

contributions per year. Let us assume that we earned 2 per cent of our funds. Assuming that a member contributes \$100.00 per year, if we deduct \$2.00 for expenses, there is \$98.00 at 2 per cent interest for the first year. During this first year, true enough, the interest earnings and the expenses would just about offset each other. However, the second year there would be \$198.00 at interest, but still only the same \$2.00 for expenses. In ten years there would be approximately \$1,000.00 earning 2 per cent interest, or \$20.00, but in the 10th year the expense would still be \$2.00. These figures are not accurate since our interest earning assumption is $2\frac{1}{4}$ per cent and our expenses for operation will be whatever they actually are. But it exemplifies the principle. Obviously, if we assume that we are to earn $2\frac{1}{4}$ per cent interest on our investments and then actually only earn, say, 1 per cent, unless we could overcome this shrinkage in interest earnings by savings in expenses, then over the long pull certainly the employee would not receive as large a pension as he had anticipated.

Employees Encouraged to Buy Annuities

As for the wisdom of an employee contributing on that portion of his salary in excess of that portion on which his contributions will be matched by the employer, may I say that personally I contribute on all of my salary and having been in the life insurance business all of my life, I would not do so if it did not appear to me to be a sound investment. You must remember that even on the member's excess contribution on which he is not receiving any matching contribution from the employer, he is still providing himself additional annuity without being subject to expense for acquisition cost, taxes, and numerous other expenses with which a private company is confronted. This is no reflection on the splendid insurance companies of our country who are doing a grand job, both in various forms of life insurance and modes of contracts, but the fact remains that

they are faced with expenses which they cannot avoid which, due to the nature of our business, we do not have to contend with. This is not to say, however, that an employee should forego purchasing private annuities from private companies in order to supplement whatever pension he may be able to secure through the retirement system. So far as I am concerned, the more pension we can build up for ourselves by whatever means, the better.

That \$2400 Contribution Basis

And for the complaint regarding the big deductions on the first \$2400.00 per years of earnings, these will diminish during the latter months of each fiscal year when those employees who have limited their contributions to the first \$2400.00 will have no contributions whatever to make. You must remember that this new provision affects only those employees who receive more than \$2400.00 per year who have elected to limit their contributions to that amount. If one is receiving more than \$2400.00 per year and has elected to pay on all of his salary, it affects him not at all. The same is true of an employee receiving \$2400.00 per year or less, because he is required to contribute on all of his salary. As a matter of fact, the new provision affects a minority of our membership.

Few Over-age Employees Retained

We are expecting to process approximately 1200 to 1500 pension applications at the end of the year. While we are receiving quite a large number of recommendations for retention of over-age employees, the number is not as large as might have been expected.

Sincerely,
 JERRY S. SAYLER,
 Executive Secretary

He who would pass his declining years with honor and comfort, should, when young, consider that he may one day become old, and remember when he is old, that he has once been young.

—ADDISON