

and at best to a complete readjustment of living habits.

Effects of Inflation:

It is well known that those who rely on receiving a fixed number of dollars for their livelihood are hard hit by rising living costs. Our \$2.50 per month prior service allowance set in 1945 and our present increased \$4.00 allowance starting July 1, 1951, are practically the same amount in buying power; from the receiver's stand point there is no actual gain to him; inflation soaked up that extra \$1.50 per month!

The retirement allowance built up during current service since July 1, 1946 (maximum of \$18.32) has **not** increased and never will, even if the cost of living should increase another 80% or so. The retired employee has experienced a steady **decrease** in the buying power of his retirement allowance, initially pitifully small and inadequate.

Such conditions explain in part why many retired employees are working those 600 hours per year of emergency employment for the State, why some are on old age assistance, while others are being supported by their families or friends. Also, these inflationary trends explain in part the demands to the legislature by varied interests for modifications in the Retirement Law such as: higher retirement age, easing up the employment reinstatement conditions, increasing the maximum salary on which contributions and State matching may be made, permitting investment of the Fund in higher yielding stocks, bonds, et cetera. They are also responsible in large measure for employee requests for more liberal benefits, more State matching funds, permissible retirement after 30 years of service regardless of age, larger death benefits, better disability protection, and in one way or another, simply "more dollars."

Far Short of the Objective

As stated before, it is intended that retired employees are to receive a **half-pay retirement allowance** after 30 years of current service at age 65. We have seen that the maximum allowance as of June 30, 1951 is \$98, for 25 or more years of service, and in an-

other 5 years could be as much as \$119. It will be December of 1957, at present rates and limitations, before anyone can draw a retirement allowance of \$125 per month which is the present maximum allowance payable (exclusive of prior service) under the present system. This is because prior service credit is limited to a maximum of 20 years, and current service retirement allowance (for 30 years or more of service) is limited to a maximum of \$125 per month, based on contributions being made on maximum salary of \$3,000 per year. These two limitations were placed in the Law to save the State from putting in the money originally intended and necessary to meet the objective of the Act.

Practically every change made in the law since 1945 and practically every request for change has been due to one or the other of the two main deficiencies in the Law; viz: inadequate provision for those retired during the early years and the State's limitation on the amount it will match.

It might be said, also, that the present Act is somewhat deficient regarding death benefits as compared with many other sound systems.

Some Proposed Remedies:

It is necessary that Oregon's Retirement System remain on a sound financial basis. At present we are on an "**actuarially**" sound financial basis. There is a difference. The federal social security program is financially sound as the government takes from the public what money is necessary to make promised payments as due. It can dig up the money at any time and as needed. In an "**actuarially**" sound program, the probabilities of income and demand are calculated and the money has to be collected in advance: payments are made only to the extent of the funds so provided. It is said that social security is a welfare and insurance program; whereas retirement systems such as ours are compensation and savings programs. As proposed remedy No. 1 it might be suggested that a State "welfare and insurance" program could be integrated with our present system to thus provide a larger measure of protection to retired State employees.