

and the Misses Y and Z of the story above will be left out in the cold.

Modern retirement systems are coming to accept this logical conclusion of the retirement-on-service principle. Witness the prior service provisions of nearly all states, the five years of grace allowed ex-teachers in Texas, the life-time option allowed ex-teachers in Wisconsin, and the complete coverage of Pennsylvania. Pennsylvania provides a school retirement allowance for anyone who ever taught twenty years or more in the state. Our suggested plan is patterned after Pennsylvania.

8. Retirement allowances to fall into three classes.

- A. School employees who begin after the pay roll tax is put in operation, would retire at ages 60 to 70 as they choose, on full annuities, for half of which they themselves have paid. The earlier the annuity starts, the less they draw each year. The teacher who taught and contributed only five years, or ten years, would retain retirement rights in proportion.
- B. Employees with records prior to the beginning of the pay roll tax to have their allowances in two parts. The first part to be a full allowance in proportion, covering the years under the pay roll tax. The second part to be a half allowance, under the title "prior service," covering the years when the employee did not herself contribute any cash. She contributed service only, which is counted as half pay.
- C. Ex-employees who quit before the pay roll tax is put in operation, and who themselves contributed no cash (only service), and who in most cases could not now make any back payments in cash, would receive only half of a full annuity in proportion. For these ex-employees it seems necessary to follow the Pennsylvania precedent, omit the temporary employees of the past, and provide only for those with a service record of perhaps twenty years or more no matter when they quit, or at what age they quit. Since there can be no optional age for quitting for those who are already ex-employees, their allowances might all begin at age 65, which is the median school retirement age, and also the standard American retirement age.

#### **ALTERNATIVE PLANS FOR A RETIREMENT SYSTEM**

Should the retirement system build up cash reserves like old line insurance, or pay-as-you-go without cumulative cash reserves? Either method could carry out the program outlined above.

##### **The Reserve System**

The reserve method enjoys public confidence, and is thought to offer stability and permanence. It is highly individualistic: each annuity is bought with the actual savings of the person concerned and the state's service savings in her name. So it makes no difference whether others contribute or not. Texas has a reserve plan which illustrates the system. It squarely faces the modern interest situation. The pay roll tax is 5 per cent on the teacher, and 5 per cent paid out of the state treasury. These 50-50 contributions accumulate in parallel savings accounts in the state treasury, and interest is added as earned. At retirement, the two accumulations are combined to buy or to issue whatever annuity the current market offers. Thus, like building and