

Seventeenth Annual Report
of the
TEACHERS' RETIREMENT SYSTEM
OF THE
STATE OF KENTUCKY

1956-57



DECEMBER, 1957

TEACHERS' RETIREMENT SYSTEM

of the
STATE OF KENTUCKY

December 16, 1957

Honorable A. B. Chandler
Governor of Kentucky
Frankfort, Kentucky.

Dear Governor Chandler:

In compliance with the provisions of KRS 161.320, we have the honor to submit to you the Seventeenth Annual Report of the Board of Trustees of the Teachers' Retirement System of the State of Kentucky for the fiscal year beginning July 1, 1956, and ending June 30, 1957.

Respectfully yours,
L. C. Curry
Chairman, Board of Trustees

Vera Beckham
Acting Secretary, Board of Trustees
Teachers' Retirement System
of the State of Kentucky

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TEACHERS' RETIREMENT SYSTEM

State of Kentucky

BOARD OF TRUSTEES

Elected by members:

L. C. Curry, ChairmanBowling Green
W. S. Milburn, Vice ChairmanLouisville
John Fred WilliamsAshland
Mrs. Edna LindleHenderson

Ex-officio:

Robert R. Martin, Superintendent of Public Instruction...Frankfort
Henry H. Carter, State TreasurerFrankfort
Jo M. Ferguson, Attorney GeneralFrankfort

SEVENTEENTH ANNUAL REPORT
TEACHERS' RETIREMENT SYSTEM

PART I. FINANCIAL

The Teachers' Retirement System is of the actuarial reserve type and is financed by contributions of members and the State, and by interest received on invested funds. In addition to matching contributions paid by members, the State makes contributions in amounts necessary to cover the obligations assumed by it for prior service credit. The State also pays the administrative cost of the Retirement System.

BALANCE SHEET
Teachers' Retirement System
June 30, 1957

ASSETS

Cash, Unencumbered, All Funds	\$ 127,771.09	
Cash, Encumbered	4,205.00	\$ 131,976.09
Investments		42,591,000.00
Deferred Charges:		
Unamortized Premium on Investments	\$ 363,300.38	
Accrued Interest Purchased..	7,803.33	
Sub-total	\$ 371,103.71	
Unamortized Discount on Investments	192,077.48	179,026.23
TOTAL ASSETS		<u><u>\$42,902,002.32</u></u>

**LIABILITIES AND
FUND BALANCES**

Expense Fund Encumbrances..		\$ 4,205.00
Fund Balances:		
Expense Fund	\$ 1,055.63	
Teachers' Savings Fund	19,489,914.11	
State Accumulation Fund	19,489,914.11	
Guarantee Fund	1,696,481.35	
Voluntary Contributions, Active Members	42,114.50	
Allowance Reserve Fund:		
Teachers' Contributions	\$ 118,408.91	
State "Permanent" Con- tributions	449,923.22	
State "Temporary" Con- tributions	1,609,985.49	2,178,317.62
Total Fund Balances		<u>\$42,897,797.32</u>
TOTAL LIABILITIES AND FUND BALANCES		<u><u>\$42,902,002.32</u></u>

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Teachers' Retirement System

for the Period July 1, 1956 — June 30, 1957

CASH BALANCE, ALL FUNDS, JULY 1, 1956		\$ 252,596.10
Receipts from Teachers:		
Teachers' Savings	\$3,397,252.11	
Reinstatements	6,946.98	
Voluntary Unmatched Contributions	12,548.44	
	<hr/>	
Total from Members		\$3,416,747.53
State Contributions:		
"Permanent"—to match Teachers' Savings	\$3,396,749.24	
"Temporary"—to reduce Prior Service Obligation	611,125.76	
Administrative Expense	89,000.00	4,096,875.00
	<hr/>	
Interest Collected and Bond Matured		1,214,901.25
Annuity Checks Returned		5,756.32
		<hr/>
Total Receipts		8,734,280.10
TOTAL CASH AVAILABLE.....		\$8,986,876.20
Disbursements:		
Administrative Expenses		
Current Year	\$ 83,739.37	
Liquidation of Prior Year Encumbrances	1,214.99	84,954.36
	<hr/>	
Refunds for Withdrawal from Membership		447,856.28
Retirement Allowance Payments:		
Superannuation	\$ 953,251.25	
Disability	101,203.17	
Voluntary	728.91	1,055,183.33
	<hr/>	
Purchases of Investments		7,266,906.14
		<hr/>
Total Disbursements		8,854,900.11
CASH BALANCE, ALL FUNDS—JUNE 30, 1957		\$ 131,976.09

INVESTMENTS

Investments of Teachers' Retirement System funds are made by the Board of Trustees as prescribed by law, and are made only in securities designated as legal investments for such funds.

The State Treasurer is custodian of all funds of the Retirement System and of all securities purchased by the Board of Trustees.

Investments along with other accounts and records are periodically examined and verified by the Auditor of Public Accounts.

Analysis of Investments

June 30, 1957

	Par Value	Percentage of Total
Bonds:		
United States Treasury	\$31,424,000	73.78%
State Obligations	1,708,000	4.01
Municipal and School (voted bonds, school improvement and school or educational institutions revenue bonds)	6,069,000	14.25
Corporate-mortgage and debentures	3,390,000	7.96
Total, June 30, 1957	\$42,591,000	100.00%
Total investments, July 1, 1956	35,382,000	
Net increase during the fiscal year ending June 30, 1957	\$ 7,209,000	
Percentage increase during fiscal year ending June 30, 1957	20.37%	

FUNDS OF THE RETIREMENT SYSTEM

All the assets of the Retirement System are credited, according to the purpose for which they are held, to one of its funds.

Expense Fund

The Expense Fund consists of the funds set aside by the Board of Trustees to defray administrative expenses of the Retirement System. Each fiscal year an amount not greater than four per cent of the receipts of the State Accumulation Fund is set aside into the Expense Fund for administrative purposes.

Expense Fund

Teachers' Retirement System

Fiscal Year Ending June 30, 1957

1956-57 — Expense Fund Allotment \$89,000.00

Disbursements:

Consultant Fees	\$ 4,184.00
Board of Trustees:	
Meetings	368.66
Election of one member	1,103.60
Fidelity Bonds and Insurance	111.20
Maintenance and repair of equipment	795.60
Medical examination fees	100.00
Office supplies	1,565.80
Office equipment purchased	10,483.10
Postage	1,446.62
Printing and materials for stationery and publications	1,933.90
Salaries	62,701.06
Social Security Tax	899.98
Telephone and telegraph	1,264.96
Travel expense	879.02
Miscellaneous	570.30

Total payments from Expense Fund Allotment 88,407.80

Balance, June 30, 1957 \$ 592.20

COST OF ADMINISTRATION
TEACHERS' RETIREMENT SYSTEM
July 1, 1940, through June 30, 1957

Year	Receipts of State Accumulation Fund (for Matching & Prior Service)	Administrative Expenses	Percentage of Receipts
1940-41	\$ 476,089.49	\$23,669.88	4.97%
1941-42	481,713.03	18,232.93	3.79
1942-43	627,680.61	22,317.03	3.56
1943-44	625,300.00	24,633.20	3.94
1944-45	772,866.80	25,908.68	3.35
1945-46	791,641.32	31,390.43	3.97
1946-47	919,490.57	36,039.67	3.92
1947-48	919,960.33	36,409.41	3.96
1948-49	1,434,834.59	41,059.78	2.90
	2,439,606.64*	-----	-----
1949-50	1,434,315.22	43,396.76	3.03
1950-51	1,577,988.24	52,324.68	3.32
1951-52	1,580,070.32	58,303.98	3.69
1952-53	2,102,681.02	57,490.72	2.73
1953-54	1,649,688.28	61,165.65	3.71
1954-55	1,753,438.35	68,889.71	3.93
1955-56	2,693,326.38	69,543.14	2.58
1956-57	4,008,681.86	88,407.80**	2.21

*Special appropriation for prior service is not reflected in administrative expense computations.

**Net amount of administrative expenses after liquidation of outstanding encumbrances

Teachers' Savings Fund

The Teachers' Savings Fund consists of the assessments paid by members of the Retirement System and interest assigned by the Board of Trustees from the Guarantee Fund. The accumulated contributions of a member returned to him upon his withdrawal, or paid to his estate or designated beneficiary in the event of his death, is paid from the Teachers' Savings Fund. Any accumulated contributions forfeited by the failure of a teacher or his estate to claim the same is transferred from the Teachers' Savings Fund to the Guarantee Fund. The accumulated contributions of a member are transferred from the Teachers' Savings Fund to the Allowance Reserve Fund in the event of retirement by reason of superannuation or disability.

Teachers' Savings Fund

Fiscal Year Ending June 30, 1957

Balance, July 1, 1956	\$16,245,061.02	
Collections:		
Teachers' Savings (Con- tributions)	\$3,397,235.19	
Reinstatements	6,946.98	
Interest earned	495,826.09	
Sub-total	<u>3,900,008.26</u>	
TOTAL AMOUNT AVAILABLE		\$20,145,069.28
Disbursements:		
Adjustments:		
Transfers to GF—forfeiture of claims	\$ 3,848.57	
Transfers to ARF— retirements	206,687.72	
Refunds Paid	444,618.88	
TOTAL ADJUSTMENTS AND REFUNDS		<u>655,155.17</u>
Balance, June 30, 1957		<u>\$19,489,914.11</u>

State Accumulation Fund

The State Accumulation Fund consists of the State's appropriations to the Retirement System, excluding money assigned to the Expense Fund, together with interest assigned by the Board of Trustees from the Guarantee Fund. At the time of the retirement of a member by reason of superannuation or disability, an amount is transferred from the State Accumulation Fund, which together with the sum transferred from the Teachers' Savings Fund will be sufficient to provide the member the allowance granted in KRS 161.620 and 161.660.

State Accumulation Fund

Fiscal Year Ending June 30, 1957

Balance, July 1, 1956	\$16,245,044.10	
Collections:		
State Contributions—		
matching	\$3,396,749.24	
State Contributions—		
prior service	611,932.62	
Interest earned	491,704.89	
Transfers from GF for		
reinstatements	6,946.98	
	<hr/>	
Sub-total	4,507,333.73	
TOTAL AMOUNT		
AVAILABLE		\$20,752,377.83
Adjustments:		
Transfers to GF—refunds...	\$ 439,994.81	
Transfers to ARF—		
prior service	611,932.62	
Transfers to ARF—		
retirement	206,687.72	
Transfers to GF—forfeiture		
of claims	3,848.57	
	<hr/>	
TOTAL TRANSFERS		
FROM FUND		1,262,463.72
Balance, June 30, 1957		\$19,489,914.11

Allowance Reserve Fund

The allowance Reserve Fund is the fund from which is paid all allowances, or benefits in lieu thereof, on account of which monies have been transferred from the Teachers' Savings Fund, the State Accumulation Fund, or the Guarantee Fund.

Allowance Reserve Fund

Fiscal Year Ending June 30, 1957

Balance, July 1, 1956 \$2,124,667.20

Collections:

Teachers' Savings—retirements..\$206,687.72
 State "matching"—accumulated for retirants 206,687.72
 Voluntary Contributions 691.51
 Interest earned on balance in fund 77,077.86
 State "temporary" contributions to reduce deficiency in prior service obligation for retired teachers 611,932.62

Sub-total 1,103,077.43

TOTAL AMOUNT AVAILABLE.. \$3,227,744.63

Disbursements:

Retirement allowance payments (net)
 Superannuation benefits \$ 948,056.58
 Disability benefits 100,641.52
 Voluntary contribution benefits 728.91

TOTAL DISBURSEMENTS 1,049,427.01

Balance, June 30, 1957 \$2,178,317.62

Guarantee Fund

The Guarantee Fund was established to facilitate the crediting of uniform interest on the amounts of the other funds, except the Expense Fund, and to provide a contingent fund out of which special requirements of any of the other funds may be covered. All income, interest and dividends derived from the authorized deposits and investments are paid into the Guarantee Fund. Any funds received from gifts and bequests, which the Board is authorized to accept, are credited to the Guarantee Fund. Any funds transferred from the Teachers' Savings Fund by reason of lack of claimant or because of a surplus of any kind, and any other monies for which disposition is not otherwise provided, are credited to the Guarantee Fund. The interest allowed by the Board of Trustees to each of the other funds is paid to such funds from the Guarantee Fund. Any deficit occurring in any fund that would not be automatically covered is met by payments from the Guarantee Fund to that fund.

Guarantee Fund

Fiscal Year Ending June 30, 1957

Balance, July 1, 1956	\$1,246,297.96
Collections:	
Gifts and forfeitures	\$ 7,697.14
Interest earned	1,075,082.20
Transfers from SAF— for refunds	439,994.81
Sub-total	<u>1,522,774.15</u>
TOTAL AMOUNT AVAILABLE	\$2,769,072.11
Adjustments:	
Interest paid—voluntary contributions	\$ 1,007.79
Interest paid—ARF	77,077.86
Interest paid—SAF	491,704.89
Interest paid—TSF	491,704.89
Transfers to Voluntary Con- tributions Fund — interest on refunds	27.15
Transfers to SAF—for reinstatements	6,946.98
Transfers to TSF—interest on refunds	<u>4,121.20</u>
TOTAL TRANSFERRED FROM FUND	<u>1,072,590.76</u>
Balance, June 30, 1957	<u>\$1,696,481.35</u>

Voluntary Contributions

Any member of the Teachers' Retirement System, or the Board of Education employing such member, or both, may make voluntary contributions of two per cent or more of such member's annual compensation to the Retirement System for the benefit of such member.

Upon retirement, any such member receives in addition to retirement allowances provided by Law, such annuity as has been earned by the voluntary contributions made by or for such member, computed upon an actuarial basis.

Upon the death or withdrawal from the Retirement System of any member for any reason other than retirement, such member or the estate of such member, and the Board of Education are each reimbursed respectively for any voluntary contributions made by or on behalf of such member to the Retirement System. Upon death after retirement, no such reimbursement is made.

Voluntary Contribution Fund

Balance, July 1, 1956		\$32,460.03
Collections:		
Voluntary unmatched contributions.....	\$12,548.44	
Interest earned	1,007.79	
Transfers from GF—Interest on refunds	27.15	
Sub-total		<u>13,583.38</u>
TOTAL AMOUNT AVAILABLE		\$46,043.41
Disbursements:		
Refunds Teachers Voluntary Contri- butions and Employers Voluntary Contributions		\$ 3,210.25
Refunds—interest		27.15
Transfers to ARF—for retirements.....		<u>691.51</u>
TOTAL DISBURSEMENTS AND ADJUSTMENTS		<u>3,928.91</u>
Balance, June 30, 1957		<u>\$42,114.50</u>

RETIREMENT ALLOWANCES PAID
Teachers' Retirement System
July 1, 1942, through June 30, 1957

Year	Cause of Retirement		Funds from which Paid			Total	Percentage Paid from State "Temporary" Funds
	Superannuation	Disability	TC	SC(Perm.)	SC(Temp.)		
1942-43	\$ 62,439.36	\$ 1,426.56	\$ 15,791.10	\$ 15,215.22	\$ 32,859.60	\$ 63,865.92	51.5%
1943-44	80,761.09	2,316.70	9,491.37	8,345.75	65,240.67	83,077.79	78.5
1944-45	101,589.73	2,862.12	14,258.05	11,527.58	78,666.22	104,451.85	75.3
1945-46	130,057.95	3,803.48	24,692.91	13,686.44	95,482.08	133,861.43	71.3
1946-47	201,523.60	13,866.57	40,215.35	28,118.59	147,056.23	215,390.17(a)	68.3
1947-48	234,395.83	17,978.71	38,185.99	31,348.35	182,840.20	252,374.54	72.4
1948-49	268,804.55	20,763.60	46,017.03	29,902.32	213,648.80	289,568.15	73.8
1949-50	306,449.13	24,918.44	57,683.56	36,823.79	236,860.22	331,367.57	71.5
1950-51	466,318.45	51,224.27	90,904.36	66,228.19	360,410.17	517,542.72(b)	69.6
1951-52	516,131.59	58,080.73	86,685.31	68,091.54	419,435.47	574,212.32	73.0
1952-53	580,791.54	66,293.72	120,169.70	67,935.42	458,980.14	647,085.26	70.9
1953-54	651,556.68	73,639.60	137,788.76	93,637.63	493,769.89	725,196.28	68.1
1954-55	818,463.88	90,559.54	155,608.13	123,280.98	630,134.31	909,023.42(c)	69.3
1955-56	883,855.94	98,740.62	164,026.16	130,416.71	688,153.69	982,596.56	70.0
1956-57	948,785.49	100,641.52	184,815.47	119,989.90	744,621.64	1,049,427.01	71.0
Totals	\$6,251,924.81	\$ 627,116.18	\$1,186,333.25	\$ 844,548.41	\$4,848,159.33	\$6,879,040.99(d)	70.5%

(a) Minimum allowance raised to \$10.00 per service credit year not to exceed 30 years.

(b) Minimum allowance raised to \$16.00 per service credit year.

(c) Minimum allowance raised to \$18.00 per year of service credit for maximum of 35 years.

(d) 17.2% of benefit payments from funds paid by teachers. 82.8% of payments from State matching fund and "temporary" contributions.

REFUNDS

Teachers' Retirement System

July 1, 1940, through June 30, 1957

Date	Withdrawals		Deceased		Special		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1940-44.....	2,654	\$ 106,474.07	148	\$ 11,447.66	21	\$ 231.76	2,823	\$ 118,153.49
1944-45.....	914	48,760.45	52	6,567.58	8	168.27	974	55,496.30
1945-46.....	1,621	103,926.44	61	8,654.01	7	71.37	1,689	112,651.82
1946-47.....	2,161	135,006.00	37	6,298.25	19	467.06	2,217	141,771.31
1947-48.....	1,759	128,236.67	55	12,866.81	18	478.03	1,832	141,581.51
1948-49.....	2,048	152,409.50	68	18,104.35	13	137.90	2,129	170,651.75
1949-50.....	1,938	176,872.29	48	14,917.02	23	286.43	2,009	192,075.74
1950-51.....	2,709	243,534.94	84	28,475.11	19	466.51	2,812	272,476.56
1951-52.....	2,384	243,689.14	67	28,461.17	16	552.63	2,467	272,702.94
1952-53.....	2,954	288,013.06	72	24,405.01	4	53.51	3,030	312,471.58
1953-54.....	2,268	278,483.49	51	32,243.80	9	155.22	2,328	310,882.51
1954-55.....	2,164	313,019.33	47	37,659.91	13	292.38	2,224	350,971.62
1955-56.....	2,102	324,571.79	67	53,222.51	13	226.68	2,182	378,020.98
1956-57*.....	1,832	381,015.98	67	63,100.03	10	502.87	1,909	444,618.88
TOTALS.....	29,508	\$2,924,013.15	924	\$346,423.22	193	\$4,090.62	30,625	\$3,274,526.99

*Does not include Refunds of Voluntary Unmatched Contributions.

PART II. ACTUARIAL VALUATION

November 27, 1957

Members of the Board of Trustees
Teachers' Retirement System
of the State of Kentucky
Frankfort, Kentucky

Gentlemen:

I have the honor of presenting herewith a report on a valuation of the Teachers' Retirement System of the State of Kentucky. The accompanying Valuation Balance Sheet shows the financial condition of the System as of July 1, 1957, from a technical standpoint.

The courteous and considerate cooperation of the able staff of the System in supplying, with promptness, statistical data required for the preparation of this Valuation Balance Sheet is hereby acknowledged with appreciation.

Respectfully submitted,
(signed) L. C. Cortright
L. C. Cortright, M.C.A.
Actuary

ACTUARY'S REPORT ON A VALUATION
of the
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
as of July 1, 1957

The results of an Actuarial Valuation of the Teachers' Retirement System of the State of Kentucky are presented herewith. The Valuation, required annually, is made to determine whether the contributions, forthcoming from both the State and the membership, are proving sufficient to meet the established liabilities for benefits under the governing law. The Valuation Balance Sheet portrays an actuarial determination of current and prospective Assets and Liabilities of the System and indicates its financial condition, from a technical standpoint. It points up the trends so that, if and when necessary or advisable, adjustments and further amendments can be undertaken to continue to maintain solvency based upon the actual experience of the System.

The statistical data, upon which the Valuation Balance Sheet was based, covers the age, contributing membership service, prior service and salary characteristics of the membership of the System as of July 1, 1957. Among other things, these statistics portray that there were 22,859 contributing members between the ages of 18 and 70. (There were also an additional 714 contributing members where no Membership Record data was available.) Of these, 10,710 had prior service credits, i.e., service credits representing teaching service for the State prior to July 1, 1941, as well as subsequent service credits after that date. Those of the membership possessing only subsequent service credits totaled 12,863. The salaries for the fiscal year aggregated \$74,898,802.00. Of the 1,858 living retired teachers as of July 1, 1957, 1270 were female retired members receiving aggregate annual pensions amounting to \$781,829.49, and 588 male retired members receiving \$362,913.33.

Conclusions

Solvency Test —

From the standpoint of actuarial requirements, a sound and stable financial condition is established when the Current Assets of the System are equal to the difference between the Total Liabilities and the present value of future contributions.

The Valuation Balance Sheet discloses an eminently satisfactory over-all financial outlook.

The changes that have occurred in the membership characteristics and statistical data, since the last report as of July 1, 1956, have materially augmented the totals that compose the figures in the Valuation Balance Sheet.

At the date of this Valuation, the accumulated pension credits (Subsequent Service Credits) from July 1, 1941, to July 1, 1957, are in substantial equality with the accumulated amounts in the "Teachers' Savings Fund" and the "State Accumulation Fund" accounts. The special study made from a scientific sampling of the membership of the System during 1957, as of July 1, 1956, indicates the adequacy of the funds in hand to discharge the Subsequent Service Liability as of July 1, 1957.

The import and implications of the amendments to the Retirement System Law passed by the 1954 General Assembly have virtually guaranteed the ultimate actuarial funding of the obligations of the System resulting from future service of member teachers.

The faith and integrity of the Commonwealth of Kentucky, whose promise substantiates and guarantees the Prior Service obligations, makes certain their future liquidation.

The liberalizing provisions of the amended law with respect to the control over the investment portfolio of the System, that is now vested in the Board of Trustees, has opened the way for a substantial improvement in the investment earnings of the System.

Member teachers and their beneficiaries, whose future interests are tied so closely to the stability of the System, can take pride in the present financial showing and should zealously strive to foster the preservation and continuance of the Teachers' Retirement System of the State of Kentucky without substantive changes in its basic principles.

The conscientious concern for the financial welfare of the System on the part of the Board of Trustees and the efficient staff of the System is evident in every phase of the System's operations.

Respectfully submitted,

(signed) L. C. Cortright

L. C. Cortright, M.C.A.
Actuary

PART III. STATISTICAL

The Teachers' Retirement System of the State of Kentucky was established by an Act of the General Assembly passed at the extraordinary session which was begun on March 2, 1938, and ended on April 9, 1938. This Act, which was known as the Porter-Rayburn Act, was approved by the Governor on April 21, 1938.

The Retirement System became operative as to membership and to the payment of contributions July 1, 1940. At the regular session of the General Assembly in 1940, the Act of 1938 was amended and \$1,000,000 was appropriated to activate the Retirement System for the biennium 1940-42. It became operative as to retirement and payment of annuities July 1, 1942.

The Retirement Act has been expanded and improved by eighteen amendments, and additional amendments to further improve the System will probably be proposed during the 1958 Regular Session of the General Assembly.

SUMMARY OF STATISTICAL FACTS

Contributors, 1956-57

	Male	Female	Total
Number of contributors*	6,212	17,183	23,395
Proportion of total number	26.55%	73.45%	100.00%
Annual Salaries	\$22,770,875.00	\$52,127,927.00	\$74,898,802.00
Proportion of total salaries	30.40%	69.60%	100.00%
Average Salary	\$ 3,665.63	\$ 3,033.70	\$ 3,201.49
Average age**	39.98	42.33	41.71
Number with prior service credit* .....	.....	.....	10,710
Total years of prior service credit .....	.....	.....	110,449.9
Average years of prior service credit .....	.....	.....	10.31
Average prior service salary .....	.....	.....	\$ 865.01
Aggregate contributions (member)*** .....	.....	.....	\$ 3,409,800.55
Average contributions.. .....	.....	.....	\$ 145.75

*Does not include 35 part-time teachers and 714 teachers who had not filed service records.

**Based on attained age as of July 1, 1957.

***Includes voluntary unmatched contributions amounting to \$12,548.44.

New Contributors, 1956-57*

	Male	Female	Total
Number of contributors	882	2,012	2,894
Proportion of total number	30.48%	69.52%	100.00%
Number with prior service credit	18	117	135
Total years of prior service credit	125.3	594.2	719.5
Average years of prior service credit	6.96	5.08	5.33
Average attained age	50.61	49.53	49.68
Number with no prior service credit	864	1,895	2,759
Proportion of total number	31.32%	68.68%	100.00%
Average salary	\$ 2,741.28	\$ 2,479.50	\$ 2,561.48
Average attained age....	29.09	31.18	30.52

*Does not include contributors who did not file service records.

Withdrawal of Memberships

	Number Withdrawn
Withdrawals — July 1, 1956, to June 30, 1957	1,832
Reasons given for withdrawal:	
Teaching in other states and countries	334
Home making and family duties	303
Lost service credit because of absence of six years	285
Women whose husbands' work was transferred to other states	232
Changed profession	174
Other employment (work not indicated)	122
Moved to another state — (men)	70
Emergency teachers	69
Illness — not eligible for disability annuity	50
Insufficient salary	50
Unmarried women who left the state — work not indicated	41
Teaching in Kentucky — not covered by Teachers' Retirement System	26
Business of own	25
Reduction of teaching staff	19
Military service	16
Disliked teaching	8
Not re-employed	8
Withdrawals July 1, 1940, through June 30, 1957	29,508
Average annual withdrawals for 10-year period ending June 30, 1957	2,216

Members Deceased Before Retirement

	Male	Female	Total
Deaths, July 1, 1956, through June 30, 1957	20	47	67
Proportion of total number	29.85%	70.15%	100.00%
Number with prior service credit	13	16	49
Total years of prior service credit .....	.....	.....	648.1
Average years of prior service credit .....	.....	.....	13.23
Average attained age at death	49.45	51.36	50.79
Deaths, July 1, 1940, through June 30, 1957	369	555	924
Proportion of total number	39.94%	60.06%	100.00%
Total years of prior service credit .....	.....	.....	11,537.5
Average years of prior service credit .....	.....	.....	12.49
Average attained age at death	45.88	48.54	47.47

Retired Members — Living June 30, 1957

	Male	Female	Total
Number of members	554	1,150	1,704
Proportion of total number	32.51%	67.49%	100.00%
Aggregate annual annuities	\$ 333,220.41	\$ 696,433.89	\$ 1,029,654.30
Proportion of total annuities	32.36%	67.64%	100.00%
Average annuity*	\$ 601.48	\$ 605.59	\$ 604.26
Reserve necessary to meet annuity obligations	\$ 3,026,279.71	\$ 7,470,560.53	\$ 10,496,840.24
Average reserve neces- sary to meet annuity obligations	\$ 5,462.60	\$ 6,496.14	\$ 6,160.12
Average attained age....	70.86	70.60	70.69

*Average annuity payments are based upon actual annual benefits of retired members.

LIVING RETIRED MEMBERS
Trend in Annuity Payments*

Year Ending June 30	Number Receiving Annuities at End of Year	Percentage Increase Over Preceding Year	Total Annuity Payments During Year	Percentage Increase Over Preceding Year	Average Annual Annuity	Percentage Increase Over Preceding Year
1943	229	.....	\$ 63,865.92	.....	\$278.89	.....
1944	314	37.12%	83,077.79	30.08%	264.58	(5.13) %
1945	377	20.06	104,451.85	25.73	277.06	4.72
1946	461	22.28	133,861.43	28.17	290.37	4.80
1947	595	29.07	215,390.17	60.91	362.00	24.67
1948	689	15.80	252,374.54	17.17	366.29	1.19
1949	796	15.53	289,568.15	15.74	363.78	(0.69)
1950	896	12.56	331,367.57	14.44	369.83	1.66
1951	1,056	17.86	517,542.72	56.18	490.10	32.52
1952	1,152	9.09	574,212.32	10.95	498.45	1.70
1953	1,284	11.46	647,085.26	12.69	503.96	1.11
1954	1,410	9.81	725,196.28	12.07	514.32	2.06
1955	1,531	8.58	909,023.42	25.35	593.74	15.44
1956	1,618	5.68	982,596.56	8.09	607.29	2.28
1957	1,704	5.32	1,049,427.01	6.80	615.86	1.41

* Computations are based upon the number of members receiving annuity benefits on June 30, of each fiscal year, and the total annuity payments during each fiscal year.

Non-Contributing Members, One to Three Years

	Male	Female	Total
With service records on file July 1, 1956:			
Number of members	890	2,619	3,509
Proportion of total number.....	25.37%	74.63%	100.00%
Average years of prior service credit..	0.96	1.22	1.15
Average years of subsequent service credit	3.62	4.11	3.99
Average contributions	\$181.72	\$171.24	\$173.90
With no service records on file			
July 1, 1956:			
Number of members .....	.....	.....	562

Non-Contributing Members, Four to Six Years

	Male	Female	Total
With service records on file, July 1, 1956:			
Number of members	639	1,208	1,847
Proportion of total number.....	34.62%	65.38%	100.00%
Average years of prior service credit...	1.20	1.48	1.38
Average years of subsequent service credit	2.32	3.23	2.92
Average contributions	\$104.65	\$114.84	\$111.32
With no service records on file			
July 1, 1956:			
Number of members .....	.....	.....	592

PART IV. LEGISLATIVE RESEARCH COMMISSION STUDY

RESOLUTION

The General Assembly of the Commonwealth of Kentucky in 1956 passed Senate Resolution No. 58. Thereby the Legislative Research Commission was directed to investigate and study certain aspects of the Teachers' Retirement System and the Employees' Retirement System. The full text of Senate Resolution No. 58 is as follows:

Section 1. The Legislative Research Commission is directed to look into and ascertain the costs and benefits of the present Kentucky Teachers' Retirement System compared with coverage of the public school teachers of Kentucky by the Retirement System for State Employees. The latter combines a state retirement system with Social Security. Said study is to be made for the purpose of securing information essential to future legislation to secure coverage of teachers by the Federal Old Age and Survivors Insurance (Social Security) without loss or impairment of their state retirement.

Section 2. The Legislative Research Commission shall, for purposes of estimating the cost of teacher coverage by the Retirement System for State Employees, assume that the accumulated reserve fund of the present Kentucky Teachers' Retirement System would be set aside and put in a special fund for the payment of retirement benefits to teachers; further they shall assume that said fund would be turned over to administrators of the Retirement System for State Employees to be used only for the payment of retirement benefits to teachers.

FOUR AREAS OF STUDY

It appears that an actuarial analysis is an accepted means of determining the incidence of contributions and the contingent liabilities involved in providing retirement benefits. Accordingly, an objective actuarial study to implement Senate Resolution No. 58 was authorized by the Legislative Research Commission. It was determined that each retirement system involved would be represented by its actuary and that a joint actuarial report would be submitted to the Legislative Research Commission.

In view of the many issues and problems involved in analyzing various cost-benefit relationships in both the Teachers' Retirement System and the State Employees' Retirement System, it was considered desirable to define the scope of the study in terms of four "Areas". The four Areas of study which were agreed to by the Legislative Research Commission, the Teachers' Retirement System and the Employees' Retirement System are as follows:

Area 1

For purposes of the study it was assumed that the Teachers' Retirement System as it presently exists would be changed to provide the same benefits, the same contributions by teachers and State, and all other rights and privileges, as for the integrated system for State Employees. The new system would have part of the benefits payable under the State System and part payable from Federal Social Security, just as is the case for the Employees' Retirement System. A determination of the cost to the State of the funded and unfunded liabilities, benefits, etc., of the new system was then to be made and compared with the presently operating Teachers' Retirement System, including methods of handling contributions of teachers prior to July 1, 1956.

Area 2

This area was considered to be the same as Area 1 to the extent that contributions of employees, and their benefits, privileges and rights would be the same as under the system proposed in Area 1. But rather than having part of the benefits payable from Federal Social Security and part from a State system as under the Employees' Retirement System, it was assumed that all benefits would be provided by the State system, i.e., the contributions that would otherwise be made by employees and State to the Federal Social Security Program would be made instead to the State system exclusively.

Area 3

In this Area it was assumed that the present Teachers' Retirement System would be implemented by the addition of Federal Social Security so that the Teachers' Retirement System would retain its present structure but would have Social Security benefits in addition. In such case the teachers and the State would make required additional contributions to the Federal Social Security Program.

Area 4

It was assumed that the Teachers' Retirement System would be retained just as it is except that certain survivors benefits and death benefits, similar in nature to the benefits provided under Federal Social Security would be added and financed within the structure of the Teachers' Retirement System. Teachers and the State would contribute any additional amounts necessary to support the liberalized Teachers' Retirement System. Such additional benefits would be provided by the State and not by the Federal Social Security Program.

The study authorized by Senate Resolution No. 58 is now in process and it is assumed that the Legislative Research Commission will submit a comprehensive report of its findings to the General Assembly early in 1958.