

FIRST ANNUAL REPORT

OF THE

TEACHERS' RETIREMENT BOARD, //

FOR THE

YEAR ENDING DECEMBER 31, 1914.



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The Commonwealth of Massachusetts.

TEACHERS' RETIREMENT BOARD,
BOSTON, March 5, 1915.

To the Honorable Senate and House of Representatives.

GENTLEMEN: — I transmit to you herewith, for the use of the Legislature, the annual report of the Teachers' Retirement Board for the year ending December 31, 1914.

Respectfully yours,

FRANK H. HARDISON,
Chairman.

The Commonwealth of Massachusetts.

FIRST ANNUAL REPORT OF THE TEACHERS' RETIREMENT BOARD.

To the Honorable Senate and House of Representatives.

In June, 1913, the General Court, by the enactment of chapter 832 of the Acts of 1913, provided for the establishment, on the first day of July, 1914, of a retirement system for public school teachers employed in the cities and towns of Massachusetts. The general principles upon which this retirement system was founded are the same as those of the retirement system for State employees established in 1912, but there are some changes in matters of detail. Members of the Teachers' Retirement Association by law contribute a certain per cent. of their salaries to the retirement fund. The rate of assessment is to be fixed annually by the Teachers' Retirement Board, but cannot be less than 3 nor more than 7 per cent., subject to the provision that no annual assessment shall exceed \$100 or be less than \$35. For the year beginning July 1, 1914, the Teachers' Retirement Board officially fixed the rate of assessment at 5 per cent. Assessments are deducted by the school committees in monthly instalments, and forwarded by the town and city treasurers to the secretary of the Board. According to the provisions of the statute he transmits each month to the Treasurer of the Commonwealth the amounts received by him, and the latter invests the same in securities which are legal for sinking funds. The law provides that members of the association shall be credited on the last day of each year with interest at the rate of 3 per cent. per annum on amounts contributed.

Membership in the Retirement Association is a condition of employment for teachers who enter the service for the first time on or after the first day of July, 1914. Teachers in the public schools whose service commenced before that date are eligible to membership by making voluntary application. Boston teachers (except those in State-aided industrial schools) are not eligible to membership in this State system, as the city of Boston has had a local teachers' pension system for a number of years.

Members of the association may retire at the age of sixty years and must retire at the age of seventy years. At the time of retirement a member's own contributions with interest are used to purchase him an annuity, according to life insurance tables adopted by the Retirement Board. The Commonwealth by law grants a pension equal to the annuity; thus in the cases of new teachers one-half of the retiring allowance is derived from the teacher's own contributions and one-half from the State treasury. Realizing that many teachers who were in service prior to July, 1914, would not be able to make very many contributions before reaching the retirement age, the Legislature provided that in the case of teachers in service at the time of the establishment of the system, who before retirement shall have served fifteen years or more in this State, at least five of which must immediately precede retirement, an additional pension will be granted from the State treasury, the amount of the same to depend upon the number of years of service in Massachusetts. For these members, also, the law provides that the minimum retiring allowance shall be \$300 per annum.

As it would be an injustice to the large number of young teachers who leave the service on account of marriage or other reasons to forfeit their contributions to the fund, the law provides that members of the association withdrawing from service shall be entitled to have their contributions and interest refunded to them in four annual instalments. In case a member of the Retirement Association dies before retirement his contributions are to be refunded to his executor or administrator.

The law recognizes the fact that a few cities and towns adopted the local teachers' pension act (chapter 498 of the Acts

of 1908), and provides that in case cities and towns which have already adopted said act retire teachers after July 1, 1914, they shall be reimbursed by the Commonwealth for these teachers to the extent of the pension the teachers would have received if they had retired under the provisions of the State system.

Only one change was made in the retirement law by the Legislature of 1914. This provides that teachers in State-aided industrial schools in Boston, who were not eligible to participate in the benefits of the Boston City Teachers' Pension System, may become members of the State system.

As many pension systems throughout the country have come to grief through lack of sound foundation, the Massachusetts law provides that the retirement system shall be on a strong financial and actuarial basis. By law, reports are to be made to the State Insurance Commissioner, and the latter, *ex officio*, is a member of the Teachers' Retirement Board. The retirement system is operating upon the mortality table used by most of the life insurance companies doing business in this Commonwealth.

The management of the retirement system by law is vested in a Board of seven members, consisting of the Insurance Commissioner, the Bank Commissioner, the Commissioner of Education, three representatives of the Teachers' Retirement Association and one other person to be elected by the six members first mentioned. The statute provided that until the organization of the Retirement Association, and the election of the representatives therefrom, the three State commissioners should perform the duties of the Retirement Board. The three State commissioners held several meetings during the winter of 1913. In accordance with the provisions of the law a secretary was elected. The Board chose Mr. Edmund S. Cogswell for this position. Prior to his election Mr. Cogswell had served for seven years in the actuarial department of a large Massachusetts life insurance company. Much work was necessary to prepare for the establishment of the retirement system before the 1st of July, as no State-wide system of this sort had ever been attempted in this Commonwealth before, and it was also necessary that the teachers, superintendents, school

committees and others be duly notified of the provisions of the act. In the fall of 1913 an address upon the retirement system was made at all the annual meetings of the county teachers' associations, and a supply of bulletins was printed and distributed among the teachers, explaining the law and giving early decisions of the Retirement Board. Superintendents of schools were asked to bring the matter to the attention of all their teachers, and application blanks for membership were distributed in June, 1914.

The Retirement Association was organized on the first day of July, 1914. Eighty-two members were enrolled on the first day. Applications for membership were received from the teachers of the State during the vacation months of July and August, 1914, in considerable numbers. During the month of September the enrollment of the organization more than doubled. Up to September 30, 5,832 teachers who were in service prior to the first day of July had voluntarily enrolled as members of the association. This number was further increased to 6,185 before the end of the calendar year 1914. Up to the same date 1,187 teachers entering the service for the first time were automatically included as members of the Retirement Association, in accordance with the provisions of the law. During the first six months of operation of the Retirement Association 5 members died and 31 left the service of the public schools, making a total decrease in the membership of 36. The total membership on December 31 was 7,336.

The law distinctly provides that school committees before employing teachers shall notify them of their obligations and duties as a condition of employment. As only one strong objection was made by a teacher who claimed that she was not notified of the provisions of the act before beginning her duties, the Board can safely state that school committees and superintendents performed the duty of notifying teachers of the conditions of the law in a creditable manner.

The Retirement Board found a number of aged teachers in active service in the cities and towns of the Commonwealth. On the first day of July there were 435 teachers in the service who were more than sixty years of age, and 68 teachers who were seventy years of age or over. It is interesting to note

that the oldest teacher in the service was eighty-five years of age, and that there were five teachers in service more than eighty years of age. While the minimum requirement for service in this State is only fifteen years, it was found that of all the teachers retired only 10 served less than thirty years in the State. It was found that many teachers had been in continuous service for more than fifty years, and one teacher retired had been in continuous service in Massachusetts, in the city of Worcester, since 1852. Prior to beginning service in Worcester this teacher had served a short time in Rhode Island. The total number of teachers retired before the close of the year on Dec. 31, 1914, was 130. Of these, 90 were sixty-five or more years of age and 55 were seventy or more years of age; 116 women and 14 men have been retired. One of these teachers passed away during the fall of 1914, leaving 129 teachers on the retired list on the last day of the year 1914. The annual pensions granted, in accordance with the provisions of the law, to these 129 teachers, amounted to \$48,954.90. The smallest retiring allowance granted was \$300 and the largest \$750. Only teachers of long service who received fairly large salaries and who were seventy years of age or more receive the larger amount. The law provides that the amount of pension shall be governed by the average salary for the last fifteen years, the total number of years of service in the State and the age at the time of retirement.

As section 4 of chapter 832 of the Acts of 1913 provided that the election of the three representatives of the Retirement Association should be in a manner to be approved by the three State commissioners, the latter gave this matter much consideration. In order that nominations should be made by representative teachers, it was decided that a nominating committee, consisting of one representative to be appointed by the executive committee of each county teachers' association, should meet in Boston and make nominations. Officials of eleven county associations accepted this invitation to send representatives to the meeting of the nominating committee. The committee met in Boston on September 26, and after much deliberation nominated the following: —

Mr. Walter V. McDuffee, Central High School, Springfield, for the term of three years.

Miss Maria C. Cole, Carter School, Chelsea, for the term of two years.

Mr. Harry Smalley, McDonough School, Fall River, for the term of one year.

As the statute provided for the election to be held upon the organization of the Retirement Association, and as the statute clearly provided that teachers might become members of the association at any time prior to the thirtieth day of September, 1914, the Board decided not to hold the election until October, and also decided to allow nominations upon the petition of 100 members of the association, provided that these nominations were in the hands of the secretary of the Board before the fifth day of October, 1914. No other nominations were received. As soon after that date as could be arranged ballots were sent to the 6,560 members of the Retirement Association who had enrolled before October 1. The election closed on October 23; 2,638 ballots were cast. The three nominees were elected by a practically unanimous vote.

The Board of six members has held a number of meetings. One of the first matters of consideration was the election of the seventh member to serve for the term of one year, in accordance with the provisions of the law. The Board has recently elected Hon. Robert Luce of Waltham to serve in that capacity.

The statute provides that the school committees shall make deductions monthly from the salaries of members of the Retirement Association, and town and city treasurers shall forward the same to the secretary of the Retirement Board each month. Nearly all the school committees have handled the financial end of the retirement system in a very satisfactory manner. In the cases of a few towns, where new superintendents had been elected since the passage of the law, and especially where these new superintendents came from outside the borders of the Commonwealth, there was some slight delay in making the first deductions. These towns, however, have fallen into line with other communities of the State. All city treasurers have forwarded checks for the amounts deducted very promptly, and practically all town treasurers have done the same and have shown a decided willingness to co-operate with the Board

in handling the financial end of the system. In a few cases it was necessary to call the attention of some town treasurers to the provisions of the statute, which requires that the Retirement Association assessments be forwarded monthly, as a few treasurers wished to save a little labor by forwarding the assessments quarterly.

As the law provides for the submission of an annual statement as of Dec. 31, 1914, an extra attempt was made to have all towns and cities forward the assessments for the month of December as promptly as possible, in order that there might be few outstanding assessments. In this connection the Board wishes to express its appreciation of the co-operation shown by many town and city treasurers, who at some inconvenience to themselves expedited the forwarding of amounts due. The Board also wishes to express its appreciation of the spirit of co-operation manifested by school committees, and the almost unanimous desire shown to make the operation of the act as successful as possible. The total amount of assessments forwarded before the end of the year on Dec. 31, 1914, was \$113,153.34. The assessments as received by the secretary of the Board were transmitted to the Treasurer of the Commonwealth each month, who has invested the same in accordance with the provisions of the law.

The section of the law relating to the duties of the Board provides that the Board shall make such rules and regulations as are necessary and consistent with the provisions of the act. The Board has been called upon to make a number of decisions. Upon the recommendation of the secretary, after consultation with the Insurance Commissioner, the Board adopted as the official mortality table the American Experience Table with $3\frac{1}{2}$ per cent. interest. This is the standard table prescribed by law for life insurance companies doing business within this Commonwealth. The law provides that the Board may change the mortality table from time to time. The mortality experience to the present time would indicate that the American Experience Table will be a satisfactory one for many years to come.

The law was passed primarily for the benefit of the public schools of the State, and to make it possible for teachers, who

through old age had become inefficient, to retire from the school-room and give way to younger teachers who would be of greater usefulness in the instruction of the children. The law was not passed primarily to reward teachers for long service. A provision of the law makes it necessary that five years of continuous service immediately precede retirement. The Board has had to decide in a number of cases whether many teachers of long service have complied with this requirement of the law. Following an opinion of the Attorney-General, the Board has decided that part of the five years of service may be upon leave of absence, provided that the leave of absence is formally approved by the school committee. The Board has ruled that in the future in these cases the assessments must be paid while on leave of absence. A number of teachers who after long service resigned their positions some years ago, but who have been substituting in the schools from time to time, have applied to the Board for retirement. This question was referred to the Attorney-General, and his opinion is that the provisions of the act apply only to teachers in regular salaried positions, and that service as a substitute is not enough to render a teacher eligible to retirement. The Attorney-General also has given his opinion to the effect that if a teacher has resigned his position, or has been dismissed and later returns to service, the five years of continuous service have been broken, even though the interruption has been short. Careful investigation has been made of the records of service of all teachers who have been retired by the Board, and as the amount of retiring allowance depends upon the age of the beneficiary, much care has been taken in determining the exact age of each beneficiary as closely as possible.

As there has been some criticism of other pension systems, particularly police pension systems, in that beneficiaries in receipt of pensions have been holding positions in other lines of employment, the Board has endeavored to ascertain if retired teachers have attempted to perform other work, and while at the present time there is no provision in the law to prevent outside work, except work for a city or town in this State, the Board has noted that in only one case has a teacher entered into active service after retirement. Most of the teachers who

have been retired by the Board have been in such poor health or have had such failing eyesight that they were physically unable to perform any further duties.

The law provides that the rate of assessment shall be fixed annually on the first day of July of each year, but that a prior notice of at least three months must be given. The Board has given notice of its intention to continue the 5 per cent. rate of assessment for the next school year beginning July 1, 1915.

The Board is of the opinion that a few minor amendments should be made to the law at an early date. At present a teacher who leaves the service is entitled to have her contributions refunded in four annual instalments. As many teachers leave on account of marriage and for other reasons before contributing much to the fund, the amounts to be refunded are often very small. In one case, where the teacher contributed but \$2.92 before being forced by ill health to resign her position, the instalments will amount to but 73 cents each. The Board believes that it should be permitted to make refunds to withdrawing members in one sum.

An amendment also should be made to the law later to provide that sums not exceeding \$100 may be refunded to the next of kin of deceased members without the expense of letters of administration. The present law provides that amounts contributed by deceased members shall be refunded to the legal representative, *i.e.*, an executor or administrator.

Some teachers feel that provision should be made for a disability retiring allowance in the case of teachers who break down in service before attaining the age of sixty years. The Board feels that this matter should be given very careful consideration before making any definite recommendation.

In its general provisions the law appears to be exceedingly well drawn, and the secretary reports that very few difficulties in operation or interpretation have been encountered.

The Board devoted one meeting to the consideration of the estimate to be submitted to the State Auditor for appropriations, in accordance with the provisions of chapter 719 of the Acts of 1912. The Board has in its estimate requested that an appropriation of \$8,250 be made to cover the administration

expenses of the retirement system for the State fiscal year ending Nov. 30, 1915. As the retirement law did not go into full operation until July 1, 1914, the 1914 appropriation of \$6,500 for expenses covered only part of a year's salary for most of the clerks and stenographers employed by the Board. The 1913 estimate of \$35,000 was to cover pensions only from July 1 to Nov. 30, 1914. Only \$18,412.74 of this amount was expended, however, as of the 174 teachers who notified the Board of their intentions to retire, only 126 actually retired. While a few of the others died before the establishment of the system on July 1, the remaining number decided not to retire. As the pensions granted are comparatively small, many of these teachers wished to remain in service as long as possible. Some teachers who expected to retire under the teachers' system have retired under other acts providing for pensions, particularly civil war veterans, who, under the provisions of chapter 447 of the Acts of 1912, receive half salary upon retirement.

To provide for the annual cost of pensions for 129 teachers on the retired list on Dec. 31, 1914, the sum of \$48,954.90 is necessary. Of the 409 teachers in service who will be eligible to retire in 1915, 85 have signified their intention so to do. While the cost of pensions for a full year for these teachers will be approximately \$32,000, yet as most of them will not retire until the end of the school year in June, only about half of this amount, or approximately \$17,000, is necessary for the pensions for these teachers for the year ending Nov. 30, 1915. The total appropriation requested for the year ending Nov. 30, 1915, for pensions is \$65,000. This amount is somewhat less than was expected at the time of the passage of the retirement law. In its report to the Legislature of 1913, upon the advisability of the establishment of a teachers' pension system (House Doc. 1926 of 1913), the State Board of Education predicted that until 1920 the cost of pensions would not be less than \$75,000 in any one year. Before the senate ways and means committee of 1913 the statement was made that the cost of administering the retirement system would be approximately \$10,000 a year. By the establishment of a business method of accounting, the cost of administration at the present time is at the rate of only \$8,250 per year.

The complete financial statement submitted to the Board by the secretary is appended, and also the report of the Treasurer of the Commonwealth concerning the condition of the funds, which by law he is obliged to make to the Insurance Commissioner.

Respectfully submitted,

FRANK H. HARDISON, *Chairman.*

MARIA C. COLE.

ROBERT LUCE.

WALTER V. McDUFFEE.

HARRY SMALLEY.

DAVID SNEDDEN.

AUGUSTUS L. THORNDIKE.

ANNUAL STATEMENTS
OF THE
CONDITION AND AFFAIRS
OF THE
TEACHERS' RETIREMENT SYSTEM OF THE
COMMONWEALTH OF MASSACHUSETTS.

ESTABLISHED JULY 1, 1914.

STATEMENT FOR THE YEAR ENDING DEC. 31, 1914, MADE
TO THE INSURANCE COMMISSIONER BY THE SECRETARY
OF THE TEACHERS' RETIREMENT BOARD.

INCOME.

Members' deposits,	\$113,153 34	
Received from Commonwealth for payment of pensions for <i>prior</i> service,	18,412 14	
Received from Commonwealth for payment of pensions for <i>subsequent</i> service,	60	
Interest received on bank balances,	87 89	
Members' deposits used to purchase an- nuities,	\$120 25	
Interest on members' deposits used to purchase annuities,	60	
	<hr style="width: 100%;"/>	120 85
Received from Commonwealth for administration expenses, .	6,696 24	
		<hr style="width: 100%;"/>
Total income,		\$138,471 06

DISBURSEMENTS.

Deposits refunded to members withdrawing from teaching service,	\$17 50	
Pensions paid for <i>prior</i> service,	18,412 14	
Pensions paid for <i>subsequent</i> service,	60	
Members' deposits used to purchase an- nuities,	\$120 25	
Interest on same,	60	
	<hr style="width: 100%;"/>	120 85
Annuities purchased by members' contributions,	60	
Accrued interest on investments,	1,030 28	
Premium on investments,	2,975 40	
		<hr style="width: 100%;"/>
		\$22,557 37

Administration expenses for calendar year 1914:—

Salary of secretary,	\$2,000 00	
Salaries of regular clerks,	1,026 54	
Extra clerks, etc.,	861 11	
Printing,	577 87	
Postage,	422 10	
	<hr style="width: 100%;"/>	
<i>Amounts carried forward,</i>	\$4,887 62	<hr style="width: 100%;"/>
		\$22,557 37

<i>Amounts brought forward,</i>	\$4,887 62	\$22,557 37
Administration expenses for calendar year 1914 — <i>Con.</i>		
Stationery and supplies,	367 45	
Typewriters, addressing machine and supplies,	377 93	
Rent of office,	540 00	
Miscellaneous,	523 24	
		<u>6,696 24</u>
Total disbursements,		\$29,253 61

LEDGER ASSETS.

Investments, par value (Schedule A),	\$58,000 00
Cash,	51,217 45
	<u> </u>
Total ledger assets,	\$109,217 45

NON-LEDGER ASSETS.

Accrued interest on investments,	1,305 00
Amortized value of investments over par value,	2,977 14
	<u> </u>
Gross assets,	\$113,499 59

LIABILITIES.

Members' deposits,	\$112,807 93
Regular interest credited to same,	216 12
	<u> </u>
Deposits in process of payment to members withdrawn,	\$52 43
Regular interest credited to same,	20
	<u> </u>
	52 63
Deposits of members withdrawn, but not yet in process of payment,	\$122 03
Regular interest credited to same,	28
	<u> </u>
	122 31
Due representatives of deceased members,	33 20
Annuity reserve,	107 59
Annuities accrued but not due,	82
Surplus,	158 99
	<u> </u>
Total liabilities,	\$113,499 59

MEMBERSHIP EXHIBIT.

Admitted to association since July 1, 1914, voluntary,	6,185
Teachers required by law to be members,	1,187
	<hr/>
Total,	7,372
Number deceased,	5
Number left service requesting refund,	6
Number left service without requesting refund,	25
	<hr/>
	36
	<hr/>
Membership Dec. 31, 1914,	7,336

I hereby certify that the above statement is a complete and correct exhibit of the financial condition of the Teachers' Retirement System of the Commonwealth of Massachusetts on the thirty-first day of December, 1914, to the best of my knowledge and belief.

EDMUND S. COGSWELL,
Secretary, Teachers' Retirement Board.

Subscribed and sworn to before me this twenty-second day of January, 1915.

LOUIS B. F. RAYCROFT,
Notary Public.

STATEMENT FOR THE YEAR ENDING DEC. 31, 1914, MADE
TO THE INSURANCE COMMISSIONER IN COMPLIANCE
WITH THE PROVISIONS OF PARAGRAPH 5, SECTION 11,
CHAPTER 832, ACTS OF 1913.

INCOME.

Received from the secretary of the Teachers' Retirement Board,	\$113,241 23
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PAYMENTS.

Annuities,	\$0 60
Deposits refunded to members withdrawing from the teaching service,	17 50
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Total paid to members of the Teachers' Retirement Association,	\$18 10
Accrued interest on investments,	1,030 28
Premium on investments,	2,975 40
<hr/>	
Total payments,	\$4,023 78

ASSETS.

Investments, par value (Schedule A),	\$58,000 00
Cash,	51,217 45
Accrued interest on investments,	1,305 00
<hr/>	
Total assets,	\$110,522 45

I hereby certify that the above statement is a correct exhibit of the financial condition of the Teachers' Retirement System of the Commonwealth of Massachusetts on the thirty-first day of December, 1914.

FREDERICK W. MANSFIELD,
Treasurer and Receiver-General.

Subscribed and sworn to before me this nineteenth day of January, 1915.

JAMES A. DONOVAN,
Notary Public.

SCHEDULE A.

DESCRIPTION.	Interest Dates.	Date of Purchase.	Par Value.	Cost.	Accrued Interest Dec. 31, 1914.	Basis (Per Cent.).
N. Y. City Reg. 4½ per cent.,	January and July,	Nov. 10, 1914	\$20,000 00	\$21,025 00	\$1,305 00	4.25
N. Y. City Reg. 4½ per cent.,	January and July,	Nov. 30, 1914	13,000 00	13,666 90		
N. Y. City Reg. 4½ per cent.,	January and July,	Nov. 30, 1914	25,000 00	26,282 50		
			\$58,000 00	\$60,975 40		

All of the above bonds mature Jan. 1, 1964.