

REPORT
OF THE
STATE BOARD OF RETIREMENT.

JANUARY, 1917.



BOSTON:
WRIGHT & POTTER PRINTING CO., STATE PRINTERS,
32 DERNE STREET.
1917.

PUBLICATION OF THIS DOCUMENT
APPROVED BY THE
SUPERVISOR OF ADMINISTRATION.

BOARD OF RETIREMENT.

HON. CHARLES L. BURRILL, *Chairman.*

CARL A. RAYMOND.

DR. JOHN E. FISH.

The Commonwealth of Massachusetts.

REPORT.

BOARD OF RETIREMENT, STATE HOUSE,
BOSTON, March 20, 1917.

To the Honorable Senate and House of Representatives.

The personnel of the Board remained unchanged during the year. The contributory system when inaugurated, while acceptable to the majority of employees, was not favored by a large minority. It is now interesting to note that its merits, better understood, are more fully appreciated.

This statement is emphasized by the fact that 104 employees out of 516 in the service when the permissive act of 1916 was passed, who declined membership under the original act, have, upon request, been enrolled to membership. It is interesting to note that 32 of those enrolled have been in the continuous service of the Commonwealth from ten to forty years. The Board, appreciating the importance of the act, gave individual notice to all employees interested therein.

On Dec. 1, 1915, there were 5,382 members of the Retirement Association. On Dec. 1, 1916, there were 5,458 members. During the year 1,445 individuals have joined the association, and 1,369 have forfeited membership therein by reason of death or resignation before becoming eligible to a retirement allowance. In addition, 27 have been retired, 10 by reason of reaching the age of seventy years, 2 for permanent disability, and 15 at their own request, at the age of sixty or over. The membership of the association was increased 1,445 by the compulsory entrance of employees who have entered the service since Dec. 1, 1915, and who had, during the past year, completed a pro-

bationary 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 a net increase in membership of 76.

The merging of State departments and increased opportunity outside the State service, occasioned by greater industrial activity, caused an unusual number of refunds.

All persons employed at State penal institutions prior to June 7, 1911, other than "officers and instructors," were members of the retirement system if they did not decline membership. The passage of chapter 273, General Acts of 1916, placing all these employees under the noncontributory prison officers and instructors' act, equitably corrects what a former technicality caused to exist, as the duties of most of these persons subject them to the common hazards of penal service.

Since the law became operative on June 1, 1912, 161 employees have been retired, of whom 28¹ were retired during the past year; 21 annuitants and 2 non-members have died since retirement, so that retirement allowances are now being paid to 138 former employees. Of this number, 49 were retired at the age of seventy or over, 5 for permanent disability, 1 non-member for the good of the service, upon the request of the department in which he was employed, and 83 retired of their own volition.

The total amount paid to these retired employees during the year ending Dec. 1, 1916, as pensions was \$36,672.76, as compared with \$30,433.91 during the year ending Dec. 1, 1915; the largest yearly amount payable to any individual was \$1,169.79; 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 sixty. The average annual retirement allowance paid to the whole number who benefited by the system during the year was \$305.

During the year an examination of the annuity fund was made by the Massachusetts Insurance Department in accordance with the law, and a distribution of the surplus to the individual accounts of members authorized. The total credited

¹ Retired non-member included.

amounted to \$5,167.02, and was equal to \$1.50 upon each \$100 of each account as it stood Sept. 30, 1915.

The accumulated savings refunded to members who left the service was \$39,164.70, and the amount refunded to the heirs or estates of deceased members was \$2,644.37.

The retirement system has 297 members who may voluntarily retire at age sixty or over during the next fiscal year, and 13 who must retire at age seventy, the compulsory retirement age. The number who will voluntarily retire is uncertain. The Board has submitted its estimates for appropriations upon experience it has gained that 7 per cent. of the voluntary eligibles will retire, which will require about \$5,300 in addition to \$42,700, the amount of pensions in force on Nov. 30, 1916. The expenses of administration of the system for the year were: salaries, \$6,055.81; contingent expenses, \$1,016.46; reimbursement to institutions for making deductions from members' wages, etc., \$2,653.05. The reimbursement to State institutions is purely a bookkeeping transaction to show the probable cost of operating the system.

By the passage of chapter 54, General Acts of 1916, the status of certain teachers and other persons employed in training or practice schools maintained for the mutual benefit of the students of the normal school and the public school system wherein the normal school is located and a part of whose compensation is paid in varying proportions by the Commonwealth and the city or town, has been established.

RECOMMENDATIONS.

We desire to call to the attention of the General Court the basis under which deductions are made, and the sum allowed after retirement in cases where employees receive only a part of their compensation in cash. Many persons in the service of State institutions are boarded and housed at the expense of the Commonwealth, and the scale of cash compensation paid is accordingly lower than it would be otherwise.

The Board of Retirement, when preparing to inaugurate the system of making deductions, was advised by the Attorney-General that under the terms of the statute deductions could be made only from compensation paid in money. This results

in some cases in an employee contributing less than is necessary to purchase an annuity sufficient to make a retirement allowance of the minimum amount, namely, \$200 (which is guaranteed by the State), and therefore results in the State paying a larger proportion of the retirement allowance than seems to have been intended by the people drafting the law. In other cases it appears that there is an unfair discrimination between persons working in State institutions and persons working in other branches of the State's service, in so far as the retirement allowances for the persons working in the institutions are less because of smaller cash salaries for relatively the same work.

We recommend such legislative action as is just and equitable whereunder the Board of Retirement be given authority to investigate and report as to the desirability of changing existing laws to accomplish this purpose.

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	59,795 30	\$18,412 741	24,918 58	
1915.	31,404 72	2,296 25	750 00	12,453 56	64,674 33	56,473 29	30,433 91	
1916.	30,539 92	2,532 00	1,599 12	14,766 64	65,160 10	75,608 38	36,672 76	

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

¹ Pension payment began July 1, 1914.

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)	\$484 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)	693 53 (14)	663 95 (90)	\$381 95 (124)	293 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)	
1916.	6,314 70 (4)	506 04 (5)	799 55 (2)	700 39 (21)	674 65 (96)	375 00 (206)	288 57 (127)	

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.

¹ 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.

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	\$22 9	\$5,341 42	\$2 29	\$5,082 66
1913,	105,438 37	3,197 22	\$1,227 73	354 54	6,340 04	72 34	17,503 97	72 34	6,619 37
1914,	130,667 73	6,889 44	5,301 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
1916,	157,684 94	18,663 14	16,342 68	2,644 37	39,164 70	802 69	35,870 07	802 69	9,725 32

¹ Includes surplus.

² Includes interest accumulations.

³ Includes salaries, contingent expenses and reimbursement to State institutions.

Comparative Statement of Membership, as of November 30.

YEAR.	REFUNDS.		NUMBER RETIRED.			MEMBERSHIP.			Mortality among Pensioners.	Accounts payable. ¹
	Death.	All Others.	Disability.	Voluntary.	Compulsory.	Non-members.	Per Cent. Basis.			
							3	5		
1912,	12	327	-	20	25	-	Novem-ber 30.	2,630	1,390	3
1913,	21	568	-	26	8	2	4,020	2,972	1,811	3
1914,	19	820	-	21	7	-	4,766	3,383	1,999	5
1915,	29	1,017	3	13	8	1	5,352	3,387	2,071	3
1916,	30	1,339	2	15	10	1	5,458	3,387	2,071	9

Membership Feb. 1, 1912, 3,324.

¹ Unclaimed accounts of members who have left the service.