years and getting paid back in 30 years."

One way of taking care of an increase in prior service credit without changing the present prior service bookkeeping plan might be to credit the reserve for annuities granted for the increased amounts required in the reserve and to charge the employers' accounts with those same amounts. This would transfer not only all on deposit in the employers' accounts to the reserve but probably still more, and the employers' accounts would be carried on the books as accounts receivable for some time. Although the employers' accounts would be in the red for a time, the money would be resting in the reserve and not be paid out of the system, so the practice would be financially sound. This artifice would treat prior service pensions and current service annuities alike and so would perhaps simplify the bookkeeping during the present transition period. Interest would have to be charged the accounts receivable but these interest charges would all go to the reserve and would not be an increase in prior service cost. Although financially sound, this procedure of not changing the present bookkeeping plan would require a good deal of educational work to avoid state-wide misunderstanding.

A simpler and more realistic bookkeeping plan would be to create a prior service pension fund. It would receive the deposits which the employers are now paying for prior service pension cost, and which equal at present 40% of the employees' current service contributions. That part of retired employees' annuities which are prior service pensions would be totaled each month and charged against this fund. At first, when much more is coming into the fund from employers than is going out in prior service pensions, the fund should grow large. Later the pensions would be paid out of the fund faster than employers were paying in. Certainly after the end of the amortization period when the employers stop contributing for prior service pension cost, there would have to be enough in the fund to continue paying the pensions until all employees eligible to receive them have died.

In any case, there will have to be some adjustments toward the end of the amortization period and perhaps some very minor changes after it ends. This prior service pension fund method would seem to be a simple and sound procedure. The state would meet its prior service pension costs each year with a safe surplus always in the fund.