

REPORT
OF THE
STATE BOARD OF RETIREMENT.

JANUARY, 1916.



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BOARD OF RETIREMENT.

HON. CHARLES L. BURRILL, *Chairman.*

CARL A. RAYMOND.

DR. JOHN E. FISH.

The Commonwealth of Massachusetts.

BOARD OF RETIREMENT,
STATE HOUSE, BOSTON, Jan. 24, 1916.

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

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, 1915.

Respectfully yours,

CHARLES L. BURRILL,
Chairman, Board of Retirement.

The Commonwealth of Massachusetts.

REPORT.

BOARD OF RETIREMENT,
STATE HOUSE, BOSTON, JAN. 1, 1916.

To the Honorable Senate and House of Representatives.

In January, 1915, the Hon. Charles L. Burrill qualified as Treasurer and Receiver-General of the Commonwealth, thereby becoming an ex officio member of the Board, and was elected chairman.

The term of office of Carl A. Raymond, second member elected by the members of the association, expired on Feb. 16, 1915. Under the direction of the Insurance Commissioner a primary was held and five persons were nominated as candidates, one of whom later withdrew. Four names appeared for election upon the official ballot. This election was also held, as required by law, under the direction of the Insurance Commissioner, and resulted in the re-election of Mr. Raymond for a period of three years.

On June 21, 1915, the Board was obliged to accept the resignation of Charles A. Andrews, third member, who was re-elected for a term of three years, beginning Feb. 16, 1914. Mr. Andrews, having resigned from the State service, felt unable to give the necessary time to the work of the Board. After careful consideration the first two members of the Board elected Dr. John E. Fish, superintendent of the Massachusetts Hospital School, Canton, Mass., to fill the vacancy.

On Dec. 1, 1914, there were 4,766 members of the Retirement Association. On Dec. 1, 1915, there were 5,382 members. During the year 1,686 individuals have joined the association, and 1,046 have forfeited membership therein by reason of death

or resignation before becoming eligible to a retirement allowance. In addition, 24 have been retired, 8 by reason of reaching the age of seventy years, and 3 for permanent disability, and 13 at their own request, at the age of sixty or over. The membership of the association was increased 1,686 by the compulsory entrance of employees who have entered the service since Dec. 1, 1914, 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 626. This indicates with considerable accuracy the expansion of the State service during the past year.

Since the law became operative, on June 1, 1912, 133 employees have been retired, of whom 24 were retired during the past year; 13 annuitants and 1 nonmember have died since retirement, so that retirement allowances are now being paid to 119 former employees. Of this number, 43 were retired at the age of seventy or over, 3 for permanent disability, 1 nonmember for the good of the service, upon the request of the department in which he was employed, and 72 retired of their own volition.

The total amount paid to these retired employees during the year ending Dec. 1, 1915, as pensions was \$30,433.91, as compared with payments of \$24,918.58 during the year ending Dec. 1, 1914; 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 cash salary for the ten years preceding retirement, was 54. The average annual retirement allowance paid to the whole number who benefited by the system during the year was \$284.79, and the average cash salary received by those persons for the ten years preceding retirement was \$777.17.

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 \$1,337.90, and was equal to \$0.50 upon each \$100 of each account as it stood on Dec. 31, 1914.

The rate of contribution first established by the Board in accordance with the statute was 3 per cent. unless the employee elected to contribute 5 per cent. Many who became members did not act under the optional clause, and therefore contributed but 3 per cent., and later expressed a desire to have 5 per cent. deducted from their salaries. The Board questioned its right under the law to allow an individual to change from a once-established rate, and submitted three questions to the Attorney-General upon which he gave the following opinions: —

(1) That the Board has the power under the statute to allow employees to change their rates of contribution.

(2) That the Board cannot accept from employees allowed to change their rates of contribution a sum of money equal to the difference between the contributions on a 3 per cent. basis and the amount the contributions would have been if they had elected the 5 per cent. basis of contribution.

(3) That the rate first elected by employees in the service when the system went into operation is the rate which determines the basis on which their pensions for prior service will be estimated.

As the change affects only the annuity and subsequent pension part of the retirement allowance, no injustice results either to the State or to members*initially enrolled under the higher rate. The Board considers by vote each application.

The compulsory saving for the employee who leaves the service is equivalent to that accumulated under the general habit of voluntary thrift, and in case of the death of a member provides the dependents in many cases with much-needed funds. The accumulated savings refunded to members who left the service was \$23,057.30, and the amount refunded to the heirs or the estates of deceased members was \$2,674.81.

The Treasurer and Receiver-General acquires for the annuity fund only the bonds which pay the highest return upon the sum invested. The fund has earned an average rate of income during the year of 4.17 per cent.

The retirement system has 280 members who may voluntarily retire at age of sixty or over during the next fiscal year. The number who will retire is uncertain. The Board, therefore, has submitted its estimates for appropriations upon experience it has gained to the effect that the retirements will be 6 per cent.

of the eligibles. The total expenses of administration of the system for the year ending Nov. 30, 1915, were \$8,999.45.

By chapter 832 of the Acts of the year 1913 a retirement system for teachers was established. No provision, however, was made for a reciprocating allowance for prior service in cases where members of the teachers' system were transferred to the State employees' retirement system, and *vice versa*. This, it appeared, worked a hardship upon teachers leaving the service of the public schools and entering the service of State normal schools, thereby becoming members of the State system. It was apparent, also, that it might act as an obstacle to the Board of Education in making appointments to the staff of teachers in the normal schools from teachers in the public schools. The Board of Retirement is pleased to report that by the passage of chapters 197 and 198 of the General Acts of the year 1915 this difficult situation has been eliminated.

The Board is of the opinion that legislation is necessary to define the standing of certain teachers, and other employees, employed by the Board of Education under agreements with certain cities wherein are located normal schools, with respect to the "training schools," so called, maintained for the mutual benefit of the normal school and the local school systems. This Board appointed a committee to confer with a committee appointed by the Teachers' Retirement Board upon the matter, and finds itself in substantial accord with them in the form of a bill. To carry out this recommendation a bill has been prepared and filed with the Secretary of the Commonwealth, as required by law, for the consideration of the General Court.

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,	130,667 73	6,889 44	5,901 06	915 90	13,983 79	189 74	24,728 84	189 74	7,996 22
1915,	139,394 66	12,720 67	8,926 22	2,674 81	23,057 30	405 93	30,027 98	405 93	8,999 45

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.	Accounts payable. ¹	
		Death.	All Others.	Disability.	Voluntary.	Compulsory.	Non-members.	November 30.	Per Cent. Basis.			Per Cent. Basis.
1912,	* 181	12	327	—	20	25	—	3,121	—	—	3	—
1913,	1,522	21	568	—	26	8	2	4,020	2,630	1,390	3	—
1914,	1,630	19	820	—	21	7	—	4,766	2,972	1,811	5	17
1915,	1,686	29	1,017	3	13	8	—	5,382	3,383	1,999	3	27

Membership Feb. 1, 1912, 3,324.

¹ Unclaimed accounts of members who have left the service.

Recapitulation of Yearly Pension Cost under Noncontributory and Contributory Pension Systems.

YEAR.	NONCONTRIBUTORY.					CONTRIBUTORY.		
	Judges.	POLICE.			Prison Officers.	Veterans.	Teachers (Chapter 532, Acts of 1913).	State Employees (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	
1915,	31,404 72	2,296 25	750 00	12,453 56	64,674 33	56,473 29	30,433 91	

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 Noncontributory and Contributory Pension Systems.

YEAR.	NONCONTRIBUTORY.					CONTRIBUTORY.		
	Judges.	POLICE.			Prison Officers.	Veterans.	Teachers (Chapter 532, Acts of 1913).	State Employees (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,	5,522 77 (3+)	485 12 (4)	750 00 (1)	693 53 (14)	663 95 (90)	\$381 95 (124)	283 17 (88)	
1915,	5,981 85 (5)	459 25 (5)	750 00 (1)	718 47 (17)	662 76 (98)	380 98 (180)	284 79 (108)	

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.
 Teachers with fifteen years of service on July 1, 1914 (five preceding retirement), minimum, \$300. Minimum of \$200 to all under chapter 532, Acts of 1911.