REPORT

OF THE

STATE
TEACHERS RETIREMENT
SYSTEM

OF OHIO

SEPTEMBER 1, 1924

to

AUGUST 31, 1925

COLUMBUS, OHIO:
THE F. J. HEER PRINTING CO.
1926

Bound at State Bindery

To The Retirement Board, State Teachers Retirement System:

I have the honor to submit the financial report of the State Teachers Retirement System for the year beginning September 1, 1924 and ending August 31, 1925.

Very truly yours,

W. E. Kershner,
Secretary.

Columbus, Ohio,
May 1, 1926.

THE STATE TEACHERS RETIREMENT SYSTEM OF OHIO

HISTORY

The State Teachers Retirement System was established by the passage of a bill prepared by the Committee on Teachers Retirement Fund of the Ohio State Teachers Association. The bill was introduced March 7, 1919, by Representative C. H. Freeman of Hardin County. It was passed by the House of Representatives on April 9, by a vote of 86 to 12, and by the Senate on April 16, without a dissenting vote. It was approved by the Governor on May 8, 1919 and became effective 90 days after his approval. The retirement system began active operations on September 1, 1920. On that date also, all the city teachers pension systems (except that of Toledo) merged with the state system. The Toledo system merged with the state system on September 1, 1923.

MANAGEMENT

The management of the retirement system is vested in a retirement board composed of (a) the superintendent of public instruction, (b) the auditor of state, (c) the attorney general, and (d) two teacher members, elected by the members of the retirement system. The first election for teacher members resulted in the selection of Prin. M. Emma Brookes, Cleveland, for the two year term, and Supt. H. V. Hotchkiss of Akron for one year. The first retirement board was composed of Hon. John G. Price, Attorney General, President, Hon. A. V. Donahey, Auditor of State, Hon. F. B. Pearson, Superintendent of Public Instruction, Miss M. Emma Brookes, Prin. Chesterfield School, Cleveland, and Supt. H. V. Hotchkiss, Akron. Mr. Donahey was succeeded on January 10, 1921 by Hon. Joseph T. Tracy. Mr. Price was succeeded by Hon. C. C. Crabbe on January 8, 1923. Mr. Pearson was succeeded by Hon. Vernon M. Riegel on April 5, 1920. Mr. Hotchkiss was succeeded on September 1, 1920 by Dean W. W. McIntire of Ohio University. The vacancy caused by the death of Mr. McIntire on July 9, 1922 was filled by the appointment of Co. Supt. Pliny A. Johnston of Hamilton County for the unexpired term. Mr. Johnston resigned September 21, 1923 on account of ill-health and Co. Supt. Geo. M. Pogue of Belmont County was chosen to serve the remainder of Mr. McIntire's term.

The retirement board at present consists of the following members:

Hon. Joseph T. Tracy, Auditor of State, President.

Miss M. Emma Brookes, Prin. Miles School, Cleveland, Vice-President.

Hon. C. C. Crabbe, Attorney General.

Hon. Vernon M. Riegel, Director of Education.

Co. Supt. George M. Pogue, St. Clairsville.

The Treasurer of State is custodian of the fund and the Attorney General is the legal adviser of the retirement board. W. E. Kershner has been Secretary since January 1, 1920. The offices are in the Rowlands Building, 12 North Third Street, Columbus, Ohio.

GENERAL PLAN

(a) Teachers, during their active service accumulate as a savings account, 4% of their salaries each year (not to exceed $2,000.00 a year) at 4% interest compounded annually. Teachers who die or withdraw from service prior to retirement have their total deposits and interest earnings refunded. (b) The State accumulates a fund (the normal contribution) with which to match, at the time of retirement, the savings of the teacher who is retiring. This fund is made up of payments by all Boards of Education in the state. These payments are a uniform percentage of the teachers' payroll of each Board of Education not regarding any salary as in excess of $2,000.00.

(c) A pension for service in Ohio rendered prior to September 1, 1920, (called the Prior Service Pension) is paid for from the Deficiency Contribution made by Boards of Education on the basis of the payroll of each school district.

(d) Teachers who have served ten or more years in Ohio and who are obliged to retire from active service on account of permanent disability may retire on the disability pension. This is paid for by the savings of the teacher retiring and from the Deficiency Contribution.

MEMBERSHIP

The membership of the retirement system consists of:

(a) All teachers in the public schools of Ohio, (b) teachers in state colleges and institutions, (c) teachers in municipal colleges, and (d) educational employees of the Department of Education.

Exemption from membership was granted upon written request at the time of the organization of the retirement system, effective for the duration of the teacher's contract in force September 1, 1920. After that date all teachers elected or re-elected automatically became members. All teachers in the public schools of the state are now members.

CLASSES OF MEMBERS

(a) Present teachers and (b) New Entrants.

(a) Present teachers were those who became members, being in active service, on September 1, 1920. Or a teacher who failed to establish membership on September 1, 1920, but who became a member during the year 1920-21 provided the date of the establishment of such membership was not more than one year after his last date of service prior to September 1, 1920. An amendment to the original law provides that a teacher who failed to establish membership with the status of present teacher in 1920-21, who returns to active service and teaches for one entire school year and who has not at any time withdrawn his deposits may be given the status of present teacher. Present teachers were given credit for all service in the public schools of Ohio rendered prior to September 1, 1920.

The law providing for prior service credit is as follows:

"The retirement board shall credit a year of service to any teacher who is employed in a school district for the number of months the regular day schools of such district were or shall be in session in said district within any year beginning on or about the first day of September and ending on or about the thirty-first day of August following, and shall fix and determine by appropriate rules and regulations how much credit shall be given for parts thereof, but in computing such service, or in computing final compensation, it shall credit no time during which a member was absent without pay, and it shall credit not more than one year for all service rendered in any school year." Sec. 7896-28 G. C.

The following rule was adopted by the retirement board on March 26, 1920:

"Using the number of months of school in a given district in any year as a denominator and the number of months actually taught by the teacher as the numerator, the resulting fraction shall be the fraction of a year for which prior service credit shall be given, provided that not more than one year of credit shall be given for all service rendered in any one year."

A prior service certificate is granted each present teacher showing the years of prior service credit to which he is entitled.

Prior service is considered in making up the ten years necessary to render a teacher eligible to disability retirement.

Teachers may purchase credit for service rendered in any state or possession of the United States in a school similar to one in Ohio in which membership is granted. The cost of such credit is the present worth at 4% of the full reserve value at the retirement age of the allowance for such service as prior service. This is computed upon request for individual cases. In the event of withdrawal from service or death prior to retirement the amount paid for outside credit and interest earned is refunded in the same manner as the teacher's 4% deposits.

The membership of any teacher in the retirement system shall cease (a) if he withdraw his accumulated 4% deductions, (b) if he retire on superannuation pension as provided in the law, (c) if he die, or (d), if in any four year period he shall render less than two years of active service unless the retirement board in accordance with rules and regulations shall grant an extension of this period of absence. The retirement board adopted the following rule on January 22, 1926:

"The Retirement Board of the State Teachers Retirement System will grant an extension of absence from active service, not to exceed five years, to a teacher for the following reasons:

1. Study or travel. 2. Educational work other than teaching in the public schools of Ohio. 3. Illness, but not eligible to disability retirement, either on account of the lack of ten years of service or because the illness is not of such a nature as to be considered a permanent disability. 4. Necessity of caring for some member of the family because of age or illness. 5. Entering the service of the United States, or the State of Ohio or any subdivision thereof. 6. If in the judgment of the Retirement Board the extension should be granted, provided the teacher has at least ten years of service in the public schools of Ohio.

Teachers who withdraw their deposits with the intention of not teaching again and who for any cause re-enter active service become members as New Entrants. The prior service credit once lost cannot be regained. For this reason a teacher should not withdraw his deposits for at least two years and as much longer as the rules of the retirement board will permit him to retain his membership.

(b) New Entrants are teachers who began their first active service in Ohio after September 1, 1920 or who did not establish membership as outlined for present teachers, or who again became teachers after withdrawing their deposits. New Entrants of course, have no prior service credit.

RETIRING ALLOWANCES

Retirement is of two classes, (a) Superannuation and (b) Disability.

Superannuation Retirement:

Any teacher, except a new entrant with less than five years of service, may retire after reaching the age of 60. A teacher may retire after 36 years of service even if less than 60 years of age.

DISABILITY RETIREMENT

In the event of permanent disability a teacher may retire after 10 years of service.

SUPERANNUATION RETIREMENT ALLOWANCE

The amount of the retiring allowance for superannuation retirement (36 years of service or 60 years of age) is determined as follows:

(a) The allowance for Future Service (after September 1, 1920) is double the annuity value of the teacher's accumulated deposits at the time of retirement, and (b) a Prior Service Pension of one and one-third per cent of the final average salary, (not exceeding

$2,000.00) for each year of credit on the retiring teacher's certificate of prior service.

The rule for determining the final average salary is as follows:

"Divide the total earnings as a teacher in the ten years immediately preceding retirement by the integral number of years in which any of such compensation was earned."

The total retiring allowance will be the sum of the allowance for future service and for prior service and the annual allowance is paid in twelve equal monthly payments. Teachers can retire for superannuation only on August 31, of each year. The retiring allowance begins September 1, and the checks are sent within three days of the close of each month. A retired teacher cannot teach again in the public schools of Ohio.

REVISED TABLE OF SUPERANNUATION ANNUITY RATES

Age	Men	Women	Age	Men	Women
55...	$11.9150	$13.2955	66...	$ 8.4878	$ 9.7110
56...	11.6153	12.9853	67...	8.1726	9.3762
57...	11.3119	12.6707	68...	7.8590	9.0420
58...	11.0053	12.3522	69...	7.5478	8.7092
59...	10.6957	12.0300	70...	7.2394	8.3782
60...	10.3839	11.7049	71...	6.9343	8.0495
61...	10.0699	11.3769	72...	6.6332	7.7238
62...	9.7544	11.0464	73...	6.3364	7.4016
63...	9.4380	10.7143	74...	6.0448	7.0835
64...	9.1211	10.3806	75...	5.7586	6.7700
65...	8.8041	10.0459			

The table gives the cost of an annuity of $1.00 for either sex and for any age from 55 to 85.

EXAMPLES

(a) Mr. O. retired at the age of 61. He had 37 years of prior service and 5 years of future service. His final average salary was $1,665.00. His deposits amounted to $347.49 and

interest earnings $35.48, making a total credit of $382.97. His retiring allowance would be computed as follows (to the nearest 12 cents).

(1) Future service allowance: His total deposits ($382.97) divided by the annuity rate at his age ($9.008) equals $42.54, the annuity purchased by his own deposits. He is given a pension of the same amount ($42.54) from the Normal Contribution Fund, making a total allowance for service after September 1, 1920 of $85.08.

(2) His prior service pension, paid for from the Deficiency Contribution Fund, was 1 1/3% of $1,665.00, multiplied by 37 (his years of prior service) and amounted to $821.64. The sum of his allowance for future service ($85.08) and for prior service ($821.64) was $906.72, his annual allowance, and this is paid in twelve equal monthly payments. Mr. O. purchased additional annuity by depositing $1,300.00 which added $144.36 to his regular retiring allowance.

(b) Miss F. retired at the age of 60, and had 29.4 years of prior service and five years of future service. Her final average salary was $1,651.00. Her total deposits were $442.56, —$400.00 in the 4% deposits and $42.56 interest. Her retiring allowance is computed as follows:

(1) Future: $442.56 ÷ $11.392 = $38.82
$ 38.82 + $38.82 = $77.64

(2) Prior: 1 1/3% of $1,651.00 × 29.4 = $647.16
Total $ 77.64 + $647.16 = $724.80 annual
$724.80 ÷ 12 = $ 60.40 monthly

(c) Mr. B. retired at the age of 62. Prior service 31.875 years. Future, five years. Final average salary $1,098.33. Deposits, $274.00, interest $27.89, total credit $301.89.

(1) Future: $301.89 ÷ $8.774 = $34.38
$ 34.38 + $34.38 = $68.76

(2) Prior: 1 1/3% of $1,098.33 × 31.875 = $466.80
$ 68.76 + $466.80 = $535.56 annual
$535.56 ÷ 12 = $ 44.63 monthly

(d) Mr. P. retired at the age of 63. Prior service, 29.459

years, future service, 4.5 years. Final average salary $680.50. Deposits $160.00, interest $18.10, total $178.10.

(1) Future: $178.10 ÷ $8.536 = $20.88
$20.88 + $20.88 = $41.76

(2) Prior: 1 1/3% of $680.50 × 29.459 = $267.24
$41.76 + $267.24 = $309.00 annual
$309.00 ÷ 12 = $25.75 monthly

(e) Miss A. retired at the age of 63. Prior service 13.429 years, future service 5 years. Final average salary $714.29. Deposits, $160.00, interest $16.04, total credit, $176.04.

(1) Future: $176.04 ÷ $10.434 = $16.86
$16.86 + $16.86 = $33.72

(2) Prior: 1 1/3% of $714.29 × 13.429 = $127.92
$33.72 + $127.92 = $161.64 annual
$161.64 ÷ 12 = $13.47 monthly

RULE: Future service allowance: Divide the total credit at time of retirement by the annuity rate at age and sex given in the table, and multiply the quotient by 2.

Prior — Multiply 1 1/3% of the final average salary by the number of years of service credited in the prior service certificate. The sum of the allowances for future service and for prior service will be the total annual retiring allowance. The minimum of $300.00 a year applies only to teachers with 36 years of service credit.

DISABILITY RETIREMENT

Superannuation retirement is granted a teacher after reaching the age of 60 or after 36 years of service in the schools of Ohio. These are the only conditions under which a teacher may retire except for permanent disability. Disability retirement is in no sense health or accident insurance. It can best be explained perhaps by the following statement: A teacher may retire on superannuation after 36 years of service or after reaching the age of 60, but a teacher who has taught ten years in Ohio and who is unable to teach the 36 years or until 60 years of age on account of a failure of health which appears to be permanent, may be retired on permanent disability.

After formal application is made for disability retirement,

the applicant is examined by the medical examiner employed by the retirement board, and retirement, if granted, is effective the first of the succeeding month.

The allowance for disability retirement is 1.2% of the average salary for the ten years immediately preceding retirement (not exceeding $2,000.00) multiplied by the total years of service in Ohio, with a minimum of 30% of the final average salary and a maximum of 90% of the probable retirement allowance should retirement be deferred to the age of 60.

A teacher retired for disability may be required to undergo a medical examination every year for five years and in the event of recovery must resume active service.

FUNDS

The total amount in the retirement system is divided into five funds. The receipts are from particular sources and the various funds are for particular uses. An explanation of these five funds will show these sources and uses.

(a) The Teachers Savings Fund is the fund in which is collected the 4% deposits of teachers. This is merely a savings bank for all teachers who die or withdraw from service prior to retirement. Each teacher has an individual account to which all his deposits are credited. Each year the interest earned on the teacher's deposits is added to his account. This money to the credit of a teacher is his money just as a bank deposit would be, with three differences, (1) it cannot be withdrawn except upon the death of the teacher or upon withdrawal from service, (2) teachers as teachers elect two members of the retirement board, and (3) the deposits are not taxed.

The teacher's deposits and interest earnings are refunded in full in the event of death or withdrawal from service prior to retirement. At retirement, the teacher's deposits are transferred to the Annuity and Pension Reserve Fund and an annuity purchased from the retirement system just as from an insurance company. This annuity is one-half the retiring allowance for service rendered after September 1, 1920. This is shown clearly on Page 11.

(b) The Employers Accumulation Fund is contributed by the State through Boards of Education. No Board of Education contributes for the benefit of any particular teacher. The total amount needed for this fund each year is determined by the actuarial evaluation and all school districts pay a share based upon a uniform rate on the payroll.

This fund really is two funds. The rate of contribution for each fund is determined differently and each part is for a distinct use.

(1) The Normal Contribution (1.8% of the payroll) is to provide the fund with which to match the teacher's savings at retirement. This furnishes one-half of the retiring allowance for service after September 1, 1920. Boards of Education do not contribute as large a percentage of the payroll as do the teachers because only part of the total deposits made each year in the teachers savings fund belongs to teachers who will ultimately retire. The contributions of Boards of Education each year to this fund must equal the deposits each year in the teachers savings fund made by those teachers who will ultimately retire.

We have a certain number of teachers in service each year of each sex and age. By means of mortality and withdrawal tables it may be determined how many teachers of each sex and age group will die or withdraw from service prior to retirement and how many will ultimately retire. Knowing the salary of each sex and age group it is possible to determine the total deposits each year of those teachers who will ultimately retire and this additional liability is met each year by an equal addition to the amount in the normal contribution fund.

(2) The Deficiency Contribution (1.9% of the payroll) is for the payment of pensions for prior service and disability. The Department of Insurance determines each year the reserve values for these pensions and the rate of the Deficiency Contribution is fixed to produce this amount. In other words, when pensions are granted for prior service or disability, each year, Boards of Education on the basis of their payrolls, contribute the full reserve values. By this plan, no liability accrues that is not met by equal assets the same year. In this fund also is the amount paid by City Pension Systems for the reserves for pensions granted before the merger and assumed by the State Retirement System.

(c) The Guarantee Fund is the fund in which is collected

all interest on investments. The funds of the retirement system may be invested only in the bonds of the United States or of Ohio or of some county, city, village, township or school district of Ohio. Each year the interest earned by the other funds (except the expense fund) is transferred to these funds from the Guarantee fund.

(d) The Expense Fund is the one to which each teacher contributes $1.00 a year and is used for the payment of the over-head expenses. Boards of Education do not contribute to this fund and the State makes no appropriations for over-head expense as it makes for other State departments.

(e) The Annuity and Pension Reserve Fund is the fund to which is transferred at the time a teacher retires (1) the total deposits to his credit, and (2) an equal amount from the Normal Contribution of the Employers Accumulation Fund. This fund always has in it the reserve values of all pensions granted for service after September 1, 1920.

The balance in these funds on August 31, 1925 and the purpose of each fund briefly stated are as follows:

(a) Teachers Savings Fund — Balance Aug. 31, 1925 — $9,732,786.04.

This money belongs to the teachers and the State is not obligated to match all of this fund but only the part belonging to teachers who will ultimately retire.

(b) Employers Accumulation Fund.

(1) The Normal Contribution, Balance Aug. 31, 1925 — $6,374,418.17.

This must equal that part of the Teachers Savings Fund belonging to teachers who will ultimately retire.

(2) The Deficiency Contribution, Balance Aug. 31, 1925 — $7,130,390.42.

This constitutes the reserve for pensions already granted for prior service and for disability and for city pensions assumed by the State Retirement System. This asset therefore is already covered by an equal liability.

(c) The Guarantee Fund — Balance Aug. 31, 1925 — $36,328.99.

This will be used to pay interest on other funds Aug. 31, 1926.

(d) The Expense Fund — Balance Aug. 31, 1925 — $68.01.

(e) The Annuity and Pension Reserve Fund—Balance Aug. 31, 1925—$244,997.49.

This fund contains the reserves for future service pensions and is therefore covered by an equal liability.

TO TEACHERS

Sec. 7896-26 G. C. provides that "each teacher, upon becoming a member, shall file a detailed statement of all his previous service as a teacher and shall furnish such other facts as the retirement board may require for the proper operation of the retirement system." This data is furnished on "Form A." Those teachers beginning their first year of service (and this includes teachers who are teaching their first year in Ohio) must file Form A as soon as they begin teaching.

A few teachers who have already been in service in Ohio have failed to file Form A. Their neglect embarasses this office very much and places their own interests in danger.

A few teachers have been asked for Form A who already had one on file. This is due to the fact that there are many teachers of the same or similar names. Clerks of Boards of Education do not always use the correct spelling. Some teachers use their middle names on the payroll while our index cards are filed by last names subdivided by first names. Teachers move from one district to another without sending us notice. These are a few of the reasons why they are sometimes called upon to furnish information we already have. We have forty thousand separate ledger accounts. These must be kept with absolute accuracy and we cannot guess at the identity of teachers with the same or similar names. To avoid all this difficulty (1) be sure to have a Form A on file, (2) always use your full name in writing to this office and use your first name, middle initial and last name on the payroll. (3) Next fall if you have changed districts, notify us of that fact and be sure to state where you taught in 1925-26. It will be well to state where you have taught each year since 1919-20. Our sole effort is to get a Form A from each teacher once, and then to make certain that the deduction sent in from your salary is credited to your account. In writing to this office always mention your membership number.

See to it that the Clerk of the Board of Education sends in

the 4% deductions promptly after each payroll. Nearly all clerks do this but a few do not. This causes you to lose interest on your money. If you are paid your salary there is absolutely no excuse for the clerk who does not send it in promptly. If you want to know what your clerk is doing in this respect ask him or ask this office.

WITHDRAWALS

The law provides for a refund of the teacher's deposits when he "ceases to be a teacher." We have made it a practice to accept the statement of the teacher of his withdrawal from service and to make the refund without waiting until the end of the year. A considerable number of teachers have applied for a refund and have signed a statement of withdrawal from service and in a few months have been teaching again. Such teachers need not expect a second refund until conclusive evidence has been given of withdrawal from service.

Many teachers do not seem to realize the value of their service credit. A year or two lost may be very serious in the event of permanent disability. A teacher who withdraws his money loses all service credit and if he teaches again he must begin as a new entrant and teach ten years before having the disability protection. The loss of service also decreases the amount of this disability protection if the teacher remains in service another ten years. It is of the greatest importance to teachers to allow their money to remain in the fund until they are certain that they have permanently withdrawn from service.

A RETIREMENT SYSTEM FOR TEACHERS

A retirement system for teachers is not a new idea or one peculiar to Ohio. In twenty-two states there are state-wide teachers retirement systems, and Ohio, New York, Pennsylvania, Massachusetts, New Jersey and a few others have systems on a sound financial and actuarial basis. Seventeen states do not have state-wide systems, although in these states, eleven cities have local systems. These seventeen states are all in the south except Delaware, Idaho, Nebraska, New Hampshire and Wyoming. The other northern states are included in the twenty-two having state-wide systems. In nine states that do not have state-wide systems, cities of the first and second class have local systems. Practically every civilized country in the world has a teachers retirement system and many of these are much older than any system in America. It will be very evident therefore that in establishing a teachers retirement system, Ohio is but following the lead of all northern states except five and of the most enlightened nations of Europe.

A retirement system for teachers need not be justified on the ground that teachers as a class of citizens deserve special consideration. It is justified on the ground that teachers are valuable employees of the state and as such are entitled to the same consideration as is given by the large business interests of the country to their employees who serve long and faithfully. It may be surprising to teachers to know that the great business organizations of this country that are permanent in nature, such as the great transportation companies, practically all provide for old age pensions for their employees. The National Industrial Conference Board has just published an exhaustive report on industrial pensions in the United States. This report is the result of a very careful study made by Mr. Paul Wander and assistants of the Conference Board's Research Staff.

In the United States, 2,815,512 men and women are employed by business organizations that provide for old age pensions and these companies report 35,953 pensioners now on the rolls. The Western Union Telegraph Company recently completed the distribution, in one year, among about one-third of its employees, of a bonus much larger than Ohio's total payment to the retire-

ment system and in addition has an old age pension system for its employees. Mr. Ford last year distributed among his employees (numbering almost exactly the number of teachers in Ohio) more than Ohio contributed to the retirement system. Of course some people will say that these cases are private employers and that they pay this themselves and the taxpayers are not concerned. Such reasoning is based upon the same kind of logic as the assumption by many people that taxpayers are a group of people separate and distinct from another class of people who are not taxpayers. Every man, woman, and child in America who earns money and spends it is a taxpayer and a great many people who do not own their own homes pay more taxes for the support of the government, federal, state and local, than many others of similar income who pay direct to the county treasurer. The people who buy the products of all these concerns that give their employees bonuses and old age pensions pay them, and that includes everybody.

If business organizations find it profitable to deal thus justly with their employes, will not the State of Ohio also find it profitable to deal as justly with its largest and most valuable class of employes?

A retirement system is provided by the United States for United States judges, Army and Navy officers and enlisted men, and for all civil employes. Such a system is amply justified. We should not ask men and women to serve the public at modest salaries, compared with the rewards of other vocations, unless some provision is made for old age.

No class of servants renders service higher in its quality, more generous in its quantity, and at a less commission on its actual value to its employer than do the teachers. Their financial rewards are never commensurate with unusual ability because the work of the teacher can hardly be judged in terms of money, and because their salaries come from taxation. There is no speculative opportunity in the profession as in practically all other vocations. Salaries are so modest, and always will be, as compared with other vocations, that there is little opportunity for the teacher to save a sufficient amount to insure even the most modest living in old age. The result is that very many of the best teachers go into other vocations, and those that remain are hindered in their work by the prospect of a drear old age There is no opportunity for the teacher to build up in his profession a good-will asset that he can sell when he becomes old, as there is in private business. His services are of the greatest financial value, but this value belongs entirely to the public when he retires. The retirement system, therefore, is simply relieving a teacher of the dread of old age and furnishing a plan by which he may build up in his life work an asset that will sustain him in old age, and he pays half the expense. The State of Ohio now promises to teachers, if they remain in service thirty-six years or until the age of sixty, an annuity of twice the value of the teacher's savings. The public share of the retirement system is simply the fund out of which old teachers are paid part of the dividends upon part of the value they have added to the wealth of the state.

The waste in Ohio schools due to the turnover of labor, or to changing teachers, undoubtedly runs well toward ten million dollars a year. No business in America could have such a large waste due to the turnover of labor and avoid bankruptcy. If the retirement system increases the average length of service of teachers over thirty by two years it will be a profitable investment for the state.

COLUMBUS, OHIO, APRIL 1, 1926.

HON. JOSEPH T. TRACY, *President,*
Retirement Board, State Teachers Retirement System,
Columbus, Ohio,

DEAR SIR:

I have made an examination of the State Teachers Retirement System and hereby certify the following report to be a true and correct statement of the financial condition of the respective funds thereof, according to the books and accounts of said Retirement System as of August 31, 1925.

R. E. KIRK,
State Examiner.

CASH RECEIPTS AND DISBURSEMENTS

Cash on hand August 31, 1924		$ 1,484,006.68
Receipts		
Contributions from Members (T. S. F.)	$2,277,010.17	
From Members (Expense Fund)	41,864.81	
Normal Contribution from Boards of Education	1,362,985.94	
Deficiency Contribution from Boards of Education	1,723,811.72	
Bonds Matured	1,088,447.95	
Interest on Bonds	1,018,476.11	
Interest on Bank Deposits	39,996.85	
Int. from Boards of Education on delayed contributions	6.68	
Additional Annuities Purchased	1,300.00	
Rent for unoccupied space sublet	64.00	
Premium Refund on Bonds Purchased	139.01	
Total Receipts		$ 7,554,103.24
		$ 9,038,109.92
Disbursements		
Refunds because of Withdrawal	$ 642,096.81	
Refunds because of Death	29,488.18	
Paid to Superannuation Pensioners	419,998.30	
Paid to City Pensioners	197,670.20	
Paid to Disability Pensioners	44,998.28	
Bonds Purchased	6,445,816.03	
Accrued Interest on Bonds Purchased	62,959.74	
Premium on Bonds Purchased	292,207.76	
Operating Expenses	51,468.28	
Overpayments Refunded	1,841.67	
Total Disbursements		$ 8,188,545.25
Balance on hand August 31, 1925		$ 849,564.67

BOND ACCOUNT

Bonds on hand August 31, 1924, par value	$17,312,056.37	
Bonds purchased, par value	6,445,816.03	
Total		$23,757,872.40
Bonds matured, par value		1,088,447.95
Bonds on hand August 31, 1925		$22,669,424.45

INTEREST ACCOUNT

Bond Interest earned, Sept. 1, 1924-Aug. 31, 1925	$1,053,769.42	
Interest receivable, Aug. 31, 1924	11,627.67	
Total Interest Receivable		$ 1,065,397.09
Less:		
Interest due August 31, 1925, unpaid	$44,495.69	
Interest Received in Advance	2,520.83	
Interest Refunded	75.14	
		$ 47,091.66
		$ 1,018,305.43
Interest on Deferred Interest	$ 51.18	
Interest Overpaid	44.36	
		$ 95.54
Total Bond Interest Received		$ 1,018,400 97
Less:		
Accrued Interest Paid on Bonds Purchased	$ 62,959.74	
Premium Paid on Bonds	$ 292,207.76	
		$ 355,167.50
		$ 663,233.47
Interest on Bank Deposits	$ 39,996.85	
Interest from Boards of Education on Delayed Contributions	6.68	
		$ 40,003.53
Total Net Interest		$ 703,237.00

TEACHERS SAVINGS FUND

Balance August 31, 1924		$ 7,833,749.59
Receipts		
Contributions from Members	$ 2,277,010.17	
Transferred from Guarantee Fund (Interest)	346,541.84	
Transferred from Annuity and Pension Reserve Fund	5,960.55	
Total Receipts		$ 2,629,512.56
		$10,463,262.15

Disbursements

Refunds because of Withdrawal...........$ 642,096.81		
Refunds because of Death................ 29,488.18		
Overpayments Refunded 1,194.54		
Transferred to Annuity and Pension Reserve Fund 57,696.58		
Total Disbursements	$ 730,476.11	
Balance August 31, 1925	$ 9,732,786.04	

EMPLOYERS ACCUMULATION FUND

NORMAL CONTRIBUTION

Balance August 31, 1924.................. $ 4,841,248.32

Receipts

From Boards of Education	$1,362,985.94	
Transferred from Guarantee Fund (Int.)	215,560.26	
Transferred from A. & P. R. Fund	5,345.27	
Total Receipts		$ 1,583,891.47
		$6 425,139.79

Disbursements

Transferred to A. & P. R. Fund ....$	50,598.27	
Overpayments refunded	125.35	
Total Disbursements		$ 50,721.62

Balance Normal Contribution August 31, 1925..... $ 6,374,418.17

DEFICIENCY CONTRIBUTION

Balance August 31, 1924.................. $ 5,787,946.85

Receipts

From Boards of Education	$1,723,811.72	
Transferred from Guarantee Fund (Int.)	252,907.07	
Total Receipts		$ 1,976,718.79
		$ 7,764,665.64

Disbursements

Paid to Superannuation Pensioners ....$	394,785.99	
Paid to City Pensioners......	197,670.20	
Paid to Disability Pensioners	41,449.59	
Overpayments Refunded	369.44	
Total Disbursements.............		$ 634,275.22

Balance Deficiency Contribution August 31, 1925.. $ 7,130,390.42

Total Balance, Employers Accumulation Fund....$13,504,808.59

EXPENSE FUND

Balance August 31, 1924 .... $ 8,186.68

Receipts

Received from Members (1.00 Assmt.) ....$	41,864.81		
Transferred from Guarantee Fund	1,500.00		
Rent for unoccupied Space Sublet	64.00		
Total Receipts		$ 43,428.01	
			$ 51,615.49

Disbursements

Operating Expenses:

Salaries and wages........................$	34,259.85	
Office equipment	1,577.49	
Office Supplies	304.35	
Printing and Stationery...................	2,762.43	
Rent	5,416.66	
Postage	1,860.00	
Traveling Expenses	1,539.89	
Telephone and Telegraph................	334.37	
Medical Examination....................	349.00	
Freight, Express and Drayage...........	24.98	
Miscellaneous Expenses	3,039.26	
Total Operating Expenses......... $	51,468.28	
Overpayments refunded	79.20	
Total Disbursements..........................		$ 51,547.48
Balance August 31, 1925.........................		$ 68.01

GUARANTEE FUND

Balance August 31, 1924		$ 158,290.43
Receipts		
Interest on Bank Deposits	$ 39,996.85	
Interest on Bonds	1,018,476.11	
Interest from Boards of Education on Delayed Contributions	6.68	
Premium refund on Bonds Purchased	139.01	
Total Receipts		$ 1,058,618.65
		$ 1,216,909.08
Disbursements		
Accrued Interest on Bonds Purchased	$ 62,959.74	
Premium on Bonds Purchased	292,207.76	
Transferred to T. S. F. (Int. on Contributions)	346,541.84	
Transferred to N. C. (Int. on N. C.)	215,560.26	
Transferred to D. C. (Int on D. C.)	252,907.07	
Transferred to A. & P. R. F. (Int. on A. & P. R. F)	8,828.28	
Transferred to Expense Fund (Operating Exp.)	1,500.00	
Interest Refunded	75.14	
Total Disbursements		$ 1,180,580.09
Balance August 31, 1925		$ 36,328.99

ANNUITY AND PENSION RESERVE FUND

Balance August 31 1924		$ 166,641.18
Receipts		
Transferred from Teachers Savings Fund	$ 57,696.58	
Transferred from Normal Contributions	50,598.27	
Transferred from Guarantee Fund (Int.)	8,828.28	
Additional Annuity Purchased by Members	1,300.00	
Total Receipts		$ 118,423.13
		$ 285,064.31

Disbursements		
Paid to Superannuation Pensioners	$ 25,212.31	
Paid to Disability Pensioners	3,548.69	
Transferred to Teachers Savings Fund	5,960.55	
Transferred to Normal Contribution	5,345.27	
Total Disbursements		$ 40,066.82
Balance August 31, 1925		$ 244,997.49

BALANCE
AUGUST 31, 1925

Teachers Savings Fund	$ 9,732,786.04	
Employers Accumulation Fund, N. C.	6,374,418.17	
Employers Accumulation Fund, D. C.	7,130,390.42	
Annuity and Pension Reserve Fund	244,997.49	
Guarantee Fund	36,328.99	
Expense Fund	68.01	
Total		$23,518,989.12
Cash on hand	$ 849,564.67	
Bonds in State Treasury	22,669,424.45	
Total		$23,518,989.12
Statement of Balance in Treasury	$23,595,955.58	
Less — Outstanding checks	76,966.46	
Balance		$23,518,989.12

COUNTY OF FRANKLIN }
STATE OF OHIO, } ss.:

I do solemnly swear that the foregoing financial statement is a true and accurate representation of the receipts, disbursements and balances in the various funds, as shown on the books of the Ohio State Teachers Retirement System for the year beginning September 1, 1924, and ending August 31, 1925.

(Signed) W. E. KERSHNER,
Secretary.

Subscribed in my presence and sworn to before me this first day of November, 1925.

(Signed) O. L. BRODRICK,
Notary Public.

September 17, 1925.

Mr. W. E. Kershner, Secretary,
The State Teachers Retirement System,
Columbus, Ohio.

My dear Sir:

I hereby certify that at the close of business on August 31, 1925, that the account of The State Teachers Retirement System stood as follows:

Cash in Active Account	$768,531.13
Cash in Inactive Account	158,000.00
Bonds	22,669,424.45

with a total of $23,595,955.58.

Very respectfully,
(Signed) HARRY S. DAY,
Treasurer of State.

I, Harry S. Day, Treasurer of State of the State of Ohio, hereby make oath that the above account of the Teachers Retirement System at the close of business August 31, 1925, is correct, to the best of my knowledge and belief.

(Signed) HARRY S. DAY.

Signed and sworn to before me this 17th day of September, 1925.

(Signed) FLORENCE RUBLE,
Notary Public.

INSTRUCTIONS TO BOARDS OF EDUCATION

1 — A complete report of all teachers employed should be given on Form C, during August or early in September of each year. All information requested on this form is necessary for the records of the Retirement System. Be sure to tell where the teacher taught last year if he is not a new entrant. Especial care should be taken to see that all names are spelled correctly. Much confusion will be avoided, if the complete names of the teachers (including first, middle and last names) are given on this report.

2 — The 4% deductions should be made each month, when the teachers are paid, *and promptly remitted to the Secretary of the Retirement System.* Any delay in this remittance causes the teachers to lose a portion of the interest on their deductions. *Each remittance must be accompanied with a payroll report on Form D.* This is necessary in order to credit each teacher's account with the exact amount which has been deducted from his salary.

3 — No deductions should be made on that portion of a teacher's salary which is in excess of $2000.00; that is, no teacher should contribute more than $80.00 in one school year.

4 — The total amount of the deductions for the year should be exactly 4% of the annual salary up to $2000.00. For example, a teacher is employed for a term of nine months at a salary of $1000.00. The clerk may deduct $4.44 for each of the first eight months, but should deduct $4.48 for the ninth month in order that the teacher may have a credit of exactly $40.00.

5 — When a teacher resigns during any school month, and a new teacher is employed to take his place, the total deduction for the month should be made from the salary of the first teacher and should be sent to the secretary of the Retirement System in his name. No deduction should be made from the salary of the second teacher until he is paid for a full month. Deductions for any month should never be divided between two teachers, nor should two deductions for the same position be made in any one month.

6—When a teacher is absent for any part of a month, the 4% deduction should be made on the full contract salary, (if he has earned as much as the deduction) and he should be paid the balance. For example: a teacher is employed at $100.00 per month and teaches only 15 days. The correct method is to deduct $4.00 for the Retirement System and pay the teacher $71.00. The wrong method is to deduct $3.00 for the Retirement System and pay the teacher $72.00.

7—Temporary substitute teachers are not members of the Retirement System and no deductions should be made from their salaries.

8—The Expense Fee of $1.00 should be deducted from the salary of each teacher, each year, on the first payroll on which his name appears. If a new teacher is employed at any time during the year, and has not paid the Expense Fee elsewhere, the $1.00 should be deducted from his salary the same as for those teachers who began the first month.

9—Special teachers who teach in more than one district should have the 4% deducted in each district unless the total salary is more than $2000.00. If the total salary is more than $2000.00, the teacher should write to the Secretary of the Retirement System, naming each district in which he expects to teach, with annual salary to be received. The Secretary will then apportion the amount to be deducted in each district. The $1.00 Expense Fee should be deducted in one district, but not in more than one.

10—Smith-Hughes teachers and other teachers and supervisors whose terms do not coincide with the terms of the regular teachers, should have no deductions made from their salaries during those months when other teachers are not employed, but the complete annual deductions should be made in the same number of payments as for the regular teachers. For example: In a certain school, the superintendent is employed for ten months at a salary of $2000.00, but all the other teachers are employed for eight months. His deductions should be made in eight payments of ten dollars each, instead of in ten payments of eight dollars each.

11—A report on Form E should be mailed with each payroll, only if any changes have been made in the salaries of teachers, or if teachers have resigned, or if new teachers have been employed.

12—A statement for the Employers Accmulation Fund will be mailed twice a year. The first statement will be mailed as soon as approximately one-half of the deductions from the salaries of the teachers has been received. The second statement will be mailed at the close of the school term, as soon as all deductions from the salaries of the teachers have been received. These statements cannot be correctly figured until we know exactly how much is to be contributed by the teachers.

13—In accordance with the provisions of Section 7896-44 G. C. and Section 7896-46 G. C., for the school year 1926-27, the rate for the normal contribution is 1.7% and the rate for the Deficiency Contribution is 1.9%. These rates are determined by the Retirement Board from the report of the actuary and are subject to the approval of the Insurance Department of the State of Ohio.

14—Section 7896-55 G. C., makes it the duty of each Board of Education "to levy annually such additional taxes as are required to provide the additional funds necessary to meet the financial requirements imposed upon them by this act, and said tax shall be placed before and in preference to all other items except for sinking fund or interest purposes."

This levy must be large enough to pay the Employers Accumulation Fund on the total payroll (not including that portion of any salary in excess of $2000.00).

In reference to this levy, the Attorney General has ruled (Opinions of the Attorney General No. 1245, 1920).

"The Board of Education in making up its annual budget must designate the levy under section 7896-55 not as a special item of some other fund, but as a separate levy. The budget commission in acting upon the school levies is not at liberty to reduce this levy unless such reduction is compelled by the fact that the levy itself, without consideration of contingent and building fund levies and so much of the tuition fund levy as is in excess of one mill, will exhaust the three mill limitation of section 5649-3a G. C. or with other levies applicable in the same district will cause the ten mill limitation of section 5649-2 G. C. to be exceeded; but if the electors of the district approve additional levies under sections 5649-4 and 5649-5 et seq. G. C. the levy provided for by section 7896-55 may be included within the levies that may be thus made outside of all limitations."

W. E. KERSHNER,
Secretary.

12 N. 3rd St.
Columbus, Ohio.