2 0 8

A STUDY OF TEACHER RETIREMENT SYSTEMS IN THE UNITED STATES

by

LAURENE L. NIDER

B. S., Kansas State University, 1957

A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

MASTER OF SCIENCE

SCHOOL OF EDUCATION

KANSAS STATE UNIVERSITY
Manhattan, Kansas

1964

Approved by:

O. K. O'Fallon

Major Professor

ACKNOWLEDGEMENTS

The writer wishes to extend her thanks and appreciation to Dr. O. K. O'Fallon, without whose assistance and patience this paper would never have been finished.

TABLE OF CONTENTS

LIST OF TABLES

INTRODUCTION

Probably no area of teacher personnel policy has undergone more change than that of teacher retirement. The principle of providing some sort of income for the retired teacher is widely accepted. For the beginning teacher, the years of retirement seem remote, and hardly worth a second thought. However, the thoughtful beginning teacher should examine carefully the retirement system in the state where he will work. Because life expectancy is increasing each year, every beginning teacher can reasonably expect to spend several years under the auspices of some kind of retirement program.

STATEMENT OF THE PROBLEM

The retirement systems of the various states were found to be made up of areas of likeness and difference. It was the intent of this study to discover the likenesses and differences, and also to identify unique and outstanding phases of the various retirement systems.

PURPOSE OF THE STUDY

It was the purpose of this study to compare the retirement systems of the states in the United States with respect to the following points: (1) history, purpose and principles of retirement systems; (2) factors important to all retirement systems; (3) benefits of the retirement programs of the states.

DEFINITION OF TERMS

Annuity, as defined by Webster, means the amount of money payable yearly or, in another sense, the right to receive or the obligation to make a number of payments to an annuity (considered in the first sense of this definition).

Eastmond defines some of the terms used in this study as follows:

> Pension refers to a retirement plan financed entirely by the employer. A state with a pension would finance its teacher retirement plan entirely from public funds.
>
> Joint-contributory systems are financed partly by the employer and partly by the employee. This is the most common plan in use today.
>
> Retirement allowance is the total annual benefit paid to a retiring member of a joint-contributory system. It consists of a pension derived from public funds and an annuity based on a member's own contributions.
>
> A cash disbursement plan is one in which the state or local district appropriates the money needed each year to finance its share of the benefits due to the retiring members.
>
> Reserve systems are those systems whereby public contributions are made during the member's active service and are held in trust until that member retires.
>
> Partial reserve systems are retirement programs in which only part of the needed public contributions are made before retirement.

An actuarily sound retirement system is one in which payments into the system plus interest are sufficient to meet all obligations incurred by the system.[1]

Other terms used in the paper include:

Beneficiary--any person in receipt of a retirement salary, an annuity, a retirement allowance, or other benefit.

Compulsory retirement--the age at which the teacher must retire from teaching service.

Prior Service--service rendered before the date of establishment of the retirement system in the state. A second meaning for prior service is service rendered in another state which may be used by the teacher for retirement credit in the state which will be responsible for his retirement allowance.

Creditable service--means prior service, if any, plus membership service in the present retirement system.

METHODS OF RESEARCH

In order to obtain materials from each state, a letter was sent to each state secretary of the retirement board, requesting information on various topics. Response to the letters was excellent; every state sent some material describing its retirement program. The material was up-to-date,

---

[1]Jefferson N. Eastmond, *The Teacher and School Administration* (Boston: Houghton Mifflin Company, 1959) p. 424.

as each state sent the most recent publications available. Other information was obtained through documentary research.

BRIEF REVIEW OF LITERATURE

History of the Retirement Movement

The mutual-aid societies of the late 1800's were the basis for the present retirement systems. "The first mutual aid association of teachers, formed in 1869, was known as the New York City Teachers' Mutual Life Association."[2] This was followed by the Old Age and Disability Annuity Association formed by a group of New York and Brooklyn teachers in 1887.[3] Teachers in Boston, Baltimore, Cincinnati, Philadelphia and Washington, D. C. followed the example of the other cities and formed similar groups.

> The mutual-aid association members gave a small contribution to a fund which was used in case of sickness, disability or retirement of its members. Membership was voluntary. The members were responsible for the administration of the fund. These mutual aid societies were valuable in that they called attention to the need for some kind of retirement system for teachers. The mutual-aid societies were generally unsuccessful because of administration difficulties and general inadequacy.[4]

New Jersey established the first state-wide teacher retirement system in 1896.[5] Out of all the plans which were placed in operation during the early 1900's, only four--Connecticut, New York, Ohio, and Pennsylvania--are in operation today with a foundation that goes back before 1921.

---

[2]B. J. Chandler and Paul V. Petty, Personnel Management in School Administration (Yonkers-on-Hudson, New York: World Book Company, 1955), p. 360.

[3]Ibid. [4]Ibid. [5]Ibid.

The rest of the programs started during those years did not meet the test of actuarial soundness and financial adequateness.

As Table I, pages 7-8, shows, all states now have some form of state retirement system which includes educational workers. There are wide differences among the states; even the names of the retirement systems vary. As the table shows, some of the retirement systems were set up for all public employees of the states, including teachers, while others were strictly teacher retirement systems. By the 1950's, all states had systems set up which were adequately financed, and on a sound actuarial basis. Many of these plans have been altered by legislative action, so that their original form is hardly recognizable.

TABLE I

STATE RETIREMENT SYSTEMS AND DATES WHEN TEACHERS WERE INCLUDED IN BENEFITS

Name	Date
Teachers' Retirement System of Alabama	1941
Teachers' Retirement System of Alaska	1945
Arizona State Retirement System	1943
Arkansas Retirement System	1937
State Teachers' Retirement System of California	1913
Colorado State Employees' Retirement Association	1943
Connecticut Teachers' Retirement System	1917
Delaware State Pension Law	1942
Florida Teachers' Retirement System	1939
Teachers Retirement System of Georgia	1945
Employees Retirement System of the State of Hawaii	1926
Teachers' Retirement System of Idaho	1946
Teachers' Retirement System of Illinois	1939
Indiana State Teachers' Retirement Fund	1921
Iowa Public Employees Retirement System	1946
Kansas State School Retirement System	1941
Kentucky Teachers' Retirement System	1940
Louisiana Teachers' Retirement System	1936
Maine State Retirement Law	1947
Maryland Teachers' Retirement System	1927
Teachers' Retirement Board of Massachusetts	1914
Michigan Public School Employees Retirement Fund	1916
Teachers Retirement Association of Minnesota	1931
Public Employees' Retirement System of Mississippi	1944
Public School Retirement System of Missouri	1946
Teachers' Retirement Law of Montana	1937
Nebraska School Employees Retirement System	1945
Public Employees Retirement System of Nevada	1948
New Hampshire Teachers' Retirement Law	1938
New Jersey Division of Pensions	1896
New Mexico Educational Retirement Board	1939
New York State Teachers Retirement System	1921
Retirement System for Teachers and State Employees of North Carolina	1941
North Dakota Teachers' Insurance and Retirement Fund	1913
State Teachers Retirement System of Ohio	1920

TABLE I (continued)

Name	Date
Teachers' Retirement System of Oklahoma	1943
Public Employees' Retirement System of the State of Oregon	1946
Pennsylvania Public School Employees' Retirement System	1919
Employees' Retirement System of the State of Rhode Island	1936
South Carolina Retirement System	1945
South Dakota Teachers' Retirement System	1959
Tennessee Teacher's Retirement Law	1945
Texas Teacher Retirement Fund	1937
Utah State School Employees' Retirement System	1937
State Teachers' Retirement System of Vermont	1919
Virginia Supplemental Retirement System	1942
Washington State Teachers Retirement System	1917
West Virginia State Teachers Retirement System=	1941
Wisconsin State Teachers Retirement Board	1919
Wyoming State Employees' Retirement System	1943

Purpose of a Retirement System

The primary purpose of a teacher's retirement system were educational as revealed by the study.

"A teacher retirement system benefits the public by affording an enlightened system of removing from service teachers who, because of age or disability, are no longer able to give efficient service."[6]

If there were no retirement plans available, the boards of education of the schools would be quite reluctant to remove

[6] Albert J. Huggett and T. M. Stinnett, Professional Problems of Teachers (New York: The Macmillan Company, 1956), p. 159.

a teacher who had given years of service. Through this kind of retirement plan, the welfare of the children is uppermost. A good retirement plan serves as a source of comfort to the teacher; he does not have the worry of old-age security to bother him. As stated by Huggett and Stinnett:

> "The existence of retirement systems tends to attract competent people into teaching, to retain them in the profession, and to improve teacher morale by alleviating worries concerning old age. The public has come to accept the soundness of the idea of providing all employees with old age protection."[7]

Fundamental Principles of All Retirement Systems

As stated by Eastmond, these fundamental principles can be used as criteria in assessing the soundness of any retirement system:

> 1. "A Retirement System Must be Adequate. Teacher retirement programs must be financially sound and liberal enough for the superannuated teacher to maintain a dignified standard of living ... Nevertheless, retired members of the teaching professions should be enabled to live in a manner comparable to the retirement status of other respected professions...
>
> 2. A Retirement System Should be Inexpensive. Programs which are compulsory should certainly not be expensive to the teacher. It appears to the author that members of the profession pay dearly for benefits under present-day policies. Allowances for teachers are not generous in comparison with those provided for military and other governmental employees as well as for employees in business and industry...Efforts must be directed to obtain more generous provisions from public funds for education to compete with business and other professions in providing security.

---

[7] Ibid.

3. A Retirement System Must be Stable. Dependability and financial soundness are obviously virtues in a teacher retirement system...Assuring stability is the principal argument in favor of a joint-contributory system as opposed to a pension type...Besides the moral obligation involved, there is a legal obligation for the government to continue to support the earned benefits under a joint-contributory system.

4. A Retirement System Must be Democratically Administered. The governing body that controls the state retirement system under the auspices of the legislature should be representative of those persons most directly concerned...

5. A Retirement System Must be Equitable. A retirement system should be just and fair to all members. It is an institution which is certainly not established to make a profit or to derive its strength from the misfortunes of individuals. An equitable system allows the teacher who is withdrawing from membership in the system to receive back at least the funds he has contributed plus the accumulated interest on the funds. Or, if a member dies while in service, at least the money he has contributed should be given to his estate or beneficiary...

6. A Retirement System Must be Flexible. A good system is flexible enough to accommodate some of the unusual demands made by individual members... Moreover, a flexible plan should offer its members several choices in receiving allowances... Furthermore, for those who desire to retire earlier than the eligibility date for social security benefits, the retirement system should be flexible enough so that a larger amount may be paid between the date of retirement and the date of eligibility for social security with a corresponding lesser amount after the person becomes eligible for social security benefits.

Finally, a flexible system should provide disability benefits so that teachers who lose their usefulness in the classroom because of physical or mental disability may retire before they have met the standard age requirement or completed the number of years of service usually required for normal retirement.

7. A Retirement System Must be Adaptable. A good retirement system should be able to respond quickly to needed changes... Moreover, a good system should be able to adjust to changes that may be made by other governmental agencies...Retirement provisions must rapidly adjust to economic changes in order to keep teaching competitive with the inducement offered by the more lucrative plans of business and industry..."[8]

FACTORS OF A RETIREMENT PROGRAM

There were certain general factors which were included in all state retirement programs. Each state varies in the statutory requirements which it sets by law; therefore, each factor will be discussed as a separate topic.

Coverage

All public school teachers in the United States were found to be eligible for some kind of retirement program. However, not all teachers belong, because as the retirement programs were set up, those who were already in service were given the option of joining or not joining. Compulsory membership is generally the rule for new teachers.

Table II, pp. 13-14, shows how the various states cover their teaching personnel through retirement systems. The term School District Employees means all teachers, supervisors, administrative officers, and other school employees. The term Public Employees of the State means certified school employees,

---

[8]Eastmond, op cit., pp. 429-432.

employees of colleges, and other state employees. The term Certified Personnel means any school employees who are required to have certificates from the state in order to hold their positions. The term Certified Teachers includes all persons who are under teaching contracts in any tax-supported schools in the state; it excludes such people as clerical workers, school nurses, bus drivers, etc.

TABLE II

COVERAGE OF PERSONNEL

State	Compulsory Membership
Alabama	School District Employees
Alaska	School District Employees
Arizona	Public Employees of the State
Arkansas	Certified Personnel
California	Certified Personnel
Colorado	Public Employees of the State
Connecticut	Certified Personnel
Delaware	Public Employees of the State
Florida	School District Employees
Georgia*	School District Employees
Hawaii	Public Employees of the State
Idaho*	School District Employees
Illinois	Certified Teachers
Indiana	Certified Teachers
Iowa	Public Employees of the State
Kansas	Certified Personnel
Kentucky	Certified Personnel
Louisiana	School District Employees
Maine	Public Employees of the State
Maryland	Certified Personnel
Massachusetts	Certified Personnel
Michigan	Certified Personnel
Minnesota	Certified Teachers
Mississippi	Public Employees of the State
Missouri	Certified Personnel
Montana	Certified Personnel
Nebraska**	School District Employees
Nevada	Public Employees of the State
New Hampshire	Certified Personnel
New Jersey	School District Employees
New Mexico	School District Employees
New York	Certified Teachers
North Carolina	Public Employees of the State
North Dakota	Certified Personnel
Ohio	Certified Personnel
Oklahoma**	Certified Personnel
Oregon	Public Employees of the State

TABLE II (continued)

State	Compulsory Membership
Pennsylvania	Certified Personnel
Rhode Island	Public Employees of the State
South Carolina	Public Employees of the State
South Dakota	Certified Personnel
Tennessee	Certified Teachers
Texas	School District Employees
Utah	School District Employees
Vermont	Certified Teachers
Virginia	Public Employees of the State
Washington	Certified Personnel
West Virginia	School District Employees
Wisconsin	School District Employees
Wyoming	School District Employees

*Allow college personnel to join, if desired.
**Voluntary membership for school employees who are not certified.

The information in Table II shows that many larger systems are not included in the information given for state programs. Cities such as New York, Chicago, Kansas City, etc. have their own retirement systems, to which the teachers in their school systems must belong.

In many states, clerical workers, school librarians, custodial personnel and other public employees are included under many of the plans. Staff members of the colleges in the state are usually eligible to belong to the retirement systems, also.

Michigan lunchroom workers are required to join the state educational retirement system. Kansas does not allow lunchroom workers, bus drivers, or the professors of the five institutions of higher learning to join the retirement system.

Financing

The actual financing of any retirement system appeared as a complicated and many-sided operation, which the ordinary member would have trouble understanding.

> "Retirement policies must be recognized as a concern teachers, young as well as older, but technicalities of detail and execution properly are within the competence of trained actuaries."[9]

> "There is a fundamental difference in principle between the pension plan and joint-contributory retirement systems. The former has charitable connotations; the latter is a business transaction through which the members in co-operation with their employer are able to purchase protection. And from a practical standpoint, the joint-contributory plan provides greater security for members, especially when a contractual relationship with the state exists.
>
> Joint-contributory plans may be classified as (1) pay-as-you-go, or cash disbursement, and (2) reserve systems. Appropriations from public funds for the government's share of costs are made as needed for those on retirement under cash disbursement plans. In reserve plans, payments are made in advance according to future costs calculated on the basis of actuarial studies. Therefore, a reserve is built up during the working years of the teacher because both the teacher and the government make contributions in advance of the need...
>
> Pension plans are financed entirely by the government;...
>
> There are two general approaches to financing joint-contributory systems. The first procedure is for members' contributions to be fixed by law as specific percentages of salary or flat sums of money; the second is for the contributions to be fixed by actuarial methods..."[10]

---

[9] Willard S. Elsbree and E. Edmund Reutter, Jr. Staff Personnel in the Public Schools. (New York: Prentice-Hall, Inc., 1954) p. 337.

[10] Chandler and Petty, op cit., p. 362

Table III, pp. 17-19, shows the method of financing the retirement systems of each state.

Information received from Delaware was not sufficient to find the amount contributed by the members. An X in a column indicates contributions by that unit, but the amount is not known. Minnesota teachers who carry Social Security pay 3% of $4800; those without Social Security coverage pay 6% of the same amount. Class A teachers in Tennessee are those who are participating in the Social Security program; Class B teachers are not.

TABLE III

FINANCING STATE RETIREMENT PROGRAMS

	C O N T R I B U T I O N S		
	State	Employer	Employee
Alabama	X		3½% of total
Alaska	2½%	2½%	5% of base
Arizona		3½%	3½% of total
Arkansas	X		5% to $5000
California	X	X	X
Colorado		6%	6% of total
Connecticut	X		6% of total
Delaware	*****	*****	*****
Florida	X		6% of total
Georgia	3%	3%	6% of total
Hawaii*	X	X	X
Idaho*	X		X
Illinois	X		7% of total
Indiana	X		3% to $8500
Iowa		3½%	3½% to $4000
Kansas	X		4% to $3000
Kentucky	5%		5% of total
Louisiana	X	X	6% to $7500
			6% to $16,000

TABLE III (continued)

	CONTRIBUTIONS State	Employer	Employee
Maine	5%		5% of total
Maryland*	X		X
Massachusetts**	X		5% of total
Michigan		4%	3% of $4200, 5% of remainder
Minnesota	7%		3% of $4800,
	4½%		6% of $4800
Mississippi	X	X	4% of total
Missouri**		6%	6% to $8400
Montana		4%	5% of $7000
Nebraska	X		5% to $3600
Nevada	5 3/4%		5 3/4% of total
New Hampshire*	X	X	X
New Jersey**	X		X
New Mexico		6½%	4% of total
New York*	X		5% of total
North Carolina	X	X	4% of $4800, 6% over
North Dakota		X	4% of total, 1st 8 years, (max.120) 5% next 8 yrs. (max. 180), 6% over 16 yrs. (max.200)

TABLE III (continued)

	CONTRIBUTIONS State	Employer	Employee
Ohio**		X	7% to $18,000
Oklahoma**	X		4% to $7500
Oregon		X	X
Pennsylvania	X	X	X
Rhode Island	5%		5% of total
South Carolina	X		3% to $4800, 5% over
South Dakota		X	3½% to $4800
Tennessee	X		(A) 3% to $4200, 5% over (B) 5% of total
Texas	6%		6% to $8400
Utah		3½%	4% to $4800
Vermont**	X		X
Virginia	3.7%		4½% in excess of $1200
Washington**	X		5% to $10,000
West Virginia**	4½%		4½% to $7500
Wisconsin **	4⅓%		4½% of total
Wyoming		2%	2% to $7200

*Amount of contribution is fixed at date of membership is based on age and sex.

**Members may contribute additional amounts, if they desire.

Information received from each state shows that the majority of the systems are financed by the joint-contributory method, where the member and employer each contribute to the final retirement fund. California, Hawaii, Idaho, Maryland, New Jersey, Oregon, Pennsylvania, New Hampshire, and Vermont fix the rate of contribution to the fund by means of the age and sex of the individual at the time of entry into the retirement systems. These rates are seldom changed, once they are fixed. The percentage of retirement remittance from the salary of the teacher is affected by Federal Social Security, also.

Service Outside the State

The states vary widely in the matter of provisions for out-of-state service. About half the states do not allow credit for service which is out-of-state. Table IV, p. 21, shows the number of years of out-of-state service which may be used for credit in each state. In all cases, the teachers must contribute some money toward the out-of-state service years, in order to have those years count in retirement income eligibility.

TABLE IV

SERVICE ALLOWANCE FROM OUTSIDE THE STATE

State	Years	State	Years
Alabama	none	Montana	10
Alaska	10	Nebraska	10
Arizona	none	Nevada	none
Arkansas	10	New Hampshire	none
California	none	New Jersey	10
Colorado	none	New Mexico	5
Connecticut	10	New York	10
Delaware	4	North Carolina	none
Florida	10	North Dakota	7
Georgia	10	Ohio	any no.
Hawaii	any no.	Oklahoma	5
Idaho	none	Oregon	none
Illinois	10	Pennsylvania	10
Indiana	8	Rhode Island	10
Iowa	none	South Carolina	any no.
Kansas	10	South Dakota	none
Kentucky	16	Tennessee	none
Louisiana	none	Texas	10
Maine	10	Utah	none
Maryland	none	Vermont	none
Massachusetts	10	Virginia	none
Michigan	15	Washington	none
Minnesota	none	West Virginia	some
Mississippi	none	Wisconsin	some
Missouri	10	Wyoming	none

Ohio teachers may purchase credit at the rate of $100 per year of service.

Hawaiian teachers may purchase as many years of outside state service as they desire by doubling the size of their contributions to the Hawaii Employees Retirement System for as many months as necessary.

Illinois requires all money used to purchase out-of-state credit to be paid within five years of the date of first employment in Illinois.

Indiana allows its members to purchase additional years of service credit in the ratio of 1 out-of-state year to three Indiana years.

The last five years of service before retirement must be Kansas service, in order to qualify for credit.

The state of Kentucky allows 8 years prior to July 1, 1941, to be counted as creditable years without compensation placed in the individual retirement fund; the eight years which may be used after that date must be paid for in order to allow credit.

Maine requires twenty years of service in order to count the ten years of outside service. The last ten years of service must be in that state.

Minnesota does not allow any out-of-state service if the teacher is new to that system after July 1, 1957. A member of the system before that date can purchase up to fifteen years but they must be followed by five years of

Minnesota service.

New members in the New York system cannot claim out-of-state service if they join after April 24, 1962.

Texas teachers may purchase one year for every two years of Texas service credit up to the maximum of ten years.

Vermont will allow some purchase of years of out-of-state service, provided the years are needed to qualify for retirement; the teacher can make additional contributions to the fund.

West Virginia will allow out-of-state credit from states which will accept credit from any teacher who taught previously in West Virginia and transferred that credit to another state.

Wisconsin accepts out-of-state credit, provided such credit does not exceed two-fifths of the total Wisconsin credit.

States which give service credit for such years have control over the amount of time allowed--either the dates of out-of-state service in relation to enactment or amendment of the state's retirement law, or the number of years served in the state granting the retirement allowance. When out-of-state service is allowed, the teacher generally pays into the retirement system of state he is entering a sum equal to what his contributions would have been if he had been in that state's service during all the years of his teaching career. Some states allow this money to be paid over a period of time; others require a lump sum.

Social Security Provisions

Social security coverage for teachers has been available since 1951. Teachers in private schools may join the social security program if two-thirds of the employees vote to join. It has been necessary for each state legislature to modify existing programs in order to make it possible for teachers to belong.

> "Provisions of the federal Social Security Act have not been considered an appropriate substitute for state retirement systems for a number of reasons. In the first place, the principal objective of teacher retirement systems is educational--to improve the service of the schools by attracting competent teachers and providing sufficient income to retire aged and disabled teachers in comfort and in keeping with the dignity of their profession. The prime objective of social security, on the other hand, is simply to avoid destitution for the wage earner and his dependents when he can no longer work. Other shortcomings lie principally in inflexibility to suit individual need. Although individual accounts are kept, the members in social security are unable to exercise any control over their investment."[11]

However, social security has some benefits, with which every teacher should be familiar. "One of the distinct

---

[11]Eastmond, op cit., pp. 424-425.

advantages of social security lies in its survivor benefits... Another advantage is that it prevails everywhere in the United States..."[12] The survivor benefits phase of social security makes it attractive to teachers who have dependents. A nation-wide program of social security avoids the problem of interstate reciprocity.

Table V shows the states which make social security available to teachers.

TABLE V

AVAILABILITY OF SOCIAL SECURITY BENEFITS

State		State	
Alabama	yes	Montana*	yes
Alaska	no	Nebraska	yes
Arizona	yes	Nevada	no
Arkansas	yes	New Hampshire	yes
California	yes	New Jersey	yes
Colorado	no	New Mexico*	yes
Connecticut	no	New York**	yes
Delaware	yes	North Carolina	yes
Florida	no	North Dakota*	yes
Georgia*	yes	Ohio	no
Hawaii	yes	Oklahoma	yes
Idaho	yes	Oregon	yes
Illinois	no	Pennsylvania	yes
Indiana	yes	Rhode Island	yes
Iowa	yes	South Carolina	yes

[12] *Ibid.*, p. 425.

TABLE V (continued)

State		State	
Kansas	yes	South Dakota	yes
Kentucky	no	Tennessee	yes
Louisiana	no	Texas**	yes
Maine	no	Utah	yes
Maryland	yes	Vermont*	yes
Massachusetts	no	Virginia	yes
Michigan	yes	Washington	yes
Minnesota	yes	West Virginia	yes
Mississippi	yes	Wisconsin	yes
Missouri	no	Wyoming	yes

*on a local level only

**if desired by the individual teacher

As Table V shows, twelve states do not provide social security benefits for teachers. The other thirty-eight states provide social security benefits as desired by the teachers. Most of the programs are state-wide; all teachers in the states have social security benefits under state-wide programs.

Retirement Requirements

The states vary in methods of determining the amount of allowance which a teacher will receive upon retirement.

> "To qualify for a regular retirement allowance the member must meet certain requirements. Either service or age, or some combination of the two, determines the

eligibility of members in all states."[13]

It was found that most common age for retirement is age 60, with 30 or 35 years of service. Many states have provision for earlier retirement, but in all cases, the retiring members take an actuarial equivalent of the amount they would receive at regular retirement age.

Compulsory Retirement

Many states have a maximum age at which their members must retire. The purpose is to remove from service those who are no longer effective teachers. Age 70 was found to be the most common compulsory retirement age. In some cases, the local employers fix the age, or they request the continued service of a member after he reaches the age for compulsory retirement.

Table VI, pages 28-29, gives retirement requirements for the various states. Members who have contributed regularly to the fund are entitled to the maximum benefits at regular, or normal, retirement. Compulsory retirement age for the various states, if any, is also shown on the same table.

---

[13] Chandler and Petty, op cit., p. 365.

TABLE VI

RETIREMENT REQUIREMENTS

State	REGULAR Age	Service	EARLY Age	Service	Compulsory Age
Alabama	65	10	60	10	70
Alaska	60	15	55	15	65*
Arizona	65	--	60	--	70
Arkansas	60	10	none	none	72
California	60	5	55	5	65*
Colorado	60	20	55	35	65*
Connecticut	60	20	any	30	70
Delaware	none	none	60	30	75
Florida	60	10	55	10	70
Georgia	60	10	55	35	70
Hawaii	65	any	55	25	70
Idaho	70	any	none	none	70
Illinois	60	20	55	20	none
Indiana	65	10	any	--	none
Iowa	65	none	55	none	70*
Kansas	65	25	60	--	70
Kentucky	65	any	any	30	70
Louisiana	60	15	55	30	68
Maine	60	30	any	30	70
Maryland	60	any	any	30	70
Massachusetts	65	any	55	any	70
Michigan	60	10	55	30	none
Minnesota	any	30	55	10	none
Mississippi	65	10	55	30	70
Missouri	65	5	any	30	70
Montana	60	10	none	none	70
Nebraska	65	5	any	35	65*
Nevada	60	10	55	30	70
New Hampshire	60	none	none	none	65*
New Jersey	60	any	any	25	71
New Mexico	60	15	any	30	none
New York	60	25	any	35	none
North Carolina	65	none	50	20	65
North Dakota	55	25	none	none	none
Ohio	65	5	55	25	none
Oklahoma	65	1	60	1	none

TABLE VI (continued)

State	REGULAR Age	REGULAR Service	EARLY Age	EARLY Service	Compulsory Age
Oregon	65	none	50	none	70
Pennsylvania	any	35	any	25	70
Rhode Island	60	10	any	30	none
South Carolina	60	none	any	35	72
South Dakota	70	10	60	20	70
Tennessee	60	none	any	30	65*
Texas	60 (65)	20 (10)	55	15	none
Utah	65	15	55 (60)	30 (20)	none
Vermont	60	35	any	35	70
Virginia	65	none	60	none	70
Washington	60	5	none	none	none
West Virginia	60	5	55	25	65*
Wisconsin	60	35	55	30	none
Wyoming	60	5	any	25	65*

*may continue to work, with permission of employer

Twenty-seven states provide regular retirement benefits at age sixty. Service requirements among those twenty-seven states vary from any number of years to thirty-five. Sixteen states allow regular benefits to begin at age sixty-five with service requirements which vary from no years of service to twenty-five years.

Idaho benefits for regular retirement do not begin until age seventy which is also compulsory retirement age. North Dakota has regular benefits available at the earliest age--fifty-five years of age with twenty-five years of service.

Sixteen states allow early retirement to begin at any age. Five states have no age requirements for early retirement benefits, and four of the same five states have no service requirements. Eighteen states do not allow early retirement benefits to be paid until age fifty-five with service requirements which vary from no years to thirty-five years. Oregon and North Carolina early benefits begin at age fifty; Oregon does not require any years of service, while North Carolina requires twenty years.

The average compulsory retirement age was found to be 70 years, as shown by Table VI. Fourteen states have no compulsory retirement age. Age sixty-five was found to be the lowest compulsory retirement age. Nine states use age sixty-five for compulsory retirement, but eight will allow the teacher to continue to work, if allowed by the employer. Delaware sets the oldest retirement age of any state at seventy-five years.

Texas teachers may retire with the normal amount of allowance at age sixty with twenty years of service, or age sixty-five with ten years of service. Utah teachers may retire with an actuarial allowance at age fifty-five with thirty years of service, or age sixty with twenty years of service.

Borrowing from Retirement Funds

Very few retirement systems allow their members to borrow from money accumulated in their retirement funds. Pennsylvania teachers may assign up to $300 of their fund to an approved teacher's credit union, and West Virginia teachers may borrow in multiples of $10, with a minimum loan of $40 and a maximum of $500, but the loan may not exceed one-half the amount in the individual account. New York teachers with one year of service credit may borrow money in multiples of $25, with a minimum loan of $300, up to one-half of the member's accumulated contributions.

Borrowing keeps the accumulated funds from earning interest, and there is the added danger that the teacher will be unable to return the borrowed money to the fund, which would impair his retirement allowance. Any safeguards added to the system to protect the teacher's fund, such as an increased rate of interest on borrowed funds, or requiring the member to leave a certain amount in the fund, means that the teacher could obtain the same financial help from a bank or a teacher's credit union.

BENEFITS OF RETIREMENT PROGRAMS

Survivor's Benefits

Generally, all states have some provision for survivors' and death benefits. The retiring teacher has several options from which to choose in providing for survivors. Payment may be made in a lump sum, or in a pension to his beneficiary.

In the case of death benefits, the state systems pay to the beneficiary or estate money which the member has accumulated before retiring. In the case of death while in active service, these plans are available:

> "(1) The contributions made by the member during his service are returned and no other benefits are allowed. (2) A lump sum death benefit is paid in addition to the total contributions of the member. (3) The contributions from public funds, plus those of the member, are paid either in a lump sum or as an annuity to the beneficiary. The provisions covering regulations of each state system."[14]

Thus, the member does not lose his contribution to the retirement fund through death. Every state provides for the return of funds which the member contributes toward his retirement annuity.

Deferred Benefits

Retirement at early age may be allowed through provision for deferred benefits.

---

[14] Chandler and Petty, op cit, p. 365.

> "The principle of deferred benefits is sometimes known as maintenance of membership. Under such an arrangement an individual is allowed to retire from service after satisfying service requirements with the understanding that benefits will be paid from age sixty forward...The deferred benefit or maintenance of membership arrangement also serves to protect the individual who might be forced out of service prior to the attainment of the regular retirement age."[15]

This benefit is of value to an individual who is forced to resign a position, with no possibility of obtaining a similar position in another school system. The deferred benefit phase of a retirement system would help him qualify for payment when he reaches retirement age.

Table VII, pages 34-36, shows the requirements of each state for deferred benefits.

---

[15]Huggett and Stinnett, op cit., p. 161.

TABLE VII

REQUIREMENTS FOR DEFERRED BENEFITS

State	Age	Service Years	Formula
Alabama	60	---	3% reduction per year from normal
Alaska	60	15	Same as normal
Arizona	60	---	Actuarial reduction of normal
Arkansas	60 or	27	Same as normal
California	55	---	Actuarial reduction of normal
Colorado	65	---	2½% of final av. salary times years of service
Connecticut	none	none	none
Delaware*	**	**	*****
Florida	55	---	1½% of final av. salary for each year of service
Georgia	60	---	Actuarial reduction of normal
Hawaii	55	---	1/70 of av. final compensation for each year of service
Idaho	60	---	Same as normal
Illinois	---	20	1 2/3% times yrs. service times the av. salary for highest 5 consecutive yrs. within the last 10
Indiana	50	15	Reduction from normal of 3% per year for the 5 yrs. prior to age 65 and 5% per year for each year prior to age 60
Iowa	55	---	Actuarial reduction of normal

TABLE VII (continued)

State	Age	Service Years	Formula
Kansas	65	25	Same as normal
Kentucky	60	---	Actuarial reduction of normal
Louisiana	60	---	Same as normal
Maine	60	10	Same as normal
Maryland	60	---	Same as normal
Massachusetts	55	---	1½% times years of service times av. of highest 5 yrs. salary
Michigan	60	10	Same as normal
Minnesota	55	10	Same as normal
Mississippi	any	20	Same as normal
Missouri	60	---	Actuarial reduction of normal
Montana	60	---	Same as normal
Nebraska	65	5	Same as normal
Nevada	60	10	Same as normal
New Hampshire	none	none	none
New Jersey	60	---	Same as normal
New Mexico	60	15	Same as normal
New York	60	15	Actuarial reduction of pension
North Carolina	60 or	15	75% of normal allowance
North Dakota	none	none	none

TABLE VII (continued)

State	Age	Service Years	Formula
Ohio	60	5	Actuarial reduction of normal
Oklahoma	60	---	Actuarial reduction of normal
Oregon	50	---	Actuarial reduction of normal
Pennsylvania	none	none	none
Rhode Island	60	10	1 2/3% of av. compensation times years of service
South Carolina	60	20	Same as normal
South Dakota	62	25	Same as normal
Tennessee	60	15	Same as normal
Texas	60	20	Same as normal
Utah	55	30	Reduction from normal of 6% for each yr. of retirement prior to age 65
Vermont	none	none	none
Virginia	65	---	Same as normal
Washington	60	5	Same as normal
West Virginia	60	5	Same as normal
Wisconsin	none	none	none
Wyoming	60	5	Same as normal

*Information for Delaware was not available.

Ohio allows 60 per cent of the normal retirement allowance for teachers who have reached age fifty-five with twenty-five years service.

As shown in the table, age sixty is not always the required age for deferred allowances, as many states allow an actuarial reduction in the normal allowance for normal retirement age to be given to teachers who are entitled to receive a deferred benefit allowance.

In addition to requirements shown in Table VII, Illinois gives an allowance based on the money-purchase plan for that state for teachers with less than 20 years service. North Carolina will give a deferred benefit allowance to teachers below age sixty if they have fifteen years service.

Disability Retirement

Disability retirement is granted for permanent disability, although a few states have a provision for temporary disability payments without loss of benefits. Illinois teachers who have at least five years of service are eligible for temporary disability benefits. Washington teachers may draw temporary disability benefits for two years; they are then placed on permanent disability. Formulas which are used to compute disability payments are different for each state, as shown by Table VIII, pages 39-42. In general, years of service determine the amount of payment. The allowance begins at the same time the member becomes disabled.

TABLE VIII

DISABILITY REQUIREMENTS

State	Service Years	Formula
Alabama	none	Contributions plus 75% of age pension
Alaska	5	Same as early retirement
Arizona	5	Actuarial equivalent of normal ($50 month min, for balance of funds)
Arkansas	10	Same as normal
California	5	1½% of highest three years times yrs. of service
Colorado	15	Set by retirement board
Connecticut	10	1/65 of best 5 yrs. times yrs. service
Delaware	15	1/60 monthly base salary times years service
Florida	10	25% av. final compensation
Georgia	15	1 3/4% av. best 5 yrs. times yrs. service
Hawaii	10	1/140 av. final compensation times yrs. service
Idaho	10	savings annuity plus pension equal to 90% times 1/70 final compensation
Illinois	10	35% of current salary
Indiana	10	$70 monthly plus $1 times months service above 10 years

TABLE VIII (continued)

State	Service Years	Formula
Iowa	none	none
Kansas	15	actuarial equivalent of normal
Kentucky	10	actuarial equivalent of normal
Louisiana	5	75% of normal
Maine	10	25% of av. compensation over best five years
Maryland	5	1/70 av. final compensation times yrs. service
Massachusetts	15	1½% times yrs. service times av. 5-yr. salary
Michigan	10	same as normal
Minnesota	10	same as normal
Mississippi	10	1¼% times yrs. service times av. annual salary for 5 highest consecutive yrs. times 85% times 75%
Missouri	8	90% of regular or 1/12 last annual salary
Montana	10	25% av. salary for 3 highest consecutive yrs. up to 20 yrs. plus percentage increase for additional yrs.
Nebraska	15	same as normal
Nevada	10	same as normal
New Hampshire	10	90% of normal

TABLE VIII (continued)

State	Service Years	Formula
New Jersey	10	(A) 90% times yrs. service over 70 times final av. salary (B) yrs. service over 60 times final av. salary
New Mexico	10	same as normal
New York	15	pension--1/5 final av. salary plus 1/140 times final av. salary times yrs. service plus annuity
North Carolina	10	Actuarial equivalent of allowance at age 60
North Dakota	15	2% of total earnings (maximum $1,200 and minimum $300)
Ohio	5	1.65% of 5 highest yrs. (or $72) to maximum of 60% av. salary for 5 highest yrs.
Oklahoma	9	Minimum is $4 per month times yrs. service
Oregon	10	same as for early retirement (minimum $100 per month)
Pennsylvania	10	1/90 times final salary times yrs. service
Rhode Island	10	90% of normal
South Carolina	10	same as normal except employer annuity is 70% of that at age 60
South Dakota	10	*****
Tennessee	10	annuity from member plus 75% state annuity due at age 60

TABLE VIII (continued)

State	Service Years	Formula
Texas	none	same as normal ($50 monthly minimum) payable for life for more than 10 yrs. service
Utah	10	.009 times yrs. service times final compensation (minimum $50)
Vermont	15	annuity of actuarial equivalent plus pension (9/10 of 1/140 of av. final compensation times yrs. service)
Virginia	10	1¼% times av. salary of 5 highest consecutive yrs. times yrs. service
Washington	15	annuity from member plus actuarial equivalent of pension due at age 60
West Virginia	10	same as normal
Wisconsin	5	any benefits payable plus $100 monthly
Wyoming	15	actuarial equivalent of allowance due at age 60

NOTE: The formula for South Dakota was not available.

As shown in Table VIII, Alabama and Texas have no service requirements for disability allowances. The remainder of the states require five to fifteen years of service. Iowa has no provision for disability retirement.

Seven states compute disability retirement allowances on the same basis as normal retirement. Texas computes disability retirement allowances on normal retirement basis, but the member must have at least ten years of service in order to qualify for life-time disability allowances.

Five states compute the actuarial equivalent of the normal retirement allowance. North Carolina and Alaska provide a disability allowance on the same basis as early retirement allowance.

The remaining states have formulas or legislative provisions for disability retirement.

Benefits at Retirement

The greatest amount of benefit obtainable by the teacher from the retirement system was identified as the annual or monthly allowance which is paid upon the fulfillment of requirements for retirement. Length of service or superannuation, or both, are the factors which determine the amount received at retirement age.

> "It is common practice for a state system to set a maximum and a minimum amount for such allowances. The purpose in setting a maximum is to limit the amount of appropriations from public funds...Experience has indicated a pressing need for a fixed minimum allowance. Fluctuations in the economy and the gradual but general increase in salaries almost always results in financial hardships for the retired teacher..."[16]

> "The amount paid for retirement in a particular system depends on many factors, including salaries, and is not the sole measure of the merit of the retirement system. A system paying modest allowances with

---

[16]Chandler and Petty, op cit., p. 364.

> adequate financing thereof is in better condition than a system that is paying more generous benefits, if these are not adequately financed; the time may come when money is not available to continue paying these generous allowances."[17]

Table IX, pages 45-50, shows the various formulas used by the states to figure retirement benefits. Examples are given, where the information was available, as to how much monthly income a retired teacher may expect at age sixty with twenty years service. The monthly retirement incomes given as examples in Table IX are based on an average monthly salary of $500. It must be remembered that age sixty with twenty years service is not the normal retirement requirement in many states; therefore, the amount shown in the table may be considerably less because of actuarial discounting.

---

[17] Harold E. Moore and Newell B. Walters, Personnel Administration in Education (New York: Harper & Brothers, 1955) pp. 291-292.

TABLE IX

BENEFITS AVAILABLE AT RETIREMENT AGE

State		Example	Formula
Alabama		$ 96.00	1 1/8% times yrs. service times highest 5 yr. av. or $3.25 per mo. times yrs. of service (25 maximum yrs.)
Alaska		150.00	1½% av. base salary (5 consecutive highest yrs.) times total yrs. service
Arizona	(M)	85.00	
	(F)	74.00	annuity, plus interest, from employee and employer plus any supplemental credits
Arkansas		126.00	2% of first $3,500 of final av. salary, 2% of $5,000 (after 1957) plus 1.25% of full av. salary times yrs. of service
California		167.00	1/60 times final compensation based on three highest consecutive yrs. times yrs. service
Colorado		250.00	2½% times final av. salary based on highest 5 yrs. of last 10 times no. yrs. service
Connecticut		200.00	40% times av. salary of highest 5 yrs. of last 10 times 20 yrs. plus 1% for each additional yr. (Maximum 70%)
Delaware		*****	1/60 of monthly retiring base salary times no. yrs. service (Maximum $250, Minimum, $75)
Florida		200.00	2% times av. final compensation (highest 10 of last 15 yrs.) times yrs. service

TABLE IX (continued)

State	Example	Formula
Georgia	$148.75	1 3/4% times av. salary for best 5 consecutive yrs. times yrs. service (Maximum 40 yrs.)
Hawaii	142.50	1/70 of av. final compensation times yrs. service
Idaho	71.43	annuity plus 1/140 times av. final compensation (Maximum $3,000) times yrs. service
Illinois	166.00	1½% times av. final salary (highest 5 of last 10 yrs.) times yrs. service <u>or</u> 1 2/3% times yrs. service times av. salary
Indiana	*****	.6% first $3,000 plus 1.1% of excess of av. salary (best 5 of last 10) times yrs. service plus member's total contribution and interest times a factor set at entry
Iowa	*****	annuity based on member's contributions, plus a matching pension from public funds
Kansas	*****	$3 per month times yrs. service plus annuity
Kentucky	92.00	1½% times av. annual salary times no. yrs. service (before 1955) plus 1 3/4% av. salary (based on highest 5 consecutive yrs.) times yrs. service
Louisiana	182.50	(A) 1½% times av. salary (best 5 connsecutive yrs.) (Maximum $7,500) times yrs. service <u>or</u> (B) maximum $16,000 times same formula

TABLE IX (continued)

State		Example	Formula
Maine		$207.00	1/50 times av. final compensation times yrs. service plus 1/70 times av. final compensation times yrs. service
Maryland		142.86	annuity plus pension of 1/140 av. final compensation (av. of 5 highest yrs.) times yrs. service plus 1/70 av. final compensation times yrs. service
Massachusetts		200.00	2½% times yrs. service times av. of five highest consecutive yrs.
Michigan		115.00	1% of first $4,200 of av. salary (best 5 consecutive yrs.) plus 1½% of remaining salary times yrs. service
Minnesota		*******	annuity plus interest, plus employer's matching funds, determined actuarially
Mississippi		*******	*******
Missouri		128.00	70% plus 1.9% of final av. salary times yrs. service plus 6/10 of amount payable for yrs. of prior service (final av. salary is 1/120 of total for best 10 consecutive yrs.)
Montana	(M) (F)	138.98 133.17	annuity plus pension of 1/140 av. salary times yrs. of membership plus 1/70 of av. salary per yrs. of prior service (Av. is highest 3 consecutive yrs.)
Nebraska		*******	annuity plus pension from state equal to $1.50 per mo. times yrs. service

TABLE IX (continued)

State	Example	Formula
Nevada	\$250.00	25% times av. salary for 1st 10 yrs., 2½% of next 10, 1½% for next 10. (Maximum 65% of av. salary for 30 yrs.)
New Hampshire	143.00	annuity plus 1/70 of final av. salary (av. of last 5 yrs.) times yrs. service
New Jersey (A) (B)	145.00 166.00	(A) yrs. service over 70 times final av. salary (B) yrs. service over 60 times final av. salary (highest 5 yrs.)
New Mexico	133.33	1½% of first \$4,000 plus 1% of remainder of av. final salary (av. of last 5 yrs.) times yrs. service
New York	*****	pension of final av. salary times ¼ times 25 yrs. plus 1/120 of final av. salary to 35 yrs. plus annuity
North Carolina	83.00	1% of \$4,800 plus 1½% of excess times yrs. service
North Dakota	*****	2% of total earnings for 25 yrs. service (minimum \$600) plus \$100 per yr.. until maximum of \$1,200 plus \$60 for service over 25 yrs.
Ohio	141.00	1.65% of av. salary for 5 highest yrs. times yrs. service times 100% (Maximum final av. salary \$18,000)
Oklahoma	92.68	annuity, matching pension and interest (minimum \$4 mo. times yrs. service)

TABLE IX (continued)

State	Example	Formula
Oregon	$ 95.00	annuity plus state's matching pension
Pennsylvania	not eligible	1/70 times final salary times yrs. service (final av. salary for 5 highest yrs.)
Rhode Island	*****	1 2/3% of av. compensation times total service yrs.
South Carolina (M) (F)	97.50 84.89	annuity plus interest, matching pension from state
South Dakota	120.00	.2% of final av. salary times yrs. service plus 1% final av. salary times yrs. service
Tennessee	114.00	member's accumulated contributions, state contributions figured on life expectancy
Texas	180.00	1% times av. annual salary for best 10 yrs. times yrs. prior service, plus 1½% of av. annual salary (best 10 yrs.) times yrs. service
Utah	91.00	.0095 times yrs. service times final compensation (av. salary highest 10 yrs. not to exceed $4,800 annually)
Vermont	*****	50% times av. final compensation (highest 5 yrs.) times yrs. service (35 or more)
Virginia	64.00	1 1/8% of av. salary in excess $1,200 (5 consecutive highest yrs.) times yrs. service

TABLE IX (continued)

State		Example	Formula
Washington		*****	annuity plus interest plus pension--1/120 times av. salary for 5 highest of last 10 yrs. times yrs. service
West Virginia	(M) (F)	108.00 105.00	(A) annuity--actuarial equivalent of member's contributions, plus interest plus actuarial equivalent of additional deposits plus prior-service allowance of 1½% of 3/5 of final av. salary times yrs. prior-service plus $24 for each year as teacher (maximum, $192 mo.) (B) 1% of av. annual salary (highest 5 of last 10 yrs.) times yrs. service plus actuarial equivalent of member's voluntary deposits plus interest
Wisconsin		140.00	1/70 times yrs. service times av. salary of last 5 yrs.
Wyoming	(M) (F)	40.00 44.00	annuity plus matching pension

NOTE: The letter M denotes male, F, female.

Colorado and Nevada provide the highest retirement income of $250 monthly at age sixty with twenty years service; however, age sixty is normal retirement age in both states. Wyoming has the lowest monthly retirement allowance at $40 monthly at age sixty with twenty years service; members may voluntarily retire at age sixty in Wyoming.

The median salary for figures which were available is approximately $135 monthly.

SUMMARY

A study of the retirement systems of the fifty states shows wide variations in regulations and laws governing the retirement systems. Historically, the mutual-aid societies of the late 1800's became the foundation for the present systems. The mutual-aid societies were formed to help members who were ill, or who had retired. They were unsuccessful because they lacked good administration and financial soundness. However, these mutual-aid societies were valuable in calling public attention to the fact that teachers were in need of some kind of retirement system.

New Jersey was the first state to establish a state-wide retirement system for teachers. Other eastern states followed suit; then the movement spread throughout the United States. It took many years for each state to develop a sound program of retirement for its teachers, but, by the 1950's, all states had actuarially adequate systems.

The purpose of the retirement system is educational. Good retirement systems have been found to attract and hold teachers in positions, by providing old age security. Knowing that superannuated teachers will have an adequate income, school boards replace teachers who are no longer able to give expected service; thus the children's welfare is always the primary consideration.

As discovered by this study, there were several fundamental principles common to all retirement plans. These included: (1) adequacy; (2) inexpensive to members; (3) stability; (4) democratically administered; (5) equitability; (6) flexibility; (7) adaptability.

A retirement system has as one of its factors the coverage of personnel. This study disclosed retirement eligibility for all public school teachers in the United States. At the inception of each retirement system, the teachers already in service were given the option of joining or not joining; thus, through their own choice, not all teachers belong to a retirement system at the present time. Vermont, New York, Minnesota, Illinois and Indiana make provisions for certified teachers to belong to a retirement system. Many other states allow all certified personnel of the school system to join. In others, anyone concerned with any phase of the educational system belongs; for instance, Michigan lunchroom workers are members. Still other states combine their teacher retirement programs with retirement programs for all state employees.

A second factor of a retirement system was found to be financing. Methods of financing the programs were found to be of two general types: (1) joint-contributory plans; (2) pension plans. Joint-contributory plans were found to be of two types, the cash disbursement type, and the reserve system. Under the first type, appropriations are made as needed for those who have retired. Under the reserve plan, future costs of the retirement system are estimated, and money is set aside during the active service years; a fund is ready when the teacher retires. The pension plan is financed by the state government alone.

Member's contributions to the joint-contributory system were found to be fixed by the legislature as a percentage of salary, or a flat sum, or an amount fixed by actuarial methods. Hawaii, Idaho, Maryland, New York, and New Hampshire fix the amount of a teacher's contribution by age and sex at date of entrance into the system; this amount is seldom changed once it is set.

A third factor identified with retirement systems was found to be allowance for service from outside the state. Twenty-one states give no credit for out-of-state service. Those states that accept such credit follow plans which show considerable variation. Of the remaining twenty-nine states, all but three were found to have limits to the number of years of outside state credit which could be counted. Each state which gives such credit requires additional deposits in the retirement fund to cover the years of out-of-state service.

A fourth general factor of the retirement system was found to be the influence of the federal social security program. By placing teachers on social security, state governments have made the two systems work together to provide adequate protection for aged teachers. Two advantages were discovered for placing teachers under social security: (1) survivor benefits in addition to those provided by retirement systems; (2) nation-wide program of coverage. Twelve states do not extend social security coverage to their teachers.

Another factor found to be included in all retirement systems was some kind of requirements for retirement, and a compulsory retirement age in many of the states. Each state determines the eligibility of its teachers for a retirement income by service requirements or age requirements or both. States which have an early retirement age reduce the allowance by an actuarial amount. Compulsory retirement age factors were included in programs to remove from service teachers who are no longer physically and mentally capable of handling a teaching position. The average compulsory retirement age was found to be seventy years.

A sixth factor which appeared in the study was borrowing from retirement funds. Only three states, Pennsylvania, West Virginia and New York, allow any part of the retirement funds to be used for loans. These states were found to have rigid control over the amounts which could be removed from retirement funds.

Every state was found to have survivor's benefits as part of its retirement program. Methods of paying the survivors vary in the states; some pay by the lump sum, and others have pensions available to beneficiaries. The option chosen by the retiring member determines the amount due to survivors. In the case of death of a member who was not retired, every state was found to guarantee complete return of all funds which the member had contributed to the system.

Another benefit of retirement systems was identified as deferred benefits. This benefit was also called maintenance of membership. Under this benefit, teachers may retire from teacher service at an earlier date than normal retirement age, with the understanding that benefits would not begin until a later date. Ten states figure deferred benefit allowances with the same actuarial reduction as the state allows for early retirement. Twenty-one states give allowances for deferred benefits figured on the same basis as normal allowances. Mississippi, New Hampshire, North Dakota, Pennsylvania, Vermont and Wisconsin have no provisions for deferred benefits.

A study of available material showed that every state except Iowa has a provision for disability retirement.

Permanent disability formulas have many variations. Seven states use the same formula for disability payments as for normal retirement. Alaska uses the early retirement formula for disability retirement allowances. The remainder of the states have a separate formula, or they use an actuarial reduction of the normal retirement formula, for the disability allowance.

The benefits allowed at retirement age were found to have many variations. The formulas used by the states were as varied as the allowances. Arizona, Iowa, Minnesota, Mississippi, Oregon, South Carolina, and Wyoming have annuity plans which include a pension from the state. The remaining states base their retirement allowances on average salaries and years of service, plus additional factors determined by each legislature. For instance, the Kansas legislature at the present time allows a retiring teacher three dollars a month per year of service at normal retirement age; this is in addition to the income from the teacher's annuity.

A problem which needs further study is the effect of retirement on the retired persons. The "shock" of retirement affects each personality to some degree, and an interesting study might be made of this problem.

Other topics for further study include the liberalizing of retirement programs, a study of the compulsory retirement age, and relating allowances to the cost of living.

BIBLIOGRAPHY

A. Books

Chandler, B. J. and Petty, Paul V. Personnel Management in School Administration. Yonkers-on-Hudson: World Book Company, 1955.

Eastmond, Jefferson N. The Teacher and School Administration. Boston: Houghton Mifflin Company, 1959.

Elsbree, Willard S. and Reutter, E. Edmund, Jr. Staff Personnel in the Public Schools. New York: Prentice-Hall, Inc., 1954.

Huggett, Albert J. and Stinnett, T. M. Professional Problems of Teachers. New York: The Macmillan Company, 1956.

Moore, Harold E. and Walters, Newell B. Personnel Administration in Education. New York: Harper & Brothers, 1955.

B. Publications of the Government, Learned Societies and Other Organizations

A Brief of the Teachers' Retirement Law (Helena, Montana: Teachers' Retirement Board) 1963.

Act Governing Teachers' Retirement System of Georgia (Atlanta, Georgia: Teachers Retirement System of Georgia) 1962.

A Handbook on Iowa Public Employees Retirement System (Des Moines, Iowa: Iowa Employment Security Commission) 1961.

Arizona Retirement Act (Phoenix, Arizona: Arizona State Retirement System) June 21, 1962.

Disability Retirement, Service Retirement, Membership, Cost, and Benefits (Jackson, Mississippi: Public Employees' Retirement System) 1962.

Educational Retirement Act (Santa Fe, New Mexico: Educational Retirement Board) 1963.

General Information Concerning the Public Employees Retirement System (Carson City, Nevada: Public Employees Retirement Act) July 1, 1963.

Handbook of Information (Juneau, Alaska: State of Alaska, Department of Administration) June 30, 1963.

Handbook of Information (Atlanta, Georgia: Teacher Retirement System of Georgia) July, 1963.

Handbook of Information (Baltimore, Maryland: Teachers' Retirement System of the State of Maryland) June, 1961.

Handbook of Information (Jefferson City, Missouri: Public School Retirement System of Missouri) 1961.

Handbook of Information (Madison 3, Wisconsin: Wisconsin State Teachers Retirement Board) August, 1960.

Handbook of Public Employee Pension Laws (Providence, Rhode Island: Retirement Board of the Employees' Retirement System of the State of Rhode Island) July, 1959.

Handbook on Retirement (Baton Rouge, Louisiana: Louisiana Teachers' Association) 1963.

Indiana State Teachers' Retirement Fund (Indianapolis, Indiana: Indiana State Teachers' Retirement Fund) 1963.

Informational Handbook Relative to the Retirement Plan (Augusta, Maine: Maine State Retirement System) 1963

Information ... Michigan Public School Employees Retirement Fund (Lansing, Michigan: Retirement Board) 1962.

Information on Teachers Retirement Association (St. Paul, Minnesota: Teachers Retirement Association of the State of Minnesota) 1963,

Laws and Rules Governing the State Teachers' Retirement System (Sacramentao, California: State Teachers' Retirement System) September, 1961.

Looking Ahead to your Retirement (Hartford, Connecticut: Connecticut Education Association, Inc.) 1960.

Manual of Information (Columbus, Ohio: The State Teachers Retirement System of Ohio) 1963.

Massachusetts Teachers' Retirement Board, Circular 1 and 2, (Boston, Massachusetts; Department of Education) 1957.

Nebraska School Employees Retirement System (Lincoln 9, Nebraska: Nebraska Retirement Systems) 1963.

Public Employees Retirement Law (Portland, Oregon: Public Employees Retirement Board) 1961.

Retirement Handbook (Topeka, Kansas: Kansas School Retirement System) July 1, 1962.

Retirement Primer (Albany, New York: New York State Teachers Retirement Board) September, 1963.

Retirement System for Teachers and State Employees of North Carolina (Raleigh, North Carolina: Teachers' and State Employees' Retirement System) 1963.

Rules and Procedures for Operation of Teachers' Retirement System of Oklahoma (Oklahoma City, Oklahoma: The Teachers' Retirement System) January 1, 1964.

School Law Summaries, Series 1, 2, 3, and 4. (Washington, D. C.: NEA Research Division and the National Council on Teacher Retirement) 1963.

Summary of Recent Legislative Provisions (Springfield, Illinois: Teachers' Retirement System of the State of Illinois) July 1, 1963.

Teacher Retirement in Florida (Tallahassee, Florida: State of Florida Teachers Retirement System) 1961.

Teacher Retirement in New Hampshire (Concord, New Hampshire: Board of Trustees, New Hampshire Teachers Retirement System) 1958.

Teachers' Insurance and Retirement Fund (Mandan, North Dakota: Board of Trustees, Teachers' Insurance and Retirement Fund) August, 1961.

Teachers Retirement in New Jersey (Trenton 25, New Jersey: New Jersey Division of Pensions) July 1, 1962.

Teachers' Retirement in Vermont (Montpelier, Vermont: State Teachers' Retirement System of Vermont) 1962.

Tennessee Teachers! Know Your Retirement System (Nashville, Tennessee: Tennessee Teachers' Retirement System) January, 1958

The Delaware State Pension Law (Dover, Delaware: Legislative Reference Bureau) January 31, 1962.

The State Employees' Retirement Act and The Public Employees' Retirement Acts of Colorado (Denver, Colorado: Public Employees' Retirement Board) 1962.

The Teacher Retirement Laws of the State of Arkansas (Little Rock, Arkansas: 201 State Education Building) 1963.

Utah School Employees' Retirement System (Salt Lake City, Utah: Utah State School Employees' Retirement System) 1961

Virginia Retirement Plan for Public Employees (Richmond, Virginia: Virginia Supplemental Retirement System) 1960.

What Every Teacher Should Know (Boise, Idaho: Board of Trustees, Teachers' Retirement System of Idaho) September 1, 1961.

Wyoming Retirement Act (Cheyenne, Wyoming: Wyoming Retirement System) May 1, 1961.

You and Your Retirement System (Frankfort, Kentucky: Teachers' Retirement System of the State of Kentucky) June, 1962.

Your Retirement System (Honolulu, Hawaii: Employees' Retirement System) December, 1961

Your Retirement System (Harrisburg, Pennsylvania: Department of Public Instruction, Public School Employees' Retirement Board) September, 1960.

Your Retirement System (Pierre, South Dakota: Teacher Retirement System) 1963.

Your Retirement System (Charleston, West Virginia: West Virginia Education Association and State Teachers Retirement System) 1956.

Your Teacher Retirement (Austin, Texas: Texas State Teachers Association) June, 1961.

Your Teachers' Retirement System (Handbook of Information) (Montgomery, Alabama: Teachers' Retirement System of Alabama) October, 1963.

A STUDY OF TEACHER RETIREMENT SYSTEMS
IN THE UNITED STATES

by

LAURENE L. NIDER

B. S., Kansas State University, 1957

AN ABSTRACT OF A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

MASTER OF SCIENCE

SCHOOL OF EDUCATION

KANSAS STATE UNIVERSITY
Manhattan, Kansas

1964

This study of the retirement systems of the fifty states was made to discover how the retirement systems were alike, and how they were different. The purpose was to compare the systems according to (1) history; (2) coverage of personnel; (3) financing the retirement program; (4) out-of-state service allowed; (5) benefits of retirement; (6) qualifications for eligibility for retirement; (7) influence of the Federal Social Security program; (8) survivor's benefits; (9) disabilibility payments.

Research methods used were of two types: (1) the correspondence method; (2) the documentary method. Letters were sent to all states asking for information relative to their retirement programs. This information was supplemented with material from the library at Kansas State University.

A review of the history of the retirement movement disclosed the difficulties various states had in setting up retirement programs which were actuarially sound. At the present time, all states have some form of retirement plan for employees, including public employees of the state in some instances. All but eleven states allow teachers to participate in the Federal Social Security program, also.

The purpose of the retirement program is educational. It allows boards of education to remove from service teachers who are superannuated, and gives retired people financial independence. All retirement systems were found to have the following principles in common: (1) adequacy; (2) inexpensive to members; (3) stability; (4) democratically administered; (5) equitability; (6) flexibility; (7) adaptability.

Many retirement systems covered other employees besides the professional staff. The systems which included state employees gave the same benefits to those outside the educational field. In some states, bus drivers and lunchroom personnel may join.

Finance plans were found to be varied, as each state provides its own formula for determining the amount contributed. In many states, the employer contributed to the fund as well as the state. In others, the cost was shared by the state and employee only.

In determining allowances, age, years of service, and out-of-state service, if allowed, along with prior service years, were used in the formula which each state had written into its laws for teacher retirement. States which set up pension plans in addition to the teachers annuity determined the amount of allowance through board of trustees' action. Some states set up a factor to be used in determining the amounts of member contributions, and these factors were used in determining the final retirement allowance.

All states except one allowed disability allowances to be paid for permanent disability. Again, a formula was set up for each state, which was used to determine the amount of benefit which the disabled member may draw. Survivor's benefits were found to be provided by all states; whether or not the teacher had retired. All the money the members had contributed was returned to his survivors.