

## Public Employees Retirement Plan

(Continued from page 5)

"Industry has demonstrated beyond a shadow of a doubt that other retirement systems and broader employee benefit plans can be coordinated with the Social Security coverage to the advantage of all concerned."

Mr. Robbins points out in his paper that congressional committees took more than 2000 pages of testimony as to its merits before the Social Security Act became a law. Hardly anyone opposed the social benefits suggested, but some forward looking employers had established financially sound and elaborate plans of their own. When the Act was passed there was considerable confusion of thought and resistance to obligatory participation in a plan which appeared would curtail the operation of these well thought out private plans. The Clark amendment was proposed to permit the employer to substitute his own plan for Social Security coverage. For a time the battle raged furiously in Washington but gradually tempers cooled, and to the credit of the progressive employers with well constructed plans it was recognized that after all they could adjust their retirement plans to supplement the Old Age and Survivors provisions of the Social Security Act in such a way as to result in a combined arrangement superior in many respects to what they had been able to establish alone, and that their long range, best interests were inseparably linked with the social welfare of the community as a whole. In industry there was never any serious question as to the *feasibility* of coordinating private plans with the Social Security Act, the real contest being over the *desirability* of doing so. After the question was settled those same forward looking employers were prompt in finding methods of adjusting their plans, and the progress of industry in establishing and adjusting retirement plans to supplement social security benefits

has outdistanced, many times over, all that had been done along this line prior to the Social Security legislation.

Mr. Robbins states:

"Not all industrial retirement plans applied the same philosophy in making adjustments. Some plans which fix contributions and allow the benefits to be whatever the contributions will provide, reduced contributions by the amount of the taxes required under the Social Security Act; others made related reductions by fixing the contribution rate for that part of compensation below \$3,000 per year at from  $\frac{1}{2}\%$  to 2% lower than for the compensation in excess of \$3,000. A large group of contributory plans fix the benefits and the contributions of the employee and provide that the employer shall pay the balance necessary to provide the benefits. In this type of plan, both the employees' contributions and the benefits have usually been modified, usually both are related to compensation and the modifications relate to the first \$3,000 a year of compensation.

"Surely industry has answered beyond possible doubt any questions as to the feasibility of coordinating retirement plans with the Social Security Act. Plans of about every conceivable kind have been adjusted to supplement the national plan, with sufficient success that I can scarcely imagine anyone holds the view that it would be impractical to adjust public retirement plans in a satisfactory manner."

Henry G. Geilen, President, Chicago Teachers' Pension and Retirement Fund at the 1944 conference of the Municipal Finance Officers Association discussed the purposes of the two types of plans in a paper from which we quote as follows:

"The prime purpose of the state and municipal retirement funds is to insure an efficient administration of state and municipal affairs by assuring their employees a comfortable standard of living upon retirement. They are able to secure and retain the services of a competent personnel which might otherwise be attracted by the speculative opportunity of the business world, and an adequate retirement benefit also makes it possible to retire an employee when his work is no longer efficient. These items are inseparable from the principle of state rights for they enable a state to operate efficiently in the special sphere of its autonomy. On the other hand, the retirement income from Social Security, is as the name implies, merely a "subsistence" measure—nor should it be anything more—while that of the state and municipal retirement funds is a "compensation return" for services rendered, and to achieve its objective should be considerably larger than the benefits of the Federal pension plan."

(Continued on page 27)