1961

Report of Special Retirement Study Committee

REPORT

OF

SPECIAL RETIREMENT STUDY COMMITTEE

TO THE HONORABLE MEMBERS OF THE
GENERAL ASSEMBLY

Gentlemen:

The special legislative committee to investigate and study the feasibility of establishing within the State Retirement System thirty year retirement benefits regardless of age for state employees and for teachers and also survivors benefits for teachers, herewith submits a report of its investigation and recommendations relating to these subjects in accordance with the directive in Resolution H 1114 as amended of the January 1959 session of the General Assembly.

Accompanying this report is legislation which if enacted into law would put into effect the committee's recommendations.

The committee hopes that the General Assembly will find it possible to act favorably on the proposed legislation at its 1961 session.

Respectfully submitted by
Retirement Study Committee

John J. Cashman, Chairman

Committee members

John J. Cashman, Chairman
George E. Burke, Secretary
Hon. Arthur A. Belhumeur
George C. Cesana
Christian Hansen
Hon. George A. Ilg
Hon. Ernest L. Nye
Hon. John J. Wrenn

RETIREMENT STUDY COMMITTEE REPORT

I. PURPOSE OF THE STUDY

The Retirement Study Committee was created by an act of the General Assembly at its January 1959 session to investigate and study the feasibility of establishing within the State Retirement System, thirty year retirement benefits regardless of age for state employees and for teachers and also survivors benefits, so-called, for teachers.

The resolution creating the committee authorized it to engage the services of an independent actuary for purposes of determining the cost of the additional benefits. Mr. Russell O. Hooker, F.S.A., F.C.A.S., Consulting Actuary, Hartford, Connecticut, was engaged to make the cost study. Mr. Hooker did a similar study for the Connecticut Teachers' Retirement System in 1958. The Connecticut General Assembly adopted his recommendations that year.

Mr. Hooker's report entitled Actuarial Report On Cost of Certain Proposed Modifications in Employees' Retirement System of the State of Rhode Island is found in Appendix A of this report.

II. SUMMARY OF ACTUARY'S REPORT

A. 30-Year Retirement Provision

Under the present law, a member who has 30 years of credited service may retire prior to age 60, but if he does, his retirement allowance is reduced by an amount approximating 6% for each year which he retires under that age. The reduced allowance is the actuarial equivalent of the amount which would have been payable at age 60.

The Committee requested Mr. Hooker to investigate the cost of a provision whereby a state employee or teacher could retire after 30 years of service, provided he (or she) had attained his 55th birthday, without actuarial reduction in retirement benefits because of age. It should be noted here that Mr. Hooker was instructed to study the cost of 30 year retirement with a floor of age 55 instead of 30 year retirement regardless of age. The reason for this change is that the majority of the Committee did not feel that the regardless of age provision was feasible both from the standpoint of cost and the age at which an employee should be allowed to retire with the improved benefits.

The additional cost involved in the proposal falls into two categories: (Appendix A, page 2)

(1) The amount of money required to strengthen the actuarial reserves held on existing active members in order to finance the earlier retirement of such of those members as might be expected to take advantage of the proposed 30 year - age 55 retirement provision; and

(2) The increase in future service contributions (normal cost) which is required to support such strengthened actuarial reserves in future years, and to finance the additional retirement costs which the 30 year - age 55 provision would involve in the case of the average new entrant.

The study was confined only to those employees now under age 60 and who were employed prior to age 30, these being the only cases which could be affected by the proposed 30 year - age 55 provision. As of June 1960 there were 2,791 state employees in this category and 3,403 teachers, making a combined total of 6,194 employees. It is obvious that not all of these employees would elect to take full or partial advantage of the 30 year - age 55 provision. The actuary estimates that approximately one-half of the eligible state employees and one-third of the eligible teachers would take advantage of the new provision. This appears to be a valid assumption.

Accordingly, if it is assumed that the actual utilization of the 30 year - age 55 provision will be such that one-half of the maximum additional costs are incurred in the case of state employees and one-third in the case of teachers, the probable additional costs will be as listed in table I below:

Table I

Indicated Probable Cost of 30 Year - Age 55 Retirement Provision

	Increase in Present Reserves	*Amortization Payment Over 30 Years	Increase in Future Service Cost Present Amount	Increase in Future Service Cost % of Payroll
State Employees	$3,888,800	$192,625	$97,880	.35%
Teachers	8,780,149	434,909	221,406	.85%

*This figure indicates the annual payments required to amortize the reserve increases over a period of 30 years.

If the cost of strengthening present reserves is $12,668,949 as shown in Table I is amoritzed over a 30 year period the total annual cost for both state employees and teachers would be $627,534. While the amortization payments may appear to represent formidable annual outlays, this relationship to total payroll should be borne in mind. On the 30 year amortization basis, for example, the total annual outlay of $627,534 amounts to less than 1% of the total combined payrolls of $67,700,000. The actuary feels that the major share of these costs should be assumed by the employers.

The actuary recommends that the future service (normal) cost increase $97,880 in the case of state employees and $221,406 in the case of teachers could be met in an equitable manner by increasing the contributions of present and future employees by the salary percentages indicated in Table I. This would mean .35% of payroll in the case of state employees and .85% of payroll in the case of teachers.

B. Survivorship Benefits for Teachers

Many Rhode Island teachers have indicated through replies to questionnaires that they would prefer to have a system of survivorship benefits similar to Social Security incorporated in their own retirement system in lieu of joining the Social Security System. Since special interest was indicated in the system of survivorship benefits incorporated in the Connecticut Teachers' Retirement System as of January 1, 1958, the actuary was instructed to determine the cost of adopting this plan with certain variations to the Rhode Island teachers pension system.

Under the Connecticut Plan survivorship benefits similar to those provided under the Federal Social Security Act with variations are incorporated in the teachers' retirement system. An important variation is that survivorship benefits run to dependents of deceased active teachers only, thus excluding payments to dependents of deceased retired teachers. However, payments to widows of deceased active teachers run until death or remarriage regardless of the existence, number or age of children, whereas under Social Security payments to a widow under age 62 depend on the existence of a dependent child or children. Where there are children under age 18, additional benefits consistent with those under Social Security are provided. Lump sum death benefits and payments to dependent parents and dependent husbands are also provided. The above benefits are financed by an additional 1% salary contribution for all teachers.

If a teacher continues in service until retirement his 1% accumulation plus interest may be taken either in cash or used to purchase additional retirement benefits.

It is evident therefore that under the Connecticut Plan no teacher can lose the benefit of his or her assessment. This is an important consideration to female teachers, to whom survivorship benefits are applicable to a considerably lesser extent than to male teachers.

The actuary's study revealed that survivorship benefits similar to those in existence in Connecticut could be incorporated into the Rhode Island teachers' pension system for an additional 1% salary contribution.

After submitting his report, the actuary was requested by the study committee to determine the additional cost of providing survivorship benefits similar to Social Security benefits for dependent survivors of retired teachers. As indicated above, such benefits are not available under the Connecticut Plan. The actuary determined that this additional benefit would cost 1/2 of 1% of payroll. Thus survivorship benefits similar to those in existence in Connecticut plus protection for dependents of deceased retired teachers could be added to the

Rhode Island teachers pension system for an additional 1 1/2% of payroll.

Committee Recommendations

After due consideration of all phases of the actuary's report the Committee makes the following recommendations to the General Assembly:

I Thirty Year Retirement - See Table II

1. The committee recommends that the General Assembly consider the enactment of legislation which would allow state employees and public school teachers to retire after 30 years of service provided they had attained their 55th birthday without actuarial reduction in retirement benefits because of age.

2. The committee accepts the actuary's recommendation that the cost of providing this benefit is such that it should be shared by employer and employee.

3. The committee recommends that the cost of strengthening the actuarial reserves on existing active members be amortized on a 30 year period. It is recommended that this cost which amounts to $192,625 a year or .55% of current payroll in the case of state employees be assumed by the state. It is further recommended that this cost which amounts to $434,909 a year or 1.32% of current payroll in the case of public school teachers be shared by the teachers, state, and cities and towns as follows: .66% by the teachers; .33% by the state; and .33% by the cities and towns. Since the above figure of 1.32% of payroll will fluctuate as payrolls increase or decrease, it might be more practical to express the contribution for teachers in terms of the teachers paying one-half of this cost, the state one-quarter, and the cities and towns one-quarter.

Annual cost to the state to strengthen actuarial reserves will amount to $301,353. The annual cost to the cities and towns for the same purpose will amount to $108,900.

4. The committee recommends that the cost of future service contributions which amounts to $97,880 or .35% of current payroll in the case of state employees and $221,406 a year or .85% of payroll in the case of public school teachers be borne respectively by the state employees and public school teachers.

5. The committee makes its recommendation on 30 year retirement cognizant of the fact that the present financial condition of the state government might preclude state participation in the program.

The committee therefore recognizes that the state government will be able to participate in this program only to the extent that the state's financial resources are such as to permit such participation. It should be noted in this connection however that if the cost of strengthening the actuarial reserves were to be borne entirely by the state, the annual cost to the state amortized over 30 years would be $627,534. By having the teachers and local communities share part of this cost, the annual cost to the state is reduced to $301,353 which is less than one-half of one percent of the combined state employee and teacher payroll of $67,700,000.

II Survivors Benefits for Teachers - See Table III

Over the past several years many public school teachers in the state have expressed a need for survivorship benefits. Such benefits are currently available in the teachers pension system only through the exercise of certain options whereby the teacher upon retirement may accept a reduced retirement benefit and thus, upon his death, provide a small annuity for his survivor usually his wife.

Teachers may acquire Social Security benefits provided the local community in which they teach is willing to pay the employer's share of the cost which is currently 3% and scheduled to rise to 4.5% by 1969. Local communities currently are paying 3.5% of teacher payrolls into the teacher retirement system. Teachers contribute 6% and the state 3.5%. The adoption of Social Security on a supplementary basis would therefore increase the local contribution for teacher pensions to 6.5% of payroll rising to 8% by 1969. The teacher's contribution would increase immediately to 9% rising to 10.5% in 1969.

Teachers like any group want a sound and stable retirement system. They have in the past expressed the opinion through two questionnaires conducted by the Rhode Island Education Association that they would prefer to add survivorship benefits similar to Social Security to their own pension system rather than to secure these benefits through the Federal Social Security System. The states of Connecticut, Ohio, Maine, and California currently provide such benefits through their teacher retirement systems.

The committee has studied the survivorship plan currently in operation in the Connecticut Teachers Retirement System and finds that similar benefits can be made available to Rhode Island teachers at the additional cost of 1% of gross payroll. The committee also finds that survivorship benefits for teacher dependents beyond retirement similar to Social Security, but not provided in the Connecticut System, can be obtained for an additional .5% of payroll. Thus the total cost for these additional benefits would be 1.5% of teacher payroll.

The committee recommends that the General Assembly enact legislation adding survivorship benefits similar to the Connecticut Plan with the variation mentioned above to the Rhode Island Teacher Retirement System. It is further recommended that the cost of said benefits which amounts to 1.5% of the public school teacher payrolls be shared equally by the teachers and the cities and towns. This would amount to a teacher contribution of .75% of payroll and a city or town contribution of .75% of payroll.

Respectfully submitted,

John J. Cashman, Chairman

George E. Burke, Secretary

Hon. Arthur A. Belhumeur

George C. Cesana

Christian Hansen

Hon. George A. Ilg

Hon. Ernest L. Nye

Hon. John J. Wrenn

Table II

Cost of 30 Year Retirement at Age 55 Based on Percent of Payroll

	Employees' Cost	State Cost	Cities & To Cost
State Employees	.35% payroll	.55% payroll	---
Public School Teachers	1.51% payroll	.33% payroll	.33% pa
		*$301,353	*$108,900

*Annual costs to state and cities and towns based on June 1960 payrolls. The perce of payroll as indicated above will decrease in future years as payrolls increase.

Table III

Cost of Survivorship Benefits for Public School Teachers Based on Percent of Payro

Teachers' Cost	Cities and Towns Cost
.75% payroll	.75 payroll

SUMMARY OF RETIREMENT STUDY COMMITTEE'S REPORT

I Thirty-Year Retirement age Age 55

Cost to State Employees	.35% of payroll
Cost to Public School Teachers	1.51% of payroll
Annual Cost to State amortized over a 30 year period	$301,353
Annual cost to Local Communities amortized over a 30 year period	$108,900

II Survivorship Benefits for Public School Teachers

Cost to Teachers	.75% of payroll
Cost to Local Communities	.75% of payroll

APPENDIX A

ACTUARIAL REPORT ON COST
OF CERTAIN PROPOSED MODIFICATIONS IN
EMPLOYEES' RETIREMENT SYSTEM OF THE
STATE OF RHODE ISLAND

BY

Russell O. Hooker, F.S.A., F.C.A.S.

ecember 21, 1960

ACTUARIAL REPORT ON COST

OF CERTAIN PROPOSED MODIFICATIONS IN

EMPLOYEES' RETIREMENT SYSTEM OF THE

STATE OF RHODE ISLAND

We have been requested to investigate the probable cost of the following proposed ifications in the Employees' Retirement System of the State of Rhode Island:

(A) A provision whereby a state employee or teacher could retire after 30 years of ce, provided he (or she) had attained his 55th birthday, without actuarial reduction in irement benefits because of age.

(B) A system of survivorship benefits for teachers only, patterned along the lines the survivorship benefits provided by the Federal Social Security Act. (The death benefit ovisions according to the present Act would be retained.) Since special interest was inced in the system of survivorship benefits incorporated in the Connecticut Teachers' tirement System as of January 1, 1958, the feasibility and probable cost of adopting similar ovisions for Rhode Island teachers has been investigated and reported on herein.

Part A - 30-Year and Age 55 Retirement Provision

Under the present law, a member may retire at age 60 with at least 10 years of redited service. The only provision for service retirement on immediate pension prior to ge 60 is that a member who has completed 30 years of service may retire under age 60 on reduced allowance which is the actuarial equivalent of the amount which would have been ayable at age 60.

It is now proposed to liberalize these minimum qualifications for service retire-ent by adding the provision that a member who has completed 30 years of credited service nd has attained his 55th birthday may retire on such immediate pension as the regular ser-ice benefit formula will produce, without actuarial reduction of any kind.

The additional costs involved in this proposal naturally fall into two categories:

(1) The amount of money required to strengthen the actuarial reserves held on isting active members in order to finance the earlier retirement of such of those members s might be expected to take advantage of the proposed 30 year - age 55 retirement provi-ion; and

(2) The increase in future service contributions (normal cost) which is required to pport such strengthened actuarial reserves in future years, and to finance the additional tirement costs which the 30 year - age 55 provision would involve in the case of the erage new entrant.

The additional costs and liabilities have been computed as of June 30, 1960, t most recent valuation date. Age-service distributions showing number of employees a salaries by quinquennial age groups under age 50 and triennial age groups thereafter, each group broken down by quinquennial employment durations, were obtained from the Actuary of the Retirement System. By analysis of these data, assuming even distribut within each age-service group, the numbers of present employees and teachers, male female, respectively, who might be affected by the 30 year - age 55 provision were clo estimated.

Using the annual rates of death and withdrawal set forth in the "Life and Servi Tables for Ages 16 to 60" obtained from the Actuarial Survey covering the period from July 1, 1953 to June 30, 1958, supplemented by the rates of retirement shown in the "L and Retirement Tables for Ages 60 to 70", Standard Annuity mortality rates at age 60 a upwards, salary scales as compiled by the Actuary, and 3% interest throughout, tables constructed affording the necessary valuation functions for this study. It should be men tioned that the Standard Annuity mortality rates were set back one year in the case of teachers in recognition of their probable superior longevity.

This investigation was confined to cases employed prior to age 30, these being only cases which could be affected by the proposed 30 year - age 55 provision. The num and proportions involved are shown as follows:

Active State Employees and Teachers

	Now under Age 60 Hired under Age 30		Total Active Under Age 60	
	No.	Salaries	No.	Salaries
General EES, Male	1,474	$5,689,643	4,599	$18,603,273
" " Female	1,317	4,349,194	3,232	10,839,332
Total Gen. EES	2,791	$10,038,837	7,841	$29,442,605

Active State Employees and Teachers

	Now under Age 60 Hired under Age 30		Total Active under Age 60	
	No.	Salaries	No.	Salaries
Teachers, Male	1,092	$ 5,151,408	1,880	$ 9,457,885
" Female	2,311	10,829,812	3,882	19,258,001
Total Teachers	3,403	$15,981,220	5,762	$28,715,886

The total employee data as of June 30, 1960 are summarized as follows:

Total Numbers and Salaries of Employees Active 6-30-60

	No.	Salaries
eral EES, Male	5,523	$22,301,605
" " Female	3,678	12,442,090
Total Gen. EES	9,201	$34,743,695
chers, Male	1,995	$10,220,936
" Female	4,473	22,749,940
Total Teachers	6,468	$32,970,876

The indicated increases in present reserves and the future service (normal) cost
reases, computed on the assumption that all members affected by the 30 year - age 55
vision would elect to retire as soon as eligible therefor, are shown as follows:

Indicated Maximum Cost of 30 Year - Age 55 Retirement Provision

	Increase in Present Reserves	*Amortization Payment Over 20 yrs.	25 yrs.	30 yrs.	Increase in Future Service Cost Present Amount	% of payroll
n. EES, Male	$4,779,818	$311,921	$266,500	$236,760	$133,752	.60
" Female	2,997,782	195,629	167,142	148,490	62,007	.50
Total Gen. EES	$7,777,600	$507,550	$433,642	$385,250	$195,759	.56
achers, Male	$6,371,858	$ 415,815	$ 355,264	$ 315,619	$308,099	3.01
" Female	19,968,589	1,303,110	1,113,353	989,110	356,118	1.57
Total Teachers	$26,340,447	$1,718,925	$1,468,617	$1,304,729	$664,217	2.01

It is of course obvious that not all employees affected by the proposed amendment uld elect to take full or even partial advantage of the 30 year - age 55 provision. The portions who will avail themselves of this provision from time to time will vary accord- to economic and employment conditions which cannot be predicted with any assurance of curacy. It is our opinion that the costs and liabilities shown above could be safely reduced one-half in the case of general employees and by two-thirds in the case of teachers. This inion is based on our observation of the effect of similar provisions in other retirement stems. For example, Connecticut Teachers' Retirement System has an actuarially equiva- nt retirement provision available after 30 years of service regardless of age. Out of 253 tirements in the last fiscal year, 22 came under this 30-year rule. Of course the proportion uld have been higher if full pensions instead of actuarially reduced pensions had been avail- le, but if the number had been tripled it would still be consistent with the assumption stated ove.

hese figures indicate the annual payments required to amortize the reserve increases over riods of 20, 25 and 30 years, respectively.

Accordingly, if we assume that the actual utilization of the 30 year - age 55 p sion will be such that one-half of the maximum additional costs are incurred in the cas general employees and one-third in the case of teachers, the probable additional costs be as follows:

Indicated Probable Cost of 30-Year - Age 55 Retirement Provision

	Increase in Present Reserves	*Amortization Payment Over 20 yrs.	25 yrs.	30 yrs.	Increase in Future Service (Present Amount	% pay
Gen. EES, Male	$2,389,909	$155,961	$133,250	$118,380	$ 66,876	[illegible]
" " Female	1,498,891	97,814	83,571	74,245	31,004	[illegible]
Total Gen. EES	$3,888,800	$253,775	$216,821	$192,625	$ 97,880	[illegible]
Teachers, Male	$2,123,953	$138,605	$118,421	$105,206	$102,700	1.[illegible]
" Female	6,656,196	434,370	371,118	329,703	118,706	[illegible]
Total Teachers	$8,780,149	$572,975	$489,539	$434,909	$221,406	[illegible]

*These figures indicate the annual payments required to amortize the reserve i creases over periods of 20, 25 and 30 years, respectively.

As a practical matter, the reserve increases would have to be financed by the S or other employer. These increases are so substantial that it would appear impracticab finance them by means of additional contributions from present employees. The future (normal) cost increases, on the other hand, could be financed by increasing present emp contributions. It should be borne in mind, however, that employee contributions are wo only approximately 80% of similar employer contributions owing to the return-at-death feature. Thus, the .28% necessary increase in general employee future service cost sho be translated into a .35% employee contribution. Similarly, the necessary .67% increas teachers' future service cost should be translated into a .85% employee contribution.

Certain variations of the above financial pattern are of course possible. For ex present employees could be assessed an additional 1% of payroll in lieu of the percentage indicated above, in which case the annual amortization payments could be reduced to son extent. The indicated reductions under such an arrangement will be quoted upon request above remarks apply only to present employees, however, as it would be manifestly unju to shift the retirement costs of present employees to future new employees.

While the indicated amortization payments may appear to represent formidable annual outlays, their relationship to total payroll should be borne in mind. On the 30-yea amortization basis, for example, the total annual outlay is $627,534, which amounts to le than 1% of the total combined payrolls of $67,700,000.

If the objection be made that it is unfair to tax employees entering at the higher a and therefore not in a position to benefit from the proposed 30 year - age 55 provision, wi he costs incidental to such provision, it could be answered that it costs more to retire entrants at the higher ages (notwithstanding the reduction in their benefits due to shorter periods of service), whereas such later entrants presently contribute no more than earlie entrants.

Our conclusions with regard to the practicability and probable cost of introducing 0 year - age 55 provision into the Retirement System are summarized as follows:

1. The additional cost involved is two-fold, consisting of (a) the future service nal) cost increase for the average new entrant, and (b) the upward adjustment of present rves carried on active members to compensate for the fact that such reserves are geared esent retirement provisions.

2. The future service (normal) cost increase could be met in an equitable manner by sing the contributions of present and future employees by modest salary percentages, dicated herein.

3. The reserve deficiencies are of such magnitude, however, that it would be im- icable to assess the resulting amortization costs against present active members, and ld be unjust to assess such costs against future members. Considered as percentages yroll the long-term amortization costs appear fairly reasonable; it is obvious, however, f the payroll base were confined to existing members it would rapidly decrease. The practical alternative is for the employers to assume at least the major portion of such .

Part B - Survivorship Benefits for Teachers

According to recent estimates made by Mr. Robert J. Myers, Chief Actuary of the l Security Administration, the long-range level premium cost of all old-age, survivors lisability benefits under the 1960 Act is 9.07% of payroll (excluding, of course, pay in ss of $4,800), of which 7.05% relates to primary old-age and disability benefits and to s benefits. The long-range level premium cost of survivorship benefits is therefore nated at 2.02%. As applied to Rhode Island teachers, the $255 maximum death benefit ided under Social Security could be eliminated in view of the death benefit available under xisting law.

The above figures were based on the general working population, which represents % male payroll, approximately. Since the Rhode Island Teachers' payroll is 69% female, conservatively estimated that a system of survivorship benefits similar to those offered e Federal Social Security Act could be offered for 1% of the combined male and female er payrolls, excluding those portions of all salaries in excess of $4,800. This percentage course equivalent to a somewhat smaller percentage of total teacher payrolls in which ons of salaries in excess of $4,800 are included.

Experience in Connecticut: Effective January 1, 1958, a system of survivorship fits patterned after the Federal Social Security Act, with variations, was introduced into Connecticut Teachers' Retirement System. Such benefits are approximately equivalent nount to the corresponding benefits under Social Security. An important variation is that survivorship benefits run to dependents of deceased active teachers only, thus excluding nents to dependents of deceased retired teachers. However, payments to widows of de- ed active teachers run until death or remarriage regardless of the existence, number or of children, whereas under Social Security, payments to a widow under age 62 depend on the existence of a dependent child or children. Where there are childred under age 18, additional benefits consistent with those under Social Security are provided. Lump sum benefits and payments to dependent parents and dependent husbands are also provided.

The above benefits are financed by an additional 1% of salary contribution from teachers. These contributions are deducted from salaries and accumulated as "regular interest" similarly to the teachers' regular 5% salary deductions. In case of the death teacher prior to retirement (or prior to the date when the so-called co-participant optic becomes effective) both his 5% and 1% accumulations are applied, as far as they will go pay the lump sum death benefit and any survivorship benefits which may be due to depe in accordance with the terms of the Act. If and when such accumulations become exhau however, the State assumes the payment of any further benefits due to dependents. Any unutilized portion of a deceased teacher's 5% and 1% accumulated deductions are payab his or her beneficiary.

In case the teacher continues in service until retirement, his 1% accumulations be either taken in case or used to purchase additional retirement benefits at favorable n rates. (A further feature is that a teacher may contribute up to 3% additional solely as savings or for the purchase of additional retirement annuities.)

It is evident, therefore, that under this plan no teacher can lost the benefit of h or her 1% assessment accumulation. This is an important consideration to female teach to whom survivorship benefits are applicable to a considerably lesser extent than to mal teachers.

The estimated projected cost to the State (which assumes survivorship payment only when the deceased teacher's accumulations become exhausted) was very moderate, reaching 0.31% of payroll after 25 years. For the first three years of operation, it was pected that State payments would total $27,500. The actual State payments over that per were $32,558. The mortality of teachers has been favorable on the whole, although it ex perienced a temporary rise immediately after the system was placed into operation.

It may be mentioned that, in order to assure that the State would experience no serious loss, the law was framed to provide that the 1% assessments are forfeitable in of withdrawal at durations of less than five years, and that accumulated interest on such assessments are forfeitable in case of subsequent withdrawal. Such forfeitures amount $86,400 as of June 30, 1960, and this accumulation has never been touched; thus, this precaution appears to have been entirely unnecessary.

The undersigned has conferred with Mrs. Dorothy S. Lewis, Executive Secretar of the Connecticut Teachers' Retirement Board, concerning the experience to date with su vivorship benefits in the Connecticut Teachers' Retirement System. Her opinion of the practicability of this feature, based on three years of practical experience, is almost ent ly favorable. However, she has some suggestions for certain improvements which she w be pleased to make available to the framers of a corresponding law in Rhode Island.

A copy of the Connecticut Act as it now stands is attached hereto. If the general nciples on which it is based are seriously considered for Rhode Island teachers, it should noted that certain improvements could well be made both in its provisions and its aseology. We shall be glad to cooperate in adapting the Connecticut Act to the Rhode nd system upon request.

Respectfully submitted,

Russell O. Hooker, F.S.A., F.C.A.S.
Consulting Actuary

RUSSELL O. HOOKER
Consulting Actuary
750 Main St.
Hartford 3 Connecticut

January 2, 1961

Mr. John J. Cashman, Chairman
Study Commission on State Retirement System
City Hall
Providence 3, Rhode Island

Dear Mr. Cashman:

At our conference on December 29, 1960, I agreed to estimate the annual cost of providing widows' benefits for teachers in case of their death after retirement. It is understood that such benefits would be approximately equivalent to those provided under the Social Security Act.

The long term level premium cost of this benefit is estimated at 1/2 of 1% (one-half of one per cent) of the payroll of all active teacher members, excluding portions of pay in excess of $4,800. Assuming that the cost would be borne by the teachers, a fund supported by such contributions and their investment earnings should be adequate to provide the above benefit for the widows of presently active teachers in case of their death after retirement. Such accumulated contributions would not be subject to withdrawal at death or termination of employment, and could only be used to pay widows' benefits as outlined above.

A problem would probably arise in relation to the attitude of female teachers toward being obliged to meet a payroll tax to provide a benefit chiefly applicable to male teachers. However, since the payroll percentage figure would be more than tripled if assessed against the male teachers alone, it appears essential that all teachers be required to contribute. Dependent widowers' and dependent parents' benefits, from which some female teachers would benefit, could be included, but these benefits account for only a small fraction of the 1/2 of 1% assessment.

The fund resulting from such accumulations should have actuarial attention from time to time as a check on its sufficiency with relation to benefits provided.

Sincerely yours,

/s/ Russell O. Hooker