

FIFTH ANNUAL REPORT
TEACHERS' RETIREMENT SYSTEM
of the
STATE OF KENTUCKY
1944-45

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LETTER OF TRANSMITTAL

Commonwealth of Kentucky
Teachers' Retirement System
Frankfort

Honorable Simeon Willis
Governor of Kentucky
Frankfort, Kentucky

Dear Governor Willis:

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

Evaluation Balance Sheet and pertinent excerpts from Reports of the Actuary of the System, made in accordance with KRS. 161.400, are included in this Report.

Report of the Auditor of the Commonwealth of Kentucky, made under KRS. 43.050, has been filed and reference thereto is made.

Record of the proceedings of the Board of Trustees is maintained in good order, the funds of the System safely invested, and the Law faithfully carried out.

Respectfully yours,

(Signed) Mary J. Maguire

Chairman, Board of Trustees

(Signed) N. O. Kimbler

Secretary, Teachers' Retirement System

December 1, 1945

INTRODUCTION

The Teachers' Retirement System of the State of Kentucky began operation July 1 1940, and the fifth fiscal year ended June 30, 1945. The end of the fifth year of operation has special significance in that, at that time, the Board of Trustees is to provide for a complete Actuarial study of the System and report needed changes, if any, and to request a sufficient budget in the light of any changes, as provided in KRS. 161.400 limited by KRS. 161.550.

The members of the Board of Trustees upon whom this responsibility devolves are:

Mary J. Maguire, Chairman, Lexington
L. C. Curry, Vice Chairman, Bowling Green
Morton Walker, member, Louisville
J. F. Williams, Superintendent of Public Instruction, Frankfort
Edward L. Cawood, Banker, member, Harlan
T. W. Vinson, State Treasurer, Frankfort
Eldon S. Dummit, Attorney General, Frankfort

The Board of Trustees meets quarterly in the office of the Superintendent of Public Instruction. He has been present at each meeting. The advice of the State Treasurer and the Attorney General is always available to the Board and the office staff.

The war has caused unusual conditions of turnover in the teaching staff of the public schools and this occasions increased work in the Retirement office, which is located adjacent to the Department of Education, and has a staff of ten workers including the Secretary of the Retirement System.

The 18,771 accounts of active members and the 11,229 accounts of members presently not teaching are on individual ledger cards and are kept in fireproof containers. The proceedings of the Board, the Fund Account Books, Bond Register, and other vital records are kept in a fireproof safe.

The Retirement office receives each month a copy of the pay roll from each school district and participating college or institution together with a check for the total of the contributions of the members represented thereon, and which, after record is made, is covered into the Treasury of the Commonwealth through the hands of the State Treasurer and credited to the proper Fund. Each month the appropriation to the Retirement System is drawn upon by warrant to State Treasurer to match said members' contributions as provided by Law. This is credited to the State Accumulation Fund.

Interest on securities held by the State Treasurer is collected regularly and placed to the credit of the Guarantee Fund. All funds and accounts are balanced monthly.

Refunds to members permanently leaving the profession of teaching are made at the close of the month following the month of receipt of application for refund properly verified and the surrender of the Retirement Certificate.

Beneficiaries, guardians, and administrators of estates of deceased members are settled with promptly, upon the filing of the proper documents from Probate Courts or other officials with satisfactory proof of death.

Retirement checks are mailed without delay and in accordance with KRS. 161.640.

About 400 inquiries from teachers are answered each month. These usually pertain to individual status under the Retirement Act.

STATISTICAL

New members are more or less delinquent in filing Service Forms provided by the Board. This affects our Net Membership Table I and in course of time would deprive the System of needed experience data. Practically every experienced teacher has filed a Service Form A-1 and been issued a Prior Service Certificate as required by KRS. 161.500. To date 22,294 prior service certificates have been issued by the Board of Trustees.

Table I. Net Membership 1944-45

Net membership previously reported	21,297
New members with prior service	316
New members without prior service	789
Total gross membership	22,402
Withdrawals and deaths 1944-45	1,114
Members retired July 1, 1945	108
	<u>1,222</u>
Net membership July 1, 1945	21,180

Table I shows the number of teachers who have contributed as recently as three years and who have filed service forms. On July 1, 1945, interest stopped on 1,732 accounts. There are approximately 30,000 accounts on which interest is still added monthly. Of this number, 18,771 are paying contributions and 11,229 are not teaching this year.

On July 1, 1944, interest stopped on 1,169 accounts not included in the foregoing.

Active members pay their contributions by deduction on the pay roll, regardless of whether they have filed service forms and hold retirement certificates. To date 4,698 Retirement Certificates have been issued upon the basis of Forms A-2 filed by new teachers, making a total of 26,992 Retirement Certificates issued.

Since there are 18,771 presently paying contributions, and of which about 2,000 have not filed service forms, it indicates in part the great turnover in teachers during the war.

The number of service forms filed constitute a valid sampling of the membership, but it would be better if every new teacher, upon signing contract to teach, filed her retirement service form as required by KRS. 161.480,

The Service Form is filed only once during continuous membership.

During 1944-45 we gained one participating unit and lost by merger two units, leaving a net number of participating units of 268.

Table II. Number of Members, Prior Service and Salaries End of Fifth Year

Items	Number	PRIOR SERVICE		PRIOR SERVICE SALARY	
		Total	Average	Aggregate	Average
Brought Forward	21,709	202,544.06	9.33	\$16,417,966.20	\$ 756.29
New with Prior Service . . .	316	2,024.6	6.4	324,229.73	1,026.04
New without Prior Service . .	789	-	-	-	-
Sub Total	22,814	204,568.66	9.3	\$16,742,195.93	\$ 760.15
Withdrawals and Deaths . . .	1,114	7,984.6	7.2	698,041.43	890.36
Retired July 1, 1945 . . .	108	2,927.9	27.1	111,166.56	1,029.32
Totals and Averages	21,592	193,656.2	9.6	\$15,932,987.94	\$ 749.43

Table II shows that 411 members have filed Service Forms A-1 but have not contributed for more than three years. When they withdraw their accounts, these forms will be counted in a different category and will not appear in this table.

The average prior service; the aggregate and average prior service salaries are for teachers having prior service only. The State's annual obligation for prior service is measured by this table and for 1945-46 is 2% of \$15,932,987.94 which is \$318,659.76 exactly.

The earlier the State meets its obligation for prior service, the less it will be, due to 3% compound interest being credited to the Allowance Reserve Fund.

The average prior service shows a slight increase, but the trend is distinctly downward. On July 1, 1945, members held approximately 194,000 years of prior service credit and approximately 74,000 years of subsequent service credit. The prior service credit will diminish each year and the subsequent service credit will increase at the rate of one year for each teaching position coming under the purview of the Retirement Act.

Table III shows the overwhelming number of new members not of college graduation age. The salary indicates few or no college hours for those 20 and under. Last year the average salary of new entrants without prior service was \$781.87; this year it is \$1,008.90. Many of the young-middle-aged members indicated on this table are teaching to help out and will leave the profession as soon as they can be replaced. There is evidence of a few such replacements at this time.

Table III. Distribution by Ages of 789 New Entrants Without Prior Service 1944-45

Age	Number	SALARIES	
		Total	Average
20 and under	274	\$210,059.29	\$ 766.63
21	87	90,529.23	1,040.57
22	69	71,944.96	1,042.68
23	39	39,796.24	1,020.42
24	28	30,888.93	1,103.18
25	26	25,862.61	994.72
26	22	24,667.37	1,121.24
27	20	21,466.70	1,073.34
28	15	18,946.06	1,263.07
29	23	28,007.92	1,217.74
30	15	18,965.40	1,264.36
31	19	26,015.47	1,530.32
32	14	15,544.90	1,110.35
33	14	16,495.00	1,178.21
34	18	19,264.52	1,070.25
35	6	6,005.15	1,000.83
36	9	10,065.41	1,118.38
37	15	19,722.00	1,314.80
38	4	7,024.00	1,755.80
39	10	12,697.62	1,269.76
40	8	7,947.40	993.43
41	9	11,762.20	1,306.91
42	7	9,109.50	1,301.36
43	3	4,063.47	1,354.49
44	3	4,528.89	1,509.30
45	2	1,367.75	683.88
46	1	1,040.40	1,040.40
47	6	10,331.22	1,721.87
48	6	9,104.10	1,517.35
49	1	736.00	736.00
50	4	3,553.00	888.25
51	0	0.00	0.00
52	5	10,000.00	2,000.00
53	0	0.00	0.00
54	1	2,000.00	2,000.00
55	0	0.00	0.00
56	2	2,106.96	1,008.48
57	1	720.00	720.00
58	1	1,215.00	1,215.00
59	0	0.00	0.00
60	1	990.00	990.00
61	1	1,575.00	1,575.00
62 and over	0	0.00	0.00
Totals and Average	789	\$796,029.67	\$1,008.90

Table IV. Distribution by Ages of 316 New Entrants With Prior Service 1944-45

Age	Number	PRIOR SERVICE		PRIOR SERVICE SALARY	
		Total	Average	Total	Average
24	2	2.0	1.0	\$ 1,870.00	\$ 935.00
25	1	1.0	1.0	954.00	954.00
27	2	7.4	3.7	2,201.00	1,100.50
28	4	9.0	2.3	3,553.38	888.35
29	8	14.8	1.9	8,693.50	1,086.70
30	9	30.2	3.4	8,604.11	956.01
31	6	19.9	3.3	6,377.08	1,062.85
32	9	31.7	3.5	7,852.46	872.50
33	18	79.2	4.4	17,376.08	965.34
34	16	79.2	5.0	18,847.67	1,177.98
35	15	72.2	4.8	16,040.17	1,069.34
36	14	93.9	6.7	17,141.12	1,224.37
37	16	88.1	5.5	16,610.20	1,038.14
38	21	106.6	5.1	20,495.53	975.98
39	16	77.6	4.9	16,521.14	1,032.57
40	17	93.6	5.5	18,597.72	1,093.98
41	12	77.6	6.5	14,486.63	1,207.22
42	9	54.0	6.0	9,933.76	1,103.75
43	15	124.8	8.3	14,809.96	987.33
44	10	70.8	7.8	10,312.64	1,031.26
45	14	70.8	5.5	15,719.81	1,122.85
46	8	47.6	6.0	6,347.41	793.43
47	8	72.4	9.5	7,912.55	989.07
48	10	90.4	9.4	10,674.35	1,067.44
49	8	60.1	7.5	6,983.04	872.88
50	6	43.2	7.2	5,380.54	896.75
51	6	59.5	9.9	5,478.50	913.08
52	5	51.3	1.2	4,250.45	850.09
53	4	27.9	7.0	4,331.50	1,082.88
54	5	42.5	8.5	3,957.50	791.50
55	3	39.0	13.0	2,688.00	896.00
56	5	101.8	20.4	5,962.62	1,192.50
57	6	77.7	13.0	5,062.67	843.78
60	2	27.5	13.8	1,895.39	947.70
62	2	37.5	18.8	2,418.25	1,209.13
64	1	6.0	6.0	679.00	679.00
65	1	26.8	26.8	1,070.00	1,070.00
67	1	5.0	5.0	880.00	880.00
68	1	4.0	4.0	1,260.00	1,260.00
Totals and Averages	316	2,024.6	6.4	\$324,229.73	\$1,026.04

Table IV does not indicate any better condition than Table III. The mode is around age 38 which indicates again a temporary return to the profession. There is no evidence that members of military age are being recruited.

The data of these two tables indicate that the beneficial effects of the Retirement System are being delayed by the present unstable condition of the teaching staff of the state, at least in part. Some way must be found to recruit and train young people who will go into teaching as a life work. If necessary, the Retirement Law should be improved guaranteeing more security and competing more successfully with private employment and other professions.

Since during 1944-45 we lost by death 7 members without prior service - 4 men and 3 women, no table is inserted for them. The age range was from 19 to 67 and the average salary is \$925.45.

Careful record is kept of the deaths for each year, including the cause of death as reported by the physician. In this way we will later be able to determine from experience tables our own factor for loss by death before retirement.

In our Fourth Annual Report the reader will find our Standard Annuity Mortality Table 1937, Compound Interest and Discount Table Three Per Cent, and other useful tables which cannot be carried in this report for lack of space.

For convenience, we repeat in this report Table J which is used by our Retirement System.

Table J. Number of Withdrawals, Deaths, and Disabilities Per 1,000 Active Members by Age Groups

Age	Withdrawal	Death	Disability
20	7.65	2.2	0.5
25	9.60	2.5	0.6
30	8.28	3.0	0.9
35	4.27	3.5	1.4
40	.96	4.4	2.5
45	.40	5.6	4.9
50	.15	7.3	11.2
55	.03	10.6	19.3
60	.0	19.3	29.8
65	.0	35.5	45.2
70	.0	62.3	66.0

Table V. Distribution by Ages of Members With Prior Service Deceased Before Retirement 1944-45

Age	NUMBER			PRIOR SERVICE		SALARIES	
	Male	Female	Total	Total	Average	Total	Average
22	0	1	1	5.0	5.0	\$ 436.71	\$ 436.71
23	1	0	1	2.0	2.0	539.35	539.35
25	1	1	2	5.6	2.8	1,420.50	710.25
26	0	1	1	10.0	10.0	847.20	847.20
27	1	1	2	12.0	6.0	1,168.21	584.11
29	1	0	1	8.0	8.0	1,996.00	1,996.00
30	1	0	1	10.0	10.0	1,441.64	1,441.64
31	0	1	1	12.0	12.0	1,375.00	1,375.00
32	1	0	1	13.0	13.0	424.48	424.48
33	1	0	1	5.0	5.0	2,000.00	2,000.00
34	0	3	3	39.0	13.0	2,467.96	822.65
35	0	1	1	15.0	15.0	800.39	800.39
36	0	2	2	23.5	11.8	1,230.75	615.38
39	0	1	1	8.0	8.0	646.72	646.72
41	1	0	1	16.0	16.0	1,440.00	1,440.00
42	1	0	1	12.0	12.0	2,000.00	2,000.00
43	0	1	1	16.3	16.3	342.30	342.30
45	0	1	1	15.6	15.6	757.14	757.14
46	0	1	1	25.0	25.0	2,000.00	2,000.00
47	0	1	1	25.8	25.8	688.14	688.14
48	1	1	2	47.3	23.7	1,242.06	621.03
49	0	1	1	28.0	28.0	1,175.00	1,175.00
50	1	1	2	30.9	15.5	3,200.00	1,600.00
51	0	1	1	30.0	30.0	852.12	852.12
52	1	0	1	24.6	24.6	2,000.00	2,000.00
55	0	2	2	58.0	29.0	1,047.80	523.90
56	1	0	1	30.0	30.0	501.19	501.19
59	0	2	2	60.0	30.0	2,441.44	1,220.72
61	1	0	1	30.0	30.0	494.90	494.90
62	0	1	1	30.0	30.0	1,660.00	1,660.00
63	2	0	2	60.0	30.0	1,821.45	910.72
64	1	0	1	12.0	12.0	1,080.00	1,080.00
Totals & Averages	17	25	42	719.6	17.1	\$41,538.45	\$ 989.01

Since there were no retirements during the first two years of membership, Table VI shows some deaths after age 70.

We find that all deaths are not promptly reported. The importance of this is not yet a matter of common knowledge. If any member's account has received no contributions for three years, we investigate. In this way we find the unreported deaths occurring before retirement.

Table VII includes members with and without prior service credit who have permanently left the teaching profession. There are 622 without prior service and having average salaries of \$957.34. This average salary compares with the average salary of 789 new entrants as shown in Table III to be \$1,008.90.

The average salary of the experienced teachers permanently leaving the profession is \$901.55 and while the prior service credit ranges by ages from 1.4 years to 20 years, the average is 6.9 years. The aggregate prior service is 20,026.1 and their aggregate prior service salaries \$2,599,172.35. This reduces the state's obligation for prior service \$71,983.45; a sufficient amount to offset any obligation for out-of-state prior service in case the General Assembly should make a limited amount of such service valid by amendment.

The total number of members who have withdrawn their accounts and surrendered their retirement certificates is 3,505; there remaining something over 5,000 members who should, and who are eligible to withdraw. As a whole, members are slow in applying for the refund due them.

The most frequent reason given for withdrawal is "Marriage" or "Home Making" and the next most frequent is "Inadequate salary" or "Gone into other work."

Of the total number withdrawing, 3,505, only 915 withdrew during 1944-45. The attained modal age was 34 and the average salary at this age \$981.93. It is not difficult to infer that low salary after several years of service is the real cause for withdrawal.

After the war conditions are over, we believe members should be encouraged to withdraw their accounts in all cases where it appears that withdrawal is likely to be permanent by immediately filing request for refund and surrendering retirement certificate. Under present conditions when a teacher resigns, often the Superintendent does not know whether the teacher is leaving the profession or whether she is merely transferring to a school system where the salary is better.

Without doubt, we are handling thousands of accounts for persons who will never teach again. This is expensive and the loss to the System is considerable, due to the fact that interest is credited each year for three years after the teacher quits teaching. Three per cent compound interest for three years amounts to 9.3% of the account. This is a gain for the former teacher, but a loss to the System.

The total of Table VII is 3,505 and the total of Schedule 4, page 21, is 3,575. This indicates that 70 teachers have withdrawn permanently from the profession and the account has been refunded to them and later re-entered the profession and withdrawn a second time. The member certifies that the withdrawal is permanent before the refund is made.

Table VI. Members by Ages and Sex Deceased Before Retirement 1940-45

Age	NUMBER			PRIOR SERVICE		SALARIES	
	Men	Women	Total	Total	Average	Total	Average
20	2	0	2	1.0	.5	\$ 979.16	\$ 489.58
21	1	2	3	7.0	2.3	1,358.63	452.88
22	0	3	3	9.0	3.0	2,132.52	710.84
23	4	1	5	7.5	1.5	5,247.35	1,049.47
24	0	1	1	7.0	7.0	3,151.05	3,151.05
25	3	3	6	19.6	3.3	4,263.85	710.64
26	2	2	4	26.5	6.6	2,592.90	648.23
27	4	1	5	20.2	4.0	4,209.71	841.94
28	2	2	4	27.0	6.8	2,361.35	590.34
29	2	0	2	15.7	7.9	2,442.91	1,221.46
30	3	2	5	41.7	8.3	4,234.81	846.96
31	2	2	4	48.0	12.0	3,277.62	819.41
32	2	1	3	39.9	13.3	2,751.86	917.29
33	2	0	2	17.7	8.9	2,670.88	1,335.44
34	1	7	8	89.9	11.2	6,299.97	787.50
35	0	2	2	32.0	16.0	2,450.39	1,225.20
36	3	5	8	93.1	11.6	5,707.31	713.41
37	1	1	2	19.0	9.5	5,091.40	2,545.70
38	1	2	3	44.8	14.9	4,684.60	1,561.53
39	0	3	3	39.6	13.2	1,990.29	663.43
40	0	5	5	84.7	16.9	3,589.40	717.88
41	2	2	4	62.5	15.6	4,665.26	1,166.32
42	3	0	3	41.0	13.7	1,438.79	479.58
43	1	4	5	105.9	21.2	4,435.48	887.10
44	2	2	4	31.1	7.8	3,312.76	828.19
45	3	3	6	112.1	18.7	5,993.00	998.83
46	1	3	4	81.1	20.3	4,251.22	1,062.81
47	2	1	3	49.9	16.6	2,357.83	785.94
48	3	1	4	106.4	26.6	2,409.72	602.43
49	0	4	4	103.8	25.9	4,599.56	1,149.89
50	0	3	3	60.9	20.3	4,840.00	1,613.33
51	1	5	6	158.0	26.3	6,118.44	1,019.74
52	1	2	3	84.6	28.2	4,410.20	1,470.07
53	0	2	2	44.0	22.0	2,581.20	1,290.60
54	0	3	3	77.0	25.7	2,439.48	813.16
55	0	2	2	58.0	29.0	1,056.80	528.40
56	2	3	5	126.0	25.2	5,770.57	1,154.11
57	0	3	3	90.0	30.0	3,166.26	1,055.42
58	2	2	4	118.0	29.5	5,494.59	1,373.65
59	1	7	8	211.7	26.5	9,964.27	1,245.83
60	2	3	5	118.3	23.7	6,075.38	1,215.08
61	2	4	6	175.0	29.1	7,322.21	1,220.37
62	1	2	3	89.1	29.7	3,721.52	1,240.51
63	3	0	3	68.0	22.7	3,540.06	1,180.02
64	1	2	3	68.0	22.7	1,942.00	647.33
65	3	2	5	138.0	27.6	6,562.54	1,312.51
66	4	3	7	185.4	26.5	8,545.98	1,220.85
67	0	3	3	60.0	20.0	3,250.05	1,083.35
68	1	3	4	120.0	30.0	5,093.55	1,273.39
74	0	3	3	90.0	30.0	4,527.20	1,509.07
77	0	1	1	30.0	30.0	685.62	685.62
Totals & Averages	76	123	199	3,554.70	17.9	\$202,059.50	\$1,015.37

Table VII. Members Who Have Withdrawn Before Retirement 1940-45

Entrance Age	Number Without P. S.	Number With P. S.	PRIOR SERVICE		PRIOR SERVICE SALARIES	
			Total	Average	Total	Average
20	85	118	165.1	1.4	\$ 74,806.61	\$ 633.95
21	77	136	253.7	1.9	99,262.78	729.87
22	47	170	381.1	2.2	135,753.61	798.55
23	40	176	550.9	3.1	145,207.09	825.04
24	36	202	798.6	4.0	166,248.20	823.01
25	36	200	906.2	4.6	178,099.16	890.50
26	23	202	1,068.5	5.3	171,847.49	850.73
27	20	165	1,021.0	6.2	146,003.73	884.87
28	22	149	1,017.9	6.8	134,825.22	904.87
29	19	150	1,188.2	7.9	134,683.11	897.89
30	34	164	1,362.7	8.3	159,187.62	970.66
31	16	140	1,213.0	8.7	136,798.24	977.13
32	15	120	1,109.3	9.2	116,530.46	971.09
33	14	112	1,063.2	9.5	114,831.94	1,025.27
34	9	102	1,038.4	10.2	106,494.51	1,044.06
35	5	91	994.5	10.9	84,395.00	927.41
36	11	64	672.5	10.5	73,405.53	1,146.96
37	9	78	903.0	11.6	80,975.13	1,038.14
38	13	53	584.0	11.0	59,768.76	1,127.71
39	10	35	461.8	13.2	32,255.00	921.49
40	11	43	490.8	11.6	38,405.94	893.16
41	9	32	367.5	11.5	33,366.02	1,042.69
42	7	32	432.7	13.5	34,199.63	1,068.74
43	8	14	210.8	15.1	11,801.34	842.95
44	6	12	150.0	12.5	13,398.92	1,116.58
45	2	12	133.7	11.1	11,758.10	979.84
46	8	14	149.1	10.7	13,414.94	958.21
47	1	6	99.1	16.5	5,582.00	930.33
48	0	8	83.7	10.5	10,498.50	1,312.31
49	2	14	212.7	15.2	14,216.09	1,015.44
50	4	13	227.3	17.5	9,960.45	766.19
51	3	4	30.7	7.7	3,689.41	922.35
52	4	12	185.0	15.4	12,729.86	1,060.82
53	0	5	44.3	8.8	4,470.00	894.00
54	3	9	131.8	14.6	6,995.96	777.33
55	2	5	89.7	17.9	4,233.20	846.64
56	3	2	15.0	7.5	1,241.00	620.50
57	2	5	57.0	11.4	4,700.80	940.16
58	2	3	29.8	9.9	1,785.00	595.00
59	1	3	33.5	11.2	3,031.00	1,010.33
60	1	3	45.0	15.0	3,000.00	1,000.00
61	1	1	20.0	20.0	650.00	650.00
62	0	2	12.3	6.1	2,880.00	1,440.00
63	0	1	11.0	11.0	1,260.00	1,260.00
64	1	1	10.0	10.0	525.00	525.00
Totals & Averages	622	2,883	20,026.1	6.9	\$2,599,172.35	\$ 901.55

Table VIII does not represent all of the prior service for which credit may be given because there are a significant number of members who have not filed Service Form A-1, but it represents the distribution by age at entrance and salary. Refer to Table II for the State's full obligation for prior service for 1945-46.

In making Table VIII each Form A-1 was tabulated if the member filing it was living and if her account had not been withdrawn.

Table VIIIA provides current age and salary data for 1944-45. We had 1,453 active teachers who entered the profession at age 20 or under. Their salaries indicate little or no college training. The distribution from age 25 to age 40 is very encouraging and constitutes the backbone of the teaching staff of the state and represents about one-half of all of our active teachers.

These data are taken directly from the contributing member's ledger card. The number 18,771 exceeds the number of teaching positions because of the number paying contributions under leave of absence, under KRS. 161.610, or during military service.

Under KRS. 161.610 a member with 30 or more years of service, if under 60 years of age, may refuse to withdraw her account, if she quits teaching for any reason, and may pay her contribution personally directly to the Retirement System and begin to draw her annuity at age 60.

Many members in military service, especially officers, pay their contributions under a regulation of the Retirement Board. Most members on leave pay their contributions while on leave.

Salaries indicate little or no increment for service and remain practically the same for all ages. The average of \$1,267.62 reflects recent increases in State support and may be compared with average prior service salaries to show extent of average increase. It should be kept in mind that the age indicated is the age "at entrance."

Table VIIIB, not included in this report, shows attained age and prior service for 16,379 members. There is a fairly uniform increase in prior service credit according to age. At age 45 the average is 14.9 years; at age 50 it is 17.6; at age 55 it is 20.4 years; at age 60 it is 23.5 years; and at age 65 it is 25.2 years. The maximum amount of subsequent service a member may have on July 1, 1945, is 4 years.

For lack of space, the table of Members Eligible to Retire is omitted. There are 931 members now eligible to retire; with average prior service credit of 24 years; average prior service salaries of \$1,122.38 and average subsequent service salaries of \$1,400.19. It is estimated that approximately 100 of these members will retire July 1, 1946.

Many tables have been omitted from this report, but are on file in the Retirement office and are available for the use of the staff or the information of the public. It is necessary that this report be limited as to length.

Table VIII, Distribution by Ages of a Valid Sampling of Members With Prior Service
July 1, 1945

Age	Number	PRIOR SERVICE			PRIOR SERVICE SALARIES	
		Total	Average		Total	Average
20	425	567	1.3	\$	440,081.98	\$1,035.46
21	400	713.4	1.8		272,844.95	682.11
22	430	1,077.5	2.5		302,293.43	703.01
23	461	1,394.8	3		342,054.78	741.98
24	535	1,942.6	3.8		388,921.92	700.78
25	553	2,544.5	4.6		418,357.12	756.52
26	611	3,011.1	4.9		488,789.28	799.98
27	713	4,319.8	6		570,833.06	800.61
28	765	1,796.2	2.3		560,663.95	732.89
29	686	5,149	7.4		561,002.63	817.70
30	717	5,032	7		609,281.97	831.63
31	663	6,848.9	9.8		582,194.84	878.12
32	710	6,979.5	9.8		651,144.20	917.10
33	640	6,826.5	10.6		630,029.55	984.42
34	658	7,631.6	11.5		623,222.77	945.62
35	590	6,950	11.8		590,067.04	1,000.11
36	527	6,644.3	12.6		529,681.19	1,005.09
37	498	6,549.5	13.1		513,081.64	1,030.29
38	448	6,372.2	14.2		478,448.13	1,067.98
39	397	5,744.5	14.4		414,719.14	1,044.62
40	321	4,754.7	14.8		333,535.23	1,039.05
41	307	5,038.8	16.4		334,295.23	1,088.87
42	288	4,793.8	16.7		411,687.96	1,428.81
43	269	4,401.4	16.3		281,091.62	1,044.94
44	237	4,947.2	20.5		272,813.87	1,151.11
45	245	4,539.3	18.5		258,939.76	1,056.89
46	236	4,352.4	18.4		268,013.45	1,135.69
47	220	4,233.2	19.2		240,882.89	1,094.92
48	208	4,349.1	20.9		234,229.30	1,126.00
49	171	3,432.2	20		186,086.41	1,088.23
50	175	3,672.4	20.9		195,863.58	1,119.22
51	144	3,107.4	21.5		163,583.52	1,134.75
52	122	2,721.8	22.3		125,932.45	1,032.23
53	139	3,194.6	22.9		153,438.69	1,103.87
54	119	2,843.8	23.8		142,896.70	1,200.81
55	119	2,663.2	22.3		128,093.13	1,074.80
56	107	2,679.1	25		110,079.81	1,027.85
57	103	2,458.9	23.8		121,602.78	1,180.60
58	112	2,566.5	22.9		124,480.39	1,111.25
59	65	1,581.5	24.3		75,852.55	1,166.93
60	77	2,080.6	27		80,634.97	1,047.19
61	59	1,490.4	25.2		62,884.25	1,067.53
62	58	1,405.3	24.2		70,417.12	1,214.09
63	53	1,350.2	25.4		62,467.55	1,178.63
64	48	1,065.8	22.2		54,793.23	1,141.52
65	11	240.8	21.9		6,582.21	598.38
67	1	5	5		378.33	378.33
68	1	4	4		840.00	840.00
Totals & Averages	15,442	167,778.3	10.8	\$14,470,110.55	\$ 937.50	

Table VIIIA. Members Contributing 1944-45, Age At Entrance, and Salary 1944-45

Entrance Age	Number Paying	Total Salary	Average Salary 1944-45
20 and under	1,453	\$ 1,318,975.28	\$ 907.76
21	627	704,371.80	1,123.40
22	567	650,581.47	1,147.41
23	462	553,439.04	1,197.92
24	474	563,552.82	1,188.93
25	455	549,940.30	1,208.66
26	542	661,738.64	1,220.92
27	616	771,349.04	1,252.19
28	641	792,750.34	1,236.74
29	690	878,142.30	1,272.67
30	717	889,983.42	1,241.26
31	698	896,692.68	1,284.66
32	728	950,484.08	1,305.61
33	735	951,582.45	1,294.67
34	750	996,997.50	1,329.33
35	682	916,628.46	1,344.03
36	660	902,866.80	1,367.98
37	641	850,446.75	1,326.75
38	625	830,068.75	1,328.11
39	531	706,261.86	1,330.06
40	423	574,539.75	1,358.25
41	394	545,051.72	1,383.38
42	391	529,265.42	1,353.62
43	328	441,097.68	1,344.81
44	317	446,342.34	1,408.02
45	309	413,426.55	1,337.95
46	330	455,822.40	1,381.28
47	296	409,847.52	1,384.62
48	289	400,929.70	1,387.30
49	212	291,536.04	1,375.17
50	242	335,709.66	1,387.23
51	196	264,015.92	1,347.02
52	156	214,292.52	1,373.67
53	185	244,949.25	1,324.05
54	162	222,204.06	1,371.63
55	169	224,647.13	1,293.77
56	145	188,022.95	1,296.71
57	137	191,747.94	1,399.62
58	147	198,026.64	1,347.12
59	81	110,398.95	1,362.95
60	128	171,289.60	1,338.20
61	84	111,004.32	1,321.48
62	91	128,708.58	1,414.38
63	80	108,240.00	1,353.00
64	74	102,648.36	1,387.14
65	89	113,258.73	1,272.57
66	10	9,265.30	926.53
67	7	6,466.32	923.76
68	3	2,887.50	962.50
69	2	2,034.00	1,017.00
Totals and Average	18,771	\$23,794,530.63	\$1,267.62

Table VIIID. Distribution of Annual Salaries of All Teachers Entitled to Membership 1944-45

Salary Range	Teaching Positions	Att. Offs.	Supts.	Insts.	Total	Mid- Range	Product
\$2,000 and over	1,755	32	211	290	2,288	\$2,000.00	\$ 4,576,000.00
1,900 - 1,999.99	256	7	6	15	284	1,950.00	553,800.00
1,800 - 1,899.99	431	21	26	19	497	1,850.00	919,450.00
1,700 - 1,799.99	373	7	1	6	387	1,750.00	677,250.00
1,600 - 1,699.99	569	14	3	35	621	1,650.00	1,024,650.00
1,500 - 1,599.99	677	26	4	16	723	1,550.00	1,120,650.00
1,400 - 1,499.99	920	8	1	8	937	1,450.00	1,358,650.00
1,300 - 1,399.99	974	19		12	1,005	1,350.00	1,356,750.00
1,200 - 1,299.99	1,295	33	3	21	1,352	1,250.00	1,690,000.00
1,100 - 1,199.99	1,497	2		12	1,511	1,150.00	1,737,650.00
1,000 - 1,099.99	1,938	11		3	1,952	1,050.00	2,049,600.00
900 - 999.99	2,086	7		4	2,097	950.00	1,992,150.00
800 - 899.99	1,998	3		1	2,002	850.00	1,701,700.00
700 - 799.99	1,688	6		3	1,697	750.00	1,272,750.00
600 - 699.99	972	4		2	978	650.00	635,700.00
500 - 599.99	252	2		3	257	550.00	141,350.00
400 - 499.99	29	6		1	36	450.00	16,200.00
300 - 399.99		7			7	350.00	2,450.00
200 - 299.99		2			2	250.00	500.00
Total	17,710 ¹	217 ²	255 ²	451 ³	18,633		\$22,827,250.00

$\$22,827,250.00 \div 18,633 = \$1,225.10 \text{ Ma.}$

¹Educational Bulletin No. 3, Vol. XIII,

²Contracts on file in the Department of Education.

³F-40's on file in the Retirement Office.

A distribution of membership by salary is given in Table VIIID with emphasis upon the position rather than upon the member.

Positions held by non-members, of which there are a few, are not included. Total number of positions checked is 18,633 of which 17,710 are in the public elementary and secondary schools, and 451 in the state colleges (excluding the University of Kentucky), including special schools such as the School for the Deaf, etc. The mode consisting of 2,097 positions has a mid-range in salary of \$950.00. The median falls in the group with a mid-range of \$1,150.00. The mathematical average is \$1,225.10. In arriving at all of these figures, salaries in excess of \$2,000.00 are counted as being \$2,000.00; however, this does not distort the table for our uses.

If Table VIIIA is considered with Table VIIID, it is apparent that there is little correlation between age and salary in Kentucky. One is likely to find a member 60 years old receiving the same salary as a member 20 years old.

The number of teaching positions paying \$2,000.00 or more has increased in two years from 1,524 to 2,288. The mode has also increased from mid-range of \$550.00 to a mid-range of \$950.00.

Data on this series of tables indicate the improvement of salaries generally and may indicate that members should be permitted to contribute on salaries larger than \$2,000.00 for retirement purposes. Slightly over 12% of the membership now hold positions in which the salary is \$2,000.00 or over and the number is increasing.

Table IX. Number of Teachers Retired and Benefits Paid
July 1, 1942, to June 30, 1945

Year	SUPERANNUATION		DISABILITY		Total Number Retired	Total		Retired Teachers Deceased	Retired Teacher Living
	Number	Benefits	Number	Benefits		Benefits			
	Retired	Paid	Retired	Paid		Paid			
1942-43	232	\$ 62,439.36	14	\$1,426.56	246	\$ 63,865.92	17	229	
1943-44	94	80,803.88	8	2,260.49	102	83,064.37	17	314	
1944-45	71	101,452.30	6	2,862.12	77	104,314.42	14	377	
Total	397	\$244,695.54	28	\$6,549.17	425	\$251,244.71	48	377	

Under the present Law the curve of increase in Total Benefits Paid will naturally rise at an accelerated rate,

On July 1, 1945, 108 members were retired, increasing immediately to \$136,865.04, the requirements for annuities.

The maximum annuity for 1945-46 is \$720.00, based upon 34 years of service credit. The maximum paid each year increases by the value of one year of subsequent service until half pay or \$1,000.00 is reached in 1954. By that year the Retirement System will be disbursing a half million dollars annually for annuities. There must be an accumulation of assets early in the life of the Retirement System if the future condition is to be sound.

Retirement for permanent disability from age 50 to age 59 inclusive, draws an annuity based upon age 60. If the disabled retirant recovers before age 60, she returns to teaching and the annuity is terminated. She retires later for superannuation without loss of any service credit earned before or after retirement for disability.

Table X. Distribution of Retirement Benefits Paid At End of Quarter
June 30, 1945

Group	Number of Teachers Retired	Range of Benefits Paid
1	131	\$100.00 - 149.99
2	46	150.00 - 199.99
3	32	200.00 - 249.99
4	32	250.00 - 299.99
5	19	300.00 - 349.99
6	13	350.00 - 399.99
7	15	400.00 - 449.99
8	13	450.00 - 499.99
9	20	500.00 - 549.99
10	7	550.00 - 599.99
11	24	600.00 - 649.99
12	13	650.00 - 699.99
Total	365	
Median Annual Benefit		\$209.37

Of present living retirants, 36% receive less than \$150.00 per year. The median benefit is \$209.37. Any retirement system must of necessity start off in a small way, since it is a new and costly service the State is unaccustomed to bear. In 1938 when the Retirement Act was first passed and in 1940 when it was amended and the first appropriation made, Kentucky was scarcely out of the depression. Concessions calculated to reduce the burden to the State were necessary in order to get any retirement system at all. The principal concessions were: (1) that no teachers be retired until July 1, 1942, (2) that the State make no contribution excepting a matching contribution until 1942-43, and (3) that the year 1940-41 be counted a prior service year. By this means the State's obligation for prior service was reduced approximately one million dollars and the retirement system had assets of \$1,928,323.65 at the time the first teachers retired. Even so, our balance sheet and the Actuary's report indicate that the State is delinquent in its obligation for prior service. It is hoped that some of this obligation will be taken care of in the appropriation for the ensuing biennium.

While it is to be assumed that teachers prior to 1940 had some private provisions for retirement, as much as meager salaries could afford, some 20% could make no such provision. Provision made by the 80% who tried was in many cases most inadequate, consisting mainly of shelter.

The Board of Trustees, while unable to do anything about this condition, is keenly aware of it and its recommendation follows in this report.

Of our retired members, 46% report health good or excellent; 80% own their home, sometimes jointly with another or a life interest; 63% live in city, town or village; 35% live in the country; 11% are employed; all who are physically able are doing some useful work; 90% attend church; 58% contribute to the support of those with whom they reside; and 25% to the support of others.

On the whole the condition of retired members is tolerable, if the retirant is well and if her annuity is in the higher 55% of those receiving annuities. Generally speaking, those receiving annuities in the lower 45% of the rank according to amount are not now able to secure medical attention and the necessities of life. At this time 69 retired teachers are receiving \$100.00 per year; all but 5 are rural teachers.

FINANCIAL

Following General Balance Sheet are certain schedules giving financial information more in detail. Unless the receipts of the Retirement System are maintained at more than a million dollars annually in excess of disbursements, while the burden of annuities is small, there will not be sufficient reserves later. The Board of Trustees has tried to keep all idle cash invested so as to accumulate the greatest possible amount of interest. This is deemed essential. The average interest return on investments of \$5,545,000.00 is 2.49%. This is considered high for these times, but it is low for a 3% annuity system. All investments are in long term United States Treasury bonds.

Interest at the rate of 3% has been credited to members' active accounts, the State Accumulation Fund and the Allowance Reserve Fund and there remains a balance of \$97,410.99 in the Guarantee Fund. Some profit has been made on the sale and reinvestment of securities, and with surplus from State Accumulation Fund, incurred by the refund of accounts of withdrawing and deceased members, has been covered into the Guarantee Fund as provided by Law.

GENERAL BALANCE SHEET
Teachers' Retirement System
June 30, 1945

Current Assets		
Cash - Unencumbered	\$ 5,436.56	
Cash - Reserved for Encumbrances	835.23	
Total	\$ 6,271.79	
Underpayments (Due from Districts)	21.40	
Unclaimed Balances of Annuitants Dec'd, \$65.20		
Less: Annuitant Refund Claims Allowed 65.20		
Balance	0.00	
Total Current Assets		\$ 6,293.19
Investments ¹		
U. S. Defense Bonds, Series G	\$ 450,000.00	
U. S. Treasury 2½% Bonds	5,095,000.00	
Unamortized Premiums	6,387.71	
Accrued Interest on Bonds Purchased	1,451.80	
Total Invested		5,552,839.51
Fixed Assets		
Office Equipment		11,623.04
Total Assets		\$5,570,755.74
Current Liabilities		
Encumbrances Outstanding	\$ 835.23	
Overpayments (Due Districts)	15.00	
Total Current Liabilities		850.23
Net Assets		\$5,569,905.51
Fund Balances (Surplus)		
Expense Fund	\$ 11,835.24	
Teachers' Savings Fund ²	2,675,018.36	
State Accumulation Fund - Permanent	2,675,011.96	
State Accumulation Fund - Temporary	101,804.62	
Allowance Reserve Fund	8,824.34	
Guarantee Fund	97,410.99	
	\$5,569,905.51	\$5,569,905.51

¹ Schedule 1.

² Schedule 2.

During 1944-45 members contributed \$646,738.13 which was matched regularly by the state. Schedule 5 gives the total annual contributions of members and state for each year since the beginning of the Retirement System and by months for 1944-45. Reinstatements are indicated in a separate column.

GENERAL STATEMENT OF RECEIPTS AND DISBURSEMENTS
Teachers' Retirement System
July 1, 1944, to June 30, 1945

Cash Balance July 1, 1944			
Cash - Unencumbered	\$	106,991.99	
Cash - Reserved for Encumbrances		<u>222.32</u>	
Total Cash Balance			\$ 107,214.31

Receipts			
Teachers' Savings ¹	\$	648,259.97	
State Contribution - Permanent ¹		646,559.38	
State Contribution - Temporary ¹		126,307.42	
State Contribution for Expenses ¹		26,200.00	
Interest Earned on Investments		121,289.05	
U. S. Treasury Bonds Sold		418,150.82	
Annuity Checks Returned		788.84	
Refund Checks Returned		86.60	
Excess Refund Recovered		<u>1.94</u>	
Total Receipts			<u>1,987,644.02</u>
Total Cash Available			\$2,094,858.33

Disbursements			
Administrative Expenses ²			
Actuarial Expense	\$	500.00	
Board of Trustees Expense		589.70	
Fidelity Bonds		50.00	
Investment Expense		21.10	
Medical Expense		31.00	
Miscellaneous Expense		279.38	
Postage		457.54	
Printing & Office Supplies		814.92	
Salaries		21,459.79	
Telephone & Tel. Expense		125.35	
Travel Expense		373.53	
Office Equipment		<u>450.26</u>	
Total			\$ 25,152.57
Disbursements for 1943-44	\$	168.46	
Transferred to State Contribution Temp.		<u>66.80</u>	
Total			235.26
Refund Claims Paid ³		55,720.33	
Retirement Benefits Paid ⁴		105,103.26	
Investments Purchased		<u>1,902,375.12</u>	
Total Disbursements			<u>2,088,586.54</u>
Cash Balance June 30, 1945	\$		6,271.79
Cash Reserved for Encumbrances			<u>835.23</u>
Cash Unencumbered	\$		5,436.56

¹Schedule 5.

²Schedule 3.

³Schedule 4.

⁴Schedule 6.

Schedule 1
INVESTMENTS HELD
Teachers' Retirement System
June 30, 1945

Name and Description	Par Value	Net Yield
U. S. Defense Bonds, Series G	\$ 450,000.00	2.50%
U. S. Treasury 2 $\frac{1}{2}$ %, 1962-67	225,000.00	2.50%
U. S. Treasury 2 $\frac{1}{2}$ %, 1963-68	1,000,000.00	2.49%
U. S. Treasury 2 $\frac{1}{2}$ %, 1964-69	1,150,000.00	2.50%
U. S. Treasury 2 $\frac{1}{2}$ %, 1965-70	700,000.00	2.50%
U. S. Treasury 2 $\frac{1}{2}$ %, 1966-71	450,000.00	2.50%
U. S. Treasury 2 $\frac{1}{2}$ %, 1967-72	420,000.00	2.40%
U. S. Treasury 2 $\frac{1}{2}$ %, 1967-72 - 7th.	1,150,000.00	2.50%
Total Par Value	\$5,545,000.00	
Unamortized Premium	6,387.71	
Accrued Interest on Bonds Purchased	1,451.80	
Total Invested	\$5,582,839.51	
Average Net Yield		2.49%

Schedule 2
TEACHERS' SAVINGS CONTROL LEDGER
Teachers' Retirement System
June 30, 1945

Ledger Section (1)	Contributions (2)	Interest (3)	Balance (4)
Counties	\$1,216,217.21	\$30,312.68	\$1,246,529.89
Independent Districts	1,247,000.04	31,932.50	1,278,932.54
Institutions	114,872.69	3,019.74	117,892.43
State Department of Education	15,465.67	413.65	15,879.32
Inactive	15,784.18		15,784.18
Total	\$2,609,339.79	\$65,678.57	\$2,675,018.36

Schedule 3
COST OF ADMINISTRATION
Teachers' Retirement System
July 1, 1940, to June 30, 1945

Year	: Receipts of State : Accumulation Fund	: Administrative: : Expense	: Per Cent of : Receipts
1940-41	\$476,089.49	\$23,669.88	4.97%
1941-42	481,713.03	18,232.93	3.78%
1942-43	627,680.01	22,319.39	3.56%
1943-44	625,000.00	24,464.74	3.91%
1944-45	772,800.00	26,200.00	3.43%

The cost of operation of the Retirement System for 1944-45 is well within the amount allowed by KRS. 161.420. Measured by receipts and disbursements, cost of operation is less than 1.25% of receipts. An annual budget is made and carefully followed. Better service could be given with a larger staff, but at this time experienced office workers cannot be hired for beginning salaries paid by the State.

Schedule 4
REFUNDS TO TEACHERS
Teachers' Retirement System
July 1, 1940, to June 30, 1945

Date	: WITHDRAWAL		: DEATH		: SPECIAL		: TOTAL	
	: No.	: Amount	: No.	: Amount	: No.	: Amount	: No.	: Amount
1940-41	151	\$ 2,036.96	12	\$ 235.54			163	\$ 2,272.50
1941-42	738	20,231.70	38	1,878.55	2	\$ 29.32	778	22,139.57
1942-43	900	37,563.07	58	4,704.18	4	35.77	962	42,303.02
1943-44	872	46,706.43	40	4,604.58	8	127.39	920	51,438.40
1944-45	914	48,760.45	52	6,567.58	8	168.27	974	55,496.30
Total	3,575	\$155,298.61	200	\$17,990.43	22	\$360.75	3,797	\$173,649.79

Schedule 5
TEACHERS' SAVINGS AND STATE CONTRIBUTIONS
Teachers' Retirement System
July 1, 1940, to June 30, 1945

Date	Teachers' Savings Regular	Rein- state- ments	State Contributions - Permanent	State Contributions - Temporary	State Contributions - Expense	Total
1940-41	\$ 476,136.72	\$	\$ 476,089.49	\$	\$ 23,669.88	\$ 975,896.09
1941-42	481,635.48	77.55	481,713.03		18,232.93	981,658.99
1942-43	559,626.66	105.00	559,672.98	68,007.63	22,317.03	1,209,729.30
1943-44	546,311.99	492.73	546,161.42	79,205.38	24,633.20	1,196,804.72
1944-45	646,738.13	1,532.32	646,559.38	126,240.62	26,200.00	1,447,270.45
Total	\$2,710,448.98	\$2,207.60	\$2,710,196.30	\$273,453.63	\$115,053.04	\$5,811,359.55

Schedule 6
RETIREMENT BENEFITS PAID
Teachers' Retirement System
July 1, 1942, to June 30, 1945

Year	CAUSE OF RETIREMENT		Total
	Superannuation	Disability	
1942-43	\$ 62,439.36	\$1,426.56	\$ 63,865.92
1943-44	80,803.88	2,260.49	83,064.37
1944-45	101,452.30	2,862.12	104,314.42 ¹
Total	\$244,695.54	\$6,549.17	\$251,244.71

¹
Adjusted for annuity checks returned.

Space does not permit the inclusion of the Actuary's complete report. The Report together with mortality tables and other data are on file in the Retirement office. His Conclusions and Valuation Balance Sheet follow:

"CONCLUSIONS

"It is my opinion that the Teachers' Retirement System of the State of Kentucky may be considered to be in an actuarially sound position with the exception of the indicated trends. If other trends should develop in future valuations they will be subject to such recommendations for consideration as circumstances seem to warrant. Reasonable margins of safety have been taken into consideration throughout the calculations going to make up this report.

"The rates of withdrawal, mortality, disability, and retirement, which were adopted by your actuary in the preparation of the first Actuarial Report continue to appear to furnish a reasonable and conservative basis on which to estimate and appraise the future of the Teachers' Retirement System of the State of Kentucky. It is, therefore, recommended that the tables employed be continued for use until such time as conditions indicate a warranted change in the fundamental assumptions. It is further recommended that the actuarial studies instituted for the purpose of this report be continued each year so as to maintain a continuity of comparisons by which to measure the financial soundness of the System.

"The books and records in the offices of the System are maintained in accordance with established principles of accounting and the administration of the System is commendably in line with recognized management procedures.

"Respectfully submitted,

"Signed) L. C. Cortright
A c t u a r y"

VALUATION BALANCE SHEET
THE TEACHERS' RETIREMENT SYSTEM OF KENTUCKY
AS OF JULY 1, 1945

A S S E T S

CURRENT ASSETS:

Cash	\$ 6,271.79
Accounts Receivable	21.40
Bond Investments	5,545,000.00
Unamortized Premiums	6,387.71
Accrued Interest on Bonds Purchased	1,451.80
Furniture and Fixtures	<u>11,623.04</u>

\$ 5,570,755.74

Less, Items Outstanding

Encumbrances	\$ 835.23
Due Districts	<u>15.00</u>

850.23

Net Current Assets

\$ 5,569,905.51

DEFERRED ASSETS: (Present Value on 3% interest assumption, etc.)

Present Value teachers' contributions mandatory by reason of Subsequent Service, July 1, 1945 (A')	\$ 8,639,454.25
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Present Value State's contributions mandatory by reason of Subsequent Service, July 1, 1945 (A'')	8,639,454.25
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Indicated deficiency from members' future contributions (No covering provision in Act)	<u>1,104,182.24</u>
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Deferred Assets - mandatory by reason of Subsequent Service	<u>\$18,383,090.74</u>
---	------------------------

Actuarial Reserve Deficiency: Deferred obligations
of the Commonwealth of Kentucky.

Present Value accrued obligation mandatory by reason of Prior Service:	
Active members	\$ 3,216,181.48
Members eligible to retire	<u>725,257.46</u>

\$ 3,941,438.94

Current Asset Deficiency: Present Value of accrued Prior Service obligation due retired teachers	\$ 1,204,203.97
<u>Less, State's Prior Service Contribution</u>	<u>104,759.77</u>

1,099,444.20

Deferred Assets - mandatory by reason of Prior Service

\$ 5,040,883.14

TOTAL ASSETS

\$28,993,879.39

VALUATION BALANCE SHEET
THE TEACHERS' RETIREMENT SYSTEM OF KENTUCKY
AS OF JULY 1, 1945

L I A B I L I T I E S

CURRENT LIABILITIES:

Expense Fund	\$ 11,835.24
Teachers' Savings Fund: Accumulated contributions by reason of Subsequent Service, July 1, 1941 to July 1, 1945	2,651,722.83
State Accumulation Fund: Accumulated contributions (State) by reason of Subsequent Service, July 1, 1941 to July 1, 1945	2,651,716.43
Allowance Reserve Fund: Retired teachers' S.S. contributions with accumulated interest, July 1, 1941 to July 1, 1945	\$ 23,953.25
State S.S. contribution, retired teachers', with accumulated interest, July 1, 1941 to July 1, 1945	28,507.00
State P.S. contributions, retired teachers', July 1, 1941 to July 1, 1945	<u>104,759.77</u>
	157,220.02
Guarantee Fund	<u>97,410.99</u>
<u>Current Liabilities</u>	<u>\$ 5,569,905.51</u>

DEFERRED LIABILITIES: (Present Value on 3% interest assumption, etc.)

Present Value benefits mandatory by reason of Subsequent Service active members, July 1, 1945 (B')	\$18,283,630.21
Present Value of benefits mandatory by reason of Subsequent Service, members eligible to retire, July 1, 1945 (B''')	<u>99,460.53</u>
<u>Deferred Liabilities</u> - mandatory by reason of Subsequent Service (B' + B''')	<u>\$18,383,090.74</u>
Present Value benefits mandatory by reason of Prior Service, July 1, 1945: Active members (B)	\$ 3,216,181.48
Members eligible to retire (B'')	725,257.46
Present Value benefits mandatory by reason of Prior Service - Retired teachers (B''''')	\$ 1,204,203.97
<u>Less, State Prior Service contributions</u>	<u>104,759.77</u>
	<u>1,099,444.20</u>
<u>Deferred Liabilities</u> - mandatory by reason of Prior Service	<u>\$ 5,040,883.14</u>

TOTAL LIABILITIES

\$28,993,879.39

Briefly the Actuary mentions three conditions with warning:

1. The rate of present contributions by members and the State are not sufficient to pay the benefits for subsequent service credit earned in the future. "This means an indicated deficiency from members' and State's contributions, amounting to \$1,104,182.24, for which there is no covering provision in the Law."

2. The State should pay its prior service obligation as indicated by KRS. 161.550, that is, at the rate of 2% of prior service salaries annually. "The accrued prior service obligation due retired teachers is actually a current asset deficiency since funds in the amount of \$1,099,444.20 should be in hand from State's Contributions - Temporary."

3. The effect of present low interest rates may later become a problem. " . . . it should be constantly borne in mind that any disparity between the actual earned interest rate and the three per cent rate proscribed by law will have a substantial effect on the soundness of the System. However, the margins of safety in favor of the System resulting from a favorable withdrawal rate are ample, at this time, to subsidize this disparity in interest, but the Board of Trustees and the management should continue to be constantly alert not only to the trend of interest rates, but also to the trend in margins of safety resulting from the withdrawal rates annually experienced by the System."

The Board of Trustees is aware of the foregoing conditions and will have prepared corrective legislation to present to the General Assembly in 1946.

LEGISLATIVE

In the Fourth Annual Report of the Board of Trustees of the Teachers' Retirement System, fourteen propositions dealing with the Retirement System of the State of Kentucky were suggested for study.

During 1944-45 the Retirement office staff has studied many of these suggestions and has reached conclusions. Some have not been studied, preference being given to those which seemed most pressing.

The information gathered and calculations made will be useful in formulating certain needed improvements in the Retirement Act. The Kentucky Education Association, a quasi-governmental organization in its relation to the Retirement System, has given full co-operation along certain lines of effort,

On January 26, 1945, the Planning Board of the K.E.A. made the following recommendations:

1. Request full appropriation allowed Retirement Act, Section 161.550, KRS., exact amount to be determined by the actuarial study to be made as of June 30, 1945.

2. Amend to permit credit for out-of-state service, provided not to exceed 15 years of out-of-state prior service is recognized and that the teacher is required to make full contributions for all service subsequent to July 1, 1940.
3. Amend to provide an option to teachers so that teachers may have an alternate plan of annuity based on their reserve rather than having same based on average salary for last five years.
4. Amend to give uniform increase in annuity for each year at age of retirement from age sixty (60) to seventy (70), provided the Actuary does not find that this will upset the actuarial basis of the Law unless there is an increase in contributions. Section 161.620, KRS.
5. Amend Section 161.430, KRS., to allow Board to diversify investments.
6. Increase minimum benefits from \$100 to \$300 and the maximum benefits from \$1000 to \$1200 per year.

NOTE: The Planning Board recommends that no action be taken on the above program until after the actuarial study of the State Teachers' Retirement System has been made for the five year period ending June 30, 1945, and that the Actuary be asked to study the effect of each of these proposals on the financial soundness of the system.

Approved by Board of Directors January 27, 1945.

On July 27, 1945, the Board of Trustees directed its Chairman to appoint a committee of three from among the membership of the Board to "make a study of the situation and to indicate such amendments as may seem desirable and not too costly, to be presented to the Board for its consideration in view of the next session of the General Assembly."

This Committee made the study and reported to the Board of Trustees at its regular meeting November 13, 1945. The report was received and approved by the Board and ordered referred to the Actuary for further study and recommendation.

The suggested amendments and the recommendation of the Actuary follow:

Increased Minimum Benefits
From \$100.00 To \$300.00

"It has been proposed that the Teachers' Retirement System law be amended to increase the minimum benefits from \$100.00 to \$300.00 by the application of a graduated scale starting with a minimum Annuity of \$100.00 for a member with 20 years of service graduated upwards by \$10.00 per each service year in excess of 20 years until \$300.00 is reached; the new increased minimum benefits to apply to teachers already retired as well as those retiring in the future.

"Comment:

"Tests which have been made at the offices of the Teachers' Retirement System of the State of Kentucky would indicate that of the 485 retired teachers approximately 45 per cent would be affected by the proposed increase in minimum benefits. The resulting increase for those affected would amount to approximately 50 per cent of their present Annuities. The immediate increase in the cost to the System would amount to approximately \$15,000.00. As new retirants are added to the rolls, some will be affected by these proposed new minimum benefits but after the lapse of a few years the annual increase in cost would become a diminishing item since the longer the System is in operation the less will be the number of members to be affected by the minimum benefits. It should be pointed out that, if the proposal changing the percentage value of each year of Prior and Subsequent Service is enacted into law, the matter of the cost of the increased minimum benefits would be of even less concern and ultimately would be of little or no import.

"Recommendation:

"It is the recommendation of your actuary that the increased minimum benefits be enacted into law if for no other reason than the fact that the minimum benefits prescribed in the present law are such as to result in Annuities less in amount than the benefits provided to claimants by the State Welfare Department. Participants in the Teachers' Retirement System of the State of Kentucky should, as a matter of logic, receive larger minimum benefits than those provided by the State Department of Welfare to non-participants."

Percentage Value Of Each Year
Of Prior And Subsequent Service

"It has been proposed that the Teachers' Retirement System law be amended so as to make uniform the percentage value of each year of Prior and Subsequent Service regardless of the age at retirement and equal to the percentage specified in the present law at age 70.

"Comments:

"The foregoing proposal means that a member retiring at age 60 would be granted an annuity where each year of Prior Service would have the value of one per cent of his average Prior Service salary for the last five years of Prior Service, and one and one-half per cent of his Average Subsequent Service salary for the last five years of Subsequent Service. Likewise, a member retiring at age 70 would be granted an annuity where each year of Prior Service would have the value of one per cent of his average Prior Service salary for the last five years of Prior Service, and one and one-half per cent of his average Subsequent Service salary for the last five years of Subsequent Service. The measure for the annuity granted a member retiring at age 60 is the same as the measure of the annuity of a member retiring at age 70. The proposal does not take into consideration the probable variation in the length of life as between the member who retires at age 60 and the member who retires at age 70. It would be unjust, in the opinion of your

actuary, to thus favor members who elect to retire at ages earlier than age 70.

"Recommendation:

"In lieu of the proposal as submitted, a modified proposal to establish an increase in the percentage value of each year of service that would be actuarially proportionate to the present law at age 70 is recommended. It is further recommended that retirements on account of disability between the ages of 50 and 59 carry the same percentage value for each year of service as that suggested by the modified proposal at age 60."

TABLE IV. (Ext.) FACTORS FOR THE ACTUARY'S RECOMMENDATION

Age Female Table	$a_x^{3\%}$	Discount Factors Equal to $a_{70}^{3\%}$	Discount Factors Equal to $a_{70}^{3\%}$
50	17.84964	.59121	Retirants for Disability use
51	17.50283	.60293	
52	17.15249	.61524	
53	16.79884	.62820	
54	16.44204	.64183	
55	16.08243	.65618	Factor - Age 60
56	15.72020	.67130	
57	15.35566	.68724	
58	14.98909	.70404	
59	14.62080	.72178	
60	14.25107	.74050	.74050
61	13.88028	.76028	.76028
62	13.50872	.78119	.78119
63	13.13677	.80331	.80331
64	12.76477	.82672	.82672
65	12.39309	.85151	.85151
66	12.02211	.87779	.87779
67	11.65224	.90565	.90565
68	11.28381	.93523	.93523
69	10.91726	.96663	.96663
70	10.55296	1.00000	1.00000

Such an amendment would increase annuities 20% on the average. For the average teacher the increase at age 60 is 48%; at age 61, 52%; at age 64, 65%; at age 65 somewhat more than the present Law; with uniform increases to age 69 where it is 22% higher than the present Law. At age 70 the annuity would be the same as at present.

The general and common effect is, (1) to increase by an average of 20% the annuities of teachers retiring under age 70, and (2) to eliminate completely the marked increases of annuities from age 64 to age 65 and from age 69 to age 70 without decreasing any annuities.

On a graph the curve of the proposed annuities, superimposed upon the curve of present annuities, is higher at every age, is a uniform curve, and the curves join at age 70.

This proposed change is for members who will retire in the future; the change in minimum annuities being for the relief of members already retired.

Increased Maximum Benefits
From \$1000.00 To \$1200.00

The present Law provides for a maximum benefit of half-pay or \$1000.00, whichever is the smaller. The proposed change would provide for a maximum benefit of half-pay or \$1200.00, whichever is the smaller.

"Inasmuch as this proposal is not intended to increase the maximum salary measure for Prior Service beyond its present \$2000.00 limit there would be no increase in the State's obligation for Prior Service."

If the maximum salary measure is likewise modified from \$2000.00 to \$2400.00 as a part of this proposal, members of the System whose salaries fall between \$2000.00 and \$2400.00, both inclusive, would contribute on such a salary base and the State would be required under the Law to match these increased contributions.

"Except for the period July 1, 1940, until the proposal becomes effective during which time maximum contributions were measured by a \$2000.00 salary, the obligations for Subsequent Service would be currently met . . . Of course, the shortage . . . would constitute an increased cost for which provision should be made.

"Recommendation:

"Since the increase in cost in connection with this proposal is shared equally between the members and the State as far as future contributions are concerned, and since the members evidently are willing to assume their share of the burden, the State should willingly undertake its increased annual matching contribution. It is the recommendation of your actuary that the proposal be enacted into law. This recommendation is on the assumption that the State would be willing to assume the added financial burden caused by the small shortage in members' and State's matching contributions for the period from July 1, 1940, to the effective date of the change."

Out-of-State Service

It has been proposed that the Law be amended to allow members to claim credit for out-of-state service within certain limitations.

For each year of service subsequent to July 1, 1940, for which contribution and 3% compound interest are paid, one additional year of out-of-state prior service credit may be offered, the total paid for and free not to exceed eight years of each kind. This is a general statement; there are certain other restrictions.

"Comments:

"This proposal will affect 1,958 present members of the System having an aggregate of 8,950 years of out-of-state service.

"It is safe to start out on the premise that the validation of out-of-state credits involving only 8,950 years is not such as to work any material hardship on the Kentucky System or such as to impose a material financial burden on the State of Kentucky. The years of out-of-state service are, for all practical purposes, evenly divided between Prior Service and Subsequent Service but even if the total number of years of out-of-state service were all Prior Service and the State assumed the entire financial burden it would not be an unwarranted undertaking within the limits and conditions prescribed.

"The laws governing most state financed teachers' retirement systems contain provisions as to credits for out-of-state service which serve as a means of reciprocity. The State that does not have some arrangement for credit for out-of-state service is the exception rather than the rule. The theory underlying credits for out-of-state service is, apparently, that the movement of teachers from one state to another, on the average, will be on about a 50-50 basis and that no undue hardship will be worked upon a particular teachers' retirement system because there will be about as many transfers flowing to another state system as will flow from that system. The theory is relatively sound as long as the terms under which out-of-state service is credited is not glaringly more liberal in one state than those of its immediate neighbors.

"Recommendation:

"Inasmuch as the cost to the State probably will not exceed \$100,000.00 and the laws of teachers' retirement systems in neighboring states already contain liberal provisions for out-of-state service credits, the proposal is recommended by your actuary."

Revision of Basis for Members' Contributions

Each of the proposed changes enumerated above will require additional funds. Each increases the liabilities of the Retirement System. It follows that additional assets must be acquired in order to increase the minimum annuity; increase annuities for members retiring under age 70; increase the maximum annuity; and

provide for some credit for out-of-state service.

To take care of these liabilities and to liquidate the deficiency accumulating gradually on subsequent service, members of the Retirement System and Committees authorized to speak for them have recommended that the contribution of members and the matching contribution of the State be increased. The Board of Trustees after due consideration has approved this recommendation.

More specifically, it has been proposed that the Law be amended to change the basis upon which members' contributions are made from contributions measured by age "at entrance" to contributions measured by "attained age," the percentage rates changing at age 30 and at age 40. The proposal would mean that both present members and new members who are less than 30 years of age would contribute at the rate of 2%; those 30 years of age and less than 40 at the rate of 3%; those 40 or older would contribute 4%. As the member progressed through the age range from year to year, the member's contribution would increase from 2% to 3% and to 4%, depending upon the age attained on July 1, the first day of the scholastic year.

"Under the present law any member having entered or entering the System under age 30 continues to make contributions at the rate of 2 per cent for the balance of his term of membership. Any member having entered or entering the System between ages 30 and 39 continues to make contributions at the rate of 3 per cent for the balance of his term of membership. Any member having entered or entering the System at age 40 or over continues to make contributions at the rate of 4 per cent for the balance of his term of membership. Since it is logical to expect new entrants to come into the System at an age under 30 years, the ultimate overall contribution under the present law will gradually approach 2 per cent of annual compensation as the years pass. The present law, therefore, can be looked upon as offering diminishing returns for the years in the foreseeable future down to approximately 2 per cent of annual compensation.

"The proposed change would stabilize the overall return from member contributions at a figure slightly in excess of 3 per cent of annual compensation. Since members' contributions are matched by the State, the aggregate overall contributions on account of Subsequent Service would be stabilized at something over 6 per cent of the total annual compensation of the membership, under the proposed assumption, however, that no individual salary shall be considered to be in excess of \$2400.00 per year for the purposes of the System.

"By reason of the change from age at entrance to attained age of the present members since July 1, 1940, the immediate effect of the proposal would be to increase the total of both members' contributions and State's matching contributions. During the first year of operation under this proposal the increase in contributions by the members would be approximately \$47,000.00, and a like increase by the State, making a total increase at the end of the first year of operation of approximately \$94,000.00. The contributions, both from members and the State, would then level off.

"However, by comparison with the present law, which brings in a diminishing return from contributions for a number of years, the new proposal would mean an annual increase in the contributions from both the members and the State. This annual increase, by comparison with the present law, would, after the first year, amount to approximately \$17,000.00 per year until the old law itself would level off at a 2 per cent members' contribution rate.

"A word of caution should be voiced as to the advantages expected as a result of this proposal. It should not be looked upon as a panacea for all of the ills to which a retirement system is heir. It cannot be expected to provide funds to finance the increased costs of the various other proposals discussed in this report and, at the same time, counteract the adverse trends pointed out in the Actuarial Report as of July 1, 1945. While it will counteract the present decreasing trend in members' and State's contributions for Subsequent Service and provide margins that may, to a degree, offset the increased costs incident to the various proposals discussed herein, it will not, in the opinion of our actuary, obviate the ultimate necessity for amendatory legislation pointed out in the Actuarial Report.

"Recommendation:

"The wisdom of this proposed change in the law governing the Teachers' Retirement System of the State of Kentucky is immediately apparent and it is the recommendation of your actuary that the proposal be enacted into law.

Budget

"It is the understanding of your actuary that the appropriation for the fiscal year 1946-47 has been fixed at \$840,000.00 for the State's Permanent annual contribution to match the contributions by members; at \$300,000.00 for the State's Temporary contribution to cover its obligation for Prior Service and at \$30,000.00 for expenses of administration. This aggregates \$1,170,000.00 for the fiscal year 1946-47 and, in the opinion of your actuary, is the amount needed to adequately finance the System for the fiscal year. The same amount will be required for the fiscal year 1947-48. The budget has been prepared in the offices of the System in accordance with Section 161.550, Kentucky Revised Statutes. The budget should be adequate to discharge the obligations of the State including those created by the proposals discussed herein for the biennium 1946-48."

Teachers' Retirement System
CONSOLIDATED BALANCE SHEET - ALL FUNDS
June 30, 1945

	: Expense Fund	: Teachers' Savings Fund	: State Accumulation Fund	: Allowance: Reserve Fund	: Guarantee Fund	: Investment Fund	: Totals
ASSETS:							
Cash	\$ 1,047.43	\$ 493.88	\$ 3,574.18	\$ 757.00	\$ 399.30	\$	\$ 6,271.79
Advanced for Investment		2,608,839.51	2,707,000.00	7,000.00	230,000.00		
Accounts Receivable		21.40					21.40
Due from Guarantee Fund		65,678.57	66,242.57	1,067.34			
Investments - Par Value						5,545,000.00	5,545,000.00
Unamortized Premiums						6,387.71	6,387.71
Accrued Int. on Invest. Pur.						1,451.80	1,451.80
Office Equipment	11,623.04						11,623.04
Unused Postage Deposit	56.59						56.59
Unclaimed Balances of							
Annuitants Deceased				65.20			65.20
Due from State Accum. Fund					.17		
Total	\$12,727.06	\$2,675,033.36	\$2,776,816.75	\$8,889.54	\$230,399.47	\$5,552,839.51	\$5,570,877.53*
LIABILITIES:							
Accounts Payable	\$ 835.23	\$ 15.00	\$	\$	\$	\$	\$ 850.23
Due Guarantee Fund			.17			230,000.00	
Due Teachers' Savings Fund					65,678.57	2,608,839.51	
Due State Accumulation Fund					66,242.57	2,707,000.00	
Due Allowance Reserve Fund					1,067.34	7,000.00	
Annuitant Refund Claims Allowed				65.20			65.20
Fund Balances	11,891.83	2,675,018.36	2,776,816.58**	8,824.34	97,410.99		5,569,962.10
Totals	\$12,727.06	\$2,675,033.36	\$2,776,816.75	\$8,889.54	\$230,399.47	\$5,552,839.51	\$5,570,877.53*

* Inter-Fund Accounts omitted.

** Permanent and Temporary Contributions.

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1945

	Expense Fund	Teachers' Savings Fund	State Accumulation Fund	Allowance: Reserve Fund	Guarantee Fund	Investment Fund	Totals
Fund Balance July 1, 1944	\$ 182.47	\$2,029,433.99	\$2,083,601.65	\$ 5,923.61	\$ 62,347.96	\$	\$4,181,489.68
Net Adjustments	52.79	(3.80)	(172.07)		7.60		(135.48)
Net Balance July 1, 1944	\$ 235.26	\$2,029,430.19	\$2,083,429.58	\$ 5,923.61	\$ 62,355.56		\$4,181,374.20
Revenue:							
Allotment for Expenses	28,000.00						28,000.00
Teachers' Savings		646,738.13					646,738.13
Reinstatements		1,532.32					1,532.32
State Contribution - Per.			646,727.65				646,727.65
State Contribution - Temp.			126,307.42				126,307.42
Interest on Investments					108,085.38	12,277.22	120,362.60
Profit on Sales of Investments					7,486.64		7,486.64
Gifts and Bequests					.80		.80
Annuity Payment Checks Returned				788.84			788.84
Interest on Fund Balances		65,694.51	66,258.51	1,067.34			133,020.36
Inter-Fund Transfers			1,532.32	161,779.60	54,681.09		217,993.01
Advanced for Investment						1,490,097.90	1,490,097.90
U. S. Treasury Bonds Sold						400,000.00	400,000.00
Total Revenue & Fund Bal.	\$28,235.26	\$2,743,395.15	\$2,924,255.48	\$169,559.39	\$232,609.47	\$1,902,375.12	\$8,000,429.87
Operating Charges:							
Actuarial Expenses	500.00						500.00
Board of Trustees	589.70						589.70
Fidelity Bond	50.00						50.00
Investment Expenses	21.10						21.10
Medical Expenses	31.00						31.00
Miscellaneous Expenses	279.38						279.38
Postage	457.54						457.54
Office Supplies & Printing	814.92						814.92
Salaries	21,459.79						21,459.79
Telephone & Telegraph	125.35						125.35

	:	:	Teachers'	:	State	:	Allowance:	:	:	:				
	:	Expense	:	Savings	:	Accumulation	:	Reserve	:	Guarantee	:	Investment	:	Totals
	:	Fund	:	Fund	:	Fund	:	Fund	:	Fund	:	Fund	:	
<u>Operating Charges: (Continued)</u>														
Traveling Expenses	\$	373.53	\$		\$		\$		\$		\$		\$	373.53
Office Equipment		450.26												450.26
Prior Year Payments		168.46												168.46
Inter-Fund Transfers		1,866.80		68,376.79		147,438.90				2,178.12				219,860.61
Refunds								55,631.79						55,631.79
Retirement Allowances Paid								105,103.26						105,103.26
Interest on Fund Balances								133,020.36						133,020.36
U. S. Defense Bonds, Series G											100,000.00			100,000.00
U. S. Treasury Bonds 2½%											1,800,000.00			1,800,000.00
Accrued Interest Purchased											2,375.12			2,375.12
Total Operating Charges	\$27,187.83	\$	68,376.79	\$	147,438.90	\$160,735.05	\$135,198.48	\$1,902,375.12	\$2,441,312.17					
Fund Balances, June 30, 1945	\$ 1,047.43	\$2,675,018.36	\$2,776,816.58	\$ 8,824.34	\$ 97,410.99	\$	0.00	\$5,559,117.70						

RECONCILEMENT OF FUND BALANCES, PER AUDIT REPORT, WITH RECORDS
OF DIVISION OF ACCOUNTS AND CONTROL, DEPARTMENT OF FINANCE
AS OF JUNE 30, 1945

	:	:	Teachers'	:	State	:	Allowance	:	:
	:	Expense	:	Savings	:	Accumulation	:	Reserve	Guarantee
	:	Fund	:	Fund	:	Fund	:	Fund	Fund
	:		:		:		:		Totals
Fund Balance, Per Balance Sheet		\$11,891.83		\$2,675,018.36		\$2,776,816.58		\$8,824.34	\$ 97,410.99 \$5,569,962.10
Amount Invested in Office Equipment		(11,623.04)							(11,623.04)
Underpayments		(6.40)							(6.40)
Interest on Fund Balances not credited by Division of Accounts and Control				(65,678.57)		(66,242.57)		(1,067.34)	132,988.48
Unused Postage Deposit		(56.59)							
Outstanding Encumbrances									(56.59)
Adjustment for Interest on Special Fund						.17		(.17)	
Fund Balance, June 30, 1945, Per Division of Accounts and Control		\$ 212.20		\$2,609,333.39		\$2,710,574.18*		\$7,757.00**	\$230,399.30 \$5,558,276.07

* Includes balances of State Accumulation, Account # 11,320 and State Temporary Contribution, Account # 11,325.

** Includes Allowance Reserve Fund, Account # 11,330 and Cash for Retirement Allowance Payments, Account # 11,335.

Frankfort, Kentucky
November 30, 1945

Honorable Simeon Willis
Governor of Kentucky
Frankfort, Kentucky

Dear Governor Willis:

We submit herewith report of our audit of the Teachers' Retirement System of the State of Kentucky, for the year ended June 30, 1945.

This examination was made by Bert L. Sparks, under my supervision.

Respectfully yours,

(Signed) C. I. Ross

C. I. Ross
Auditor of Public Accounts

C O M M E N T S

Attention is called to the fact that the posting to the Teachers' Ledger is several months in arrears. This condition has consistently existed almost from the beginning of operations by the Retirement System. We recommend that the work of posting be reorganized in such a way that it will be brought up to date and kept up to date at all times. By doing this it will increase the ledger's usefulness, save time, and prevent errors and confusion.

Employees in charge of the accounting system seem to be well qualified, both by training and experience, to handle the work efficiently.