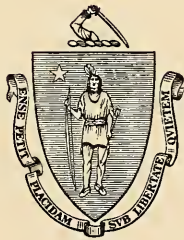

REPORT

OF THE

STATE BOARD OF RETIREMENT.

JANUARY, 1915.



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1915.

APPROVED BY
THE STATE BOARD OF PUBLICATION.

BOARD OF RETIREMENT.

FREDERICK W. MANSFIELD, *Chairman.*

CARL A. RAYMOND.

CHARLES A. ANDREWS. .

The Commonwealth of Massachusetts.

BOARD OF RETIREMENT,
STATE HOUSE, BOSTON, Jan. 15, 1915.

HON. CHANNING H. COX, *Speaker of the House of Representatives.*

DEAR SIR: — I transmit to you herewith for the use of the Legislature the annual report of the Board of Retirement for the year ending Nov. 30, 1914.

Respectfully yours,

FREDERICK W. MANSFIELD,
Chairman, Board of Retirement.

The Commonwealth of Massachusetts.

REPORT.

BOARD OF RETIREMENT,
STATE HOUSE, BOSTON, JAN. 15, 1915.

To the Honorable Senate and House of Representatives.

In January, 1914, Hon. Frederick W. Mansfield, by virtue of becoming Treasurer and Receiver-General of the Commonwealth, became a member of the Board of Retirement, and he was forthwith chosen chairman of the Board. In February the term of office of Mr. Chas. A. Andrews expired, and he was elected by the other members of the Board, in accordance with law, as a member of the Board for a term of three years. During the year the Board has been composed of these two and Mr. Carl A. Raymond, who in 1912 was elected a member by the members of the association for a term of three years.

On Dec. 1, 1913, there were 4,020 members of the Retirement Association. On Dec. 1, 1914, there were 4,783 members. During the year 1,630 individuals have joined the association, and 839 have forfeited membership therein by reason of death or resignation before becoming eligible to a retirement allowance. In addition, 28 have been retired, 7 by reason of reaching the age of seventy years, and 21 at their own request, at the age of sixty or over. The membership of the association was increased 1,630 by the compulsory entrance of employees who have entered the service since Dec. 1, 1913, and who had, during the past year, completed a probationary period and have thus become "permanent and regular" employees within the meaning of the law. By deducting from this number the number of those who have died, who have resigned and who have been retired, we find an increase in membership of 763. This

indicates with considerable accuracy the expansion of the State service during the past year.

Since the law became operative, on June 1, 1912, 109 employees have been retired, of whom 28 were retired during the past year; 10 annuitants and 1 non-member have died since retirement, so that retirement allowances are now being paid to 98 former employees. Of this number 33 were retired at the age of seventy, and 64 retired of their own volition, and 1 non-member for the good of the service, upon the request of the head of the department in which he was employed.

The total amount paid to these retired employees during the year ending Dec. 1, 1914, as pensions was \$24,918.58, as compared with payments of \$17,576.31 during the year ending Dec. 1, 1913; the largest yearly amount payable to any individual was \$905.14; the number of those who received the maximum retirement allowance, *i.e.* one-half of the average of salary for the ten years preceding retirement, was 30. The average annual retirement allowance paid to the whole number who benefited by the system during the year was \$283.17, and the average cash salary received by those persons for the ten years preceding retirement was \$734.50.

During the year there was made a distribution of surplus to the individual accounts of members. The total amount thus credited to members' accounts was \$1,754.73, and was equal to \$1.20 upon each \$100 of each account as it stood on Dec. 31, 1913.

It can be seen that the retirement system covers a large percentage of employees; that it makes both possible and necessary retirement from the service at a time when inefficiency is likely to be in evidence; and also it affords to those retired, at least in part, a living income. By chapter 419 of the Acts of 1914, retirement for permanent disability at any age, after fifteen years of service, was made possible. Under this provision of law one retirement has been granted during the year. We believe this law is wise in making it possible to remove from the service those who through illness or misfortune have become unable to perform efficiently the duties for which they have been employed.

The retirement system, established by chapter 532 of the

Acts of 1911, is not the only pension system affecting State employees. For the judges, members of the metropolitan park police, members of the district police, prison officers and instructors, and for veterans of the civil war in the State service separate pension systems have been established and are in operation. In none of these systems does the contributory principle prevail; in each of them retirement upon half pay or more is possible upon the reaching of a stated age or upon the completion of a stated period of service; in some of them retirement for disability is possible; and in at least one there is provision for a pension to the widow and young children of the deceased employee who loses his life in the performance of his duty. The tables on page 13 show the amounts paid by the Commonwealth during the past year to pensioners under each of those five systems, the number of persons in each system who receive the pensions, together with similar figures for the Retirement Association.

According to the best information we can secure there are now in the service in the five preferred classes 699 individuals. The average number retired from these five classes and receiving pensions during the year of 1914 was 113, and the total annual cost of pensions to these persons is \$91,589.94. This is an average of \$844.15. With reference to all of these pensions no contribution by the individual was made during his period of service, and none is provided for to be made by persons now employed in any of these five classes.

As compared with this, we find that in the Retirement Association there is an average of 88 receiving retirement allowances, and that the total annual cost to the Commonwealth on account of these persons is \$24,918.58. This is an average of \$283.17. Thus among the five preferred classes the number retired is 16 per cent. of the number now in the service, while in the general retirement this percentage is a trifle over 1½. Again, in the former, the average pension is \$844.15, and in the latter only \$283.17. In the former the pension is at one-half salary at the retirement date, or, in the case of certain judges, three-fourths of such salary; in the latter the retirement allowance is never more than one-half of an average salary, and in the case of only 28 of the 98 persons now receiving retirement

allowances is the amount paid equal to this one-half. It thus appears that the general retirement system, established by chapter 532 of the Acts of 1911, does and will afford retirement allowances small in comparison with those to be found in the five preferred classes.

It is to be borne in mind, also, that the net cost to the Commonwealth of maintaining the five preferred systems will always equal the total amount of pensions, and that while a similar situation with reference to the general retirement system exists at its beginning, the proportion of the total retirement allowance to be paid by the Commonwealth under this system will constantly decrease until it becomes only one-half of such amount.

There are at present in the Retirement Association 265 persons, who, by virtue of having reached the age of at least sixty years, will be eligible to retirement during the coming year. How many of these will retire is, of course, not now known. The Board has therefore submitted its estimate for appropriations with considerable uncertainty as to the amount likely to be needed, conscious of the fact that it cannot accurately substantiate its request. One year ago the corresponding figures were 237, and during the year just closed 28 of these, or $11\frac{4}{5}$ per cent., were retired. Whether the percentage thus appearing is likely to prove reasonably constant in succeeding years, we cannot even guess, since the experience of so short a period as has elapsed since the establishment of the retirement system is insufficient for any conclusion upon this subject. The total expenses of administration of the Board for the year ending Nov. 30, 1914, were \$7,996.22.

One feature of the retirement system which is of commanding importance, and which can scarcely be too much emphasized, is the necessity it imposes upon the members to save money. At the close of the fiscal year the funds of the association were \$268,660.32. This amount had been actually contributed by members or had been earned by their contributions in a period of thirty months. In addition to this, there had been paid back to 1,715 members who had left the service of the Commonwealth \$21,869.26, and to the estates of 52 deceased members, \$1,306.33. Thus already more than \$23,000 has been

saved by members, and has been returned to them or to their estates. Of the \$268,660.32 now in the funds of the association a considerable amount will in the future be returned to present members as they shall leave the service before becoming entitled to retirement. The amount that will be thus paid back is of course unknown and cannot be estimated. But it is apparent that members of the association have saved many thousands of dollars which will be at their disposal even though they do not remain in the service long enough to receive a retirement allowance, and it is undoubtedly true that little if any of this would have been saved except for the compulsion of the retirement system. Evidence constantly reaches the Board that members look upon this feature of the retirement system with favor, and are gratified that they have been compelled to adopt habits of saving before unknown to them. Among the benefits of the retirement system this is by no means the least, and its value is bound to be increasingly felt as the size of the individual accounts increases with the age of the association.

Comparative Financial Statement, as of November 30.

YEAR.	Gross Deposits.	Income on Investments.	Interest credited Members' Accounts. ¹	REFUNDS. ²		AMOUNT EXPENDED.			Expense of Administration. ³
				Death.	All Others.	Annuities.	PENSIONS.		
							Prior.	Subsequent.	
1912.	\$47,500 76	\$198 36	-	\$22 73	\$1,343 21	\$2 29	\$5,341 42	\$2 29	\$5,082 66
1913.	105,438 37	3,197 22	\$1,227 73	354 54	6,540 04	72 34	17,503 97	72 34	6,619 37
1914.	130,637 21	6,889 44	5,901 06	929 06	13,986 01	189 74	24,728 84	189 74	7,996 22

¹ Includes surplus.

² Includes interest accumulations.

³ Includes salaries and contingent expenses.

Comparative Statement of Membership, as of November 30.

YEAR.	Admitted during Year.	REFUNDS.		NUMBER RETIRED.			MEMBERSHIP.			Mortality among Pensioners.	Key Number.
		Death.	All Others.	Voluntary.	Compulsory.	Non-members.	November 30.	3 Per Cent. Basis.	5 Per Cent. Basis.		
1913.	1,522	21	508	26	8	2	4,020	2,630	1,390	3	5,027
1914.	1,630	19	820	21	7	-	4,783	2,972	1,811	5	6,657

Membership Feb. 1, 1912, 3,324.

Recapitulation of Yearly Pension Cost under Non-contributory and Contributory Pension Systems.

YEAR.	NON-CONTRIBUTORY.				CONTRIBUTORY.		
	Judges.	POLICE.		Prison Officers.	Veterans.	Chapter 832, Acts of 1913.	Chapter 532, Acts of 1911.
		Metropolitan Park Commission.	District.				
1913.	\$14,779 44	\$1,738 75	\$750 00	\$7,923 60	\$58,305 54	-	\$17,576 31
1914.	19,434 68	1,940 50	750 00	9,709 46	59,755 30	\$18,412 74 ¹	24,918 58

¹ Pension payments began July 1, 1914.

Under contributory system the figures represent only the amount paid by the State; the annuities paid from members' contributions are not included.

Comparison of Average Yearly Pensions paid under Non-contributory and Contributory Pension Systems.

YEAR.	NON-CONTRIBUTORY.				CONTRIBUTORY.		
	Judges.	POLICE.		Prison Officers.	Veterans.	Chapter 832, Acts of 1913.	Chapter 532, Acts of 1911.
		Metropolitan Park Commission.	District.				
1913.	\$5,542 29 (3)	\$434 69 (4)	\$750 00 (1)	\$684 05 (12)	\$664 45 (88)	-	\$290 52 (61)
1914.	5,552 77 (3+)	485 12 (4)	750 00 (1)	683 53 (14)	663 95 (90)	\$381 95 (124)	283 17 (88)

The figure at the right of each column shows the number of individual pensions paid under each system; under contributory systems the figures represent only the amount paid by the State; the annuities paid from members' contributions are not included. Minimum pension paid under chapter 832, \$300; minimum pension paid under chapter 532, \$200.