

League of Oregon Cities Sponsors Retirement Plan

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for ordinary occupations to be 65; for police and firemen, 60. Earlier retirement will be permitted with reduced benefits at voluntary retirement age of 60 for ordinary occupations and of 55 for police and firemen.¹⁴

- b. On application of the employer, employment of any member may be extended by the Board of Trustees, a year at a time, to a maximum of five years past the compulsory retirement age, if that would be in the interest of the public service.¹⁵

- 1 It is suggested that an appointed board without ex-officio members be set up to administer the retirement system. The principal elected officers of the state now serve ex-officio on so many boards and commissions that they have little time to spare for additional boards. The administration of the retirement system by some existing department of the state government is not recommended because this arrangement has not been entirely satisfactory in some of the states and cities that have tried it.
- 2 The State Bond Commission, which consists of the Governor, State Treasurer, and one member of the State Industrial Accident Commission, is now charged by law with the duty of investing most of the funds of the state. It is suggested that the board of trustees be given the same right of approval that the World War Veteran State Aid Commission is now authorized to exercise.
- 3 There are three general plans under which the administrative expenses of retirement systems are financed. In some cases, as in California, the legislature makes a special appropriation to meet the administrative expenses of the system. In other states, such as Ohio, each employee pays an annual membership fee of \$1.00 which provides the administrative expenses. In Ohio, this fee has not been sufficient at times and has made the problem of administration difficult. The greatest flexibility is attainable where the administrative expenses are deducted on a pro rata basis from all contributions coming into the fund. Since the board of Trustees would have membership representation, there is little likelihood that this arrangement would be abused, and the actual requirements of good administration could better be met because of the flexibility.

- 4 Provisions with reference to the coverage of local units of government vary considerably from state to state. Where teachers are covered in a state-wide pension system, the school districts are usually required to participate. The same is true of counties in some states. In Ohio, every city and county is automatically covered by the system, while in New York and California, cities and counties are covered only upon application. The provision suggested above is patterned after the Colorado plan which has worked out quite successfully. It provides home rule while also indicating a definite state policy.
- 5 Illinois plan includes all employees normally working 600 hours or more per year.
- 6 New York requires 60 percent vote; California, 2/3 vote.
- 7 The question is sometimes raised as to whether the higher paid employees should be covered on the basis of their full salary. This seems to be desirable from the standpoint of achieving the personnel objectives of a retirement system. However, the Governor's committee recommended in 1941, that contributions be made only on a maximum salary of \$3,000, and the Ohio system provides for contributions on a maximum salary of only \$2,000. The California system provides for contributions on a maximum salary of \$5,000. Most state and local pension systems provide for a contribution and for the calculation of the annuity on the basis of the entire salary received.
- 8 In Ohio, the prior service pension consists of $1\frac{1}{3}$ percent of the prior service salary, multiplied by the number of years of prior service, and is paid entirely by contribution of the employer. In New York, full credit is given for prior service, and prior service pensions are financed by a "deficiency contribution" paid by the employing agency. This deficiency contribution has amounted to approximately 3 percent of the total salary over a period of years in New York State, and is in addition to the current service contribution of the employing agency.
- 9 The Illinois system provides full credit for prior service at employer's expense, but stipulates that prior service credit cannot be used to provide an annuity in excess of 50% of final earnings.
- 10 In New York, a member of the system may continue membership in the system while in the armed forces of the United States by contributing into the fund monthly, such amount as he would have paid had he continued in his regular employment. In California, a member serving in the armed forces or on ships operated by or for the government, may contribute while absent or after return to service, such contributions to be matched by the employer.
- 11 In order to protect the financial soundness of the system, annuities must be based upon the amount of money that has been accumulated for each employee by the time of his retirement. The State of New York provides that the pension shall

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