

Twenty-first Annual Report
of the
TEACHERS' RETIREMENT SYSTEM
OF THE
STATE OF KENTUCKY

1960-61



DECEMBER, 1961

TEACHERS' RETIREMENT SYSTEM

of the
STATE OF KENTUCKY

December 28, 1961

Honorable Bert T. Combs
Governor of Kentucky
Frankfort, Kentucky

Dear Governor Combs:

We transmit herewith in accordance with the provisions of Section 161.320 of the Kentucky Revised Statutes, the Twenty-first Annual Report of the Teachers' Retirement System of the State of Kentucky.

While this is an annual report it contains an audit report of three fiscal years. You will recall that because of personnel shortages, the Auditor of Public Accounts has been unable to audit our records for this period. Therefore, the Board of Trustees authorized the employment of a Certified Public Accountant to perform this task. The State Auditor participated by furnishing one member of his staff to assist in the audit.

The Teachers' Retirement System is in sound financial condition. This is due in no small measure to your efforts in securing an adequate tax program which has permitted the budget appropriations that we have requested. This is yet another example of your fine resolve to maintain and expand adequate governmental services to our citizens. We take this opportunity to express again our very deep appreciation of your leadership.

The report of the Actuary is not included herein. At the time we went to press his studies had not been concluded. He informs us that it is his opinion that his work will reveal our sound position, but his completed report is not available. It will be issued as a supplement when submitted to the Board of Trustees.

Respectfully yours,

W. S. Milburn
Chairman, Board of Trustees

James L. Sublett
Executive Secretary
Teachers' Retirement System
of the State of Kentucky

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TEACHERS' RETIREMENT SYSTEM
STATE OF KENTUCKY

BOARD OF TRUSTEES

Elected by members:

W. S. Milburn, Chairman	Louisville
Mrs. Edna Lindle, Vice Chairman	Henderson
Mrs. James Sheehan	Danville
Ted Crosthwait	Bardstown

Ex-officio:

Wendell P. Butler, Superintendent of Public Instruction.....	Frankfort
Thelma L. Stovall, State Treasurer	Frankfort
John B. Breckinridge, Attorney General	Frankfort

STAFF

James L. Sublett, Executive Secretary
Vera Beckham, Assistant Secretary
William Ray Holt, Administrative Officer
L. C. Cortright, Actuary

Joan Burke	Susan Leathers	Martha C. Sudduth
Polly Casey	Alean McDonald	Anna Jean Tracy
Anna Mae Connelly	Helen N. Meade	Doris W. Ward
Nancy G. Cosby	Elizabeth Merchant	William D. Wentworth
Wilma Gaines	Amanda Owens	Dorothy L. Wood
Edna Inman	Jean L. Pulliam	Frances Wright

PART I. LEGISLATION

The 1961 year being one in which the General Assembly does not meet, there have been no changes in the Teacher Retirement Statutes. However, this "off" year has been devoted to much study, planning and research designed to develop legislative proposals providing for the further improvement and strengthening of the Teacher Retirement program.

From this study there has been developed a program which will be presented for the consideration of the 1962 General Assembly.

A number of technical changes dealing primarily with language and obsolete provisions will be proposed. However, the proposals which most directly affect members are nine in number as follows:

1. Provide for the use of male mortality factors in the calculation of annual annuities under the retirement annuity formula for both men and women.
2. Materially increase benefits to certain survivors of teachers who die while in active service, increasing allowable income for widows and adding dependent brother or sister and physically or mentally incompetent adult child as persons who can qualify for such benefits.
3. Eliminate the limit of one-half average salary for five consecutive years as it applies to the annuities of persons calculated on the basis of a statutory minimum. This will permit persons with long service and low salary to receive the full benefit of the minimum of \$40 for each year of service adopted at the 1960 session of the General Assembly.
4. Provide for retirement after fifteen years of Kentucky service when the teacher reaches age 60.
5. Provide for credit for service in the Armed Forces prior to becoming a member of the Teachers' Retirement System.
6. Reduce from five to one year the consecutive service immediately before retirement that a teacher must have in order to qualify for disability retirement.
7. Provide that members of the Teachers' Retirement System with service out-of-state may transfer such service up to a maximum of sixteen years.
8. Provide that retired teachers who are less than age seventy may waive their annuities and return to teaching.
9. Extend the deferred retirement privilege from age 60 to 65.

There are extra costs involved in these proposals but it is our considered opinion that for the foreseeable future these costs can be absorbed in the existing financing plan and therefore no request will be made for funds beyond the present requirements of the law.

PART II. FINANCIAL

The annual statement of the fiscal condition of the Teachers' Retirement System as required by law is contained herein. The Balance Sheet and Statement of Receipts and Disbursements reveal the sound financial condition of the System.

The actuarial valuation is not printed here, but will be issued later as a supplement to this report. At present the actuary is conducting the studies necessary to determine the actuarial condition of the System, but his report is not yet available.

Two facts revealed by the tables are worthy of emphasis. The table dealing with the cost of administration shows that the cost of administering the Retirement System, as a percentage of state appropriation was lower than for any year since 1940, with one exception. Considering the growth in membership and the increasing complexity of the law this is indeed enviable.

The recapitulation of refunds made during 1960-61 reveals a sharp decline, almost sixty-four percent to be exact. Never before in the history of the Retirement System has such a decrease taken place. It would seem to indicate that perhaps at long last the continual drain of Kentucky teachers may be ceasing.

BALANCE SHEET**Teachers' Retirement System**

June 30, 1961

ASSETS

Cash, Unencumbered, All Funds	\$ 724,790.98	
Cash, Encumbered	1,712.68	\$ 726,503.66
	<hr/>	
Investments		76,927,970.24
Deferred Charges:		
Unamortized Premium on Investments	\$ 747,632.71	
Accrued Interest Purchased	38,157.73	
	<hr/>	
Sub-total	\$ 785,790.44	
Unamortized Discount on Investments	422,869.55	362,920.89
	<hr/>	
TOTAL ASSETS		<u>\$78,017,394.79</u>

**LIABILITIES AND
FUND BALANCES**

Expense Fund Encumbrances....		\$ 1,712.68
Fund Balances:		
Expense Fund	\$ 2,663.21	
Teachers' Savings Fund	36,055,706.35	
State Accumulation Fund	36,055,706.35	
Guarantee Fund	4,338,543.28	
Voluntary Contributions, Active Members	92,013.90	
Allowance Reserve Fund:		
Teachers' Contributions..\$	329,830.19	
State "Permanent" Contributions	1,141,218.83	1,471,049.02
	<hr/>	
Total Fund Balances		<u>78,015,682.11</u>
TOTAL LIABILITIES AND FUND BALANCES.....		<u>\$78,017,394.79</u>

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Teachers' Retirement System

for the period July 1, 1960—June 30, 1961

CASH BALANCE, ALL FUNDS—JULY 1, 1960..... \$ 1,071,310.03

Receipts:

Teachers' Savings	\$5,792,722.05	
Regular Reinstatements.....	14,039.54	
Partially Matched		
Reinstatements	377,168.26	
Voluntary Unmatched		
Contributions	33,411.30	
Total from Members.....		\$ 6,217,341.15

State Contributions:

"Permanent"—to match		
Teachers' Savings	\$5,790,585.89	
"Temporary"—to reduce		
Prior Service Obligation..	1,173,039.11	
Administrative Expense	161,375.00	7,125,000.00
Interest Collected, Bonds		
Redeemed or Sold		14,073,770.97
Annuity Checks Returned,		
Benefit Adjustments		11,583.55
Total Receipts		<u>27,427,695.67</u>

TOTAL CASH AVAILABLE..... \$28,499,005.70

Disbursements:

Administrative Expenses		
Current Year	\$ 159,417.59	
Liquidation of Prior		
Year Encumbrances	10,686.11	\$ 170,103.70
Refunds for Withdrawal		
from Membership	\$ 599,534.09	
Death Benefit Payments—		
members deceased		
before retirement	21,000.00	620,534.09
Retirement Allowance		
Payments:		
Superannuation	\$2,675,858.84	
Disability	307,821.39	
Voluntary & Survivor		
Benefit Payments	43,215.14	
Death Benefit Payments		
for Annuitants Deceased	54,500.00	3,081,395.37
Purchases of Investments....		<u>23,900,468.88</u>
Total Disbursements		27,772,502.04

CASH BALANCE, ALL FUNDS—JUNE 30, 1961..... \$ 726,503.66

ANALYSIS OF RECEIPTS
Teachers' Retirement System
Fiscal Years 1940-41 through 1960-61

Date	Teachers' Savings*	Rein-statements	State Matching Contribution	State Prior Service Contribution	State Contribution for Expenses	Interest and Profit	Total Receipts
7/1/40-6/30/44 ..\$	2,063,716.64	\$ 675.28	\$ 2,063,636.92	\$ 147,146.21	\$ 89,216.87	\$ 161,182.57	\$ 4,525,574.49
7/1/44-6/30/48 ..	3,184,177.52	8,138.74	3,039,017.44	363,594.56	131,388.00	680,795.86	7,407,112.12
1948-49	1,105,134.40	537.41	1,247,642.85	2,626,438.79	41,500.00	318,688.22	5,339,941.67
1949-50	1,181,924.12	1,049.89	1,181,632.98	252,242.02	44,000.00	429,361.89	3,090,210.90
1950-51	1,251,317.46	4,002.05	1,250,896.04	326,488.96	52,615.00	399,979.09	3,285,298.60
1951-52	1,413,081.57	4,290.75	1,410,675.96	169,104.04	60,220.00	528,127.92	3,585,500.24
1952-53	1,470,569.81*	3,887.05	1,460,497.62	640,267.38	59,039.00	610,139.97	4,244,400.83
1953-54	1,509,971.81*	6,262.44	1,503,190.97	144,949.03	62,860.00	688,046.72	3,915,280.97
1954-55	1,608,795.76*	5,240.32	1,600,512.20	151,231.80	70,000.00	776,485.87	4,210,265.95
1955-56	2,706,333.97*	5,730.97	1,929,901.00	.....	70,355.00	908,548.21	5,620,869.15
1956-57	3,409,800.55*	6,946.98	3,396,749.24	611,125.76	89,000.00	1,082,779.34	8,596,401.87
1957-58	3,533,508.21*	4,583.72	3,523,551.57	612,278.43	125,225.00	1,557,061.91	9,356,208.84
1958-59	3,877,031.28*	7,026.22	3,858,543.67	479,306.33	129,350.00	1,638,554.23	9,989,811.73
1959-60	4,198,829.94*	10,015.71	4,184,427.58	281,225.77	178,146.65	2,045,440.74	10,898,086.39
1960-61	5,826,133.35*	391,207.80	5,790,585.89	1,173,039.11	161,375.00	2,537,175.78	15,879,516.93
	<u>\$38,338,326.39</u>	<u>\$459,595.33</u>	<u>\$37,441,461.93</u>	<u>\$7,978,438.19</u>	<u>\$1,364,290.52</u>	<u>\$14,362,368.32</u>	<u>\$99,944,480.68</u>

*Includes Voluntary Unmatched Contributions.

**COMPARISON OF BUDGET REQUESTS
WITH APPROPRIATIONS RECEIVED
July 1, 1940, through June 30, 1962**

Biennium	Request Budget	Appropriations	Not Appropriated
1940-42	\$ 1,500,000.00	\$ 1,000,000.00	\$ 500,000.00
1942-44	1,719,600.00	1,300,000.00	419,600.00
1944-46	1,945,250.00	1,622,000.00	323,250.00
1946-48	2,340,000.00	1,912,000.00	428,000.00
1948-50	5,393,456.64	5,393,456.64	.....
1950-52	3,258,540.00	3,270,000.00	(11,460.00)
1952-54	4,254,340.00	3,870,804.00	383,536.00
1954-56	4,439,605.00	3,822,000.00	617,605.00
1956-58	8,356,705.00	8,356,705.00	.....
1958-60	9,343,215.00	9,111,000.00	232,215.00
1960-62	14,725,000.00	14,725,000.00	.....
Totals	\$57,275,711.64	\$54,382,965.64	\$2,892,746.00

PART III. INVESTMENTS

Interest income is an important factor in the total income of a retirement system. For younger teachers the interest earned on their contributions and on the state matching contributions will be sufficient to provide almost one-half of the reserve necessary to pay their annuities upon retirement.

The Teachers' Retirement System is fortunate in that it has been possible to achieve increasing flexibility in the investment law while maintaining sufficient safeguards of the funds. We have been able to withstand pressures to make unwise investments and have attained a steady increase in yield. The Analysis of Investment statement indicates that as of June 30, 1961, the net yield on our portfolio was 3.817655 percent as compared with a yield of 3.530384 percent on June 30, 1959.

It will be noted that two areas of investment (both relatively small) are not included in the yield statement. The Capehart Mortgages are omitted because they are in construction status and thus cannot be reported on a comparable basis. As soon as construction is completed the yield will be included. It is on a basis of approximately 4.70 percent. The common stock yield is not reported because stock yields and bond yields are not comparable since in stocks there is the factor of price appreciation which is not true of bonds. We are proud to emphasize, however, that in our first year of stock purchase, our portfolio outperformed the Dow Jones industrial averages by 37 percent.

ANALYSIS OF INVESTMENTS HELD AT JUNE 30, 1961
to show annual yield rate
Teachers' Retirement System of the State of Kentucky

	Percentage of Total	Par Value	Interest Income/year	Annual Yield
U. S. Treasury Obligations	37.2%	\$28,569,188.28	\$ 916,527.43	3.208%
Corporate Bonds	41.6%	31,971,000.00	1,374,323.31	4.299%
School & Municipal Bonds	15.6%	12,016,000.00	472,443.26	3.932%
Kentucky Obligations	2.5%	1,930,000.00	80,332.06	4.162%
TOTALS	96.9%	\$74,486,188.28	\$2,843,626.06	

NET YIELD RATE $\$2,843,626.06 \div \$74,486,188.28 = 3.817655\%$

Not Included Above:

28,645 shares Common Stocks.....	1.9%	1,509,844.78
Capehart 4½% Mortgage Loans which are still in construction status, face value	1.2%	931,937.18
TOTAL INVESTMENTS	100.0%	\$76,927,970.24

COST OF ADMINISTRATION
Teachers' Retirement System
July 1, 1940 through June 30, 1961

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	69,548.14	2.58
1956-57	4,008,681.86	88,407.80	2.21
1957-58	4,261,055.00	111,868.14	2.62
1958-59	4,337,850.00	123,489.00	2.97
1959-60	4,465,653.35	164,768.85**	3.68
1960-61	6,963,625.00	170,103.70	2.44

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

**Includes non-recurring capital outlay expenditure of \$33,500 for accounting machines charged off in one year instead of being amortized over the life of the equipment.

SOURCE OF ALLOWANCE RESERVE FUND PAYMENTS

Teachers' Retirement System

July 1, 1942, through June 30, 1961

Year	Total Benefits	Paid from Teachers' Contributions	Paid from State Funds:		Percentage Paid from State "Temporary" Funds
			Matching Contribution	Prior Service Contribution	
1942-43	\$ 63,865.92	\$ 15,791.10	\$ 15,215.22	\$ 32,859.60	51.5%
1943-44	83,077.79	9,491.37	8,345.75	65,240.67	78.5%
1944-45	104,451.85	14,258.05	11,527.58	78,666.22	75.3%
1945-46	133,861.43	24,692.91	13,686.44	95,482.03	71.3%
Minimum \$10/year (limit 30 years)					
1946-47	215,390.17	40,215.35	28,118.59	147,056.23	68.3%
1947-48	252,374.54	38,185.99	31,348.35	182,840.20	72.4%
1948-49	289,568.15	46,017.03	29,902.32	213,648.20	73.8%
1949-50	331,367.57	57,683.56	36,823.79	236,860.22	71.5%
Minimum \$16/year (limit 30 years)					
1950-51	517,542.72	90,904.36	66,228.19	360,410.17	69.6%
1951-52	574,212.32	86,685.31	68,091.54	419,435.47	73.0%
1952-53	647,085.26	120,169.70	67,935.42	458,980.14	70.9%
1953-54	725,196.28	137,788.76	93,637.63	493,769.89	68.1%
Minimum \$18/year (limit 35 years)					
1954-55	909,023.42	155,608.13	123,280.98	630,134.31	69.3%
1955-56	982,596.56	164,026.16	130,416.71	688,153.69	70.0%
1956-57	1,049,427.01	184,815.47	119,989.90	744,621.64	71.0%
1957-58	1,138,397.08	235,990.95	126,817.43	775,588.70	68.1%
Minimum \$25/year (years not limited)					
1958-59	1,819,873.84	395,932.80	233,975.69	1,189,965.35	65.4%
1959-60	1,950,244.95	430,754.17	271,427.76	1,248,063.02	64.0%
Minimum \$40/year for career teachers					
1960-61	3,015,564.82	529,515.82	424,639.95	2,061,409.05	68.4%
TOTALS	\$14,803,121.68	\$2,778,526.99	\$1,901,409.24	\$10,123,185.45	68.4%

For the nineteen-year period only 18.8% of aggregate benefit payments have been derived from teachers' individual savings accounts.

REFUNDS
Teachers' Retirement System
July 1, 1940, to June 30, 1961

Date	Withdrawals		Deceased		Special		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
7/1/40-6/30/44	2,654	\$ 106,474.07	148	\$ 11,447.66	21	\$ 231.76	2,823	\$ 118,153.49
7/1/44-6/30/48	6,455	415,929.56	205	34,386.65	52	1,184.73	6,712	451,500.94
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
1957-58*	2,183	422,166.84	60	63,459.52	11	176.36	2,254	485,802.72
1958-59*	2,153	432,917.49	59	66,659.22	198	4,946.17	2,409	504,522.88
1959-60*	2,642	599,648.10	69	94,122.66	66	2,053.57	2,777	695,824.33
1960-61*	1,672	517,682.44	53	79,564.69	52	2,145.72	1,777	599,392.85
TOTALS	38,158	\$4,896,428.02	1,165	\$650,229.31	520	\$13,412.44	39,842	\$5,560,069.77

*Does not include Refunds of Voluntary Unmatched Contributions.

PART IV. AUDIT

Because of a shortage of personnel the Auditor of Public Accounts has been unable to audit the records of the Teachers' Retirement System since the 1957-58 fiscal year. The Board of Trustees, upon the recommendation of the Executive Secretary decided to have an audit made by a Certified Public Accountant. The firm of Mitchell and Sullivan, Frankfort, was employed for this purpose.

Presented herewith is the report of the Auditor for the fiscal years 1958-59, 1959-60 and 1960-61. The Auditor of Public Accounts participated in this audit by supplying an auditor from his office to assist.

Board of Trustees
James L. Sublett, Executive Secretary
Teachers' Retirement System of the
State of Kentucky
Frankfort, Kentucky

Gentlemen:

We have examined the balance sheets and related statements of cash receipts and disbursements of the Teachers' Retirement System of the State of Kentucky for the fiscal years ended June 30, 1959, June 30, 1960 and June 30, 1961. Our examination was conducted in accordance with generally accepted auditing procedures and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and related statements of cash receipts and disbursements present fairly the financial position of the Teachers' Retirement System of the State of Kentucky at June 30, 1959, June 30, 1960 and June 30, 1961 and the results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Respectfully submitted,

MITCHELL & SULLIVAN

GENERAL COMMENTS

CONDUCT OF EXAMINATION

The entire audit was conducted jointly with the Office of the Auditor of Public Accounts. In this respect, personnel from the State and from our office cooperated in all phases of the work from planning through completion of the examination.

INTEREST COLLECTION

Since over 75% of the interest income of the Teachers' Retirement System is from coupon bonds, timely presentation of matured coupons presents additional earning possibilities. Presently, it is necessary to arrange for representatives from both the State Treasurer's office and the Teachers' Retirement System to be present for coupon clipping. The result is that such collection is usually made quarterly. The possibility of providing for collection monthly should be examined.

REMITTANCES FROM SCHOOL BOARDS

In several cases, the amounts withheld from teachers' salaries are not being timely remitted to the Teachers' Retirement System by the School Board. Such remittances should be received monthly. Since any other use of these funds by a School Board, however temporary, represents a violation of trust and a loss of interest credit in the individual teacher's account, it is suggested that penalty provisions or other punitive measures be considered.

**TEACHERS' RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1961**

ASSETS

Cash—Unencumbered, All Funds	\$ 722,134.35	
Cash—Encumbered	4,369.31	\$ 726,503.66
Investments (Note 1)		76,927,970.24
Deferred Charges		
Unamortized Premium on Investments.....	\$ 747,632.71	
Accrued Interest Purchased	38,157.73	
Sub-Total	\$ 785,790.44	
Less: Unamortized Discount on Investments	422,869.55	362,920.89
TOTAL ASSETS		\$78,017,394.79

LIABILITIES AND FUND BALANCES

Liabilities

Expense Fund		
Encumbrances		\$ 4,369.31

Fund Balances

Teachers' Savings Fund.....	\$36,065,707.03	
State Accumulation Fund.....	36,065,707.03	
Guarantee Fund	4,318,541.92	
Voluntary Contribution, Active Members	92,013.90	
Allowance Reserve Fund: (Note 2)		
Teachers' Contributions....	\$ 329,830.19	
State "Permanent" Contributions	1,141,218.83	
State "Temporary" Contributions	6.58	1,471,055.60

Total Fund Balances....		78,013,025.48

TOTAL LIABILITIES AND FUND BALANCES.....		\$78,017,394.79
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**TEACHERS' RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1960**

ASSETS

Cash—Unencumbered, All Funds.....	\$ 1,060,876.92	
Cash—Encumbered	10,433.11	\$ 1,071,310.03
Investments (Note 1)		64,655,567.01
Deferred Charges		
Unamortized Premium on Investments.....	\$ 579 666.00	
Accrued Interest Purchased.....	10,518.72	
Sub-Total	\$ 590,184.72	
Less: Unamortized Discount on Investments	307,914.13	282 270.59
TOTAL ASSETS		\$66,009,147.63

LIABILITIES AND FUND BALANCES

Liabilities

Expense Fund		
Encumbrances		\$ 10,433.11

Fund Balances

Teachers' Savings Fund.....	\$30,252,339.94	
State Accumulation Fund.....	30 252 330.38	
Guarantee Fund	4,156,724.52	
Voluntary Contributions,		
Active Members	60,084.07	
Allowance Reserve Fund:		
(Note 2)		
Teachers' Contributions	\$ 284,487.76	
State "Permanent"		
Contributions	1,011,936.56	
State "Temporary"		
Contributions	(19,188.71)	1,277,235.61
Total Fund Balances.....		65,998,714.52

TOTAL LIABILITIES AND FUND BALANCES.....		\$66,009,147.63
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**TEACHERS' RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1959**

ASSETS

Cash, Unencumbered, All Funds.....	\$ 126,244.48	
Cash, Encumbered	836.51	\$ 127,080.99
Investments (Note 1)		57,572,206.77
Deferred Charges		
Unamortized Premium on Investments.....	\$ 534,228.70	
Accrued Interest Purchased.....	12,770.22	
Sub-Total	\$ 546,998.92	
Less: Unamortized Discount on Investments	231,538.87	315,460.05
TOTAL ASSETS		\$58,014,747.81

LIABILITIES AND FUND BALANCES

Liabilities

Expense Fund		
Encumbrances		\$ 836.51

Fund Balances

Teachers' Savings Fund.....	\$26,438,079.59	
State Accumulation Fund.....	26,438,079.59	
Guarantee Fund	3,119,196.80	
Voluntary Contributions, Active Members	53,728.97	
Allowance Reserve Fund: (Note 2)		
Teachers' Contributions	\$233,901.51	
State "Permanent" Contributions	822,129.89	
State "Temporary" Contributions	908,794.95	1,964,826.35
Total Fund Balances...		58,013,911.30
TOTAL LIABILITIES AND FUND BALANCES		\$58,014,747.81

NOTES TO THE BALANCE SHEETS

NOTE 1: Bonds are carried in this account at maturity value. Differences between the purchase price and maturity value of bonds are entered in either the "Unamortized Premium" account or the "Unamortized Discount" account, as appropriate. Premiums are amortized to the earliest date of call without penalty; discounts are amortized to the maturity date of the bond. Stocks are carried in the "Investments" account at cost.

NOTE 2: All benefits paid to deceased or retired teachers are channeled through this account. The State of Kentucky is paying its obligation for teachers' service prior to the establishment of the Retirement System by allocating to the System funds sufficient to meet current benefit payments which have not been provided for by teachers' savings and matching State funds. Since the State is liquidating this liability on a current basis, the present value of the actuarially computed annuities necessary for payment of benefits to retired teachers is only partially reflected in the Allowance Reserve Fund balance.

TEACHERS' RETIREMENT SYSTEM
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 1961

CASH BALANCES, ALL FUNDS—JULY 1, 1960..... \$ 1,071,310.03

RECEIPTS

Members' Contributions

Teachers' Savings	\$5,792,722.05	
Reinstatements	14,039.54	
Partially Matched		
Reinstatements	377,168.26	
Voluntary Unmatched		
Contributions	33,411.30	

Total from Teachers....		\$ 6,217,341.15
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State Contributions

"Permanent"—to match		
Teachers' Savings	\$5,790,585.89	
"Temporary"—to reduce		
Prior Service Obligation	1,173,045.69	
Administrative Expenses..	161,368.42	

Total State		
Contributions		7,125,000.00

Investment Income

Interest	\$2,470,315.87	
Net Profit on Sale		
of Investments	56,039.75	2,526,355.62

Receipts from Sale or

Redemption of Bonds,		
Purchased Interest and		
Amortization of Premium..		11,547,415.35

Annuity checks returned,

benefit adjustments		11,583.55
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Total Receipts		27,427,695.67
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TOTAL CASH AVAILABLE		\$28,499,005.70
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DISBURSEMENTS:

Administrative Expenses		
Current Year	\$ 159,417.59	
Liquidation of Prior year Encumbrances	10,686.11	\$ 170,103.70
<hr/>		
Refund for withdrawal from Membership	\$ 599,534.09	
Death Benefit Payments— members deceased before retirement	21,000.00	620,534.09
<hr/>		
Retirement		
Allowance Payments:		
Superannuation	\$2,675,858.84	
Disability	307,821.39	
Voluntary and Survivor Benefit Payments	43,215.14	
Death Benefit Payments for Annuitants deceased	54,500.00	3,081,395.37
<hr/>		
Purchases of Investments.....		23,900,468.88
<hr/>		
Total Disbursements		27,772,502.04
<hr/>		
CASH BALANCE, ALL FUNDS—JUNE 30, 1961.....		\$ 726,503.66

**TEACHERS' RETIREMENT SYSTEM
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 1960**

CASH BALANCE, ALL FUNDS—JULY 1, 1959..... \$ 127,080.99

RECEIPTS

Members' Contributions

Teachers' Savings	\$4,186,490.96	
Reinstatements	10,015.71	
Voluntary Unmatched Contributions	12,338.98	

Total From Members.....	\$4,208,845.65	
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State Contributions

"Permanent"—To match		
Teachers' Savings	\$4,184,427.58	
"Temporary"—To reduce		
Prior Service Obligation	285,006.97	
Administrative Expense	174,365.45	

Total State Contribution..	4,643,800.00	
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Investment Income

Interest	\$2,032,791.17	
Net Profit on Sale of Investments	506.33	2,033,297.50

Receipts from Sale or

Redemption of Bonds, Purchased Interest and Amortization of Premium....	880,255.33	
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Annuity checks returned,

Benefit Adjustments	7,635.20	
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Total Receipts	11,773,833.68	
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TOTAL CASH AVAILABLE	\$11,900,914.67	
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DISBURSEMENTS

Administrative Expense		
Current Year	\$ 163,932.34	
Liquidation of Prior Year		
Encumbrances	836.51	164,768.85
Refund for withdrawal from Membership	\$ 698,029.53	
Death Benefit Payments—		
Members deceased before retirement	27,000.00	725,029.53
Retirement		
Allowance Payments:		
Superannuation	\$1,748,230.78	
Disability	187,785.33	
Voluntary and Survivor Benefit Payments	21,864.04	
Death Benefit Payments for Annuitants Deceased	51,500.00	2,009,380.15
Purchases of Investments.....		7,930,426.11
Total Disbursements		<u>10,829,604.64</u>
CASH BALANCE, ALL FUNDS—JUNE 30, 1960.....		\$ <u>1,071,310.03</u>

**TEACHERS' RETIREMENT SYSTEM
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1959**

CASH BALANCE, ALL FUNDS—JULY 1, 1958..... \$ 192,041.22

RECEIPTS

Members' Contributions

Teachers' Savings	\$3,863,489.84	
Reinstatements	7,026.22	
Voluntary Unmatched Contributions	13,541.44	

Total from Members.....		\$3,884,057.50
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State Contributions

"Permanent"—to match Teachers' Savings	\$3,858,543.67	
"Temporary"—to reduce Prior Service Obligation....	479,330.82	
Administrative Expense	129,325.51	

Total State Contribution....		4,467,200.00
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Investment Income

Interest	\$1,625,281.68	
Net Profit on sale of Investments	6,519.11	1,631,800.79

Receipts from Sale or

Redemption of Bonds, Purchased Interest and Amortization of Premium....		2,298,258.12
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Annuity checks returned,

benefit adjustments		7,214.21
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Total Receipts		12,288,530.53
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TOTAL CASH AVAILABLE		\$12,480,571.75
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DISBURSEMENTS

Administrative Expenses		
current year	\$ 128,489.00	
Liquidation of Prior		
year encumbrances	5,468.41	\$ 133,957.41
	<hr/>	
Refund for withdrawal		
from membership	\$ 505,972.19	
Death Benefit Payments—		
Members deceased		
before retirement	24,500.00	530,472.19
	<hr/>	
Retirement Allowance Pay-		
ments: Superannuation	\$1,590,707.67	
Disability	172,433.93	
Voluntary and Survivor		
Benefit Payments	13,446.36	
Death Benefit Payments		
for Annuitants Deceased..	50,500.00	1,827,087.96
	<hr/>	
Purchases of Investments		9,861,973.20
		<hr/>
Total Disbursements		12,353,490.76
CASH BALANCE, ALL FUNDS—JUNE 30, 1959.....		\$ 127,080.99

PART V. STATISTICS

The statistical section of the Annual Report consists of items which reveal information concerning certain aspects of the Retirement System program which cannot be properly classified elsewhere. While some of these figures have financial import they are not primarily financial in nature. This section is included because it reveals interesting facts about the active and retired teachers which are not easily procurable elsewhere.

ANALYSIS OF ACCOUNTS REFUNDED 1960-61
Teachers' Retirement System of the State of Kentucky

REASONS FOR WITHDRAWAL	Males	Females	TOTAL
Other Teaching Employment:			
State of Ohio	36	66	102
State of Florida	11	28	39
State of Indiana	15	7	22
Other States	51	61	112
Outside Limits of U. S. A. ....	...	6	6
Kentucky College or School not covered by Teachers' Retirement System.....	20	18	38
Non-Teaching Employment:			
Entered Business or Industry.....	104	31	135
Church-Related Profession	46	4	50
Medical Profession	11	7	18
Legal Profession	5	1	6
Military Service	4	4	8
Further Training & Education.....	27	24	51
Homemaking, Family Duties, Children.....	...	238	238
Husband Transferred Within Kentucky.....	...	2	2
Husband Transferred Out of Kentucky.....	...	110	110
Moved Residence to Another State.....	77	226	303
Emergency Teacher, Lack of Training, Not Re-Employed	29	78	107
Salary Too Low	39	7	46
Needed The Money	3	7	10
Disliked Teaching	4	5	9
Personal Reasons	30	36	66
Illness of Member	10	39	49
Death of Member	12	41	53
Absent From Profession 4-6 Years.....	23	47	70
Lost Service Credit, Absent 7 or More Years..	22	41	63
TOTALS	579	1,134	1,713

**BENEFITS MANDATORY BY REASON OF TEACHERS
RETIRED FOR SUPERANNUATION**

Attained Age 6-30-61	Number of Teachers in Age Group	Aggregate Monthly Benefit	Aggregate Annuities For Age Group
98	1	\$ 103.34	\$ 1,240.08
92	1	38.54	462.48
91	1	103.34	1,240.08
90	4	413.36	4,960.32
89	5	503.36	6,040.32
88	6	610.04	7,320.48
87	13	1,241.88	14,902.56
86	16	1,725.70	20,708.40
85	24	2,380.79	28,569.48
84	26	2,828.74	33,944.88
83	35	3,544.65	42,535.80
82	36	3,447.25	41,367.00
81	43	4,447.32	53,367.84
80	67	7,472.10	89,665.20
79	59	6,015.94	72,191.28
78	82	9,360.08	112,320.96
77	72	8,553.39	102,640.68
76	86	9,720.75	116,649.00
75	99	11,671.26	140,055.12
74	88	9,888.74	118,664.88
73	123	14,611.26	175,335.12
72	128	14,542.09	174,505.08
71	129	15,255.46	183,065.52
70	153	18,392.41	220,708.92
69	66	7,601.34	91,216.08
68	77	9,054.25	108,651.00
67	73	8,470.83	101,649.96
66	71	8,109.65	97,315.80
65	59	6,994.16	83,929.92
64	47	5,092.12	61,105.44
63	43	4,563.58	54,762.96
62	36	3,985.05	47,820.60
61	45	5,048.59	60,583.08
60	24	2,608.89	31,306.68
59	22	1,498.47	17,981.64
58	26	1,797.39	21,568.68
57	22	1,597.34	19,168.08
56	28	1,975.35	23,704.20
55	21	1,467.12	17,605.44
54	19	1,292.16	15,505.92
53	12	801.41	9,616.92
52	11	713.16	8,557.92
51	4	253.97	3,047.64
50	4	252.35	3,028.20
49	2	127.09	1,525.08
	<u>2,009</u>	<u>\$220,176.06</u>	<u>\$2,642,112.72</u>

**BENEFITS MANDATORY BY REASON OF
TEACHERS RETIRED FOR DISABILITY**

Attained Age 6-30-61	Number of Teachers in Age Group	Aggregate Monthly Benefit	Aggregate Annuities For Age Group
75	1	\$ 108.67	\$ 1,304.04
74	1	80.00	960.00
73	3	244.01	2,928.12
72	3	326.67	3,920.04
71	7	719.03	8,628.36
70	7	700.68	8,408.16
69	12	1,135.79	13,629.48
68	5	472.69	5,672.28
67	5	390.35	4,684.20
66	17	1,655.28	19,863.36
65	19	1,633.73	19,604.76
64	23	1,959.04	23,508.48
63	12	1,051.72	12,620.64
62	16	1,307.10	15,685.20
61	10	770.36	9,244.32
60	11	1,102.72	13,232.64
59	19	1,687.07	20,244.84
58	9	760.02	9,120.24
57	24	2,032.07	24,384.84
56	10	819.37	9,832.44
55	7	581.35	6,976.20
54	11	884.31	10,611.72
53	9	692.50	8,310.00
52	16	1,214.39	14,572.68
51	6	492.36	5,908.32
50	8	573.26	6,879.12
49	11	778.69	9,344.28
48	5	389.68	4,676.16
47	5	363.35	4,360.20
46	2	154.68	1,856.16
45	2	138.34	1,660.08
44	3	176.67	2,120.04
43	1	66.67	800.04
39	1	50.00	600.00
37	1	50.00	600.00
	<u>302</u>	<u>\$25,562.62</u>	<u>\$306,751.44</u>

SEPARATIONS BY WITHDRAWAL
Teachers' Retirement System of the State of Kentucky
July 1, 1940-June 30, 1961

Age at Entry	Males	Females	Age at Entry	Males	Females
through 18	327	2,341	51	54	91
19	342	2,025	52	47	96
20	422	2,130	53	39	76
			54	32	69
21	563	2,670	55	33	73
22	708	2,164			
23	652	1,511	56	36	68
24	773	1,189	57	34	43
25	805	1,040	58	21	41
			59	22	36
26	762	913	60	26	31
27	598	872			
28	571	777	61	18	18
29	474	755	62	15	19
30	469	756	63	9	20
			64	6	13
31	405	647	65	8	13
32	320	656			
33	284	598	66	3	5
34	267	554	67	5	9
35	241	507	68	1	2
			69	....	1
36	203	447	70	1	....
37	205	443			
38	167	338	71	1	2
39	133	341	72	1	1
40	123	301	73	1	....
			74	1	....
41	116	284			
42	112	260			
43	74	234			
44	79	200			
45	61	198			
46	65	181			
47	76	162			
48	56	153			
49	55	124			
50	49	133			
				10,971	26,676

SEPARATIONS BY WITHDRAWAL
Teachers' Retirement System of the State of Kentucky
July 1, 1940-June 30, 1961

Attained Age at Withdrawal			Attained Age		Females
	Males	Females	at Withdrawal	Males	
through 18	4	23	51	79	185
19	22	91	52	65	206
20	40	228	53	67	165
			54	67	160
21	106	475	55	47	118
22	193	978			
23	313	1,370	56	58	131
24	393	1,540	57	36	88
25	459	1,823	58	32	98
			59	26	72
26	583	1,789	60	21	73
27	585	1,551			
28	665	1,428	61	42	63
29	618	1,303	62	27	62
30	578	1,122	63	32	54
			64	16	42
31	604	994	65	13	27
32	594	1,075			
33	525	877	66	18	30
34	448	799	67	9	23
35	439	756	68	8	24
			69	10	17
36	407	723	70	4	5
37	344	664			
38	321	598	71	....	2
39	243	585	72	3	3
40	282	548	74	1	4
			75	2	....
41	274	517	77	1	....
42	247	534	78	....	2
43	185	432	79	1	....
44	157	418			
45	141	364			
				10,971	26,676
46	137	336			
47	116	294			
48	100	300			
49	77	257			
50	86	230			