirement: (a) those who associate retirement with physical and mental infirmities, and (b) those who seek retirement for travel and recreation.


A discussion of the financial data found in this report.


An analysis of the teacher-retirement system in this state. Not particularly valuable, because of its lack of recency.


Discusses the interest of the teacher in the retirement system that has been set up, particularly keen because the inadequacy of his salary prevents his setting aside money to give him economic security in old age.


Analyzes teachers' pension systems in the United States for tendencies and criteria in evaluating pension systems. Presents data on administration, benefits, and financing of teachers' pensions systems from 1894 to 1924.


Reviews publications relative to retirement up to November, 1930.


Surveys the various retirement systems that are on a state wide basis, and comments upon their provisions.


Deals with the social philosophy of pensions and discusses ten fundamental principles. Also reports on financial condition of present systems.

Justifies the practice of setting up teacher-retirement plans on the principle that teachers, like other groups, need security in their old age.


Not very pertinent to this subject, but notable for its criticism of the principles of the retirement system in effect in New Mexico.


Critical descriptive treatment of teachers' pension systems in the United States. Part I describes evolution of such systems, and analyzes general problem of teacher-retirement. Part II treats a number of systems in detail.


Discusses the effect of sound retirement laws on the economic status of teachers in general.


Treats of the ordinary expenditures teachers are called upon to make, and compares these expenses with those of other groups of workers.


Analyzes teachers' pension systems in the United States on the basis of method of financing and retirement allowance granted.


Reviews statutory provisions and legal principles governing pensions for teachers.

Relevant chapters review educational legislation relating to teachers' pensions and retirement systems.


Reports data from survey made by Bureau of Labor Statistics in 1927. Outlines principal features and gives comparative tables on all statewide and some city teacher retirement systems.