loan in Kansas, Texas sidesteps all guarantees of interest rates and of dollar value of annuities. If a Texas teacher dies early, there is a net cash refund for her estate; while if she dies late there is nothing net to be refunded. A disability provision is included and some of the optional forms of settlement common to life insurance are allowed.

Since Kansas school pay rolls total about $18,000,000 a year, a 5 per cent pay roll levy would take some $900,000 a year from the teacher, and $900,000 from the employing school system. The school system would also bear the cost of annuities based on non-contributory "prior service." In Kansas this might cost $470,000 a year at first, and gradually diminish. Compared to other public expenditures, this is not relatively a large sum; but it may look large.

Because of the highly individual character of such reserves, it is possible to reduce the cost to the state by one-fourth to one-half, by the simple expedient of a probation period of a few years during which the beginning teacher does not pay the pay roll tax, and the state consequently has no payments to match for her. A large portion of these young teachers soon drop out so the state would never contribute anything on their account, but only would contribute on account of the permanent teaching force.

The Pay-As-You-Go System

The pay-as-you-go method accumulates service credit instead of cash reserves. It is not individual, but cooperative. Each generation of employees would pay half of the annuities of its predecessors and in turn receive its own annuities out of current revenue, half of which would be contributed by the succeeding generation of employees. In case of early death there would not be much to refund to the estate; and the advisability of any such refund is questioned. Annuities would work out much the same as with reserves, and there could be disability coverage and optional forms of annuities. Pay-as-you-go resembles assessment life insurance, with one marked exception: the individual members of a school retirement system cannot quit paying dues, and so wreck the system.

The big argument for pay-as-you-go is the relatively low cost, at least during the early years of operation. It does not call for a lot of money to lay aside on interest. We estimate that there are, all told, some 2,000 active teachers with prior service records and ex-teachers with twenty or more years of service record, now living, who could at once qualify for the half annuities explained above. This number would nearly perpetuate itself for some years to come. Let us assume a standard annuity to be three-fourths of regular pay, and thirty-five years to be a full time service record, and $900 to be an average salary; and that these prospective annuitants have averaged 24 years of service each. Their "half" annuities (as explained above) would then average $235 each per year; the total cost would then be $470,000 per year. A pay roll levy of 1.4 per cent on the salaries of employees would raise their half of this cost. A property levy of 5/100 of a mill over the state would raise the $235,000 that represents the share of the employing school system. This means about 50 cents a year from the average citizen as a tax payer.

But $470,000 is only the first cost. As teachers with credit for full annuities under the pay roll tax retire, the cost would slowly rise until after many years it would double itself on that account. Also, as teachers now active retire with annuities due for service credit of less