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SECOND ANNUAL REPORT  
TEACHERS' RETIREMENT SYSTEM  
of the  
STATE OF KENTUCKY  
1941-42

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LETTER OF TRANSMITTAL

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COMMONWEALTH OF KENTUCKY  
TEACHERS' RETIREMENT SYSTEM  
FRANKFORT

Honorable Keen Johnson  
Governor of Kentucky

This, the Second Annual Report of the Board of Trustees of the Teachers' Retirement System of the State of Kentucky, in compliance with KRS 161.320, is respectfully submitted.

(Signed) Mary J. Maguire  
Mary J. Maguire, Chairman  
Board of Trustees.

(Signed) N. O. Kimbler  
N. O. Kimbler, Secretary  
Teachers' Retirement System.

December 1, 1942.

Second Annual Report of the Teachers' Retirement System of the State of Kentucky covering the period from July 1, 1941, to July 1, 1942.

We have performed to the best of our ability the responsibilities and duties prescribed by Law with reference to the Teachers' Retirement System. As of July 1, 1941, the membership of the Board of Trustees was as follows:

- Miss Mary J. Maguire, Chairman, Lexington
- Hal E. Dudley, Vice-Chairman, Louisville
- B. L. Trevathan, Benton
- W. F. O'Donnell, Eastern Kentucky State Teachers College, Richmond
- J. W. Brocker, Superintendent Public Instruction, Frankfort
- Hubert Meredith, Attorney General, Frankfort
- E. E. Shannon, State Treasurer, Frankfort

TABLE I. NET MEMBERSHIP 1941-42

Net membership previously reported . . . . .	18,292
New members with prior service . . . . .	849
New members without prior service . . . . .	<u>917</u>
Total gross membership . . . . .	20,058
Withdrawals and deaths 1941-42 . . . . .	<u>777</u>
Net membership June 30, 1942 . . . . .	19,281

Membership increased during the scholastic year 989. Only former members who have died or who have withdrawn their accounts from the Teachers' Savings Fund, in accordance with KRS 161.520, are included in the 777 shown in Table I. Many members have temporarily left the profession for service with the armed forces and work in defense plants, retaining membership as provided in KRS 161.520. By Rule VII., members in the military service retain membership for the duration of the war; others for three years.

TABLE II. NUMBER OF MEMBERS, PRIOR SERVICE, AND SALARIES TO THE END OF SECOND YEAR  
JULY 1, 1942

Class	Number	PRIOR SERVICE		PRIOR SERVICE SALARY	
		Total	Average	Aggregate	Average
Gross Brought Forward	18,455	209,671.5	11.36	17,118,618.38	927.58
New with Prior Service	849	6,796.4	8.01	689,310.20	752.79
New Without Prior Service	917	None	None	None	None
Sub Total	20,221	216,467.9	10.7	17,807,928.58	880.66
Withdrawals and Deaths	940	7,487.9	7.97	908,246.81	966.22
Totals and Averages	19,281	208,980.0	10.83	16,899,681.77	876.44

If the 917 new teachers without prior service are not included, the average prior service is then 11.37. The average prior service salary for teachers having prior service is \$910.72

During the two years, 940 members have left the Retirement System by death or withdrawal and their accounts have been refunded as provided in the Retirement Act. To July 1, 1942, the total of such refunds amounted to \$24,382.75. A corresponding amount has been transferred from the State Accumulation Fund to the Guarantee Fund as per the order of the Board of Trustees in accordance with KRS 161.420.

TABLE III. DISTRIBUTION BY AGE GROUPS OF 917 NEW ENTRANTS WITHOUT PRIOR SERVICE  
1941-42

Age Group	Number	SALARIES	
		Total	Average
17 - 24	692	\$490,733.55	\$ 709.15
25 - 29	148	121,911.32	837.24
30 - 34	41	40,777.54	994.57
35 - 39	19	18,452.49	971.18
40 - 44	10	10,728.80	1,072.88
45 - 49	5	4,766.50	953.30
50 - 54	2	1,940.00	970.00
55 - 70	None	None	None
Totals and Averages	917	\$689,310.20	\$ 752.79

Table III. gives the distribution of 917 new entrants without prior service. It appears that these members are entering the profession by choice and have not been influenced by present conditions. Included in Table III. are members who have filed Service Form A-2; others will be reported when service forms are filed.

TABLE IV. DISTRIBUTION BY AGE GROUPS OF 849 NEW ENTRANTS WITH PRIOR SERVICE 1941-42

Age Group	Number	PRIOR SERVICE		SALARIES	
		Total	Average	Total	Average
17 - 24	84	160.2	1.91	\$ 47,292.59	\$563.01
25 - 29	233	1,114.9	4.78	154,437.25	662.82
30 - 34	217	1,551.5	7.15	148,898.18	686.09
35 - 39	150	1,375.3	9.16	115,956.02	773.04
40 - 44	68	806.7	11.86	58,506.50	860.39
45 - 49	32	462.3	14.45	27,116.28	847.38
50 - 54	27	480	17.77	22,764.71	843.14
55 - 59	15	261	17.4	9,171.25	611.42
60 - 64	14	327.2	23.37	9,085.30	648.95
65 - 69	7	197.3	28.18	6,674.38	953.48
70 -	2	60	30	604.80	302.40
Totals and Averages	849	6,796.4	8.01	\$600,507.26	\$707.31

Table IV. gives distribution of the new entrants having prior service, many of whom, no doubt, have returned to the teaching profession due to the shortage of teachers. The average salary for this group is lower than the average salary of the group in Table III.

Table V. indicates that the average prior service of deceased members is about 20 years. Note the comparatively even distribution of ages. The percentage of deaths to the number in the age group increases sharply at age 55.

TABLE V. DISTRIBUTION BY AGE GROUPS OF DECEASED MEMBERS SHOWING PRIOR SERVICE AND SALARY (1940-42)

Age Group	Male	Female	Total	PRIOR SERVICE		SALARIES	
				Total	Average	Total	Average
17 - 24	1	2	3	6.5	2.17	\$ 1,462.44	\$ 487.48
25 - 29	1	3	4	22.2	5.55	3,451.00	862.75
30 - 34	3	2	5	56	11.2	4,644.37	928.87
35 - 39	4	3	7	70.8	10.1	7,701.30	1,100.19
40 - 44	1	1	2	39	19.5	3,200.00	1,600.00
45 - 49	1	1	2	41.5	20.75	1,018.65	509.33
50 - 54	2	2	4	102	25.5	3,860.00	965.00
55 - 59	1	7	8	202	25.25	10,118.80	1,264.85
60 - 64	1	5	6	179	29.83	7,271.80	1,211.97
65 - 69	1	5	6	165.5	27.58	11,906.00	1,984.33
70 -	0	3	3	90	30	4,410.20	1,470.07
Totals and Averages	16	34	50	974.5	19.5	\$59,044.56	\$1,180.89

TABLE VI. DISTRIBUTION BY AGE GROUPS OF FIRST 855 WHO HAVE WITHDRAWN THEIR ACCOUNTS (1940-42)

Age Group	Number	PRIOR SERVICE		SALARIES	
		Total	Average	Total	Average
17 - 24	281	677.1	2.4	\$216,284.55	\$ 769.69
25 - 29	278	1,605.8	5.77	252,931.24	909.82
30 - 34	171	1,528.9	8.9	173,297.63	1,013.44
35 - 39	72	910.0	12.6	82,749.65	1,149.30
40 - 44	33	457.6	13.86	31,964.12	968.61
45 - 49	14	165.3	11.8	20,581.50	1,470.11
50 - 54	3	90	30	6,000.00	2,000.00
55 - 59	2	45	22.5	1,348.00	674.00
60 - 64	1	14	14.0	1,275.00	1,275.00
65 - 70	None	None	None	None	None
Totals and Averages	855	5,483.7	6.4	\$786,431.69	\$ 919.80

For actuarial purposes, we ask that each withdrawing teacher give reason for withdrawal. Typical reasons are: (1) Better salary offered by other States, (2) to go into "defense work," (3) to establish a home or to give more time to home duties, and (4) to join the armed forces of the United States.

Table VI. does not include an estimated two thousand who are not now teaching, but who expect to return to the profession at the close of the war emergency or within three years.

TABLE VII. DISTRIBUTION BY AGE GROUPS OF MEMBERSHIP HAVING PRIOR SERVICE JULY 1, 1942

Age Group	Number	PRIOR SERVICE		SALARIES	
		Total	Average	Total	Average
17 - 24	2,652	6,046.4	2.23	\$ 1,777,839.87	\$ 670.38
25 - 29	4,580	25,992.7	5.68	3,570,593.34	779.56
30 - 34	4,241	40,432.4	9.53	3,775,620.83	890.27
35 - 39	2,924	38,739.4	13.25	3,009,307.16	1,029.17
40 - 44	1,541	26,259.3	17.04	1,691,235.61	1,097.49
45 - 49	1,097	22,100.4	20.16	1,257,837.25	1,146.62
50 - 54	746	17,262.2	23.14	859,528.91	1,152.18
55 - 59	555	13,913.9	24.98	604,564.06	1,089.30
60 - 64	400	10,522.8	26.31	440,492.21	1,101.23
65 - 69	228	8,223.5	28.55	321,068.52	1,114.82
70 -	116	3,438.8	29.64	123,074.95	1,060.99
Totals and Averages	19,140	212,931.8	11.12	\$17,431,162.71	\$ 910.72

There are some inaccuracies in Table VII, due to the late filing of 141 Service Forms A-1. This, however, does not change the averages given in this table.

The State's contribution for prior service is based upon the aggregate prior service salary as defined in the Act and as provided in KRS 161.550.

The median falls in the age group 30 - 34 which has an average of 9.53 years of prior service credit. Prior service is service in the public schools of Kentucky to July 1, 1941.

TABLE VIII. DISTRIBUTION BY AGE GROUPS OF SUPERANNUATED TEACHERS JULY 1, 1942

Age Groups	Number	Average Annuity	Average Reserve
60	4	\$ 152.78	\$ 2,006.00
61	7	133.59	1,728.00
62	2	100.00	1,165.00
63	3	171.67	1,999.00
64	6	100.00	1,092.00
Average 62	Total 22	Average \$ 130.06	Average \$ 1,591.00
65	7	\$ 165.67	\$ 1,959.00
66	12	179.35	1,993.00
67	8	215.31	2,428.00
68	5	236.42	2,421.00
69	2	109.96	1,003.00
Average 66.5	Total 34	Average \$ 189.31	Average \$ 2,093.00
70	36	\$ 346.66	\$ 3,479.00
71	27	346.95	3,325.00
72	29	335.71	3,094.00
73	16	279.90	2,373.00
74	13	349.20	2,900.00
75	8	361.15	3,138.00
76	13	259.75	2,045.00
77	6	314.04	2,543.00
78	7	410.45	2,884.00
79	3	244.40	1,569.00
80	3	314.92	2,084.00
81	1	630.00	3,361.00
82	4	209.76	1,225.00
83	1	294.00	1,410.00
87	1	276.28	1,056.00
Average 73.25	Total 168	Average \$ 329.41	Average \$ 2,908.00
Grand Average 71.125	Grand Total 224	Grand Average \$ 288.57	Grand Average \$ 2,655.00

The average age of our retired teachers was 71.125 years at retirement on July 1, 1942. This is due to the retirement of 168 teachers who were 70 years old or older.

The average is higher than it will be when the curve is extended by future retirements. In the experience of older Systems, the average age of retirement approaches 64.

According to the 1937 Standard Annuity Mortality Table, this group of annuitants require a reserve of \$600,000.00 in round numbers, \$574,952.09 of which is for prior service.

The deaths of three annuitants have been reported and eleven retired teachers are teaching this year under emergency certificates, granted in accordance with KRS 161.100.

On file in the office of the Board of Trustees is a detailed table showing age, prior service, subsequent service, prior service salary, subsequent service salary, annuity, reserve, and location of each retired annuitant.

About \$16,000.00 is required quarterly to pay the annuities of superannuated teachers retiring as of July 1, 1942. Quarterly checks are mailed in September, December, March, and June of each year.

TABLE IX. DISTRIBUTION BY AGE GROUPS OF TEACHERS RETIRED BECAUSE OF DISABILITY  
JULY 1, 1942

Age Groups	Number	Average Annuity	Average Reserve
51	2	\$ 134.38	\$ 2,263.00
52	1	115.20	1,760.00
56	1	214.76	2,981.00
58	1	270.00	4,047.00
59	1	100.00	1,276.00
Average 54.5	Total 6	Average \$161.45	Average \$ 2,433.00

Annuities granted to teachers retiring for disability are comparatively small. This removes the temptation that there might be in case of a comparatively large disability annuity, and it appears that in only extreme cases are members applying for retirement for disability. The doctors' examinations which we have received appear to be quite adequate and satisfactory. The number of teachers retiring for disability is small in comparison with the experience of other Teachers' Retirement Systems.

Section 4506b-35, Kentucky Statutes, provides that, "During any fiscal year, with the exception of the fiscal year 1940-41, an amount which shall not be greater than four (4) per centum of the receipts of the state accumulation fund shall be set aside into the expense fund or expended for the administration of this Act." During the two years that the Retirement System has been in operation, the cost of its administration is shown in the following table.

TABLE X. COST OF ADMINISTRATION

Year	Receipts of SAF	Expenses	Percentage
1940-41	\$ 476,089.49	\$ 23,669.88	4.97
1941-42	481,713.03	18,232.93	3.78

TABLE XI. CONSOLIDATED BALANCE SHEET -- ALL FUNDS  
June 30, 1942

	Expense Fund	Teachers' Savings Fund	State Accumulation Fund	Allowance Reserve Fund	Guarantee Fund	Investment Fund	Totals*
<b>ASSETS:</b>							
Cash	\$	\$ 39,887.08	\$ 49,058.44	\$ 3,852.60	\$ 8,222.61	\$ 569.76	\$ 101,590.48
Advanced for Investments	--	899,171.36	890,000.00	--	34,000.00	--	--
Due from Guarantee Fund	--	19,751.42	19,751.42	--	--	--	--
Accounts Receivable	--	11.75	--	--	--	--	11.75
Cold Checks	--	9.94	--	--	--	--	9.94
Investments - Par Value	--	--	--	--	--	1,712,000.00	1,712,000.00
Deposit - Bond Subscription	--	--	--	--	--	65,000.00	65,000.00
Unamortized Premium	--	--	--	--	--	45,323.08	45,323.08
Accrued Interest Purchased	--	--	--	--	--	278.53	278.53
Office Equipment	8,024.38	--	--	--	--	--	8,024.38
<b>Total Assets</b>	<b>\$8,024.38</b>	<b>\$958,831.55</b>	<b>\$958,809.86</b>	<b>\$3,852.60</b>	<b>\$42,222.61</b>	<b>\$1,823,171.36</b>	<b>\$1,932,238.16</b>
<b>LIABILITIES:</b>							
Accounts Payable	--	84.23	--	--	--	--	84.23
Fund Balances	--	958,737.38	958,809.86	--	2,719.77	--	1,920,267.01
Refund of Claims	--	--	--	3,852.60	--	--	3,852.60
Due-Teachers' Savings Fund	--	--	--	--	19,751.42	899,171.36	--
Due-State Accumulation Fund	--	--	--	--	19,751.42	890,000.00	--
Due - Guarantee Fund	--	--	--	--	--	34,000.00	--
Reserve - Cold Checks	--	9.94	--	--	--	--	9.94
Surplus Equipment	8,024.38	--	--	--	--	--	8,024.38
<b>Total Liabilities and Fund Balances</b>	<b>\$8,024.38</b>	<b>\$958,831.55</b>	<b>\$958,809.86</b>	<b>\$3,852.60</b>	<b>\$42,222.61</b>	<b>\$1,823,171.36</b>	<b>\$1,932,238.16</b>

(\* ) Inter-Fund Accounts Omitted

Table XI. is taken verbatim from the report of Honorable D. A. Logan, Auditor of Public Accounts, Commonwealth of Kentucky, who is Ex Officio Auditor of the Teachers' Retirement System. A copy of his full report could not be included in this report, but interested parties or participants are respectfully referred to the copy on file in the office. The audit of Mr. Logan is in complete reconciliation with our books and records and with the Division of Accounts and Control and the State Treasurer's office.

TABLE XII. GENERAL BALANCE SHEET  
 Teachers' Retirement System  
 June 30, 1942

Current Assets		
Cash	\$ 101,899.68	
Accounts Receivable	<u>11.75</u>	
Total Current Assets		\$ 101,911.43
Investments		
U. S. Government Bonds Par	\$1,777,000.00	
Unamortized Premium	45,323.08	
Accrued Interest Purchased	<u>278.53</u>	
Total Investments		\$1,822,601.61
Fixed Assets		
Office Equipment		<u>8,024.38</u>
Total Assets		\$1,932,537.42
Current Liabilities		
Accounts Payable	\$ 84.23	
Reserve for Encumbrances	<u>4,129.54</u>	
Total Current Liabilities		\$ 4,213.77
Net Assets		\$1,928,323.65
Fund Balances		
Expense Fund	\$ 8,056.64	
Teachers' Savings Fund	958,737.38	
State Accumulation Fund	958,809.86	
Guarantee Fund	<u>2,719.77</u>	
	<u>\$1,928,323.65</u>	<u>\$1,928,323.65</u>

Table XII. is a General Balance Sheet prepared by our accountant. The First Annual Report showed a deficit in the Guarantee Fund. This, the Second Annual Report, shows a balance of \$2,719.77 in the Guarantee Fund.

TABLE XIII. GENERAL STATEMENT  
 RECEIPTS AND EXPENDITURES  
 Teachers' Retirement System  
 July 1, 1941 to June 30, 1942

Cash Balance July 1, 1941			\$ 106,764.68
Receipts for the Year			
Teachers' Savings	\$481,742.35		
Less Special Refunds	<u>29.32</u>		
Net Savings		\$	481,713.03
State Contribution			481,713.03
Sale of Investments			265,563.33
Profit on Sale of Investments			2,824.17
Interest on Investments			25,287.04
State Allotment for Expenses			18,286.97
Excess Refunds Recovered			<u>2.00</u>
Total Receipts			\$1,275,389.57
Total Cash Available			\$1,382,154.25
Expenditures			
Disbursements for 1940-41			
Expenses Paid	\$ 3,781.60		
Refund Claims Paid	884.65		
Returned to General Fund	<u>240.63</u>		
Total		\$	4,906.88
Disbursements for 1941-42			
Actuarial Service	\$ 350.00		
Board of Trustees Expense	680.19		
Fidelity Bond	50.00		
Medical Service	3.00		
Postage	498.40		
Printing & Office Supplies	566.63		
Salaries	14,617.18		
Telephone & Telegraph Expense	147.97		
Travel Expense	525.30		
Miscellaneous Expense	186.10		
Office Equipment	<u>353.00</u>		
Total		\$	17,977.77
Refund Claims Paid			18,257.65
U. S. Government Bonds Purchased			<u>1,239,112.27</u>
Total Disbursements			\$1,280,254.57
Cash Balance June 30, 1942			\$ 101,899.68
Cash Reserved for Encumbrances			<u>4,129.54</u>
Cash Balance Unencumbered June 30, 1942			<u>\$ 97,770.14</u>

