DOCUMENT NO. 92

REPORT OF
RETIREMENT COMMISSION

1956
HARTFORD, CONNECTICUT

REPORT OF RETIREMENT COMMISSION
Under

STATE EMPLOYEES' RETIREMENT ACT
Chapter 15 of the General Statutes, Revision of 1949,
as amended in 1951, 1953, and 1955

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT FUND
Chapter 48 of the General Statutes, Revision of 1949,
as amended in 1951, 1953, and 1955

FEDERAL OLD-AGE AND SURVIVORS' INSURANCE SYSTEM
Chapter 48, Section 408d of the 1955 Supplement to the

General Statutes

As of June 30, 1956

To His Excellency,
Abraham Ribicoff, Governor

Sir:

Pursuant to Section 381 of the General Statutes, Revision of 1949 as amended, we hereby report as follows:

STATE EMPLOYEES' RETIREMENT ACT

The law under which we operate was passed by the 1939 General Assembly to become effective September 1, 1939. Employees retired before that date continue to receive retirement salaries in the amounts previously granted to them, but revised upward in certain respects by the 1947 General Assembly and, as regards certain classes of retired employees, by the 1953 and 1955 General Assemblies.

Table 1 shows, for August, 1939 and for each June thereafter, the aggregate monthly rate of retirement salaries, separated between those granted under the old law and those granted under the new law.

TABLE I
AGGREGATE MONTHLY AMOUNT OF RETIREMENT SALARIES
PAID DURING CERTAIN MONTHS

	Under Old Law	*Under New Law*
August 1939	$8,287.38	None
June 1940	8,003.48	$6,836.80
June 1941	7,428.32	13,440.90
June 1942	6,912.57	20,747.68
June 1943	6,126.77	32,355.24
June 1944	5,253.14	39,514.39
June 1945	5,145.14	44,958.09
June 1946	5,017.86	62,305.02
June 1947	4,284.06	75,281.74
June 1948	5,164.56	84,113.77
June 1949	4,948.12	93,136.42
June 1950	4,940.41	103,191.64
June 1951	4,675.83	119,663.32
June 1952	4,050.98	142,200.11
June 1953	3,549.98	160,831.65
June 1954	3,776.39	192,441.84
June 1955	4,071.21	229,121.17
June 1956	3,719.00	261,388.24

Retirement salaries granted under the old law are paid from the General Fund. One-half of the retirement salaries granted under the new law are paid from the General Fund (or the Highway Fund in the case of retired employees of the Highway Department). The other half of retirement salaries granted under the new law is charged against the fund in which employees' contributions are accumulated. This is done on an aggregate basis so that the charge of one-half of an employee's retirement salary against the Employees' Contribution Fund continues after the contributions of the individual retired employee himself have been returned to him. As a result the amount remaining in the fund is less than the sum of what is sometimes called "individual employees' equities". This term means in the case of an active employee, or a former employee who has not withdrawn his contributions, his total contributions; and in the case of a retired employee the excess of his contributions over retirement payments which he has received.

Since 1940 there has been a persistent and considerable increase in the impairment in equities of employees' contributions. The balance sheet included in this report indicates that as of June 30, 1956 the assets were $4,557,350.99 less than such equities. The impairment represents an increase of $736,378.47 over the deficit as of June 30, 1954.

The General Assembly of 1953 provided that "at the end of each biennium any unappropriated surplus in the general fund in a sum not in excess of five hundred thousand dollars shall be transferred to the state employees' retirement fund". Had it not been for the passage of this legislation in 1953, the impairment in employees' equities in contributions June 30, 1956 would have been $5,057,350.99. However, had the legislation enacted by the 1955 General Assembly not been vetoed, the deficit as herein reported, $4,557,350.99, would be $1 million less.

The retention of many mandatorily retired state employees for a period of two years, as provided in Section 172d of the 1955 Supplement, has reduced the payments of retirement salaries and given the state service the benefit of experienced and capable personnel and lessened to some extent the increase in the growth of the deficit. However, the present trend is for state employees to apply for service retirement at younger ages and as soon as they qualify. The higher salaries paid in recent years for services rendered result in larger retirement salaries. These factors will stimulate and substantially increase the deficit in the state employees' retirement fund in future years. Serious consideration should be given to this matter, and appropriations should be made from the General Fund and the Highway Fund in sufficient amounts so that the State Employees' Retirement Fund will contain at least the sum of the individual employees' equities as defined above.

An employee may be retired and granted a retirement salary at any time after he has both completed 25 years of service and reached age 55 for men or age 50 for women. A state policeman may retire after 20 years of active service as a state policeman on reaching the age of 47 years. Under those circumstances, retirement can be requested by the employee or required by the head of the department, commission, or institution for which he is serving. The amount of the retirement salary is based upon a percentage of the employee's yearly gross compensation averaged over the five, six, seven, eight, nine or ten years preceding the employee's retirement, whichever is most advantageous to the employee. The percentage allowed is 2% for each year of credited service, with pro rata credit for each full month of service over and above completed years.

An employee may elect to retire at any time after he has both completed ten years of service and reached age 60 for men or age 55 for women. In such cases the retirement salary is based upon the following table of percentages:

Age on Birthday Next Preceding Retirement Date		Percentage for Each
Men	Women	Full year of Service
65 or over	60 or over	2.00%
64	59	1.88
63	58	1.76
62	57	1.64
61	56	1.52
60	55	1.40

An employee may be retired and granted a retirement allowance if, after completing at least 15 years of credited service, he becomes permanently disabled from continuing to render the service in which he has been employed. If the disability is due to an injury received while in the performance of his duty, this 15-year service requirement is waived. The percentage upon which the requirement salary is based is 50% for any number of credited years of service up to 25, plus 2% per year of credited service in excess of 25 years, with pro rata credit for full months in excess of completed years. The percentage is applied to the yearly gross compensation averaged over the five, six, seven, eight, nine, or ten years preceding the employee's retirement, whichever is most advantageous to the employee; except that, if disability is due to an injury received while in the performance of duty, the percentage is applied to the current rate of gross compensation.

Retirement is mandatory when employees reach age 70 for men or age 65 for women. If the employee has at least five years of credited service, a retirement salary is allowed. If an employee has had less than five years of service, his contributions to the retirement fund are refunded and no retirement salary is allowed. If the employee has had between five and

20 years of service, the percentage upon which the retirement salary is based is $2\frac{1}{2}\%$ per year of credited service, with pro rata allowance for full months over and above completed years of service. If the credited service is between 20 and 25 years, the percentage is 50%. If the credited service is over 25 years, the percentage is 2% per year of credited service, with pro rata credit for full months in excess of completed years.

Some retired employees who have attained the compulsory age have been continued in their positions under Section 172d of the 1955 Supplement to the General Statutes for a period not to exceed two years beyond the original date of mandatory retirement. During such employment, retirement salary payments are suspended and the employee makes no contribution to the retirement fund. Those employees have been informed of their retirement and of the amount of their retirement salary, which will not increase by reason of service during the period of such employment.

The law also provides, subject to regulations prescribed by the Retirement Commission, for the assignment of a portion of the retirement allowance to a surviving spouse in the event of the employee's death after retirement or, under some circumstances, in the event of the employee's death before retirement.

During the biennium July 1,1954 to June 30, 1956, the Retirement Commission approved the retirement of 584 employees. During this period 158 pensioners have died. The number of retired employees on the roll has increased from 1,768 on June 30, 1954 to 2,209 on June 30, 1956. The retirement salaries in force as of June 30, 1956 are summarized in Table II.

A breakdown of applications submitted to the Commission follows:

	Service	*Mandatory*	*Disability*	*Total*
Number of Applications	1,160	1,158	756	3,074
Approved by Commission	1,151	1,156	667	2,974
Rejected by Commission	3	0	69	72
Applications Withdrawn	6	2	12	20
Tabled for further action	0	0	2	2
New Applications	0	0	6	6
Deceased	250	277	238	765
Number of employees on Retirement	889	875	422	2,186
Widows	12	4	7	23

TABLE 2

RETIREMENT SALARIES IN FORCE JUNE 30, 1956

Qualifications for Retirement			Retirement Salaries	
Years of Service	Age	Number of Employees Male	Range	Average
5 to 9	70 or over	108	$141. to $1,585.	$476.
10 to 14	70 or over	106	103. to 3,566.	905.
15 to 19	70 or over	94	183. to 4,593.	1,281.
20 to 24	70 or over	247	532. to 5,279.	1,988.
20 to 24	47 or over			
25	55 or over			
26 to 30	55 or over	245	526. to 6,104.	2,201.
31 to 35	55 or over	117	555. to 8,223.	2,784.
36 to 40	55 or over	39	1,545. to 6,190.	3,778.
41 to 45	55 or over	12	931. to 10,392.	3,762.
46 to 50	55 or over	4	3,486. to 8,996.	5,529.
Disability	39 to 69	286	300. to 5,540.	1,530.
Total for males		1,258	$103. to$10,392.	$2,110.
		Female		
5 to 9	65 or over	153	$52. to $2,503.	$435.
10 to 14	65 or over	128	227. to 2,540.	758.
15 to 19	55 or over	85	307. to 2,806.	1,107.
20 to 24	55 or over	87	548. to 4,124.	1,479.
25	50 or over	79	580. to 3,050.	1,728.
26 to 30	50 or over	143	430. to 5,636.	1,856.
31 to 35	50 or over	81	521. to 3,559.	1,932.
36 to 40	50 or over	25	741. to 5,183.	2,717.
41 to 45	50 or over	10	1,806. to 4,616.	2,794.
46 to 50	50 or over	1	4,290. to	4,290.
Disability	37 to 74	136	476. to 6,000.	1,158.
Total for Females		928	$52. to $6,000.	$1,296.
Totals for Males & Females		2,186	$52. to$10,392.	$1,564.

STATE EMPLOYEES' RETIREMENT FUND

BALANCE SHEET

JUNE 30, 1956

Assets:			
Cash			$48,499.99
Investments:			
Bonds at Cost	$12,257,271.35		
Less: Amortization Reserve	50,221.43	$12,207,049.92	
Stocks, at cost	$ 795,465.26		
Less: Reserve for Loss on Sales	53,004.54	742,460.72	12,949,510.64
Accrued Interest Purchased			527.44
Dividend Income Purchased			393.75
Total Assets			$12,998,931.82
Excess of Liabilities listed below over Assets:			
Total June 30, 1955		$ 3,908,276.41	
Increase during Fiscal year ended June 30, 1956		649,074.58	
Total June 30, 1956			4,557,350.99
Total			$17,556,282.81
Liabilities on account of employee contributions:			
Employees' Equity in Fund:			
Active and Resigned Employees		$17,334,370.93	
Retired Employees		221,888.26	
Total Employees' Equity			$17,556,259.19
Reserves:			
Reserve for Unidentified Contributions			23.62
Total			$17,556,282.81

THE CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT FUND

The Connecticut Municipal Employees' Retirement Fund was created by an Act of the 1945 General Assembly. The operation of the plan became effective on July 1, 1946.

Any town, city, borough, county, school district, fire district or taxing district may accept the plan for any or all departments, including elective officials if specified. All regular paid employees of the departments included, and all paid elective officials if so specified, must become members in the plan except those who are ineligible. No employee of an included department has the option of remaining outside the plan. The ineligible employees are (1) nonelective employees who will not have had 15 years of continuous service prior to the compulsory retirement age; (2) teachers who are or have been eligible for membership in the State Teachers' Retirement Fund, and (3) employees eligible for membership in any pension plan created by a special act.

In a municipality other than a county, participation must be approved by the majority of the electors who vote on the ordinance or resolution by which the plan is accepted. In the case of a county, the governing board, comprising its state representatives and senators, has the authority to accept the plan.

The participating of a municipality begins on the first day of July at least 90 days after official notice of its acceptance has been filed with the Retirement Commission.

The municipalities which have elected to participate in the plan as of July 1, 1956 and the year in which their participation began are as follows:

MUNICIPALITY	DATE ENTERED
Town of Darien	1946
Town of New Canaan	1946
County of Hartford	1946
South Manchester Fire District	1947
Town of Wethersfield	1947
City of Bridgeport	1947
Town of Glastonbury	1948
Town of Newington	1948
Town of Wallingford	1948
City of New Britain	1949
City of Norwalk, 2nd Taxing District	1949
Rocky Hill Police Department	1949
South Norwalk Electric Works	1949
Town of Windsor	1949
County of New Haven	1950
Town of Stonington	1950
Town of East Haven	1951
Town of Southington	1951
Town of Seymour	1951
City of Norwalk, 1st Taxing District	1951

The Town of Winchester withdrew as of June 30, 1953

The financing of the plan differs from that of the State Employees' Retirement Fund. In the State Fund, the state appropriates in each biennium half of the estimated amount of retirement salary payments, the other half being taken out of employee contributions. The employee contributions are an amount estimated to cover half of current pension payments, subject to a maximum of 5% of salaries. The present rate of contribution is 4% of salary.

In the Municipal Fund, however, the municipality contributes an amount which, with the employees' contribution of 5% of salary, will suffice to pay not merely current retirement salaries but all future retirement salaries earned by reason of service since the municipality's entrance into the plan and up to and including the present year. It also makes an annual payment over a period not exceeding 30 years which will provide for retirement salaries earned by reason of service prior to the municipality's entrance into the plan. Under normal conditions the municipality's contribution, as a percentage of payroll, may be expected to remain approximately level for 30 years and then to decrease to a new level. In the State Fund, however, the state's contribution will be an increasing percentage of payroll for many years and will eventually be many times the present amount.

If a municipality should withdraw from the Municipal Plan as it is permitted to do, salaries of retired employees are provided for by the contributions already paid in and by future payments for which the municipality is legally liable. If the State Plan should be terminated, however, further appropriations would be necessary to continue the retirement salaries of retired employees. In fact, further appropriations would be necessary in order to refund to active and retired employees the excess of their contributions over that part of retirement salaries paid from their contributions, even if no further retirement salaries were to be paid.

In short, the Municipal Fund is what is called a reserve plan while the State Fund is sometimes referred to as a "pay-as-you-go" plan.

The administration of the Municipal Plan is financed by the municipalities.

Contribution by the municipalities on account of service rendered after the effective date of participation is a percentage of salaries which is uniform for the entire system and at the present time is 7%, this being in addition to the 5% contribution by employees. Contributions by the municipality on account of service prior to the date of participation are at a rate which varies with each municipality depending on the number of employees, their salaries, ages and lengths of service. This part of the contribution is amortized over a period of 30 years.

Any member who has had 15 years of continuous service will be eligible for retirement on attaining the age of 60 years if employed as a policeman or fireman or 65 years if employed in any other capacity. Periods of absence of not more than 90 days in any one calendar year, and certain other leaves of absence, will not be considered as breaking a continuity of service. An elective official who has attained the age of retirement can substitute for 15 years of continuous service, 25 years of non-continuous service.

Any member who has completed at least ten years of continuous service will be eligible for a retirement allowance if he becomes permanently and totally disabled from engaging in any gainful employment in the service of the municipality. If the disability arises out of and in the course of his employment as defined in the Workmen's Compensation Act, he will be eligible for retirement irrespective of his term of employment.

A member, except an elective officer, can be retired at any time after he has become eligible for retirement on the recommendation of the governing body of the municipality by which he is employed. Any member, except an elective officer, who has attained the age of 65 years if employed as a policeman or fireman, or the age of 70 years if employd in any other capacity, must be retired on the day following the attainment of such age.

Retirement is not mandatory, however, until at least three years after the municipality entered the plan.

After retirement, a member will receive a retirement allowance payable monthly at an annual rate amounting to 1 2/3% of his average annual pay for the ten years preceding retirement, multiplied by the number of years of his service.

No retirement allowance will be less than $360 annually and none greater than two-thirds of the member's average salary for the five years preceding his retirement.

The retirement allowance in the case of a disability arising out of and in the course of employment as defined in the Workman's Compensation Act will not be less than 50% of the member's annual pay at the time of the disability.

The City of Bridgeport, in the 1949 General Assembly, was granted special legislation which provides 2% for each year of service on retirement and computes the allowance on the last five years of service, the minimum retirement allowance being $720 annually. The 1951 General Assembly passed further legislation for the City of Bridgeport which reduced the minimum age for retirement from 65 to 60. It also provided that employees retired prior to the passage of the Special Act of the 1949 General Assembly shall hereafter receive a retirement allowance at a rate in accordance with the provisions of that Special Act. In the 1955 General Assembly, Special Act No. 513 was passed which permits the retirement of employees after 30 years of service or at age 55. Special Act No. 437 was also passed which further changed the rate in the computation of the retirement allowance. The additional costs for the special benefits are borne in full by the City of Bridgeport.

Up to July 1, 1956, 149 employees of participating municipalities have retired on their own application by reason of length of service; 37 employees, by reason of disability; and 122 employees had reached the compulsory age for retirement.

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT FUND

BALANCE SHEET

JUNE 30, 1956

Assets

Current Assets:			
Cash		$32,119.85	
Investment Bonds	$8,671,811.68		
Less: Reserve for Amortization	21,268.32	8,650,543.36	
Investments in Stocks		496,789.67	
Accrued Interest Purchased		147.22	
Dividend Income Purchased		268.75	
Accounts Receivable:			
Administrative Expenses	410.00		
Employee Contributions	36,889.92		
Municipal Contributions	75,380.31	112,680.23	
Total Current Assets			$9.292,549.08
Deferred Assets:			
Municipal Obligation for Prior Service			8,197,588.00
Total Assets			$17,490,137.08

Liabilities and Reserves

Liabilities:			
Employee Contributions		$1,904,787.08	
Employee Contributions (Accrued)		36,889.92	
Unpaid Administrative Expenses		2,070.57	
Retired Employees' Equity in Contributions		33,038.67	
Total Liabilities			$ 1,976,786.24
Reserves:			
Administrative:			
Loss on Sale of Stocks	$21,754.24		
Administrative Expenses	6,114.18		
Total Administrative Expenses		27,868.42	
Pension:			
Present and future Retirement Salaries		$15,485,482.42	
Total Reserves			$15,513,350.84
Total Liabilities and Reserves			$17,490,137.08

FEDERAL OLD-AGE AND SURVIVORS' INSURANCE SYSTEM

The 1951 General Assembly passed Sections 176b to 183b, 1951 Supplement, enabling municipalities to participate in the Federal Old-Age and Survivors' Insurance System under Title II of the Social Security Act, as amended. The plan permitted municipalities to arrange for their employees to participate in the benefits of the system, excluding any employees whose positions were already covered by an existing retirement plan. The 1955 General Assembly, to conform with amendments made by Congress in 1954 passed legislation amending the 1951 enabling legislation (Sections 408d to 416d) which now permits participation in the plan of employees in positions covered under a retirement system with certain exceptions and by referendum. The participating municipalities in the State Municipal Retirement Fund were excluded under the state's enabling legislation. Employees who by reason of age and expiration of an option and who were ineligible to participate in a retirement system may also be covered under the federal system through action by the local governing body but without referendum. When such arrangements have been made, such employees must participate. A municipality is defined as any county, town, consolidated town or borough, fire district, school district, housing authority or other municipal association created by a special law or by general law or an instrumentality of any of these, if such instrumentality is a distinct juristic entity legally separate from any of the above and its employees are not, through this relation, employees of one of the above.

After amunicipality has been accepted by the Commission, an agreement is executed between the Commission and the municipality describing in detail all conditions which must be fulfilled to meet the applicable requirements of the Federal Social Security Law, including a stipulation that the cost to the state of administering this act shall be paid by the municipality and apportioned among them quarterly, by the Commission in the ratio which each municipality's quarterly total payments to the system bears to the total payments of all municipalities made in the same quarter.

The agreement between the state and the Federal Security Administrator to provide for the coverage of such municipalities under the benefits of the Old-Age and Survivors' Insurance System was signed on January 24, 1952.

As of July 1, 1956 over 10,000 public employees from 191 municipalities in the state had enrolled in the plan. These municipalities represent the following: 11 Cities, 126 Towns, 6 Boroughs, 5 Fire Districts, 1 Taxing District, 4 Regional High Schools, 28 Housing Authorities, 7 Counties, 1 Parking Authority, 1 Sewer District, and 1 School & Utilities District.

The State Retirement Commission is the collecting agency for the required contributions of the municipality and the employee, and deposits all monies with the State Treasurer for payment on a quarterly basis to the Federal Reserve Bank of Boston.

Respectfully submitted:

Henry S. Beers, Chairman
James E. Hoskins
Mary E. Burkhard
George A. Cummings
Fred R. Zeller, Secretary

ers whose positions were already covered by an existing retirement plan. The 1959 General Assembly, in common with amendments made by Congress in 1958 passed legislation amending the 1951 enabling legislation (sections 23d to 23k) which now permits participation in the plan of employees in positions covered under a retirement system with certain exceptions and by referendum. The participating municipalities in the State Municipal Retirement Fund were excluded under the state's enabling legislation. Employees who by reason of age and expiration of an option and who were ineligible to participate in a retirement system may also be covered under the federal system through action by the local governing body (the Selectmen, Council, or Town Meeting in each town or municipality), such employees being participants. A municipality is defined as any county, town, consolidated town or borough or subdivision thereof or special district, housing authority or other political subdivision created by a special act or by general law or an instrumentality of any of these. If such instrumentality is a juristic person which under federal law are of the State and of the political subdivision through this program employer contributions.

After a municipality has been accepted by the Commission and the agreement executed between the Commission and the municipality describing in detail all conditions which must be fulfilled to meet the applicable requirements of the Federal Social Security Law, including a stipulation that the cost to the state of administering this act shall be paid by the municipality and apportioned among them quarterly, by the Commission in the ratio which each municipality's quarterly total payments to the system bears to the total payments of all municipalities made in the same quarter.

The agreement between the State and the Federal Security Administration to provide for the coverage of such municipalities under the benefits of the Old Age and Survivors' Insurance System was signed on January 21, 1952.

As of July 1, 1962 over 20,000 public employees under 165 municipalities in the state had enrolled in the plan. These municipalities represent the following: 11 Cities, 120 Towns, 6 Boroughs, 5 Fire Districts, 1 Taxing District, 4 Regional High Schools, 11 Housing Authorities, 1 Transit, 1 Parking Authority, 1 Sewer District and 1 Schools & Library District.

The State Retirement Commission is the collecting agency for the required contributions of the municipality and the employee, and deposits all monies with the State Treasurer for payment on a quarterly basis to the Federal Reserve Bank of Boston.

Respectfully submitted,

[illegible], Chairman

[illegible]

[illegible]

[illegible]

[illegible], Secretary