the teachers' contributions are placed in individual accounts, while the state's contributions are available to meet current pension payments, with any balance being available as a general reserve. The maintenance of modified rather than full reserves permits lower initial contributions by the governing body, does not require as large a pension reserve fund as would be necessary under the full reserve plan, and if properly developed and supervised may be financially sound while still avoiding the necessity of greatly increased contributions by the governing body in later years.

In the second place, criticisms are sometimes directed at provisions commonly found in allocation reserve plans, but not essential characteristics of such plans. For example, allocation reserve plans do not normally definitely state the sum which will be paid as an annuity, that being made to depend on the contributions and rate of interest received. This indefiniteness, if considered serious, could be met by varying the rate of contribution according to such factors as the age and sex of the employee, so that a definite sum could be promised as a pension.

The specific advantages of the actuarial reserve plan are: (1) lower costs because accumulated interest compounded annually bears a part of the cost, (2) costs are known with sufficient accuracy so that benefits are limited to the financial abilities of the participants, (3) the plan is in accord with the policy of "pay as you go," since it distributes the financing burdens equit-

(Continued on page 28)