THE ADEQUACY OF THE TEACHER RETIREMENT PROGRAM OF OKLAHOMA

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INTRODUCTION

A teacher retirement plan is 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. This present-day definition represents an advance in social theory over that prevailing in 1870 when organized teacher welfare plans had their beginnings.

There have been three periods in the history of teacher retirement plans in this country.[1] Assurance and mutual-aid societies characterized the first period which began in 1869. About 1894 began a period of legislative activity wherein too frequently sound retirement principles were disregarded. The third period, from 1920 to the present, has been characterized by legislation designed to improve existing systems and to establish each new plan upon a sound fiscal basis.

By May 1, 1937, state teacher retirement laws had been enacted in twenty-seven states.[2] Twenty-three were joint-contributory, three were pension plans provided through state funds, and one was supported by teacher funds.

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[1]Research Bulletin of the National Education Association, <u>Teacher Retirement Systems and Social Security</u>, Vol. XV, No. 3, p. 93.

[2]<u>Ibid</u>., p. 98.

By January, 1941, public school employees were protected by statewide retirement plans in twenty-nine states and Hawaii. Statewide pension plans were in operation in four states.[3] On November 1, 1943, there were thirty-eight statewide joint-contributory systems and two state pension plans operating in the United States.[4]

In some of these states, all teachers must be members of the retirement system. In other states, membership is voluntary. Some make membership compulsory for new teachers who enter the profession after the law has become effective and voluntary for those teachers in service before the law takes effect.

The present system of teacher retirement in Oklahoma is new. The first provisions of the state law became effective July 1, 1943.[5] Additional legislation was enacted in April, 1945.[6]

The average classroom teacher and school superintendent contacted by the writer is unable to explain the major points and types of benefits received under the state

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[3]Research Bulletin of the National Education Association, _Status of Teacher Retirement_, Vol. XIX, No. 1, p. 5.

[4]National Education Association Research Division and National Council on Teacher Retirement, _Statuatory Analysis of Retirement Provisions for Teachers and Other School Employees_, p. 4.

[5]Session Laws of Oklahoma, 1943, _House Bill No. 297_, Chapter 27, pp. 212-240.

[6]Session Laws of Oklahoma, 1945, _House Bill No. 244_, Chapter 27, pp. 320-333.

teacher retirement law. Different opinions have been voiced concerning the desirability of the system. Following are some typical questions asked by public school employees:

1. What do I have to gain by being a member of the system?
2. Suppose I was disabled; what then?
3. May I withdraw after becoming a member?
4. How does the Oklahoma system of teacher retirement compare with that of other states?
5. How does it compare with other types of social security?

Publicized answers to these and similar questions would aid the employee in understanding the plan. Few people are willing to place money into a fund unless the benefits are clearly understood. The average person is naturally reluctant to accept untried financial programs at face value.

Statement of problem. How adequate is the teacher retirement program of Oklahoma? This is a question which summarizes previous ones and upon which the writer has based the study of this problem.

Limitations. Comparisons have been made of relationships existing between the Oklahoma teacher retirement plan and the existing programs of Arkansas, Kansas, Louisiana, Texas, and Ohio. The first four states named were chosen because of their economic relationship and proximity of location to Oklahoma. The state of Ohio is used as a representative of one of the older and better-developed plans of the United States.[7]

Strong points, weaknesses, and benefits of the federal systems of social security and civil service have been considered.

Sources of data. The major part of the material concerning the history of the development of the teacher retirement system in Oklahoma has been gained through a study of "The Oklahoma Teacher" magazine and session laws of the state legislature. Information from teacher retirement committee secretaries of surrounding states and reports of "The Committee on Teacher Retirement", published in Research Bulletins of the National Education Association, was used in making comparisons of state systems. Literature and regulations of federal plans operating in Oklahoma were used in this study.

Although several studies have been made concerning teacher retirement systems in other states, no study has been found which compares teacher retirement with other types of social security. Bibliographical Surveys of Masters' Theses, National Education Association Research Bulletins, The Oklahoma Teacher, The Education Index, and Readers' Guide to Periodical Literature have been checked for information on this subject.

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[7]Research Bulletin of the National Education Association, Status of Teacher Retirement, Vol. XIX, No. 1, pp. 11-14.

__Procedure__. Comparisons made concerning teacher retirement systems in selected states are based on fifteen principles of a sound retirement system.[8] Comparison of the Oklahoma teacher retirement system and existing retirement plans operating in other states are made on the following basis:

1. Favorable points of each
2. Limitations of each
3. Comparative benefits of each

Several examples of benefits to be received by employees of identical age and salary groups are included.

Illustrations involved in this study are based on the general procedures of the agencies involved.

The final chapter is devoted to a summary of the study. Outstanding points of different retirement systems studied in other chapters, conclusions, and suggested improvements of the Oklahoma teacher retirement law are presented.

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[8]Research Bulletin of the National Education Association, __Teacher Retirement Systems and Social Security__, Vol. XV, No. 3, pp. 96-97.

CHAPTER I

TEACHER RETIREMENT IN OKLAHOMA

The Period from 1920 to 1943

The Teacher Retirement System of Oklahoma as we know it today is the result of continued effort, over a period of years, on the part of educational leaders of this state. Without the desire of national political and educational leaders to aid the working classes through passage of Social Security legislation, teacher retirement laws would not have been passed.

Local teacher retirement laws in Oklahoma were inaugurated in the late "twenties" of this century. Teachers in parts of the state were able to place money in funds carried by the school districts. The districts were to appropriate money to the funds thereby building up a reserve to be paid to the teachers on retirement. Because of the following reasons, teachers able to save money invested it in other types of securities.[1]

1. Only a few of the larger school districts made this offer to teachers.
2. State schools were so poorly financed that districts were unable to match funds paid by teachers.
3. Teachers feared that a fund so created might not be permanent.
4. Article 5, Section 47 of the Oklahoma Constitution states:[2]

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[1]C. M. Howell, "Editorial," The Oklahoma Teacher, IX (December, 1927), p. 12.

[2]Oklahoma State Constitution, Article 5, Section 47.

"The legislature shall not retire any officer or pay or part pay or make any grant to such retiring officer."

5. Without legislative action the plan was actuarially unsound.

In March, 1926,[3] the board of directors of the Oklahoma Education Association appointed a committee to investigate offers of group insurance to members of the association. The business assembly authorized the board to adopt a plan to give teachers insurance at cost.

A group insurance plan was adopted in April, 1926.[4] The cost was to be eight dollars per year for a one thousand dollar policy which carried disability benefits with double indemnity features to be secured if desired. Under the terms of the policy, all members under sixty years of age in good health received insurance at the same rate. Being a member of the Oklahoma Education Association was the only requirement for purchasing a policy. This insurance was furnished through the Great Southern Life Insurance Company. About ten per cent of the teachers of the state applied for this insurance.

Because of cheap rates, lack of physical examination, and lack of age distribution, the policy was actuarially unsound. The insurance was terminated in 1928. Upon investigation it was found that there was no way whereby

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[3]C. M. Howell, "Editorial," The Oklahoma Teacher, VII (March, 1926), p. 12.

[4]C. M. Howell, "Editorial," The Oklahoma Teacher, VII (April, 1926), p. 12.

group insurance such as could be procured by the Oklahoma Education Association could be legally written without a medical examination.

Although the above-mentioned insurance plan was not a form of teacher retirement, the writer feels it was a step in that direction.

In 1927 Oklahoma was among states with retirement laws that applied only to districts.[5] For the purpose of getting a sound law, a committee of the Oklahoma Education Association headed by Mr. Edward Price, Superintendent of Enid Schools, was formed to make a study of existing state teacher retirement laws. This committee made an exhaustive study and found that a great many systems in other states had to be reorganized several times before becoming satisfactory. It was decided that an actuary should be consulted before attempting a program for Oklahoma.

With the assistance of Mr. G. G. Buck, consulting actuary of New York, the retirement plan drawn for submission to the twelfth legislature included the following points:[6]

1. Make the system actuarially sound.
2. Provide compulsory retirement at the age of seventy.
3. Make voluntary retirement possible after thirty-five years of service.

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[5] C. M. Howell, "Editorial," The Oklahoma Teacher, IX (December, 1927), p. 12.

[6] C. M. Howell, "Editorial," The Oklahoma Teacher, X (October, 1928), p. 17.

4. Include retirement for disability reasons.

5. Pay the retiring teacher one-seventieth of average yearly salary times the number of years taught (average determined from last ten-year period).

6. Provide cost to teacher and state from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent of the teachers' annual salary.

7. Include optional provisions for teachers in service.

8. Make membership compulsory with new teachers.

9. Provide for withdrawal of all deposits plus three per cent interest if teacher leaves the service or withdraws to another state.

The bill as presented to the twelfth legislature was endorsed by the State Congress of the Parent Teacher Association and American Association of University Women. The chief aim of the Oklahoma Education Association committee was to solicit support of the public from the standpoint of the good of the child and justice to the teacher. Most of the publicity of the proposed law was given through the use of the tenure angle. Teacher retirement was expected to attract and hold capable people to the profession. Publicity items and editorials approving the bill were carried by the state press.

The twelfth session of the Oklahoma legislature ended without discussion of any school bills. An extra-ordinary session of the legislature was called for May 20, 1929. Although the retirement measure was given some consideration and the proposed law printed, it was not brought to a vote at the special session of the legislature.

The next effort to secure some type of retirement plan was made in 1932. Dr. A. Lincheid, President of East Central State Teachers' College, appointed a committee on tenure and retirement.[7] It seemed advisable again to ask for state support. There were numerous districts which would attempt tenure and retirement plans if they could receive legal sanction. It was the hope of the committee to prepare a measure to be submitted to the next legislature making it possible for any school district to adopt a plan along this line.

In the meantime, committees from Tulsa and Oklahoma City held two meetings in an attempt to arrive at a solution which would be optional with state schools.

In October, 1936, a meeting of teacher retirement committee members was held at Norman, Oklahoma.[8] This group adopted the name of "Oklahoma Association for Teachers' Retirement Allowances." Mr. E. W. Comfort, Mr. E. D. Price, and Mr. C. M. Howell were selected as officers of the group. These officers plus one from each of three commissions and one to be selected at large composed the executive committee. The commissions set up at this meeting were as follows:

1. Technical commission; assemble and make available to others the information desired. Plan and draft necessary legislation and carry on such research as is essential to the fulfillment of its purposes.

2. Contact commission; aid in collection of facts, carry on campaign of legislation, secure favorable publicity, combat opposition, obtain cooperation, and maintain unity of action.

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[7]C. M. Howell, "Teacher Retirement," The Oklahoma Teacher, XIII (February, 1932), p. 12.

[8]C. M. Howell, "Retirement Committee Meetings," The Oklahoma Teacher, XVIII (December, 1936), p. 7.

3. Legal commission; handle all legal questions, go over legislative measures prepared by the Technical Committee, with view of making them legally acceptable.

Concensus of opinion was that the first step toward securing teacher retirement in Oklahoma was the adoption of an amendment to the state constitution. The association decided to ask the sixteenth legislature to submit this amendment to a vote of the people. The passing of the national Social Security Act forced this plan to the front. The commissions of the retirement group worked out the following amendment to the Oklahoma Constitution.[9]

> "The legislature may enact laws authorizing the state, state institutions, and school districts, collectively or severally, to provide retirement allowances and death and/or disability benefits for teachers and other employees in the public schools, colleges, and universities in the state; supported wholly or in part by state funds."

The above was a proposed amendment to the Oklahoma Constitution which states:

> "The legislature shall not retire any officer on pay or part pay, or make any grant to such retiring officer."[10]

The amendment was to be voted on at the time of the general election in November, 1938. A serious attempt was made to educate the teachers to vote for the amendment and to make the voters aware of the need of retirement legislation. The committee felt that the greatest obstacle to overcome

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[9] C. M. Howell, "Council on Teacher Retirement," The Oklahoma Teacher, XVIII (March, 1937), p. 8.

[10] Oklahoma State Constitution, Article 5, Section 47.

would be the silent vote. The proposed amendment was placed on the ballot as State Question 242, Referendum 76.[11]

Although the vote for the amendment carried in parts of the state where workers were more diligent, it failed by a statewide vote of 183,997 to 218,945.[12]

A decision was made to keep working for teacher retirement. The teachers of the state were admonished to "wake up and go to work" if they were to expect any type of retirement law.

The listing of Oklahoma by The Saturday Evening Post[13] with states in which children have inadequate educational opportunities, and the passing of retirement legislation in Alabama, Arkansas, Florida, North Carolina, Georgia, South Dakota, and West Virginia in 1939 gave added impetus to the drive for retirement legislation in Oklahoma. At this time Oklahoma was one of five states without teacher retirement laws.[14]

The Oklahoma City Board of Education planned a study in 1941 to see how retiring teachers could be helped.[15] The writer is unable to find any published development of these plans.

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[11]Nick Comfort, "The Teacher Retirement Amendment," The Oklahoma Teacher, XX (September, 1938), p. 7.

[12]Nick Comfort, "The Teacher Retirement Amendment," The Oklahoma Teacher, XX (January, 1939), p. 7.

[13]C. X. Dowler, "Continue the Drive," The Oklahoma Teacher, XXI (October, 1939), p. 33.

[14]Research Bulletin of the National Education Association, Analysis of the Statuatory Provisions for State Teacher Retirement Systems, (January, 1939) Washington, D. C., pp. 1-3.

[15]Unsigned Article, The Oklahoma Teacher, XXII (September, 1941), pp. 5-6.

The outlook for adequate retirement legislation in Oklahoma was slowly improving. Joseph H. Brandt was outspoken for the need of a state teacher retirement system.[16] Governor Leon Phillips promised his aid to secure the needed amendment to the state constitution at an East Central District Teachers Association meeting in October, 1941.[17] At this meeting, Joseph Brandt was asked to head a retirement commission.

A plan was adopted to secure a special election to be help July 14, 1942, for the purpose of amending the constitution in order that a retirement law could be made constitutional. It was felt that a special election would avoid defeat through the silent vote.

A copy of the petition for a special election was filed through the regular channels and teachers of the state worked to get signatures on these petitions. As more than 244,000[18] petitions were signed, it was evident that teachers were working harder for retirement legislation than before.

At the special election the retirement amendment was approved by the voters by a margin of 257,740 to 151,451.[19]

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[16]The Tulsa Tribune, January 4, 1941.

[17]M. E. Hurst, "Retirement for Oklahoma Teachers--When?" The Oklahoma Teacher, XXII (December, 1941), pp. 3-4.

[18]Unsigned Article, Oklahoma Education Office, The Oklahoma Teacher, XXII (May, 1942), p. 22.

[19]C. M. Howell, "Retirement Amendment," The Oklahoma Teacher, XXIV (September, 1942), p. 15.

The rest was comparatively easy. After a study of the retirement laws of other states, a bill was introduced and passed to vitalize the retirement provision of the Oklahoma Constitution. This law set up the qualifications, tenure, number of appointments, and number of members of the board of trustees, and outlined the provisions of the teacher retirement system of Oklahoma.[20]

During this session of the nineteenth legislature, the sum of $200,000 for the biennium was appropriated to make the system operative. Five members of the board were appointed by the governor during the month of June, 1943. These members were appointed to serve for periods ranging from one to five years. The members of the board selected Mrs. Gladys McDonald, classroom teacher of Oklahoma City, a member of the board, to serve as temporary executive secretary. In September, 1943, Mr. Harvey Black, superintendent of Hugo Schools was unanimously elected to the position of executive secretary.

Mr. Earnest Black, now a member of the State Tax Commission, set up the first budget for the teachers' retirement system and prepared the forms for setting up the office on a business basis.

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[20]Harry W. McKimmey, "Rewarded Effort," The Oklahoma Teacher, XXIV (May, 1943), p. 13.

<u>The Period from 1943 to 1946</u>

The original Teachers' Retirement Law passed by the nineteenth legislature in 1943 was amended by the twentieth state legislature in 1945. The remainder of this chapter consists of a summary of the retirement law in its present form.[21]

<u>Membership</u>. Membership in the system is open to all persons regularly employed under contract by the public schools and state colleges of Oklahoma, and such other employees whose functions are primarily devoted to public education. Membership is optional for teachers who were in active service at the time of the passage of the act or who were employed under contract in the public schools or state colleges of Oklahoma at any time during the five years from July 1, 1938, to June 30, 1943. Membership is compulsory to new teachers regularly employed in any public school system after the passage of the bill. Upon becoming a member the teacher is required to continue such membership as long as he continues as a teacher under the provisions of the law.

<u>Service</u>. Teaching service is of two kinds--prior service and membership service. Prior service is the teacher's service in the public schools and state educational institutions in Oklahoma beginning with 1907-1908 up to and

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[21]"House Bill No. 244," <u>Session Laws of Oklahoma 1945</u>, Chapter 27, pp. 320-333.

including the school year 1942-1943. No service credit can be given for teaching in private or parochial schools or for service outside the state. In order to qualify for prior service benefits, one must have become a member during the school year 1943-1944, the only exceptions being for teachers who were absent from the profession during 1943-1944 because of military service, recorded leave of absence, illness, or pursuance of graduate study and education. Every teacher entitled to a benefit on account of a prior service record must have filed a record of such prior service before January 1, 1946. Prior service certificates were issued by the Board of Trustees to teachers who fulfilled prior service requirements.

Membership service is determined by the number of years a teacher has been an active member of the retirement system since the passage of the retirement law.

Salary Deductions. The money to provide one-half of the teacher's membership is derived from the teacher's contributions. This is arranged for by deductions from the teacher's salary. Each payroll period there is deducted from his salary four per cent thereof which is remitted to the retirement system and credited to the teacher's individual account.

Each active member must pay an annual membership fee of one dollar. This fee is deducted from the first salary warrant of the teacher each fiscal year. It is used to partially defray operating costs of the system.

State contributions. The state of Oklahoma provides the money for the prior service annuity, but only one-half for the membership annuity. The state doubles the amount to the individual's credit at retirement.

Withdrawals. Should a member cease to be a teacher except by retirement, the contributions standing to the credit of his individual account in the Teacher Savings Fund shall be paid to him, or in event of his death before retirement, to such person as he shall have nominated by written designation, duly executed and filed with the Board of Trustees. If no designated beneficiary survives upon such death, such contributions shall be paid to his administrators, executors, or assigns, together with interest as provided.

1. If termination occurs within three (3) years from the date membership began, no part of such interest accumulations shall be paid.

2. With not less than three (3) but less than sixteen (16) years of membership, seventy per cent (70 per cent) of interest accumulations shall be paid.

3. With not less than sixteen (16) but less than twenty-one (21) years of membership, eighty per cent (80 per cent) of interest accumulations shall be paid.

4. With not less than twenty-one (21) but less than twenty-six (26) years of membership, ninety per cent (90) of interest accumulations shall be paid.

5. With not less than twenty-six (26) years of membership, all interest accumulations shall be paid.

Retirement benefits. Retirement benefits are granted for two forms of service: Prior Service and Membership Service.

A. Prior Service (not of interest except to those who hold prior service certificates). Members of the Teachers' Retirement System with service in Oklahoma prior to July 1, 1943, and who have filed such record as provided in the act, shall be granted an annuity determined by the amount of such prior service and salary. The act provides for a prior service annuity of .8 per cent of the teacher's average annual salary for the last five complete years immediately preceding the school year 1943-1944, multiplied by the number of years of prior service teaching.

B. Membership Service. Upon retirement, each teacher will receive an annuity which shall be the actuarial equivalent of his accumulated contributions at the time of retirement plus a membership pension which shall be equal to the annuity allowable at the time of his retirement.

As the life expectancy of the female is longer than for the male, the monthly life income for the female, all other conditions being equal, will be less than the annuity income for the male.

Options. In lieu of his retirement allowance payable throughout life for such an amount as determined under his retirement benefits, the member may select a retirement allowance for a reduced amount. This amount, to be actuarially equivalent of his retirement annuity, shall be payable under the following options.

1. If he dies before he has received in annuity payments the present value of his annuity as it was at the time of his retirement, the balance shall be paid to his legal representatives or to such person as he shall nominate as beneficiary.

2. Upon his death, his reduced retirement allowance shall be continued throughout the life of and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement.

3. Upon his death, one-half ($\frac{1}{2}$) of his reduced retirement allowance shall be continued throughout the life of and paid to such person as he shall nominate by written designation duly acknowledged and filed with the Board of Trustees at the time of his retirement.

4. Some other benefit or benefits shall be paid either to the member or to such person or persons as he shall nominate, provided these benefits together with the reduced retirement allowance shall be the equivalent actuarial value of his retirement allowance and shall be approved by the Board of Trustees.

Operating funds. All the assets of the Retirement System shall be credited according to the purpose for which they are held to one (1) of eight funds, namely: (1) The Teacher Savings Fund, (2) State Membership Fund, (3) Prior Service Reserve Fund, (4) Membership Annuity Reserve Fund, (5) Interest Fund, (6) Permanent Retirement Fund, (7) Expense Fund, and (8) Suspense Fund.

(1) The Teacher Savings Fund shall be a fund in which shall be accumulated regular contributions from the compensation of members, including interest earnings. Rate of interest shall not be less than $2\frac{1}{2}$ per cent nor more than four per cent of amount contributed.

(2) The State Membership Accumulation Fund shall be the fund in which shall be accumulated all contributions made to the Teachers' Retirement System by the state of Oklahoma for the purpose of providing for the retirement of each member an amount equal to such member's accumulated contributions.

(3) The Prior Service Reserve Fund shall be the fund in which shall be accumulated all contributions made by the state of Oklahoma for the purpose of providing the amount required for payment of prior service benefits.

(4) The Membership Annuity Reserve Fund shall be the fund in which shall be held all reserves for retirement allowances granted and in force, and from which all allowances shall be paid. At the time of service retirement the accumulated contributions of a retiring member shall be transferred from the Teacher Savings Fund to this fund. An amount equal to the accumulated contributions of each retiring member shall be transferred, upon service retirement, from the State Membership Accumulation Fund, to the Membership Annuity Reserve Fund. If the retiring member qualifies for prior service benefits, the amount equal to his prior service benefits shall be transferred from the Prior Service Reserve Fund to the Membership Annuity Reserve Fund.

(5) The Interest Fund was created to facilitate the crediting of interest to the various other funds to which interest is to be credited. All income, interest, and dividends derived from deposits and investments shall be paid into the Interest Fund. Once each year, interest shall be allowed and transferred to the other funds.

(6) The Permanent Retirement Fund shall consist of accumulated gifts, awards, and bequests made to the retirement system, and transfers from the Suspense Fund, the principal of which is hereby held and dedicated as a perpetual endowment of the retirement system.

(7) The Expense Fund shall be the fund from which the expense of administration and maintenance of the retirement system shall be paid. Members' annual membership fees, Interest Fund residue, and expense appropriations by the state of Oklahoma are paid to this fund.

(8) The Suspense Fund contains accumulations from the Teacher Savings Fund upon withdrawal from the system before retirement. At the time such membership is terminated, the amount due the member is transferred to the suspense fund, provided formal application for payment of same is not received. Since only a fractional part of earned interest is paid to the member upon withdrawal before retirement, the remaining interest credited to the account is

transferred from the Teacher Savings Fund to the Suspense Fund.

Who may retire. The first retirements will be granted in 1947 to those who have reached the age of seventy. Between 1947 and 1950, those reaching the age of seventy will be elegible for retirement. Beginning in 1950 state and teacher contributions will cease when the member is sixty-five with optional retirement on request at age sixty or after thirty years of service in the state of Oklahoma.

Management. The retirement system is managed by a board of nine trustees, four of whom are ex-officio, the State Superintendent of Public Instruction, a member of the Tax Commission, the State Treasurer, and the State Insurance Commissioner. The five other members appointed by the governor and approved by the senate, one of whom shall represent a school of higher education, one from the administrative unit of the state school system, and three which shall represent the classroom teachers. The five appointive members are appointed for periods of five years and serve without compensation. Under supervision of the Board of Trustees the administration of the system is carried on by an Executive Secretary and office staff.

Restrictions on investments. Retirement funds may be invested only in bonds of the United States, the state of Oklahoma, or counties, or cities, or school districts of Oklahoma, provided these counties, cities, or school districts have not defaulted in principal or interest on bonds within a period of ten years. Funds may also be invested in bonds issued by any agency of the United States Government, the payment of principal and interest on which is guaranteed by the United States.

The Treasurer of the State of Oklahoma shall, upon becoming custodian of the Teachers' Retirement Fund, give a bond in the sum of fifty thousand dollars, the Executive Secretary shall give bond in the sum of twenty-five thousand dollars.

It is the duty of the state examiner and inspector to audit annually the funds, accounts, and assets of the Teachers' Retirement System.

The state legislature reserves the right to amend any section, paragraph, or any and all provisions of the Teachers' Retirement Law as it may from time to time deem necessary.

CHAPTER II

STUDY OF STATE TEACHER RETIREMENT LAWS

There are, in general, two types of retirement plans for teachers; pension and joint-contributory types. A pension system is maintained by the state without contributions by the teachers. In a joint-contributory plan the employers and employees each contribute to the fund and the benefits are founded upon accumulations from both sources.

Today public school teachers are protected by statewide joint-contributory retirement plans in forty-four states. Three other states, Delaware, New Mexico, and Rhode Island, maintain statewide plans to which teachers do not contribute.[1]

It is the purpose of this chapter to compare the Oklahoma teacher retirement law with teacher retirement laws of selected states. The retirement systems of Oklahoma, Arkansas, Louisiana, Texas, Kansas, and Ohio are studied. The states of Arkansas, Kansas, Louisiana, and Texas are used because of their economic relationship and geographical proximity to Oklahoma. The state plan of Ohio is included as one of the older and better-developed plans of the United States.[2]

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[1]National Education Association, Research Bulletin, Statistics of State and Local Teacher Retirement Systems, 1943-44, Vol. XXIII, No. 2, pp. 29-30.

[2]National Education Association, Research Bulletin. Status of Teacher Retirement, Vol. XIX, No. 1, pp. 11-14.

The retirement plans of these states have been analyzed under the following headings:[3]

1. Cash Disbursement and Reserve Plans
2. Teacher Representation on Retirement Boards
3. Actuarial Valuations
4. Administrative Expenses
5. Restrictions on Investments
6. Types of Positions Covered
7. Voluntary and Compulsory Membership
8. Employer's Contributions
9. Members' Contributions
10. Payments in Case of Withdrawal before Retirement or Death of Member in Active Service
11. Age and Service Requirements for Retired
12. Superannuation or Service Retirement Allowances
13. Optional Benefits
14. Disability Retirement Requirements and Allowances
15. Military Leave During World War II
16. Guarantee Clause

A summary of the strong and weak points of the Oklahoma Teacher Retirement Law, as compared with the laws of other states, is to be found in the concluding chapter of this study.

1. Cash Disbursement and Reserve Plans. With regard to financing, joint-contributory retirement systems

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[3]Research Division and National Council on Teacher Retirement, Statuatory Analysis of Retirement Provisions For Teachers and Other School Employees, National Education Association, Washington, D. C., January, 1944, p. 2.

may be classified as one of two main types. Under a cash disbursement plan, the state appropriates the money for payment of benefits at the time they actually come due, but makes no provision for meeting the advance cost of the benefits promised throughout the years. In a reserve plan, the state makes regular payments over a period of years building up a reserve. Thus future costs are calculated and payments are made in advance, to be held in trust until the benefits are due.

The Kansas system is financed under a cash disbursement plan. Arkansas, Louisiana, Ohio, Oklahoma, and Texas are financed on a reserve plan.

2. Teacher Representation on Retirement Board. All systems included in this study are administered by a board composed in part of teachers who are members of the system and who are usually elected by the membership of the system.

   a) The Arkansas Board of Trustees is composed of nine members, five of them teachers, elected by the members of the system for periods of five years.[4]

   b) The Louisiana Board of Trustees is composed of seven members, three of them teachers, (one

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[4]Eighth Annual Report of the Arkansas Teacher Retirement System For The Fiscal Year Ending June 30, 1945. Little Rock, Arkansas, pp. 18-22.

parish superintendent, one principal, and one classroom teacher), elected by the members for three-year periods.[5]

c) Ohio's Board of Trustees has five members, two of them teachers, elected by members of the system to serve for periods of four years.[6]

d) The Oklahoma Board of Trustees is composed of nine members; four of them ex-officio. The five other members are appointed by the governor. One is to represent a school of higher education, one from the administrative unit of the state school system, and three to represent classroom teachers. The appointive members serve for periods of five years.[7]

e) The Kansas Board of Trustees is composed of six members, one of which must be a teacher, elected by members of the system to serve for four years.[8]

f) The Texas Board of Trustees is composed of six members, three of them teachers, appointed by

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[5] Louisiana Session Laws, 1936. Act No. 83, House Bill No. 127.

[6] Ohio Laws, 1945. Section 7896.

[7] Session Laws of Oklahoma, 1945. House Bill 244, Chapter 27, pp. 320-333.

[8] Kansas State Laws, 1941. Senate Bill No. 218.

the governor from nominees of membership to serve for periods of six years.[9]

3. Actuarial Valuations. Joint-contributory systems on a reserve basis need periodic actuarial valuations in order that the future cost of the benefits promised may be calculated in advance. Express provisions for actuarial valuations are included in retirement laws of the reserve type and of some cash disbursement plans. The frequency with which such valuations must be made follows:
    a) Arkansas: as necessary
    b) Kansas: as necessary
    c) Louisiana: every year
    d) Ohio: every five years
    e) Oklahoma: every five years
    f) Texas: every five years
4. Administrative Expenses. There are many variations in the handling of administrative expenses by the different states.
    a) Arkansas administrative expenses are paid by the state separately from state contributions to the retirement fund.
    b) Louisiana administrative expenses are paid likewise.
    c) Ohio administrative expenses are apportioned among the contributors, this apportionment not

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[9] Texas State Laws, 1937. Senate Bill No. 47.

to exceed one dollar annually. Remaining expenses are paid from interest and dividends from investments.

d) Administrative expenses of the Kansas system are paid from the school employees' savings fund.

e) Oklahoma administrative expenses are paid through an annual one-dollar assessment of the members. If expenses are in excess of this assessment, the difference is made up from the interest reserve account of the permanent retirement fund.

f) Texas administrative expenses are paid likewise.

5. Restrictions on Investments. Investment of funds is generally restricted in the same manner as are public moneys in the various states.

   a) Arkansas: Government securities and/or such securities as are the general obligations of the state and valid teachers' warrants of local school districts of the state.

   b) Kansas: School, state, municipal, and federal securities approved by the state school fund commission.

   c) Louisiana: Subject to all the terms, conditions, limitations, and restrictions, imposed by the laws of Louisiana upon domestic life insurance companies in the making and disposing of their investments.

d) Ohio: Investments in bonds of the United States; bonds guaranteed by the United States, Federal Farm Loan bonds; bonds, notes, and certificates of indebtedness of the state of Ohio, or of any county, township, village, school district, conservancy or sanitary district of the state of Ohio; and Federal Housing Administration mortgages on Ohio property, or debentures issued by the Federal Housing Administration.

e) Oklahoma: Bonds of the United States, the state of Oklahoma, or counties or cities or school districts of Oklahoma wherein said counties or cities or school districts have not defaulted in principal or interest on bonds within a period of ten years, or in bonds issued by any agency of the United States government, the payment of the principal and interest of which is guaranteed by the United States.

f) Texas: Investments in United States bonds, and those of Texas state, counties, cities, school districts of state, when same have not defaulted within ten years, or bonds issued by any agency of the United States; also interest bearing bonds of the University of Texas.

6. <u>Types of Positions Covered</u>.

a) Arkansas: All certified teachers, principals, superintendents, and supervisors; faculties for state schools for the blind and deaf, employees of the state board of education, chief county-school officers, administrative and clerical employees of the teacher retirement system and local school boards on a regular salary basis; instructors and administrative employees of state institutions of higher learning, and of state vocational high schools provided the board of trustees of such institutions agrees to be bound by the provisions of the act. Unlicensed clerical employees and temporary teachers may join.

b) Kansas: Classroom teachers, administrators, supervisors, librarians, nurses, clerks, janitors, or those who have rendered other school service in any of the public common schools, high schools, or junior colleges of the state, who are citizens of the United States, and who never have been or who never hereafter shall become members of any organization advocating the overthrow of the United States government by force. All members of local retirement systems are excluded.

c) Louisiana: Teachers, helping teachers, librarians, secretaries, clerks, principals, supervisors, superintendents, state superintendent, staff of state department; president, dean, and teachers of any educational institution supported by and under the control of the state; secretary and staff of the Louisiana Teachers Association;

secretary and staff of the Louisiana Highschool Athletic Association.

d) Ohio: All teachers of the public- and state-supported schools of the state; the educational employees of the state department of education; and the teachers in schools and colleges supported in whole or in part, and wholly controlled and managed by the state or any subdivision thereof, provided the board of trustees agrees to such membership.

e) Oklahoma: Any teacher, principal, superintendent, county superintendent, administrator, custodian, librarian, nurse, college president, professor, clerk, and any other employee whose salary is paid wholly or in part from state public-school funds.

f) Texas: Regular teachers, members of retirement board of trustees, state board of education, state department of education, boards of regents of colleges and universities, and any other legally constituted board or agency of an educational institution or organization supported wholly or partly by the state. Teacher shall mean a person rendering service to organized public education in professional and business administration and supervision and instruction.

7. Voluntary and Compulsory Membership. In most systems, membership is compulsory for all new teachers employed

after the enactment or after a special date, and voluntary for teachers employed at the time of enactment.

a) Arkansas: Voluntary for teachers employed at the time of enactment, compulsory for all teachers employed for the first time since July 1, 1937, or who re-entered the service since that date. Voluntary for unlicensed clerical employees and temporary teachers.

b) Kansas: No employee who has been a school employee in Kansas prior to September 1, 1941, is affected by the act until he has made formal application for membership. Membership is compulsory for all new members employed after that date.

c) Louisiana: All new teachers, those employed since August 1, 1936, are required to be members of the system as a condition of their employment. For teachers in service at the time the system was established, membership was made optional with the provision that any teacher in service who did not wish to be a member was required within a period of ninety days from the date the system took effect to file a non-election card with the board of trustees. Any teacher covered by a local retirement system was given the right, within a period of a year, to become a member of the state system.

d) Ohio: Membership compulsory for all teachers who became teachers or who were reappointed as teachers after September 1, 1920. Teachers in service on the first day of September, 1920, were not required to become members provided they filed with their employer a statement in writing requesting exemption from membership.

e) Oklahoma: Membership is compulsory for any employee who is employed on, or after, July 1, 1943. It is optional for those who were employed by the Oklahoma school system during the five years ending July 1, 1943. The law provides that the board of trustees may deny the right to become members of the system to any class of teachers, or employees, or any individual within a class of teachers or employees whose compensation is paid <u>only in part</u> by the state or other educational subdivisions, or any class of teachers who are serving on a temporary basis. The board of trustees has also ruled that employees making less than fifty-two dollars per month are not required to participate in the retirement program.

f) Texas: All teachers who were teaching in the public schools of Texas when the retirement system was established and who did not file a waiver of membership in the office of the Teacher Retirement System on or before

November 30, 1937, became members of the retirement system as a condition of their employment. All teachers who begin teaching for the first time in the public schools of Texas on or after the first day of September, 1938, become members as a condition of their employment. Membership is optional with teachers who taught in the public schools of Texas before the establishment of the system but who were not teaching when the retirement system was established.

8. Employer's Contributions. Usually employer's contributions are based on the average age at entrance into service, and a single normal percentage rate of contribution is applied to the entire payroll. In some instances, the rate is fixed by sex and age of individual members.

   a) Arkansas: The state matches the retirement deductions of teachers: four per cent of the total payroll. Also for retirees, one and one-half per cent of the average salary of the retiree for last ten years of service times the number of years of state service.

   b) Kansas: State money is transferred from the state aid school fund each year to meet benefit payments as they come due. No ad valorem may ever be levied to provide funds for the retirement system.

c) Louisiana: The state makes annually a "normal contribution" with which to provide the pension to match the annuity of the teacher on service retirement and to provide the funds to service the pensions granted to disabled teachers and also an "accrued liability contribution" to provide the additional pensions due to services rendered prior to August 1, 1936, for which the member may have credit. The state also pays for all overhead charges incidental to the operation of the system.

d) Ohio: A "normal contribution" is made to match exactly the total amount of the members' deposits and interest earnings at the time of retirement, and to provide the employer's share of disability retirement allowances. A "deficiency contribution" provides the fund with money for paying the pension portion of the retirement allowance which is granted for prior service in Ohio and for military service.

e) Oklahoma: The state provides funds to match each member's accumulated contributions. Funds are allocated by the state to provide prior service pensions.

f) Texas: The law provides that the state shall contribute each year a sum equal to the total contributions of all members for that year.

A sufficient amount of this money is to be placed in the State Membership Accumulation Fund to match the contributions of members who remain in service until retirement. The remaining state money is placed in a fund from which all prior service annuity payments are made.

9. <u>Members' Contributions</u>. Usually a portion of the salary of each member is deducted from each payroll and forwarded as a total from the local district to the state retirement board.

Members' contributions may be based upon a flat rate or a percentage of salary. The percentage of salary may be determined by the actuary or may be stated definitely in the retirement law. In some retirement laws, the maximum and minimum contributions are stated.

a) Arkansas: Four per cent of salary to $2500.00.

b) Kansas: Four per cent of salary to $3000.00.

c) Louisiana: Four per cent of annual salary.

d) Ohio: Four per cent of salary up to $3000.00. Beginning in 1946, salary deductions were raised to five per cent.

e) Oklahoma: Four per cent of salary. Maximum contribution, $300.00 per year.

f) Texas: Five per cent of salary. Maximum contribution, $180.00 per year.

10. <u>Payments in Case of Withdrawal before Retirement or Death of Member in Active Service</u>. All retirement

laws considered in this analysis make some provision for refund of the teachers' contributions. Usually when a member dies in active service, all deposits with interest are payable to the beneficiary named by the member or to the estate, or upon withdrawal to the teacher.

a) Arkansas: Total deposits with interest are returnable to member in event of death or withdrawal before retirement.

b) Kansas: Total deposits with interest are returnable to member in event of death or withdrawal before retirement.

c) Louisiana: Total deposits and interest returnable.

d) Ohio: Total deposits and interest returnable.

e) Oklahoma: For withdrawal or death before three years of active membership, deposits without interest is returnable. From three to sixteen years membership, deposits plus seventy per cent of interest is paid. From sixteen to twenty-one years of membership, deposits plus eighty per cent of interest will be paid. From twenty-one to twenty-six years of membership, ninety per cent of interest accumulations plus deposits are paid. All interest plus deposits returned if withdrawing member has more than twenty-six years of active service.

f) Texas: Total deposits and interest returnable in case of withdrawal or death of a member in active service.

11. Age and Service Requirements for Retirement. In many systems, teachers in service at the time the system is established, who elect to join it, are allowed credit for prior service, within or without the state, without the requirement of payments on the part of such teachers, for the prior service period credited.

When a new employee joins the retirement system as a compulsory feature of the employment contract, some states allow him credit for past public school teaching experience outside the state concerned. In some states allowing such credit, the new entrant member must pay to the retirement fund the equivalent of assessments which would have been due had the teacher been a member during the period for which prior service credit is sought. In other states the method of computing the retirement allowance is such that no such arrearage payments are necessary from the new entrant members, but the credit is allowed toward fulfilling the total years of service required for retirement.

a) Arkansas: A member may retire at the age of sixty years; before sixty if he has had thirty years of service, or with twenty-five years of

Arkansas service, if he was sixty or more when he taught his last term, which must have been prior to May 10, 1937.

Only services and salaries in Arkansas are to be used in computing benefits. Service in other states is used only to help qualify for retirement before sixty, when a member has had thirty years or more of service, ten or more of which are in Arkansas. Retirement is automatic on the July, first day, following a member's seventy-second birthday.

b) Kansas: Minimum retirement age in this state is sixty years, maximum age is seventy years. The maximum service credit shall be thirty years, not more than fifteen years of such service shall be before September 1, 1941. No credit shall be allowed for school service rendered outside the state of Kansas.

Any school employee who retires direct from service may at his choice, be granted an annuity beginning on any September 1, from age sixty to seventy, inclusive. Any school annuity granted prior to age sixth-five shall not be the standard annuity, but shall be the actuarial equivalent at the attained age. No employee shall receive service credit after he reaches the age of sixty-five. The employee becomes sixty-five on September first of the calendar year in which his sixty-fifth birthday occurs.

c) Louisiana: Any member may retire at the age of fifty-five years provided he has credit for a minimum of thirty years of service. One may also retire at sixty, regardless of years of service. Retirement is compulsory at seventy provided that with the approval of his employer he may remain in service until the end of the school year following the date on which he attains the age of seventy years. Upon request of employer, member may be continued in service for a period of two years following his seventieth birthday.

d) Ohio: A member may qualify for a retirement allowance effective September first of any year by:

1. Completing thirty-six years of service credit, or
2. Attaining the age of sixty with at least five years of service credit, or
3. Attaining age fifty-five with at least thirty years of service credit.

The law provides that with the consent of the employer in each case, the retirement board shall retire teachers at the end of the school year in which age seventy is attained.

e) Oklahoma: The first retirements will be granted in 1947 to those who have reached the age of seventy. Between 1947 and 1950, those reaching the age of seventy will become eligible.

Beginning in 1950, retirement will be compulsory at the age of seventy with optional retirement on request at the age of sixty, or after thirty years of service in the state of Oklahoma. Annuities are based on the age of the member at time of retirement.

f) Texas: The teacher must have accumulated at least twenty years of service in the public schools of Texas for which credit is allowable under the provisions of the Teacher Retirement Law and must have attained the age of at least sixty while a member in good standing of the retirement system. Creditable service shall consist of membership service under the system and prior service in Texas schools before September 1, 1937. Retirement is compulsory at seventy except that with employer's approval, member may remain in service.

12. Superannuation or Service Retirement Allowances. Member's retirement allowances vary in different states. Some systems provide an annuity actuarially equivalent to the teacher's deposits plus a pension from the state; others pay a flat benefit, some provide annuities on basis other than the actuarial equivalent of teacher's deposits plus a pension from the state.

a) Arkansas: The member receives an annuity actuarially equivalent to his deposits. The state provides a pension equal to his annuity.

b) Kansas: The member is paid an annuity which is determined by the total amount accredited to the annuitant at the time of retirement. The state proposes to pay in addition a service annuity at age sixty-five in the amount of twelve dollars per year for each year of approved service, not to exceed thirty years. The maximum payment for a service annuity is not to exceed $360.00 per year.

c) Louisiana: If the member has no prior service credit, he receives an annuity actuarially equivalent to his deposits plus a state pension equal to the annuity. If the member has prior service credit, he receives in addition a pension, equal to an annuity which would have been provided at the age of sixty. This annuity is the actuarial equivalent of twice the contributions which the teacher would have made during such prior service had the system been in operation and he contributed thereunder.

d) Ohio: The member receives an annuity which is the actuarial equivalent of his deposits. The state provides a pension equal to this annuity. If the member qualifies for prior service, he will in addition receive an annual allowance of two per cent of his final average salary times the number of years of prior service credit. The final average salary is the average salary earned during the ten years immediately preceding retirement.

e) Oklahoma: At time of retirement, the member's benefits consist of a prior service annuity and a membership service annuity. The amount of the prior service annuity is determined by multiplying the number of years of prior service teaching by 8/10 per cent of the teacher's average annual salary for the last five years of prior service. The membership service annuity is determined at the time of retirement. The member's contributions plus interest earned are doubled, and this amount applied to purchase an annuity.

f) Texas: A membership annuity, the actuarial equivalent of twice the member's contributions plus interest, plus a prior service annuity. The prior service annuity is determined by multiplying one per cent of the average annual salary during the ten year period prior to 1937 times the number of years of creditable prior service.

13. Optional Benefits. Many state retirement systems allow the teacher choice of options on the method of payment of the benefits upon superannuation or service retirement. It is usual to provide that

no option is effective in event of death within thirty days after election of option. Election usually must be made at or before retirement, or before first payment is normally due. No change in election is permitted after the first payment has been made. The effect of the election of options is that during the life of the member, after retirement, a smaller benefit is paid in order to permit the payment of benefits to the annuitant's beneficiary. The usual options are listed below.

1. Unpaid balance of accumulated contributions to be paid to annuitant's beneficiary or estate in lump sum when the annuitant dies.
2. Beneficiary of annuitant receives the same retirement payments also throughout his life, beginning when the annuitant dies.
3. Beneficiary receives throughout his life, payments equivalent to half the amount of member's annuity.
4. Board is empowered to allow other equivalent benefits.

Louisiana and Oklahoma offer all four options; Ohio and Texas offer the last three; Kansas offers the fourth option; no provisions for optional benefits are included in the retirement act of Arkansas.

It should be noted that through option four, some boards may offer the first three.

a) Arkansas: No provisions for optional benefits included in the act.

b) Kansas: Option four only.

c) Ohio: Options two, three, and four.

d) Oklahoma: Options one, two, three, and four.

e) Louisiana: Options one, two, three, and four.

f) Texas: Options two, three, and four.

14. Disability Retirement Requirements and Allowances. Teachers' retirement laws often contain provisions concerning partial or total disability of members while in active service. Although there is wide variation in disability allowances in the various laws, the writer feels that with the passing of future amendments the laws will become more uniform in this respect.

a) Arkansas: A teacher member is eligible for disability benefits after ten years of Arkansas teaching service, five years of which must immediately precede disability. Disability must have been incurred after becoming a member; must be "permanent or of probable long duration"; and be approved by a medical board. Re-examination may be required.

Disabled member is to receive an annuity representing the actuarial equivalent of his deposits plus a supplementary annuity of his local school board (if so voted) to increase the annuity. The state's contribution is one and one-half per cent of the average annual salary of the past ten years multiplied by the number of years of Arkansas teaching service.

Maximum disability payments are $600.00 annually. If the disabled member is able to engage in gainful occupation other than teaching, the allowance will be lowered.

b) Kansas: Member is eligible for disability benefits after fifteen years of Kansas service. A periodical medical examination is required once every five years or at the discretion of the board, until disabled member reaches the age of sixty-five.

The disabled member is to receive an annuity which is the actuarial equivalent of the allowance of the member at the age of disability.

c) Ohio: A member with ten or more years of service credit in the State Teachers Retirement System of Ohio may apply for disability retirement within two years following his last service as a contributing member; or later if proof is established to the satisfaction of the retirement board that the disability existed prior to the expiration of such two-year period. If retirement because of permanent disability is recommended by a physician to be appointed by the board, the member may receive a retirement allowance. Such allowance may be granted for either mental or physical disability, recovery from which is not anticipated within a reasonable length of time.

The disability retirement allowance may continue for life, or until the member is able to return to teaching, or is qualified for superannuation retirement.

The amount of the allowance is 1.6 per cent of the final average salary multiplied by the number of years of service credit with a minimum allowance of thirty per cent of the final average salary and a maximum allowance of nine-tenths of the probable superannuation allowance had retirement been deferred and contributions continued until age sixty.

d) Louisiana: Upon retirement for disability a member shall receive a service retirement allowance if he has attained the age of sixty years, otherwise he shall receive a disability retirement allowance which shall consist of an annuity which shall be the actuarial equivalent of his accumulated contributions at the time of retirement, and a pension equal to seventy-five per cent of the pension that would have been payable upon service retirement at the age of sixty years had the member continued in service to the age of sixty years without further change in compensation.

A member must have ten years of creditable service before being eligible for disability retirement. He must submit to medical examinations annually for five years, and once in each three-year period thereafter to age sixty.

e) Oklahoma: No provision for disability retirement.

f) Texas: A member in service, under the age of sixty, who has taught twenty or more years in the state of Texas, may be retires on a disability retirement allowance, provided that he is adjudged by the Medical Board of the Retirement System to be "mentally or physically incapacitates for the further performance of duty." His payments to the teacher retirement system would cease and he would be retired on a regular monthly disability income.

An annuity purchased by the disabled member's contributions plus an equal amount from the state fund compose the disabled member's benefits. If the member has prior service credit, an additional annuity equal to half the prior service allowance is granted.

15. Military Leave During World War II. Provisions specifically granting credit in the retirement system for military service under varying circumstances have been enacted by most states.

a) Arkansas: Provides that retirees may, without loss of credit, return to teaching service during World War II, and may complete a term begun before "hostilities cease." (When the President, or

Congress, declares "hostilities have ceased").

b) Kansas: No provision for credit during military leave.

c) Louisiana: Louisiana has no special provisions for military leave, but leave of absence for ordinary causes is provided in the law and will include military leave for a five-years period.

d) Ohio: A member on military leave may claim credit for such service within two years of honorable discharge. He will receive credit equivalent to prior service credit, the cost being paid by the employer.

e) Oklahoma: Men and women in the armed services have been granted eighteen months from the time of their discharge in which to return to the teaching profession, join the retirement system, and qualify for prior service benefits. There is no provision for credit during military leave for teachers who were members of the retirement system before going into the armed services.

f) Texas: Leave of absence for ordinary causes is provided in the law and will include military leave for a five-year period. During this period of absence from the teaching profession, the teacher's accumulated deposits continue to draw interest and he retains all prior service credit.

16. <u>Guarantee Clause</u>. The reduction of pensions paid to teachers in Chicago during recent years is an

example of how an inadequate guarantee may affect the retirement allowance of the teacher member. The courts ruled that in this instance the pension was a gratuity from the state and that teachers have no vested right in such a gratuity. This ruling, however, referred to a pension system. The question arises whether a member of a joint-contributory system has, on account of his deposits, a vested right in the benefits promised.

Arkansas, Louisiana, and Ohio provide a full guarantee without reservations the benefits as stated in the laws.

Kansas law provides that the Board of Trustees may ratably reduce the annuities provided whenever the condition of the fund shall require such reduction.

Oklahoma and Texas laws provide that the legislatures reserve the right to amend any section, paragraph, or any and all provisions of acts as they may from time to time deem necessary.

Just how far a retirement law should go in guaranteeing to members the benefits stated in the law has not been determined. No court cases have been brought in states not having a guarantee. Until such cases are brought to the courts, the status of the retirement system members will be uncertain.

<u>Comparative</u> <u>Tables</u>. Tables I and II compare the membership statistics of the systems under discussion since the establishment of the systems and for the year ending in 1944. The strongest factors influencing the number of members are the state population and the age of the system. The number of teachers withdrawing from the systems was much greater than the number of retirees. Population shifts caused by World War II are largely responsible for this lack of balance.

As shown by Table III, the main source of income of teacher retirement systems is through member contributions. Five of the systems are less than ten years old. As the age of the systems increase, the public contribution will more nearly match the teacher contributions. Unless this is done the systems will not remain on an actuarial basis. The amount of interest to be earned depends on the amount of money to be invested and the sound stocks and securities available at the time of investment.

Table IV compares the distribution of disbursements of the systems included in this study for the fiscal year ending in 1944. Although the number of members withdrawing before superannuation retirement is greater, the total expenditures on withdrawals is less. This is due to much larger payments being made at retirement age. Since the Oklahoma system is very young, this table fails to give a true picture of its disbursements. It does give an idea of what may be expected of disbursement trends in future years.

Superannuation benefits under the six state systems of this study are compared in Table V. In order to make comparisons of this nature, it is necessary to use the same data for each retirement plan.

The state of Kansas does not match the investment of the members but pays a flat pension rate of twelve dollars per year of service up to thirty years. The maximum pension paid by Kansas in $360.

Louisiana pays a pension equal to the actuarial value of the retiree's annuity up to the age of sixty years. The member contributions continue after this age but the state pension does not.

At the present time, the Oklahoma retirement system is paying three per cent interest on all member contributions. Since the member is guaranteed only two and one-half per cent interest on investments, the lower rate was used in calculating Oklahoma retirement benefits. No contributions are accepted after the member reaches sixty-five years of age, provided his sixty-fifth birthday does not occur before January 1, 1950. As the age of the member increases, the interest payable on accumulated deposits prior to age sixty-five and the increase in annuity rates will increase the retirement benefits.

The Texas law does not guarantee a fixed interest rate. The rate of two and one-half per cent is used as an example.

Because of the differences in annuity rates for males and females of the same age, benefits payable to females are smaller. The life expectancy of a woman at age sixty-five is approximately five years longer than for a man of the same age.[11]

Comparative prior service retirement benefits under the retirement systems, payable only at retirement, are shown in Table VI. The methods used in determining the amount of prior service benefits are explained in the table.

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[11] Your Retirement System, questions and answers concerning Retirement Law. United States Civil Service Commission, Washington, D. C. June, 1944, p. 32.

TABLE I

MEMBERSHIP STATISTICS SINCE ESTABLISHMENT OF SYSTEMS

System	Year System Established	Report for Year Ending	Total Enrollments	Number Withdrawn Prior to Retirement	Number Deaths Prior to Retirement	Number Retired for Super-annuation	Number Retired for Disability	Number of Active Members at End of Year of Report
Arkansas	1937	6/30/44	20,000	6,092	75	473	95	13,122
Kansas	1941	6/30/44	16,800	1,635	69	188	16	14,892
Louisiana	1936	6/30/44	24,847	6,463	286	299	86	17,713
Ohio	1920	8/31/44	152,728	83,021	3,064	7,232	1,848	53,200
Oklahoma	1943	6/30/44	11,017	0	5	0	0	11,012
Texas	1937	8/31/44	81,438	21,352	798	1,117	38	58,171

TABLE II

MEMBERSHIP STATISTICS FOR LAST MEMBERSHIP YEAR

System	Report for Year Ending	Active Members at Beginning of Year	Number of New Entrants	Number of Deaths	Number of Withdrawals	Number Retired for Superannuation	Number Retired for Disability	Number of Active Members at End of Year of Report
Arkansas	6/30/44	11,747	2,500	25	1,092	70	28	13,122
Kansas	6/30/44	12,290	3,188	27	1,130	54	5	14,892
Louisiana	6/30/44	16,652	2,542	43	1,386	40	12	17,713
Ohio	8/31/44	51,700	4,306	111	2,242	377	76	53,200
Oklahoma	6/30/44	0	11,017	5	0	0	0	11,012
Texas	8/31/44	53,073	9,808	118	4,390	196	6	58,171

TABLE III

SOURCES OF INCOME OF TEACHER RETIREMENT SYSTEMS

System	Report for Year Ending	Public Sources	Members' Contributions	Interest	Miscel- laneous	Total Income
Arkansas	6/30/44	$ 574,349.29	$ 383,630.07	$ 45,834.67	$10,070.	$1,013,884.03
Kansas	6/30/44	65,000.00	603,943.73	23,273.91		692,217.64
Louisiana	6/30/44	959,182.43	694,818.26	310,711.70	250,000	2,214,712.39
Ohio	8/31/44	2,769,230.23	3,014,544.07	3,744,125.08	349,960	9,877,859.38
Oklahoma	6/30/44	100,000.00	441,546.32	0.00	1,139	542,685.32
Texas	8/31/44	3,675,000.00	3,249,044.72	584,986.54		7,509,031.26

TABLE IV

DISTRIBUTION OF DISBURSEMENTS OF TEACHER

RETIREMENT SYSTEMS

	For Year Ending	Retirement Allowances	Death Benefits	Withdrawals Prior to Retirement	Other Disburse-ments	Total Disburse-ments
Arkansas	6/30/44	$ 153,919.03	$ (*)	$ 59,071.07	. . . . .	$ 212,990.10
Kansas	6/30/44	28,781.10	8,206.24	54,212.20	$15,511.71	106,711.25
Louisiana	6/30/44	123,264.64	14,046.19	183,933.73	. . . . .	321,244.56
Ohio	8/31/44	3,839,452.04	204,709.25	778,236.25	120,951.70	4,943,349.24
Oklahoma	6/30/44	0.00	125.96	0.00	25,711.70	25,837.66
Texas	8/31/44	447,015.15	54,783.79	646,464.77	50,558.66	1,198,822.37

TABLE V

COMPARATIVE STATE SUPERANNUATION BENEFITS

System	Retirement Age	Years Service	Average Annual Salary	Per Cent Paid by Member	Interest Received	Monthly Allowance	
						Male	Female
	60					34.29	31.18
Arkansas	65	35	$1,600	4%	2%	$ 48.20	$ 44.80
	70					73.44	62.61
	60	30				$ 48.50	$ 46.58
Kansas	65	35	1,600	4%	2½%	57.08	52.86
	70	40				69.69	63.65
	60	30				$ 58.39	$ 50.84
Louisiana	65	35	1,600	4%	4%	78.60	66.35
	70	40				112.01	91.28
	60	30				$ 52.20	$ 47.82
Ohio	65	35	1,600	4%	4%	80.29	72.56
	70	40				125.52	113.29
	60	30				$ 33.94	$ 30.45
Oklahoma	65	35	1,600	4%	2½%	47.48	42.49
	70	40				71.79	60.26
	60	30				$ 51.28	$45.66
Texas	65	35	1,600	5%	2½%	75.58	66.79
	70	40				113.24	92.60

TABLE VI

COMPARATIVE PRIOR SERVICE BENEFITS

AT RETIREMENT

System	Retire-ment Age	Years Prior Service	Average Annual Salary	Method Used to Determine Benefit	Annual Benefit
Arkansas	60	15	$1,500	1.5% of average annual salary times number years of prior service.	$337.50
Kansas	60	15	1,500	$12 for each year of prior service. (15 years maximum)	180.00
Louisiana	60	15	1,500	State provides the amount member would have if system had been in operation when member began teaching. Benefits shown are for male and female respectively.	339.46 295.55
Ohio	60	15	1,500	2% of average annual salary times years of prior service.	450.00
Oklahoma	60	15	1,500	.8% of average annual salary times years of prior service	180.00
Texas	60	15	1,500	1% of average annual salary times years of prior service	225.00

CHAPTER III

FEDERAL RETIREMENT SYSTEMS

It is the purpose of this chapter to briefly give an explanation of the Old-Age and Survivors Insurance system as provided in the Social Security Act[1] and the Federal Civil Service Retirement Law.[2]

The requirements of each system will be dealt with separately. The benefits will be explained through the use of tables giving benefits to be received under the two systems.

Federal Old-Age and Survivors Insurance

What it is. Old-Age and Survivors Insurance for wage earners and their families is provided in the Social Security Act. The Original Act, as passed by Congress in 1935, provided for old-age insurance for wage earners only. By amendments in 1939, the old-age insurance system was enlarged to provide benefits for members of the wage earner's family also, after he retires and after his death.

It is a system of contributory social insurance operated by the United States Government. The wage earners who are covered, and the employers of those wage earners, contribute equally to a trust fund out of which benefits are paid.

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[1] Social Security Act, 1939.

[2] Civil Service Retirement Act, 1930, as amended to 1944.

Insurance payments are based on wages earned on jobs in business or industry. The wage earner becomes eligible for monthly insurance payments at age sixty-five, or later, if he has received, on covered jobs, a certain minimum amount of pay in each of a specified number of calendar quarters. When the wage earner becomes eligible for his monthly payments, his wife also is eligible, if she is sixty-five years old; if not yet sixty-five, she becomes eligible when she reaches that age. His unmarried children are eligible if under sixteen years, or under eighteen if still in school.

Upon the death of the insured wage earner, his widow and children or his dependent parents are eligible for monthly or lump sum payments. If he has no family, a lump sum may be paid toward funeral expenses.

The Old-Age and Survivors Insurance system is administered by the Social Security Board and the United States Treasury. The Board's responsibilities include the keeping of wage records on which benefits are based and the handling of claims for benefits. The Treasury collects the taxes and makes the benefit payments due on claims certified by the Social Security Board.

The Federal Old-Age and Survivors Insurance system should be distinguished from other programs established by the Social Security Act, such as the Public Assistance programs and Unemployment Insurance. Under the Old-Age Assistance program the state, with the federal government sharing the cost, provides monthly allowances (sometimes called "pensions") to needy old people because of their need. There are programs of this same kind for the needy blind and for dependent children in families that have lost their breadwinners. These public assistance programs cover men, women, and children who can show evidence that they are in immediate need of assistance. The Federal Old-Age and Survivors Insurance system pays benefits only on the basis of wages earned on jobs covered by the law, and without regard to the need of the individual beneficiary.

Federal Old-Age and Survivors Insurance payments have nothing to do with the amount of unemployment insurance a worker may have received before he retired. Neither are the benefits to any of his family affected by unemployment insurance payments they have received. Unemployment insurance is a state program, and out-of-work payments come out of state unemployment insurance funds. Old-Age and Survivors Insurance is a federal program, and benefit payments come out of the Federal Old-Age and Survivors Insurance Trust Fund.

<u>Who may receive benefits</u>. Monthly benefits are payable to:

1. Workers who have reached the age of sixty-five and are fully insured under the system.
2. Wives, at age sixty-five and over, of workers receiving monthly benefits.
3. Children of workers receiving monthly benefit payments, if unmarried and under the age of sixteen, or under eighteen and attending school.
4. Widows, at age sixty-five and over, of workers who died fully insured after December 31, 1939.

5. Widows, at any age, of workers who died after December 31, 1939, provided they are caring for dependent children of these workers.

6. Children of workers who died fully or currently insured after December 31, 1939, if the children are under sixteen years of age, or eighteen if still in school and unmarried.

7. Parents, at age sixty-five and over, of workers who died fully insured after December 31, 1939, leaving no widow or unmarried surviving child under the age of eighteen, provided such parents were dependent upon the worker for support.

Upon the death of a worker who dies either fully or currently insured, but leaving no surviving widow, child, or parent immediately eligible for monthly benefit payments, lump sum payments may be made to the following persons:

1. Widow or widower at any age.

2. If there is no widow or widower, then to the child of the children of any age, and other persons(such as grandchildren) who are entitled to share in the estate with children under the law of the state.

3. If there is no widow, widower, or child, then to the parents of any age.

4. If none of the above are living, other persons (relatives or friends) who pay the worker's burial expenses.

Eligibility for benefits. A wage earner's eligibility for old-age insurance benefits depends upon his age, the kind of job he has, and the amount of pay he has received in given periods of time. To receive his benefits, however, he must apply for them. That is, he must file a claim at a Social Security Board office.

The worker must be sixty-five years old or more. If he reaches age sixty-five without being able to fulfill all the requirements, he may become eligible at any later age when he does fulfill them.

He must have worked on the kind of job or jobs for which he gets credit toward insurance benefits, and on which a social security tax was payable from his wages. Such jobs are called "covered employment".

In general "covered employment" includes work in a factory, mill, mine, shop, store, office, or any other place of business or industry, including jobs at building construction and maintenance, in cafeterias and restaurants, in commercial fisheries, banks and building-and-loan associations, and on American ships. It includes work for a labor organization, either as paid officer or employee, if the pay amounts to more than forty-five dollars in one calendar quarter.

Jobs not covered by the Old-Age and Survivors Insurance system may be classified as follows:

1. Domestic service in a private home
2. Casual labor not in the course of the employer's trade or business, but employment by a corporation is not considered casual labor
3. Self-employment, independent contractors
4. Employment by a government or instrumentality of a government, domestic or foreign (federal, state, county, city)
5. Employment by non-profit institutions organized for religious, charitable, scientific, literary, or educational purposes
6. Railroad employment (for which there is a separate system)
7. Work for an organization which is exempt from federal income tax if the pay is less than forty-five dollars a calendar quarter, or the work is the collection of dues away from the home office, or is performed by a student.

Employment by most voluntary employees' beneficial associations, or an agricultural or horticultural association

8. Employment as student nurse or interne

9. Fishing or fish culture, except commercial salmon and hallibut fishing or work on or in connection with a vessel of more than ten net tons

10. Work as newsboys by persons under eighteen years of age

11. Agricultural labor on farms and other occupations incidental to farming or incidental to the preparation of fruits and vegetables for market

12. Employment on non-American vessels if employed when outside the United States.

To be eligible for benefits, the worker must have received, in covered employment, wages of at least fifty dollars in each of a minimum number of calendar quarters. A calendar quarter is a period of three consecutive months beginning January 1, April 1, July 1, or October 1. Calendar quarters in which the worker received fifty dollars or more in covered employment are called "quarters of coverage." When the worker has the required minimum number of quarters of coverage, he is "fully insured."

In general, the number of quarters of coverage required for a worker to be fully insured is one-half the number of calendar quarters from the first of the year 1937 to the beginning of the quarter in which he reached age sixty-five. In any case, there must be at least six quarters of coverage. If a worker reaches age sixty-five with only two quarters of coverage, he must work for at least one more year (four quarters) in order to be eligible for benefits. With forty quarters of coverage or more, a worker is fully insured as long as he lives.

If the worker reached sixty-five before 1937, he can count quarters of coverage only for employment after January 1, 1939. If he reached sixty-five during 1937 or 1938, he can count quarters of coverage for employment after January 1, 1939, and in addition, for employment between January 1, 1937, and the date he reached sixty-five.

Requirements for dependents. When an insured worker begins to receive monthly benefits, at sixty-five or after, monthly benefits are payable to his wife and children provided they meet certain requirements.

The wife must be sixty-five years old or more. If less than sixty-five at the time her husband begins to receive monthly benefits, she may become eligible when she reaches sixty-five.

The wife must be living with her husband. She is considered to be living with him if they are members of the same household, or if she is receiving regular contributions from him toward her support, or if a court has ordered him to contribute to her support. The wife must have been married to the insured worker before January 1, 1939, or if later, before he reached sixty years of age. If, however, she is the mother of a child of his, the date of the marriage does not matter.

On the worker's death, payments to him and his wife are discontinued, but the widow may then be eligible to receive a widow's benefit.

A child must be under eighteen years of age. If sixteen or seventeen years old, he must be attending school, if this is reasonably possible. The term "child" means a child of the worker in the ordinary sense. It also includes a child legally adopted or a stepchild by marriage contracted before the worker attains the age of sixty. The child must be unmarried. The child must be dependent upon the worker at the time benefits are claimed.

<u>Requirements for survivors</u>. The survivors of a wage earner are eligible for insurance payments if he was "fully insured" and if they meet certain requirements. Payments may be made to the widow, widow with children, orphans, parents, or in lump-sum death payments.

A widow is eligible for monthly benefits if all of the following requirements are met.

1. The husband must have died after December 31, 1939, and must have been fully insured at the time of his death.

2. The widow must be sixty-five years old or more. If under sixty-five at time of husband's death, she becomes eligible for benefits at sixty-five.

3. She must not have married again.

4. She must have been living with her husband at the time of his death.

The widow of an insured worker who has a child or children of his in her care, is eligible for monthly benefit payments regardless of her age until the youngest child is eighteen years old. These are called "widow's current benefits", and are payable if the following requirements are met:

1. The husband must have died after December 31, 1939, and must have been either fully or currently insured at the time of his death.

2. She must have in her care one or more children of the deceased worker entitled to child's benefits.

3. She must not have married again.

4. She must have been living with her husband at the time of his death.

5. She must have been married to the deceased worker at least twelve months prior to the month of his death, or be the mother of his child.

The children of workers who died after December 31, 1939, may receive monthly benefit payments if all the following requirements are met.

1. The worker must have been either fully insured or currently insured at the time of his death.

2. The child must be under the age of sixteen or eighteen if attending school.

3. The child must be unmarried.

4. The child must have been dependent on the worker at the time of his death.

Parents of workers who died after December 31, 1939, may be eligible for monthly benefit payments if the following requirements are met.

1. The worker must have been fully insured at the time of his death.

2. The worker must not have left a widow or unmarried child under the age of eighteen.

3. The parent must have attained the age of sixty-five. If the parent is under sixty-five at the time of the worker's death, he may become eligible for benefits upon reaching age sixty-five.

4. The parent must be wholly dependent upon and supported by the worker at the time of the worker's death and must file proof of such dependency and support within two years of such death.

5. The parent must not have married since the worker's death.

When there is more than one worker with respect to whose wages the parent would be entitled to receive an insurance benefit, such benefit will be based upon the wages which will yield the largest income.

Upon the death of a worker after December 31, 1939, lump-sum payments may be made if all the following requirements are met.

1. The worker must have been either fully or currently insured at the time of his death.

2. There must be no widow, child, or parent who, upon filing application in the month of death, would immediately be entitled to monthly payments.

3. Claim for the lump-sum death payment must be made within two years after the death of the person with respect to whose wages the benefit is payable.

The lump-sum death payments will be made to the person or persons determined by the Social Security Board to have the following relationship to the deceased:

1. Widow or widower

2. If there is no widow or widower living, then to any child or children of the deceased and to any other persons, such as grandchildren, who are entitled to share with the children under State inheritance laws

3. If none of the persons above mentioned are living, then to the parents of the deceased

4. If neither the parents nor others mentioned above are living, the lump-sum death payment may be made to any other relative or friend who has paid the burial expenses of the deceased. If burial expenses were shared by more than one person, the lump sum payment will be divided accordingly. Lump-sum payments made to persons who have paid the burial expenses cannot exceed the amount of the expenses paid.

Benefit payments. The method of calculating benefit payments under the old-age and survivors program is explained here, but the exact amount of the payment to any particular claimant can be calculated only by the Social Security Board when the claim is filed.

The old-age insurance payments a worker receives are related to his average monthly wage. Family benefits are based upon the worker's monthly benefit. Therefore, the worker's old-age insurance payment is called the "primary benefit."

As a general rule, the average monthly wage is determined by dividing the total wages paid to the worker by the total number of months in which he could have earned wages under the program. Specifically, add up all the wages a worker has received from jobs covered by the law from the time it went into effect at the beginning of 1937 to the beginning of the quarter in which he becomes eligible to old-age retirement benefits or dies. Divide this total amount of wages by the total number of months in that same period of time, including any intervals in which he was not in covered employment. The wages in the quarter in which he died, or in the quarter in which he became entitled to benefits, are not counted nor are the months in that quarter counted.

The general rule applies in most cases, but there are three specific exceptions:

1. For workers who reached sixty-five before 1937.-- If the worker reached sixty-five before January 1, 1937, when the system first went into effect, his

average monthly wage will be computed from the beginning of January 1, 1939. If he reached age sixty-five in 1937 or 1938, the total wages counted will be his wages received in covered employment from January 1, 1937, to the date he attained age sixty-five, plus his wages from January 1, 1939, on.

2. For workers who reached age twenty-two on or after January 1, 1937.--Count all wages earned in covered jobs since January 1, 1937, but in counting months by which to divide, leave out the months in any quarter before he reached age twenty-two in which he was paid less than fifty dollars.

3. For workers who earn more than $3,000 per year.--For the years 1937, 1938, and 1939, earnings up to $3,000 per year from each employer were counted as wages under the system. From 1939 on, however, only a total of $3,000 earned in any year is counted toward benefits, regardless of whether the worker had one or more than one employer.

After the monthly wage is determined, the monthly primary benefit is computed from it. This is done as follows:

1. Take forty per cent of the first fifty dollars of average monthly wage and add to it ten per cent of the next two hundred dollars of the average monthly wage;

2. Add one per cent of the sum obtained for each year in which the worker was paid as much as two hundred dollars of wages in covered employment. The sum of these figures is the amount of the monthly primary benefit.

If the primary benefit computed according to the above rule is less than ten dollars, the benefit will be raised to ten dollars per month.

Lump-sum payments to the widow, widower, children, grandchildren, or parents on the death of an insured worker are equal to six times the amount of his primary benefit.

Duration of monthly payments: A worker's monthly old-age insurance payments begin for the month in which his claim application is filed and continue up to the month in which he dies. If the application is delayed, no back payments are made.

To other beneficiaries, if the application is late, back payments can be made for not more than three months.

An insured worker's wife will continue to receive her monthly benefit payments until her death or their divorce. If her husband dies first, she will be eligible for a widow's benefit instead of a wife's benefit.

A widow who qualifies because she is over sixty-five will receive her monthly payments as long as she lives unless she marries again.

The child of an insured worker receives benefit payments until the month in which the child reaches the age of eighteen (if attending school), marries, is adopted, or dies.

A widow who is eligible only because she has a child or children in her care receives payments until the month in which the youngest child reaches eighteen, marries, is adopted by some other person, or dies, or until the widow herself re-marries or dies.

A parent's payments will stop in the month in which the parent marries or dies.

Family benefits. The amount of the monthly benefit payments to members of the worker's family depends upon the amount of his "primary benefit."

The monthly payment to a wife or to the child of a retired worker in one-half the amount of his primary insurance benefit.

The monthly payment to a widow is three-fourths the amount of her husband's primary benefit.

The monthly payment to an orphaned child is one-half as much as his primary benefit; to a dependent parent at age sixty-five, it is the same.

Suspension of monthly payments. The law requires that after insurance benefits have been awarded to an insured worker or any of his family, certain conditions must be met if payments are to continue. Failure to fulfill these conditions will result in the suspension of payments until the conditions are met.

1. Any person entitled to monthly insurance benefits may not receive payment for any month during which he or she earns fifteen dollars or more in work covered by the Social Security Act. Likewise, a wife's or child's benefit is suspended for any month in which the wage earner upon whose wages the benefits are based earns fifteen dollars or more in covered employment.

   This is not a permanent disqualification and applies only to the month in which the money is earned. It does not apply if the money was earned on a job that is not covered by the Social Security Act, no matter what the amount of wages earned.

2. A child sixteen or seventeen years old entitled to monthly benefits may not receive payment for any month in which he failed to attend school regularly if attendance would have been feasible. Payments will continue during regular school vacation period if the child intends to return to school after the vacation.

3. A widow receiving monthly payments because she has a child in her care may not receive the payment for any month in which the child is not in her care.

Claims. Benefits under the Federal Old-Age and Survivors Insurance program are paid only if applied for by the person entitled to receive them, or some person authorized to act in his behalf. The applicant must fill out claim application blanks, swear to their correctness, and furnish proof of the statements as to age and certain other facts needed to establish the claim. Application blanks and any other necessary blanks are furnished by all field offices of the board.

When the application is completed, the applicant turns it in to the field office, which forwards it to the Bureau of Old-Age and Survivors Insurance in the Social Security Board in Washington for examination. If found correct and in accordance with the law, the Social Security Board approves the claim and notifies the United States Treasury that payment should be made.

Every claimant who files an application for benefits must bring proof of certain statements made in the application. Acceptable proofs are birth certificates, infant baptismal records, marriage certificates, government records, passports, citizenship papers, other public records, and affidavits of persons who have personal knowledge of the facts. Where the original document cannot be furnished, a photostat or certified copy is acceptable, except in case of passports and citizenship papers, which it is against the law to copy.

Taxes. Workers and their employers share the cost of the old-age and survivors insurance system. The worker pays a tax on the wages he receives, the employer pays a tax on his payroll. At the present the tax rate for the worker is one per cent on each dollar of his wages. The employer pays one per cent of each dollar of his payroll.

The worker's tax is taken out of his pay by his employer who holds it in trust for the United States Government until the end of the calendar quarter. The employer then turns over the worker's tax, with his own, to the United States Collector of Internal Revenue for that district. The employer does this within one month after the end of the calendar quarter. At the time the tax is paid, the employer furnishes the collector of internal revenue a tax return which shows the total of employee and employer taxes. At the same time he furnishes a report showing each worker's name, account number, and the amount of wages paid him.

All wages paid on jobs that are covered by the Social Security Act are taxable wages. This includes salaries, fees, bonuses, commissions, as well as pay by the hour, day, week, or by the piece. It also includes payment in kind; for example, meals and lodging instead of cash.

If any worker has paid taxes which he was not required to pay, he has the right to ask the Bureau of Internal Revenue for a refund. This should preferably be done through the employer who deducts the taxes.

<u>Tables</u>. Benefit payments under social security cannot be determined by normal use of actuarial tables. It is a form of socialized insurance operating on a scale which pays the low income worker greater benefits in proportion to his salary than the higher salaries employee. For example, a worker with an average monthly income of fifty dollars receives approximately four-fifths the benefits of one

with a monthly wage of one hundred dollars.

Tables VII to XIII, inclusive, show comparative benefits received by workers, their dependents, and beneficiaries. The method of determining benefits received by the individual worker is explained on page seventy-two of this study.

Tables VIII to XIII list benefits payable to survivors or dependents of the "insured" worker. Amounts payable to survivors or dependents are based on the amount of primary insurance benefits as shown in Table VII. A wife, dependent parent, or child of the retired worker will each receive benefits equivalent to one-half the worker's benefit. The widow of the worker will receive three-fourths the amount of the worker's primary benefit. Maximum benefits payable may not exceed twice the amount of the worker's primary benefit.

Lump-sum death payments listed in Table XIV are equal to six times the monthly benefits listed in Table VII.

The benefit rates shown in all of the following tables (VII-XIV) are based, in each case, on a supposed average monthly wage. Actually, the average monthly wage and the benefit payments for any worker can be calculated only by the Social Security Board from his social security account.

TABLE VII

EXAMPLES OF WORKER'S MONTHLY
OLD-AGE INSURANCE BENEFIT PAYMENTS

Average Monthly Wage	Years of Coverage*					
	3	5	10	15	20	25
$15 and under	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00
$25	10.30	10.50	11.00	11.50	12.00	12.50
$50	20.60	21.00	22.00	23.00	24.00	25.00
$75	23.18	23.63	24.75	25.88	27.00	28.13
$100	25.75	26.25	27.50	28.75	30.00	31.25
$150	30.90	31.50	33.00	34.50	36.00	37.50
$200	36.05	36.75	38.50	40.25	42.00	43.75
$250 and over	41.20	42.00	44.00	46.00	48.00	50.00

*A "year of coverage" is used here as meaning any calendar year during which $200 or more of wages in covered employment are received.

TABLE VIII

EXAMPLES OF MONTHLY BENEFITS FOR RETIRED WORKER
AND HIS WIFE (or the worker and one child)

Average Monthly Wage	Years of Coverage*					
	3	5	10	15	20	25
$15 and under	$15.00	$15.00	$15.00	$15.00	$15.00	$15.00
$25	15.45	15.75	16.50	17.25	18.00	18.75
$50	30.90	31.50	33.00	34.50	36.00	37.50
$100	38.63	39.38	41.25	43.13	45.00	46.88
$150	46.35	47.25	49.50	51.75	54.00	56.25
$200	54.08	55.13	57.75	60.38	63.00	65.63
$250 and over	61.80	63.00	66.00	69.00	72.00	75.00

*A "year of coverage" is used here as meaning any calendar year during which $200 or more of wages in covered employment are received.

TABLE IX

EXAMPLES OF MONTHLY BENEFITS FOR A RETIRED WORKER'S WIFE OR CHILD
(Or a Child or Dependent Parent of a Deceased Worker)

Average Monthly Wage	Years of Coverage*					
	3	5	10	15	20	25
$30 and under	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00
$40	10.00	10.00	10.00	10.00	10.00	10.00
$50	10.30	10.50	11.00	11.50	12.00	12.50
$100	12.88	13.13	13.75	14.38	15.00	15.63
$150	15.45	15.75	16.50	17.25	18.00	18.75
$200	18.03	18.38	19.25	20.13	21.00	21.88
$250 and over	20.60	21.00	22.00	23.00	24.00	25.00

*A "year of coverage" is used here as meaning any calendar year during which $200 or more of wages in covered employment are received.

TABLE X

EXAMPLES OF MONTHLY BENEFITS FOR A WIDOW

Average Monthly Wage	Years of Coverage*					
	3	5	10	15	20	25
$20 and under	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00
$40	12.36	12.60	13.20	13.80	14.40	15.00
$75	17.39	17.72	18.56	19.41	20.25	21.10
$100	19.31	19.69	20.63	21.56	22.50	23.44
$150	23.18	23.63	24.75	25.88	27.00	28.13
$200	27.04	27.56	28.88	30.19	31.50	32.81
$250 and over	30.90	31.50	33.00	34.50	36.00	37.50

*A "year of coverage" is used here as meaning any calendar year during which $200 or more of wages in covered employment are received.

TABLE XI

EXAMPLES OF MONTHLY BENEFITS FOR A WIDOW AND ONE CHILD

Average Monthly Wage	Years of Coverage*					
	3	5	10	15	20	25
$20 and under	$12.50	$12.50	$12.50	$12.50	$12.50	$12.50
$40	20.60	21.00	22.00	23.00	24.00	25.00
$75	28.98	29.54	30.94	32.35	33.75	35.17
$100	32.19	32.82	34.38	35.94	37.50	39.07
$150	38.63	39.38	41.25	43.13	45.00	46.88
$200	45.07	45.94	48.13	50.32	52.50	54.69
$250 and over	51.50	52.50	55.00	57.50	60.00	62.50

*A "year of coverage" is used here as meaning any calendar year during which $200 or more of wages in covered employment are received.

TABLE XII

EXAMPLES OF MONTHLY BENEFITS FOR A WIDOW AND TWO CHILDREN

Average Monthly Wage	Years of Coverage*					
	3	5	10	15	20	25
$20 and under	$17.50	$17.50	$17.50	$17.50	$17.50	$17.50
$40	28.04	29.40	30.80	32.00	32.00	32.00
$75	40.57	41.35	43.31	45.29	47.25	49.23
$100	45.06	45.94	48.13	50.31	52.50	54.69
$150	54.08	55.13	57.75	60.38	63.00	65.63
$200	63.09	64.31	67.38	70.44	73.50	76.56
$250 and over	72.10	73.50	77.00	80.50	84.00	85.00

*A "year of coverage" is used here as meaning any calendar year during which $200 or more of wages in covered employment are received.

TABLE XIII

EXAMPLES OF MAXIMUM MONTHLY BENEFITS FOR A FAMILY (Retired Worker and Two Children or Widow and Three or More Children)

Average Monthly Wage	Years of Coverage*					
	3	5	10	15	20	25
$25 and under	$20.00	$20.00	$20.00	$20.00	$20.00	$20.00
$50	40.00	40.00	40.00	40.00	40.00	40.00
$75	46.36	47.26	49.50	51.76	54.00	56.26
$100	51.50	52.50	55.00	57.50	60.00	62.50
$150	61,80	63.00	66.00	69.00	72.00	75.00
$200	72.10	73.50	77.00	80.50	84.00	85.00
$250 and over	82.40	84.00	85.00	85.00	85.00	85.00

*A "year of coverage" is used here as meaning any calendar year during which $200 or more of wages in covered employment are received.

TABLE XIV

EXAMPLES OF LUMP SUM DEATH PAYMENTS

Average Monthly Wage	Years of Coverage*					
	3	5	10	15	20	25
$15 and under	$ 60.00	$ 60.00	$ 60.00	$ 60.00	$ 60.00	$ 60.00
$25	61.80	63.00	66.00	69.00	72.00	78.00
$50	213.60	126.00	132.00	138.00	144.00	156.00
$75	139.08	141.78	148.50	155.25	162.00	175.50
$100	154.50	157.50	165.00	172.50	180.00	195.00
$150	185.40	189.00	198.00	207.00	216.00	234.00
$200	216.30	220.50	231.00	242.50	252.00	273.00
$250 and over	247.20	252.00	264.00	276.00	288.00	312.00

*A "year of coverage" is used here as meaning any calendar year during which $200 or more of wages in covered employment are received.

<u>Civil Service Retirement Act</u>

Recognizing that a regular income to be paid at the end of active service cannot but help promote the efficiency and morale of employees, the federal government in 1920 passed the Civil Service Retirement Law.[4] This is a plan whereby the government joins with its employees in assuring their financial independence in later years.

All appointive officers and employees in or under the executive, judicial, and legislative branches of the United States government who are not subject to another retirement system are covered by the Civil Service Retirement Act. It also covers all officers and employees of the municipal government of the District of Columbia not subject to another retirement system for such persons.

Employees whose expected service is less than one year, employees on part-time basis, employees serving under temporary appointments, and employees on a contract or fee basis, are generally excluded from participation in the benefits of the act.

<u>Employee contributions</u>. Prior to June 30, 1942, the employee contributed three and one-half per cent of his basic salary. Since that date, payments of five per cent have been made. Bonuses, overtime pay, or other additional allowances are excluded from consideration.

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[4]Civil Service Retirement Act, <u>op</u>. <u>cit</u>.

Any employee may at his option and under such regulations as may be prescribed by the Civil Service Commission, deposit additional sums of money in multiples of twenty-five dollars but not to exceed ten per cent per annum of his regular annual salary. These deposits will be used to purchase an additional annuity at the time of retirement. The annuity purchased will be based on the rate of four per cent interest on the investment. If these deposits are prematurely discontinued because of death, separation, or other reasons, the total amount so deposited with interest at three per cent shall be refunded to the member or to his estate. After service period of one year, any employee involuntarily separated from civil service will receive a refund of all regular five per cent salary deducations with interest at four per cent. As explained later, the employee may elect to receive a deferred annuity.

Benefits. The major benefits under the law are realized by those who become eligible for superannuation retirement. There are four types of annuity retirement provided in the law.

1. Compulsory retirement. An employee who has been in service at least fifteen years is automatically separated at the end of the month in which he attains the age of seventy years. If the employee has served less than fifteen years upon reaching seventy, he may continue in federal employment until he completes this fifteen-year period.

   He may be reemployed in the government service if the appointing officer determines that he possesses special qualifications. If this was done, previously awarded annuity payments would be terminated.

2. Optional retirement. An employee has the privilege of retiring at his option at any time after attaining age sixty if he has served thirty years or more, age sixty-two with fifteen years service, or on a reduced annuity at any time between age fifty-five and sixty with thirty years service.

3. Disability retirement. The law provides for the granting of annuity to an employee who, after having completed five years of service, becomes totally disabled for useful and efficient service in the grade or class of position occupied.
   The disease or injury involved must not be due to vicious habits, intemperance, or willful misconduct on his part occurring within the five-year period his becoming so disabled.
   If a disability annuitant should recover, his annuity is continued temporarily to afford him an opportunity to seek an available position. If, at the end of one year, the annuitant is unable to secure reemployment in the government service, any balance of his individual account is returnable to him on application.

4. Discontinued service retirement. Any employee separated from federal employment after serving five years or more has the right to a future annuity regardless of the reason for separation.
   If an employee is discharged for cause, payments begin immediately after his sixty-second birthday. If the separation was involuntary, the annuitant may elect to receive a reduced annuity at age fifty-five.

Three methods are provided in the law for computing annuities. For simplicity, they are referred to by the Civil Service Commission as plans I, II, and III. Generally speaking, whichever of the three plans produce the highest annuity is used in each particular case.

1. Plan I. Under this method, the annuity is composed of two parts, (1) a sum equal to thirty dollars for each year of service not exceeding thirty years, and (2) the amount purchasable with the sum (including interest) credited to the employee's individual account in the retirement fund.
   Two qualifications are placed on the first portion of the annuity, namely, the total sum under (1) may not exceed three-fourths of the

employee's basic salary for the highest five consecutive years, and this portion must be at least as large as the life annuity purchasable by the employees account under (2).

Plan I is always used where the employee's applicable average salary is $1,200 a year or less. It is generally operative when the average salary is as high as $1,500.

2. Plan II. The employee's annual basic salary for the highest five consecutive years, not to exceed $1,600, is multiplied by the number of years of service not exceeding thirty years, and the total so obtained is divided by forty.

   Plan II will generally produce the highest rate in the salary range between $1,500 and $2,800.

3. Plan III. Benefits under this plan are determined by multiplying the employee's average basic salary for the highest five consecutive years by the number of years of service rendered, not exceeding thirty-five years, and dividing the product by seventy.

   Plan III is generally more profitable to the employee when the five-year average salary is over $2,800. If the applicant has served thirty-five years or more, the plan will operate on an average salary above $2,400.

All three plans assume that regular deductions have been withheld for all service from and after August 1, 1920, for which credit is claimed, or that deposit to cover such service has been made later. If an employee claims credit for service from August 1, 1920, during which he had no retirement status, and he fails to pay the necessary deposit, computations will be made as indicated, but the annuity otherwise due will be reduced by the amount such deposit would purchase.

Annuities beginning at the age of sixty-two based on voluntary resignations or removals for cause after five years' service, are determined by the computations of Plan I. Optional retirement annuities by employees between the ages of fifty-five and sixty may be determined under either of the plans. The figure so obtained is then reduced by applying the proper actuarial factor based on his attained age at time of retirement.

Options. The retiree has an option in designating the type of annuity he wishes to receive. He may select a forfeiture, nonforfeiture, or joint and survivorship annuity.

If the annuity selected is of the forfeiture type, it will continue throughout the annuitant's lifetime and cease with his death.

A nonforfeiture annuity continues throughout the lifetime of the annuitant, and upon his death and balance of his individual account not exhausted by purchasable annuity payments is returnable to his beneficiary or to his estate.

An employee retiring under the age or optional provision of the retirement law may elect a joint and survivorship annuity, under which election he receives a smaller annuity during his lifetime, but, upon his death, an annuity at the same rate or fifty per cent thereof will be paid to the duly designated survivor annuitant as long as such survivor annuitant lives.

The forfeiture type annuity would understandably pay a higher annuity since payments would cease at the death of the annuitant. Joint and survivorship annuities pay the least amount per dollar invested. The most common type annuity is the nonforfeiture. The tables in this chapter concerning the Civil Service Retirement Law are based on nonforfeiture annuity rates.

When an individual's account is sufficiently large to purchase an annuity in excess of the amount which the government would otherwise contribute, the government's share of the annuity will be raised to "match" the sum which the employee's individual account with interest will buy.

Tables. For purposes of illustration, Table XV outlines the nonforfeiture annuities payable to male employees who entered civil service on July 1, 1930, and who will retire at age seventy with varying periods of service. This table is based on the stated fixed salaries for the entire period, and deductions of three and one-half per cent from July 1, 1930, to June 30, 1942, and five per cent from July 1, 1942.

It is realized that an employee does not receive a stated fixed salary during his entire service period, but the number and dates of promotions cannot be estimated in any particular case. However by substituting an average salary an approximate annuity may be estimated. Actually, in the practical application, the government pension is determined by using the highest five consecutive years salary in finding the average salary of the employee.

An employee who has more than five years of service is entitled to a lifetime annuity beginning at age sixty-two. If he has been separated involuntarily (because of reduction in force, for example) he may receive a reduced lifetime annuity beginning at age fifty-five. Table XVI shows the approximate annuities payable at age sixty-two under specified conditions, indicating the annuity rights which accrue to federal employees who remain in the service for more than five years.

An example may be cited in the case of an employee who entered the federal service at age thirty-five at a salary of $2,000 per year. His retirement contributions, at the rate of five per cent total $500 for the five-year period. At the age of sixty-two he is eligible for a lifetime income of about $236 a year. If he lives for fifteen years, which is the normal life expectancy at age sixty-two, he will receive a total of approximately $3,540. Since this is a nonforfeiture annuity, any amount remaining to his credit in the retirement fund at the time of his death will be paid to his beneficiary or to his estate.

For purposes of illustration, Tables XVII and XVIII outline the approximate annuities payable under joint and survivorship options. Tables are based on a fixed salary of $2,000 and service which began July 1, 1930. Annuities in Table XVII list equal annuities to be continued to the female survivor annuitant, if living, after the death of the male annuitant. Survivor annuitant receives only one-half the annuitant's rate. For this reason the annuitant's benefits are greater in Table XVIII.

Should the survivor annuitant die before the annuitant, the annuitant continues in receipt of the reduced benefit under his election. Upon his death, nothing further will be paid under the retirement law.

Table XIX is self-explanatory, comparing superannuation benefits under separate state and federal systems included in this study.

TABLE XV

SUPERANNUATION BENEFITS OF MALE EMPLOYEES WHO ENTERED CIVIL SERVICE JULY 1, 1930, AND WHO RETIRE AT AGE 70

Fixed Salary		Years of Service				
		15	20	30	40	50
	Accumulations	$ 715.83	$1,152.69	$ 2,330.83	$ 4,074.78	$ 6,656.26
$1,260	Annuity-Employee	69.58	112.37	227.22	397.23	648.88
	Government	450.00	600.00	900.00	900.00	900.00
	Total	519.78	712.37	1,127.22	1,297.23	1,548.88
	Accumulations	1,280.16	2,043.69	4,102.84	7,150.90	11,662.77
$2,000	Annuity-Employee	124.80	199.23	399.96	697.10	1,136.94
	Government	475.20	600.77	900.00	900.00	1,136.94
	Total	600.00	800.00	1,299.96	1,597.10	2,273.98
	Accumulations	2,195.28	3,488.56	6,976.37	12,139.20	19,781.45
$3,200	Annuity-Employee	214.01	340.08	680.09	1,183.39	1,928.39
	Government	471.70	600.00	900.00	1,183.39	1,928.39
	Total	685.71	940.08	1,580.09	2,366.78	3,856.78
	Accumulations	3,262.92	5,174.23	10,328.62	17,958.88	29,253.23
$4,600	Annuity-Employee	318.08	504.41	1,006.90	1,750.72	2,851.75
	Government	667.63	809.87	1,006.90	1,750.72	2,851.75
	Total	985.71	1,314.28	2,013.80	3,501.44	5,703.50
	Accumulations	4,711.87	7,461.94	14,878.58	25,857.02	42,107.80
$6,500	Annuity-Employee	459.34	727.43	1,450.44	2,520.67	4,104.87
	Government	933.52	1,129.71	1,450.44	2,520.67	4,104.87
	Total	1,392.86	1,857.14	2,900.88	5,041.34	8,209.74

TABLE XVI

APPROXIMATE ANNUITIES PAYABLE AT AGE 62 FOR SERVICE OF 5 YEARS ASSUMING CONSTANT SALARY AND 5 PER CENT CONTRIBUTION *

Constant Salary	Employee's Contributions	Age at Separation					
		35		45		55	
		Annuity	Expected Total Annuity Payment	Annuity	Expected Total Annuity Payment	Annuity	Expected Total Annuity Payment
$ 1,440	$360	$ 209	$3,135	$ 194	$2,910	$ 182	$2,730
$ 1,620	405	217	3,255	200	3,000	200	3,000
$ 2,000	500	236	3,540	214	3,210	200	3,000
$ 3,200	800	295	4,425	258	3,870	230	3,450
$ 4,600	1,150	426	6,390	329	4,935	329	4,935
$ 6,500	1,625	612	9,180	464	6,960	464	6,960

* Male - Nonforfeiture

TABLE XVII

APPROXIMATE ANNUITIES ON FIXED SALARY OF $2,000 BEGINNING IN 1930 PAYABLE UNDER JOINT AND SURVIVORSHIP OPTION*

Age of Annuitant at Retirement	Years of Service	Age of female survivor annuitant in relation to that of male annuitant					
		5 years younger		Same age		5 years older	
		Annuitant	Survivor	Annuitant	Survivor	Annuitant	Survivor
60	30	$ 859	$ 859	$ 915	$ 915	$ 976	$ 976
62	32	891	891	955	955	1,024	1,024
70	40	1,107	1,107	1,220	1,220	1,341	1,341

*Survivor annuitant receives annuity equal to that of annuitant.

TABLE XVIII

APPROXIMATE ANNUITIES ON FIXED SALARY OF $2,000 BEGINNING IN 1930 PAYABLE UNDER JOINT AND SURVIVORSHIP OPTION*

Age of Annuitant at Retirement	Years of Service	Age of female survivor annuitant in relation to that of male annuitant					
		5 years younger		Same age		5 years older	
		Annuitant	Survivor	Annuitant	Survivor	Annuitant	Survivor
60	30	$1,022	$ 511	$1,062	$ 531	$1,102	$ 551
62	32	1,070	535	1,114	557	1,160	580
70	40	1,372	686	1,454	727	1,538	769

*Survivor annuitant receives fifty per cent of annuitant's rate.

TABLE XIX

COMPARATIVE SUPERANNUATION BENEFITS OF ALL SYSTEMS

System	Retirement Age	Years Service	Average Annual Salary	Per Cent Paid by Member	Monthly Benefits
STATE:					
Arkansas	65	40	$1,800	4%	$ 65.93
Kansas	65	40	$1,800	4%	66.74
Louisiana	65	40	1,800	4%	114.95
Ohio	65	40	1,800	4%	116.64
Oklahoma	65	40	1,800	4%	73.47
Texas	65	40	1,800	5%	104.34
FEDERAL:					
Civil Service	65	40	1,800	5%	135.91
Social Security	65	40	1,800	1%	-----*
Worker only					42.00
Worker and wife					61.00
Widow only					31.50
Widow and child					52.50
Maximum family					84.00

*Amounts payable provided dependents meet the requirements of the Act.

CHAPTER IV

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

The purpose of this study is to determine the adequacy of the teacher retirement law of Oklahoma. In order to be adequate it should satisfactorily supply the essentials of comfort to the member at the time of retirement as well as be desirable to society in general. The Oklahoma law has been compared to retirement laws in the states of Arkansas, Kansas, Louisiana, Ohio, and Texas. Comparisons were made on a sixteen point basis. These include the fifteen principles of a sound retirement system as advocated by the Research Division of the National Education Association.[1]

The federal systems of Social Security and Civil Service are explained in the study. Major points of these systems are included in the summary.

Summary

Several attempts at organizing the Oklahoma Teachers' Retirement System were made before the efforts were rewarded with a retirement law. This law is fairly uniform with existing laws of other systems.

All state retirement plans included in this study are joint contributory; that is, contributions are provided by both the employer and employee.

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[1]Research Bulletin of the National Education Association, Teacher Retirement Systems and Social Security, Vol. XV, No. 3, pp. 96-7.

The Kansas state plan is classified as a cash disbursement plan while the remaining systems operate as reserve plans. Actuarial evaluation is required under all systems.

Ohio and Louisiana administration expenses are paid by the state. The members of the remaining systems share with the states the cost of administration.

Restrictions on investments are rigid in all cases. Investments are limited to selected state and federal securities.

The types of positions covered are fairly uniform. As a general rule, teachers, administrators, and other employees of all schools supported by public funds are acceptable as members.

All state retirement systems follow the practice of making membership voluntary for teachers in service at the time the systems were established and voluntary for teachers entering the profession after the passage of the laws. Ohio, Louisiana, and Texas require all teachers with previous experience to notify the boards of trustees of their intention to join.

Benefit payments are met by Kansas by annual appropriation of public funds. Remaining systems make annual contributions in order to provide the pensions necessary to match the annuities of the teachers at service retirement and to provide additional pensions payable under prior service formulas.

Total deposits are returnable under all systems in the case of withdrawal or accidental death before retirement.

Normal interest accumulations are returned by Arkansas, Kansas, and Texas. Louisiana and Ohio allow three per cent interest on deposits returned. The Oklahoma system returns from seventy to ninety per cent of the accumulated interest, depending upon the amount of service above three years membership.

Arkansas will allow members twenty years prior service credit for service performed outside the state, provided the retiree has a total of thirty years service. Remaining systems credit only that service which is done in the state. Retirement is optional in all states except Oklahoma after thirty years service. This option will be effective in Oklahoma beginning in 1950. Although retirement is encouraged at age sixty-five, compulsory retirement ranges from age seventy to seventy-two years.

All systems provide prior service benefits ranging from .8 per cent of the average annual prior service salary in Oklahoma to two per cent in Ohio. Kansas pays a straight benefit of twelve dollars per year for all service, whether active or prior service. Remaining states match the teacher contribution at retirement. The Louisiana system does not match any contributions after the age of sixty. Beginning in 1950, the Oklahoma system will not accept contributions after the member has reached the age of sixty-five.

Retirement boards of all systems included in this study are empowered to offer equivalent optional benefits. Some systems are more definite in the options which may be selected but it is supposed the member would be allowed any equivalent option under any system. A list of specified optional benefits may be found on page forty-five of this study.

With the exception of Oklahoma, all state systems offer disability benefits. Service requirements are from ten years in Arkansas and Ohio to twenty years in Texas. Louisiana provides for disability benefits to any paid up member.

Credit for military leave is allowed under all state systems except under the Kansas plan.

Arkansas, Louisiana, and Ohio provide a full guarantee without reservation, the benefits as stated in the present laws. The Kansas board of trustees may reduce the pension provided by the state if the need arises. Oklahoma and Texas legislators reserve the right to amend any or all provisions of the law.

Tables I, II, III, and IV compare membership statistics, sources of income, and distribution of disbursements of the various systems for the year ending in 1944. Although more members withdraw than retire, expenditures for superannuation benefits exceed the disbursements for withdrawals. These tables would present a more accurate picture of the situation in normal times.

On the basis of superannuation benefits as shown in Table V, the Ohio system ranks first, Louisiana being second. Ohio also leads in the amount of prior service benefits compared in Table VI. Liberal prior service benefits are also provided by Arkansas and Louisiana. The flat rate benefit paid by Kansas for prior and active membership service is advantageous to the low-salaried worker.

The federal systems of Social Security and Civil Service have many points in common with the various teacher retirement systems. Outstanding points of these federal systems are included in this summary.

Generally speaking, all labor groups except casual labor, domestic services, self-employed, railroad, agricultural, and those receiving salary compensation from state or federal funds are eligible for membership under the Social Security Old-Age and Survivors Insurance plan. Appointive officers and employees in or under the Judicial, Legislative, and Executive branches of the United States government who are not subject to another retirement system for such personnel are covered by the Civil Service Retirement Act.

Forty calendar quarters of "coverage" insure a worker for life under the Social Security Act. A member of Civil Service is eligible for retirement benefits after five years of service.

With a few exceptions in Civil Service, membership is compulsory for members of either of the federal systems.

Membership contributions at the rate of one per cent of the annual salary up to $3,000 are made by members of Social Security. Monthly payments of five per cent of basic salaries are made by members of Civil Service.

Employee contributions are matched by the employers of the workers under either plan. Various government "matching" plans are provided by Civil Service at the time of retirement. Civil Service members may make additional monthly deposits with which to purchase additional annuities.

A member of the Social Security plan may retire at the age of sixty-five. Retirement, however, is not compulsory. Retirement for the Civil Service employee is compulsory at the age of seventy. A member has the option of retiring at the age of fifty-five with thirty years of service or at the age of sixty-two with fifteen years service.

A member of the Civil Service retirement plan is eligible for benefits if disabled. There are no provisions for disability benefits under the Social Security plan.

The Social Security Old-Age and Survivors Insurance Act is the only system included in this study which provides benefits for dependents of the retired or deceased member. The amount paid to dependents depends on the amount of the primary benefit of the retired or deceased member. Table VII lists the primary benefits payable to the worker under given conditions. These benefits may be payable to the wife, widow, child, or dependent parent of the worker. The dependent must meet all requirements specified in the act. Tables VIII to XIII list the amounts payable to the different dependents.

Lump-sum payments made to the survivor or estate of a deceased member of Social Security total six times the amount of the worker's primary benefit. Table XIV lists the amounts of lump-sum payments due under different salary and service conditions. Payments to the beneficiary of a deceased Civil Service member are equivalent to the total contributions of the member plus four per cent interest.

Contributions of a member of Social Security may not be withdrawn. An employee covered by the Civil Service retirement plan may not withdraw funds after five years of service.

Table XV illustrates approximate annuities payable to Civil Service superannuation retirees. In each case the annuity provided by the government is calculated to give the retiree maximum benefits under previously mentioned "matching" plans.

Table XVI contains approximate amounts payable at the age of sixty-two to employees separated from the Civil Service system after five years service.

The retiring member of the Civil Service plan may select one of several actuarially equivalent annuities. These options are not available to the retiree of the Social Security system. Tables XVII and XVIII list the approximate amounts of annuities payable under joint and survivorship options.

Table XIX compares the superannuation benefits received under given conditions for each retirement system included in this study. The Social Security plan provides the greatest benefit in proportion to the amount contributed. Civil Service ranks first in benefits received.

The Ohio and Louisiana state systems pay higher benefits than the Civil Service plan on the basis of member contribution.

Conclusions

For a review of the study in relation to the purpose, the following broad conclusions are drawn:

First, that the Oklahoma Teacher Retirement System is actuarially sound and is beneficial to both society and to the teachers of Oklahoma. It compares favorably with other retirement systems included in this study. There are some unfavorable points which the writer feels will be improved as the system becomes older. These points will be specified in the recommendations of this chapter.

Favorable points of the plan are as follows:

1. It is a reserve plan. This type plan offers the members a better guarantee of receiving full matching of benefits by the state.

2. The teaching profession is well represented on the retirement board.

3. Actuarial evaluations are regularly required. This is necessary in order that the future cost of the benefits promised may be calculated in advance.

4. All branches of state supported school employees are eligible for membership.

5. The plan is joint-contributory, thereby giving the member more protection than could be given under a pension plan.

6. It offers variable age and service retirements for the members.

7. Prior service is rewarded by additional benefits. Superannuation benefits are not as liberal as in some other systems. This is only partially the fault of the system. Two important factors in determining the amount of an annuity are interest rates and life expectancy. As the interest rate decreases and life expectancy increases, annuity rates are lowered. Older systems have long-term investments earning a higher rate of interest than is now available.

8. Equivalent optional superannuation benefits are provided by the Oklahoma retirement law.

9. A liberal provision for military leave of absence is included in the law.

It is the contention of the writer that any improvement in the services of the teaching profession is directly beneficial to society in general.

A sound retirement law should free the teacher from the worry of old-age financial insecurity. By doing so, it should (1) contribute to the teacher's ability to make appropriate use of vacation periods for continued professional and health improvement, (2) aid in adopting living standards which will allow the teacher to render maximum service in his position, (3) raise the morale of the system by providing more avenues of advancement by young and capable teachers, (4) make the profession more attractive to energetic and capable young people, and (5) relieve the public which supports the school from keeping teachers on the job long after they are able to do their best work.

The maintenance of a superior teaching staff in any school system depends as much on proper retirement as on efficient recruitment.[2] Communities refuse to approve forced retirement if the teacher involved is thereby reduced to poverty and want.

The earliest efforts to provide for teacher retirement were made by the teachers themselves. The failure of early

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[2]William C. Reavis, and Charles H. Judd, The Teacher and Educational Administration, Houghton Mifflin Co., New York, Chapter XVIII, p. 507.

efforts to receive a retirement law merely served to accentuate the demand for pension benefits for aged or incapicated members of the profession.

Retirement does not mean that the teacher is lost to the profession. In many instances he is only freed to expand the field of his work.

The writer feels that the introduction of a teacher retirement system in Oklahoma greatly increases the desirability of teaching as a profession. Because of teacher retirement, society should benefit through improved instruction.

Recommendations

Although we have made considerable progress toward economic security for retiring teachers, the writer feels the following suggested changes in the Oklahoma Teachers' Retirement Law would make the system more desirable.

By increasing the amount of joint contribution to at least five per cent of the member's basic salary, more adequate benefits would be realized by the retiree. It should not be inferred that all the teachers now protected by present retirement provisions have adequate social security. Table V on page fifty-nine of this study illustrates this inadequacy.

A schedule of minimum benefits payable at superannuation retirement, designed to aid the low-salaried worker, would be a valuable economic aid.

The disabled member should be allowed disability benefits. The teacher's fear of being disabled before attaining service or age requirements for superannuation benefits should be kept at a minimum.

The law should provide a full guarantee without reservations the benefits as stated. Aside from varying interest and annuity rates, the member should be assured that matching funds provided by the state will not be reduced.

A plan of reciprocal relations between states should be included in the Oklahoma law. This would be possible through the mutual cooperation of all states having teacher retirement systems. Teachers who transfer from one state to another should not be deprived of previously earned retirement benefits. It is true that those who withdraw to another state receive their contributions back. However, in the long run, withdrawal of funds may prove a questionable advantage. The funds are ordinarily spent for current needs rather than invested in annuities and the recipient is left without a steady income in old age.

By including the above suggested changes, the Oklahoma Teachers' Retirement System would compare favorably with any retirement plan in operation today.

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