

The Commonwealth of Massachusetts

ANNUAL REPORT

OF THE

BOARD OF RETIREMENT

FOR THE

YEAR ENDING NOVEMBER 30, 1922

DEPARTMENT OF TREASURER AND RECEIVER-GENERAL



PUBLICATION OF THIS DOCUMENT

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The Commonwealth of Massachusetts

DIVISION OF BOARD OF RETIREMENT,
116 STATE HOUSE, BOSTON, March 17, 1923.

To the Honorable Senate and House of Representatives, State House, Boston, Massachusetts.

GENTLEMEN:— I transmit to you herewith for the use of the legislature the annual report of the Board of Retirement for the fiscal year ending November 30, 1922.

Very truly yours,

JAMES JACKSON,
Chairman.

The Commonwealth of Massachusetts

REPORT.

DIVISION OF BOARD OF RETIREMENT,
STATE HOUSE, BOSTON, November 30, 1922.

To the Honorable Senate and House of Representatives.

The eleventh annual report of the Board of Retirement for the year ending November 30, 1922, is herewith presented for your consideration.

The personnel of the Board remained unchanged during the year. In the annual report of the Board for the fiscal year 1921, the attention of the Legislature was requested upon the provisions of the statutes under which deductions could only be made from the compensation paid to members in cash. Nearly all of the members employed in the State institution service are boarded and housed in the institutions and the scale of cash compensation is lower than it would otherwise be. In order to adjust the inequality in the amount of the retirement allowances between those who receive full compensation in cash and those who receive in addition to cash full boarding and housing, the Legislature amended the law so that a nominal value is now provided in the law for the computation of assessments and the retirement allowances of those in the full maintenance group.

The Commonwealth has amended all of the laws which were passed prior to the General Contributory law under which a non-contributory form of pension was provided for certain classes of employees so that now new entrants in such positions have no right to a non-contributory pension. The Legislature has only passed one law for the payment of a non-contributory pension to any preferred class of employees since the General Contributory law was passed. A non-contributory form of pension was provided in 1920 for veterans of the Spanish and World wars. This group of employees have a dual pension right as they may be retired under either the General Contributory law or under the special non-contributory law, just mentioned. A veteran retired under the non-contributory law will waive the other pension and will be paid back all of his contributions with interest in the contributory system. Other than this exception the Commonwealth has firmly maintained and extended the contributory pension principles. A feature, which can scarcely be too much emphasized, is the necessity which the contributory system imposes upon the members to save money.

The contributory law has been in operation since January 1, 1912, approximately eleven years, and the present fund consists of \$1,438,020.63, which has been deducted from the salary or wages of the members, and \$207,209.14, which has been credited as interest and extra dividends to the members' accounts, so that the total of the accounts on November 30, 1922, amounts to \$1,645,229.77.

The Insurance Department made the annual examination in accordance with the law, and following the report, the Board, with the approval of the Commissioner of Insurance, credited an extra dividend of \$1.75 to each \$100 of each account as it stood on September 30, 1921; the total thus credited amounted to \$21,764.11.

The interest derived from the investment of the annuity funds has provided for the last five years substantially the following yearly rate of distribution to the

members' accounts: 1918, $4\frac{2}{3}\%$; 1919, $4\frac{3}{8}\%$; 1920, $4\frac{3}{4}\%$; 1921, $4\frac{3}{4}\%$; 1922, $4\frac{3}{4}\%$. The annuity fund is invested according to restrictions and limitations of the statutes in only the securities which are a legal investment for the sinking funds of the Commonwealth, these being principally the obligations of Commonwealths and subdivisions thereof.

The membership of the Retirement Association when it was first organized was 3,324, and the membership on November 30, 1922, was 7,648. When the contributory law was passed all persons in the service who were not provided with a pension under some non-contributory law were given the option of becoming a member of the association, and thus providing for themselves a pension. They had the option of accepting the pension privilege, and of those who declined to accept the right to a future pension, there appears to be only about 143 now in the service out of an average normal pay roll of about 11,500 employees, who by their own act are not entitled to any pension from the State.

During the year 2,014 new employees have become members of the association and 1,325 have left the service by reason of death or resignation before becoming eligible for retirement. Retirement allowances were granted to 38 persons during the year, — 12 by reason of reaching the age of seventy, 2 for ordinary permanent disability, and 24 between sixty and seventy years of age upon their own request.

The number of employees who have been granted a retirement allowance since the law became operative June 1, 1912, is 362. Since retirement 95 annuitants and 4 non-members have died, so that retirement allowances are now being paid to 263 former employees. Of this number, 87 were retired at the age of seventy or over; 8 were retired for permanent disability; 2 non-members, who were over fifty-five years of age when the retirement law was passed, were retired upon the request of the departments in which they were employed; and 166 were retired upon their request between sixty and seventy years of age.

Present Ages and Number of Persons who are receiving a Retirement Allowance.

AGE.	Number.	AGE.	Number.	AGE.	Number.
40	-	57	-	74	10
41	-	58	4	75	13
42	-	59	1	76	10
43	1	60	5	77	11
44	-	61	7	78	3
45	-	62	4	79	5
46	-	63	8	80	3
47	1	64	6	81	3
48	-	65	8	82	1
49	-	66	14	83	1
50	-	67	11	84	1
51	1	68	18	85	2
52	1	69	18	86	-
53	1	70	22	87	1
54	2	71	26	88	-
55	2	72	19	89	-
56	1	73	18		

During the year ending November 30, 1922, \$83,599.89 was paid as pensions to persons upon the retired list as compared with \$72,318.13 for the previous year. The largest retirement allowance being paid to an individual is \$1,557.47. The average retirement allowance paid to the persons on the list December 1, 1922, is \$372.

The law provides compensation to a widow during her widowhood, or if there is no widow, for the benefit of a child or children under sixteen years, of one-half the member's rate of pay in case of the death of a member from an injury received through no fault of his own while in the discharge of his duty. One payment is now being made under this act.

The accumulated savings refunded to members who left the service were \$84,861.03, and the amount refunded to the heirs or estates of deceased members was \$15,662.35.

The retirement system has 329 members who may voluntarily retire at the age of sixty to seventy during the coming fiscal year; 19 under sixty years of age who have completed thirty-five years of service; and 16 who must retire at the age of seventy, the compulsory retirement age. The number who will voluntarily retire is uncertain. The Board has submitted estimates of the amount of appropriation required to pay the cost of pensions for the next fiscal year upon experience it has gained that 7% of the members eligible to retire will voluntarily retire in addition to those who must retire at the age of seventy. This will require about \$6,094 in addition to \$91,877.03, the amount of pensions in force on November 30, 1922.

The expenses of the administration of the system for the year were: salaries, \$7,465.00; contingent expenses, \$832.02; reimbursement to institutions for making deductions from members' salaries, etc., \$2,640.68. The reimbursement to State institutions is purely a bookkeeping transaction to show the probable cost of operating the system.

RECOMMENDATIONS FOR LEGISLATION.

The Board recommends the following amendments to the State Retirement Act (chapter 32, General Laws, sections 1 to 5, inclusive):—

When a member of the association retires, the contributions from his salary and the interest credited to his account are used to purchase an annuity. The State pays a pension and the sum of the pension and the annuity make the total payment called retirement allowance. The form of annuity selected has no effect on the amount of PENSION which is paid from STATE APPROPRIATIONS.

The two parts of a retirement allowance are paid from different funds, and inasmuch as the annuity is paid from an accumulated sum based upon salary deductions, the member at retirement has a choice of one of TWO annuity options as follows:—

Option A — Full Annuity.

This form of annuity is payable for life, and all payments cease upon death.

Option B — Refund.

The annuity payments under this form are payable for life and are smaller than those provided under Option A, but if the annuitant dies before receiving annuity payments equal to the amount used to purchase the annuity, the difference will be paid to his legal representative. The Option B annuity under the present law may be paid to only the members whose accounts are large enough at the age when they retire to provide such an annuity of \$100 or more.

The Board believes that the amount of the account to purchase the annuity should not prevent a member from electing a form of annuity which may provide something for his estate in case conditions indicate to him that he should make such a choice.

It is important that the election of the refund annuity should not require the State to pay a larger pension on account of the smaller annuity under the refund plan, and that the amount of the total retirement allowance in each case be kept on the basis of equivalents to fill the particular benefits which the member wishes to provide.

SECTION 1. Section five of chapter thirty-two of the General Laws, as amended by sections three and four of chapter three hundred and forty-one of the acts of nineteen hundred and twenty-two, is hereby further amended by striking out paragraph (2) *B (b)* and inserting in place thereof the following:—(*b*) A life annuity of less amount, payable monthly, with the provision that if the annuitant dies before receiving annuity payments equal to the amount used to purchase the annuity, the difference shall be paid to his legal representatives.

SECTION 2. Said section five, as amended by sections three and four of said chapter three hundred and forty-one, is hereby further amended by striking out paragraph (2) *E* and inserting in place thereof the following:—*E. Minimum and Maximum Payments.*—Except as otherwise provided, in no case shall a member be retired at a rate of pension less than such an amount that the annual pension plus the annual amount which would have been paid from the annuity fund if the member had chosen an annuity computed under 2 *B (a)* of this section shall be three hundred dollars and in no case shall a member be retired with a pension in excess of the amount which added to the annuity to which he would have been entitled if he had chosen the annuity under 2 *B (a)* of this section would provide a total retirement allowance of more than one half the average annual rate of his salary or wages during the five years prior to retirement. The rate of pay received by a member on the date immediately preceding a period of absence without pay shall be used as the rate of pay which he would have received during the absence without pay for the purpose of determining the maximum pension and the maximum annuity under this section.

Respectfully submitted,

JAMES JACKSON, *Chairman.*
WARREN A. MERRILL.
JOHN E. FISH, M.D.

Comparative Financial Statement, as of November 30.

YEAR.	Net Accumulated Deposits.	Yearly Deposits.	Interest credited Members' Accounts. ¹	REFUNDS. ²			AMOUNT EXPENDED.			Expense of Administration. ³
				Death.	All Others.	Annuities.	PENSIONS.			
							Prior.	Subsequent.		
1912	\$46,430 70	\$47,500 76	—	\$22 73	\$1,343 21	\$2 29	\$5,341 42	\$2 29	\$5,082 66	
1913	144,271 66	105,438 37	\$1,227 73	354 54	6,540 04	72 34	17,503 97	72 34	6,619 37	
1914	205,060 87	130,667 73	5,601 08	915 90	13,083 79	189 74	24,728 84	189 74	7,996 22	
1915	385,550 94	139,394 66	8,326 22	2,674 81	23,057 30	405 93	30,027 98	405 93	8,999 45	
1916	512,240 80	157,684 94	16,342 68	2,644 37	39,164 70	802 69	35,870 07	802 69	9,725 32	
1917	638,013 12	161,902 50	21,680 12	4,195 44	49,355 91	1,393 80	42,580 67	1,393 80	9,421 15	
1918	745,986 87	176,678 34	26,088 53	5,689 65	83,400 69	2,064 01	47,826 49	2,064 01	9,074 21	
1919	909,670 37	227,661 17	30,223 50	10,819 89	69,785 17	2,969 94	53,082 53	2,969 94	10,289 20	
1920	1,087,916 28	262,235 04	39,870 05	7,496 99	101,888 03	4,171 00	58,937 94	4,221 15	11,786 93	
1921	1,343,677 90	304,107 72	49,168 17	7,282 50	69,186 12	5,739 11	66,458 97	5,859 16	10,790 65	
1922	1,645,229 77	361,510 91	61,103 73	15,662 35	84,861 03	7,582 20	75,908 83	7,691 06	10,937 70	

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.	Admitted during Year.	REFUNDS.			NUMBER RETIRED.					MEMBERSHIP.		
		Death.	All Others.	Injured while on Duty.	PERMANENT DIS-ABILITY.	Volun-tary (Age 60 to 70).	Compul-sory (Age 70).	Non-members (Age 60 and Over).	RETIRED.		Members killed and Deaths from In-juries re-ceived while on Duty. ¹	
									Active.	Net Pen-sioners.		
1912	181	12	327	—	—	20	25	—	3,121	3	42	
1913	1,522	21	568	—	—	26	8	2	4,020	3	75	
1914	1,630	19	820	—	—	21	7	—	4,783	5	98	
1915	1,686	29	1,017	—	3	13	8	—	5,399	3	119	
1916	1,445	30	1,339	—	2	15	10	1	5,448	9	138	
1917	1,389	33	1,168	—	1	20	14	1	5,573	9	165	
1918	1,360	40	1,446	—	2	16	6	1	5,365	15	174	
1919	1,910	65	1,125	—	2	17	11	1	5,969	9	196	
1920	1,979	38	1,445	—	1	15	11	1	6,282	12	209	
1921	1,752	35	1,445	—	1	25	18	—	6,997	15	241	
1922	2,014	55	1,270	—	2	24	12	—	7,648	16	263	

¹ Payments to widow during widowhood, or if no widow, for benefit of child or children while under sixteen years of age.

Membership, Feb. 1, 1912, 3,324.

YEAR.	NON-CONTRIBUTORY.					CONTRIBUTORY.	
	Judges (Sections 61 to 67).	POLICE.		Retired Cleaners (Section 74) (Superintendent of Buildings).	Prison Officers (Sections 46 to 48).	VETERANS.	
		Metropolitan Park (Sections 62 to 73).	Department of Public Safety (Section 68).			Veterans, Civil War (Sections 49 to 55).	Spanish and World Wars (Sections 56 to 60).
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	24,918 98
1915	31,404 72	2,296 25	750 00	-	12,453 56	64,674 33	30,433 91
1916	30,539 92	2,352 00	1,599 12	-	14,766 64	65,160 10	36,672 76
1917	35,610 50	4,598 01	1,213 71	-	16,100 00	63,592 01	43,944 47
1918	40,329 44	5,806 21	875 00	-	17,688 55	59,871 84	49,890 50
1919	39,062 45	7,872 30	875 00	\$1,156 00	18,203 63	58,370 69	56,052 47
1920	49,400 00	9,486 88	1,878 22	1,248 00	20,425 73	65,652 11	63,150 09
1921	55,812 35	13,285 24	6,613 23	1,272 00	22,506 11	72,485 42	72,341 89
1922	54,438 69	13,280 04	7,905 00	1,676 64	25,086 11	74,912 30	83,599 89

¹ Reimbursement to cities and towns for the pensions they paid to retired teachers included.

² Pension payment 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 Annual Payments to Persons on Retired Lists November 30, under Non-contributory and Contributory Pension Systems.

YEAR.	NON-CONTRIBUTORY.					CONTRIBUTORY.	
	Judges.	POLICE.		Retired Women Cleaners (Superintendent of Buildings).	Prison Officers.	VETERANS.	
		Metropolitan Park.	Department of Public Safety.			Civil War.	Spanish and World Wars.
1921	\$6,975 00 (8)	\$704 48 (19)	\$1,150 83 (6)	\$156 00 (8)	\$755 10 (31)	\$762 92 (94)	\$493 98 (487)
1922	6,105 00 (10)	736 38 (19)	1,157 14 (7)	300 00 (8)	809 50 (32)	776 47 (88)	508 38 (558)

The figure at the right of each column shows the number of pensioners under each system November 30; under contributory systems the figures represent the amount paid by the State, and the annuities paid from members' contributions. Public school teachers with fifteen years of service who served prior to July 1, 1914 (five preceding retirement), minimum, \$400. Under State Employees' Act of 1911, minimum of \$200 to all retired prior to Aug. 25, 1920, and \$300 to all retired after said date.