TEACHER RETIREMENT SYSTEMS

AN ANALYSIS OF CHANGE (1969-1984)

by

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Dissertation submitted to the Faculty of the
Virginia Polytechnic Institute and State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF EDUCATION
in
Educational Administration

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June, 1986

Blacksburg, Virginia

DEDICATION

To My Parents

ACKNOWLEDGEMENTS

In preparing this dissertation, I have incurred a number of debts. I am obliged to the members of my committee, M. David Alexander, Joy A. Frechtling, Philip R. Jones, Richard G. Salmon, and Kenneth E. Underwood for their support and invaluable insights during the past year. I am especially obliged to my chairman, Richard G. Salmon, for his guidance and straight forward advice.

The completion of a national study without financial or institutional backing would have been impossible without the personal support of this research by the Honorable
Comptroller of the State of Maryland, and
, Executive Director of the Maryland State Teachers Association.

I am indebted to

for their expert advice on teacher retirement systems. During my review of the literature, I benefited greatly from the support of

Virginia Tech Librarian; , Curriculum Librarian, Montgomery County, Maryland, Public Schools; , American Federation of Teachers, Research Department; and , National Education Association, Archives and Research Department.

Thanks are due to for her editorial advice and assistance as well as her stimulating suggestions and concern; for unfailing support, organizational assistance and indefatigable word processing; for her help with the design methodology and statistical analysis; and and for their computer-related assistance.

I tender many, many thanks to my resident family in Blacksburg, Virginia:

, who unstintingly encouraged me throughout the year. Especially do I thank , who not only shared his mathematical and computer knowledge freely, but also extended the hand of friendship above and beyond all standards of reasonable expectation.

And finally, my greatest debt of gratitude is to my wife and our sons, , who for five years tolerated my mood swings and anxiety attacks and shared my accomplishments. Their patient support and sacrifice, freely and lovingly given, enabled me to complete this work.

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CHAPTER I

INTRODUCTION

> As pension funds become an even more dominant force in the capital markets, their collective investment practices will, for better or worse, determine the future of the United States economy. Up until now, pension funds have operated in a politically neutral netherworld when it comes to the overall impact of their investment practices. But the rumblings of change are beginning to be heard.
>
> Pensions and Investments, April 24, 1978

For the past two decades pension funds and more specifically, teacher pension funds, have experienced a rapid growth and an increased importance in the national and regional economies of the United States. Historically, public pension funds were first established in our metropolitan centers in the late 19th century for police and firemen as death and disability protection for their families.[1]

Subsequently these benefits were established for teachers and later for other public employees. Early in the 20th century the basic purpose of pension plans was expanded to provide income for those workers who retired by choice or of necessity.[2] A pension was considered deferred compensation for continued years of

creditable service with an employer. Most state retirement systems for teachers as we know them today were created in the first half of this century and the overwhelming majority of these systems have been in existence less than 50 years (table 1 in appendix B reports 50 state systems and dates of formation).[3]

During the era of the New Deal, Social Security was established as an old age and disability insurance plan. It has expanded considerably and is properly entitled as Old Age Survivors Disability Health Insurance (OASDHI) and provides monthly benefits for workers, dependents, and survivors.[4] Teachers were not included in the original Social Security Act signed into law by President Franklin D. Roosevelt on August 14, 1935. Later some teachers were included when coverage was made optional through a 1950 amendment that allowed state and local government employees not covered by a public employees retirement system to enroll. In 1954, still another amendment provided the opportunity for all teachers to participate in Social Security.[5]

Today 90% of the overall American work force[6] and approximately 60% of the nation's teachers are included

in Social Security.[7] State and local government employees, including teachers, are permitted optional coverage on a state-by-state basis. In giving individual states, as employers, the option of participating, the constitutional question of the excess of federal power "to require" the states to pay the employer's portion of the "tax" was avoided.[8] Teachers in thirteen states and four local retirement systems do not participate in the Social Security program.[9] Conversely, it should be noted that approximately 50% of all workers covered by Social Security are not provided with benefits through an employees' pension plan. The significant point to be made here is that nationally 60% of America's teachers are covered by Social Security, thus creating a relationship with their retirement plan.[10] This relationship as well as nonparticipation in Social Security will be discussed in detail in Chapter II.

OBJECTIVES OF THE STUDY

The primary purpose of this study was to examine changes in the 50 state teacher retirement systems during the period July 1, 1969, to June 30, 1984.

The objectives of the study were threefold:

1. To describe existing characteristics of teacher retirement systems and selected state demographic variables in the 50 states.
2. To describe changes in the retirement systems, changes in the selected state demographic variables, and projected changes in the 50 teacher retirement systems.
3. To explore relationships among changes in the 50 teacher retirement systems, projected changes in these systems, existing selected state demographic variables and changes in these variables.

Retirement Characteristics considered:

Social Security
Membership on retirement boards
Investment of system funds
Vesting
Credit for out-of-state service
Cost-of-living adjustments
Final average salary plan
Disability requirements
Survivorship benefits

State Demographic Variables considered:

Collective bargaining
Tax or spending limitations
State population
Regional location
Average per pupil expenditure
Average annual teacher's salary
Right-to-work provisions
Per capita personal income

This study used data from the 50 state retirement systems for the purposes of analysis. While recognizing the fiscal importance of large metropolitan retirement systems such as New York City, Boston, Chicago or Minneapolis, the study was confined to state agencies, because legislatively and judicially, retirement remains a state responsibility.

IMPORTANCE OF THE STUDY

With the passage of the Employee Retirement Income Security Act of 1974 (ERISA), new concerns and opinions about public retirement systems emerged. Retirement system members began to question the investment practices of managers of their pension funds and the process of "social investing" became a deep concern for union policymakers. State governments began to examine and consider defined contribution plans as opposed to

defined benefit programs as a means to fund state employee and teacher retirement systems.

A defined benefit pension plan provides certain provisions to be paid to employees at the time of their retirement. These may be either contributory or noncontributory and may be integrated with Social Security as either a coordinated or supplementary benefit. A defined contribution plan is a contractual understanding whereby an employer will contribute or match contributions of a percentage of an employee's salary into an investment account for future retirement. Most public and private retirement plans are classified as defined benefit plans, also known as "fixed benefit" or "fixed formula systems."[11]

After passage of ERISA an acute awareness of the wealth of pension funds became evident, abetted by "instant experts" of pension issues and investment strategies. The first reaction was that investment during the decade of the 70s was too conservative and that the employees' money was not generating profit as much as could reasonably be expected.[12]

The second reaction was one of social impact. For example, as Peter Drucker indicated, pension funds hold

an enormous share of corporate stocks, and in doing so they have created an economy characterized by "social ownership."[13] Thus membership of pension systems could exercise a social conscience or make a moral statement with their money. Jeremy Rifkin and Randy Barber were even more specific by demonstrating that pension money of union members from northern states was being invested in southern and overseas businesses that were not only nonunion but were also in direct competition with the "northern unionized product."[14]

Appeals to regional or state pride were made in seeking the use of pension fund assets when the fiscal crises of the 70s reduced money available revenues to state and local governments. Many states presented the concept that retirement funds should be invested in regional or local enterprises in order to stimulate employment, provide housing, assist students attending college, insure clean environments, and the like. However, the concept of social investment was rejected by most fund administrators because of their fiduciary responsibility to the individual plan members.[15]

Dan McGill, Chairman, Insurance Department, The Wharton School of the University of Pennsylvania, has

defined social investing as any "investment that results in the sacrifice of return to the fund."[16] Greenough and King define social investing as "the effort to accomplish through pension investments various economic or social objectives."[17]

Nevertheless, union leaders continued to maintain that pension funds represent foregone wages and as such belong to the employees and that a common law understanding of ownership of property grants entitlement to utilize the pension funds as they deem appropriate. In agreement, the AFL-CIO Executive Council formally approved a committee report at an August 1980 meeting which recommended investment for the purpose of fulfilling social objectives.[18] The report formalized the policies many labor leaders had stated for years; namely, that unions have a moral right to insist that pension fund investments be used to promote social objectives. The committee report established the following goals:

> To increase employment through reindustrialization including manufacturing, construction, transportation, maritime and other sectors necessary to revitalize the economy. To advance social purposes such as worker housing and health centers. To improve the ability of workers

> to exercise their rights as shareholders in a coordinated fashion. To exclude from union pension plan portfolios companies whose policies are hostile to workers' rights.

Most declaratory statements or resolutions concerning social investing are usually directed at questionable labor or marketing practices, nuclear or environmental concerns or the civil rights of women and minorities.[19] Governments have also taken steps to influence pension-fund-investment policies. For example, states such as Nebraska and Connecticut, and municipalities, such as Charlottesville, Virginia, and Montgomery County, Maryland, currently prohibit investment of their public pension funds in companies that do not meet the "Sullivan Principles" in South Africa.[20]

The Council for Equality of Opportunity under the direction of the Reverend Leon Sullivan has established standards for firms doing business in South Africa. Currently 129 companies have met these standards through practices, such as integrating the workplace, establishing housing for blacks near their place of employment, and lobbying against apartheid.[21]

NEED FOR THE STUDY

Sixteen percent of all money invested in U. S. capital markets is derived from a private or public pension fund. For the New York Stock Exchange, pension assets represent the single largest source of funds.[22] For example, according to Lawrence Litvak of The Council of State Planning Agencies, $35.3 billion in new bonds and stocks were issued in 1978 by business corporations in the U. S. capital markets; pension funds created a net acquisition of $22.5 billion of these securities, or 63.7 percent of the amount issued.[23]

At the end of 1980, nonfederal pension funds accounted for $653.4 billion in assets with $202.7 billion or 31% in local and state accounts. The projected worth of the total public and private pension systems is staggering. Lawrence Litvak and Dan McGill both project that before the 21st century: 1) private funds will be worth $3 trillion, 2) the value of state and local funds will be well over $1 trillion, and 3) together these funds will be purchasing between 64% and 75% of all publicly traded corporate equities.[24]

It is ironic that the rapid economic growth of the late 1970s ultimately had a negative effect on Social Security and teacher retirement systems. At the national level, inflation created higher salaries causing a higher payroll tax and a surplus in the Social Security reserve funds. The political answer to surplus revenues was to expand the breadth of Social Security programs and to increase benefits without raising taxes. Unfortunately, the phenomenon of surplus revenues for Social Security and retirement systems was short lived. Now benefits have been raised while the revenue side of the ledger has become deficient.[25]

At the state and local level, inflation during this period created a need for funding annual budgets at a higher level than long range projections anticipated. To avoid raising taxes, many state governments did not regularly or fully fund their pension systems with the understanding that the unfunded liability of the guaranteed benefit program would be funded as it came due - thus creating a projected deficit.[26]

During the past fifteen years, because of economic conditions, demographic changes, and political pressure, amendments (both positive and negative) to the 50 state teacher retirement systems have been proposed and in some cases the changes implemented. Previous national studies have been descriptive and usually have presented and compared what existed in each state teacher retirement system at a given time without a discussion of change. This study was an examination and evaluation of legislative changes in the 50 teacher retirement systems occurring from July 1, 1969, to June 30, 1984.

ORGANIZATION OF THE STUDY

Without addressing the question of causality, this study examined existing practices and changes of selected state demographic variables and changes in the 50 state teacher retirement systems over a period of fifteen years. Through the replication of questions from a study done by W. William Schmid, Retirement Systems of the American Teacher, 1969, changes in the retirement systems over a fifteen year period of time are documented and compared.[27]

This study was primarily descriptive. Chapter II presents: an introduction to the history of teacher retirement systems; public retirement systems; history and structure of Social Security; Social Security and teacher retirement; higher education retirement (TIAA/CREF); changes in teacher retirement systems and the legal issues of teacher retirement systems.

Chapter III deals with the development of and the procedures used in administering a survey instrument designed to explore statistically the relationship of state demographic variables with legislative changes of the 50 teacher retirement systems during 1969-1984.

Chapter IV presents the results of the analysis of data produced by the survey in order to measure legislative changes related to the 50 teacher retirement systems.

In chapter V are the summation, conclusions, and implications generated by this study.

FOOTNOTES

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[22]Litvak, Pension Funds, p. 1.

[23]Ibid. p. 2.

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[25]Robert J. Myers, "Disability Benefits and Medicare Benefits," Social Security: How Social? How Secure?, eds. Felicitas Hinman and Erin-Aine Miller (Los Angeles: Institute of Industrial Relations, UCLA, 1979), p. 91.

[26]Miltiadis Nektarios, Public Pensions, Capital Formation, and Economic Growth, (Boulder, Colo.: Westview Press, 1982), p. 117.

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CHAPTER II

REVIEW OF THE LITERATURE

INTRODUCTION

The need for pensions for public employees emerged at the end of the 19th century out of concern for the families of policemen and firemen.[1] In 1857, the first municipal pension plan in America was established in New York City for firemen and policemen. This plan provided a lump sum to the survivors of the employee for a death benefit and a pension to the employee for a disability retirement. Either the death or the disability had to be job related in order for the employee or the survivors to qualify. The pension plan was funded by the proceeds from the sale of confiscated or unclaimed property and donations.[2] Twenty years later, employee contributions were initiated and non-disability retirement benefits were added to the plan.[3]

After completing the first study of a public pension system for their employees, Massachusetts established the first statewide plan for nonteaching employees in 1911.[4] A pattern of establishing retirement plans on the local level, first for firemen

and policemen and then for teachers, was a standard procedure from 1890 to 1920.[5]

A major growth period for teacher retirement systems began in the latter part of the 19th century in response to the growing public concern about protecting teachers from the risks of old age and disability.[6] Prior efforts came from voluntary associations formed by teachers in New York City, Brooklyn, Chicago, Detroit, St. Louis, San Francisco, Buffalo, and Cincinnati. Brooklyn and New York City, with the help of the governor, overcame the objections of the New York City Board of Education to become the first teacher retirement system in the U.S. in 1894.[7]

Nearly simultaneously, California and New Jersey addressed the need for a statewide teacher retirement system in different ways. The first statewide system for teacher retirement appeared in California in 1895, when the state legislature established the Public School Teachers Annuity and Retirement Fund. The California retirement system required that counties were assessed a part of the teachers' retirement, based upon the length of service the teacher had performed in a particular county. The California plan was

administered by the state and was funded through assessed county funds only. The development of the first statewide contributory retirement system for teachers was established in 1896 with enactment of the Teacher's Pension Plan of New Jersey.[8]

Currently, over 18% of all employees in nonagricultural work situations are government employees at the federal, state or local levels.[9] Approximately 80% of all state and local employees, including teachers, are covered by statewide retirement systems.[10] All full-time employees at all levels of government have retirement plans provided by their employers and approximately two-thirds of them are covered by Social Security. In contrast, approximately 50% of privately employed workers participate in retirement plans, funded in part by their employers. All privately employed workers are automatically covered by Social Security.[11]

Seventy percent of the state and local pension plans are coupled with Social Security. Many of these plans were developed prior to the enactment of the Social Security Act in 1935 and utilized Social Security as a supplemental plan. In 1975, the

Congressional Pension Task Force, which surveyed all state and local retirement systems, found that approximately 15% of the retirement systems were integrated with Social Security. The practice of integrating public retirement systems with Social Security has been increasing. Recently the states of Maryland, Delaware, Hawaii, and New Hampshire and the cities of Baltimore and New York have established additional tiers to their pension systems with Social Security integrated into the new plans.[12]

In addition to the Social Security Act, another New Deal program, the National War Labor Board, contributed to the development of public and private pension funds. From 1939 to 1950 the nation was trying to cope with inflation created by World War II by providing programs such as wage stabilization and high taxes on wages and profits. During this era the National War Labor Board granted favorable provisions for private employers to contribute to pension plans. Since the value of Social Security benefits was being depressed as wages were frozen, both unions and employers were expanding private pensions plans based upon the concept that retirement benefits were deferred compensation.[13] Public employees also were offered

future retirement promises rather than raising taxes or increasing governmental payrolls.

A final issue of public retirement systems was early retirement incentives. In their 1961 study, Meger and Fox found that early retirement incentives were a major issue of the 1960s. Thirty percent of the plans in their study provided early retirement incentives or an "actuarial discount" in retirement as opposed to 16% of the same population being provided early retirement incentives a decade earlier.[14]

The policy issues of teacher retirement systems are parallel with all public employee retirement systems: funding; relationship with social security; benefit formula; vesting; and length of service. The next three subsections will examine the retirement systems of the federal government, the military, and state and local governments.

Federal Government

The Federal Civil Service Retirement Fund commonly referred to as the Federal Civil Service Retirement System (CSRS) was established by Congress in 1920 and 330,000 federal employees immediately became members.[15]

Amendments in 1942 and 1946 extended coverage to workers in all three branches of government plus District of Columbia employees.[16] In addition, there are over 70 independent federal retirement plans such as the Tennessee Valley Authority, The Foreign Service, The Federal Reserve System, The Federal Reserve Bank and plans of other agencies.[17] Thirty-eight of the independent federal retirement plans are considered major plans, but approximately 90% of all federal workers, are covered by the CSRS.[18]

The CSRS is considered an excellent retirement program for the career federal employee. After five years of federal service an employee is vested by a system that provides a full pension at age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with five years of service. In addition, federal employees now are eligible for Social Security benefits. Federal employees contribute 7% of their basic pay through payroll deductions to CSRS. Both CSRS and Social Security beneficiaries receive inflation-related cost-of-living adjustments (COLAs).[19]

Military Retirement

The first military retirement compensation was developed during the Revolutionary War in response to service-related disabilities of military personnel. The first Officer Retirement Act was enacted in 1861 for "commissioned officers" with 45 years of service.[20] Improvements continued steadily: in 1862, survivors benefits for military-related deaths; 1870, authorization for 75% retirement pay; 1873, retirement age 63; and 1885, retirement at 30 years of service.[21] By 1935 the Military Retirement System was described as having "the most liberal benefits at the earliest years of any substantiated public retirement program."[22]

Bruno Stein stated that public retirement plans cost substantially more because of provisions for higher benefits than most private plans.[23] The Military Retirement System is a noncontributory system that often will provide career military personnel with benefits near or above preretirement income with supplemental Social Security benefits after age 62 or 65.[24]

There are no age restrictions for the retirement of military personnel. After 30 years of service, retirement benefits are 75% of final pay; after 20 years, 50% of final pay.[25] After 20 years of military service there are no restrictions on accepting other positions of employment within private industry, or other federal and state agencies, including the Department of Defense. This process, which has the effect of establishing a second retirement program while receiving benefits from the military retirement system,[26] is known as double-dipping. Those who practice it, defend its use, but the fact remains that if the pension system were based on actuarial principles, the issue of double-dipping would not arise.[27]

It is difficult to calculate all the costs of the Military Retirement System, because program expenditures are absorbed by the Veterans Administration and Social Security.[28] In addition, the Military Retirement System is unfunded, creating a situation whereby the real pension costs traditionally are understated through current operating statistics.[29]

State and Municipal Systems

Teacher retirement benefits comprise a major expenditure of state and municipal retirement systems. Teacher retirement systems vary from state to state depending on whether they are a separate system, part of an overall state employees system, or have other selected public employees in a plan under their banner. In some states, the teacher's employer contributions are paid by the states, while in others, costs are paid by local boards of education, or other local agencies, and the systems are administered by the state.

There are severe data discrepancies in reports made of public pension systems in America. These apparent discrepancies are not surprising, because there are no federal standards or guidelines for reporting public pension data. According to Robert Lynn, state and local retirement plans cover almost ten million people in approximately 6,600 programs.[30] Bruno Stein agrees with Lynn's estimate of the number of employees, but refers to 2,394 retirement systems.[31] James Shultz, concurs with Stein through the phrasing "over two thousand" retirement systems.[32] Robert Madge, simply states that there are "several thousand"

state and local retirement plans with 80% having less than 100 members and about 400 plans or 6% with more than 1,000 participants.[33]

Furthermore, public pension systems are not covered by ERISA.[34] State governments have consistently organized against federal control of a "state budgeting issue" resisting any control over the reporting to system members, establishing conflict of interest in investing statutes, and requiring public disclosure for use of public funds. Spokesmen for the states maintain that it is a state fiduciary responsibility to operate public employee retirement systems without federal controls.

Public pension plans are "more in need of regulation than private plans" according to Dan McGill, Chairman of the Pension Research Council.[35] However, when Senator John Dent (D-Pa.) introduced the Public Employee Retirement Income Security Act of 1976 (PERISA) to establish standards for state and local employee pension system, reactions from state governments were negative. According to Greenough and King the aggregate of employer and employee contributions and the investment earnings of all the

state and local pension funds results in a staggering $128-billion unregulated industry.[36]

As introduced PERISA would have been more limited in scope than ERISA;[37] however, the National Conference of State Legislatures, the National Association of Counties, and the National League of Cities opposed this legislation maintaining that it was a usurpation of states rights. Opposition to PERISA was lead by Maryland Senator James Clark, who stated before a U.S. Senate Committee in March 1982, "The states are more united in their opposition to PERISA legislation than on any other matter which has come before us in many years."[38]

SOCIAL SECURITY

The first retirement check from Social Security was received by a Vermont bookkeeper, Ida Fuller, in 1940 for $22.54.[39] Ida Fuller is a classic example of both the strengths and weaknesses of Social Security that make it a major issue of American political, social, and economic debate. The initial $22.54 check Miss Fuller received exceeded her total contributions of $22.00 and was paid a year earlier than the original legislation anticipated. Amazingly, Ida Fuller (who

died in 1975) lived to be over 100 years of age and received more than $22,000 from Social Security as programs were added and the economy expanded.[40]

Before the Great Depression there had been much controversy about the need for a national public pension system. In 1934, in the depths of the Great Depression, President Roosevelt established a cabinet committee headed by Edwin E. Witte, economist from the University of Wisconsin, and composed of university professors and private industry economists.[41] The task assigned to this presidential committee was to develop a politically feasible national retirement program for the aged and/or the disabled.[42]

Although by 1928 all the European states had established contributory old age public retirement plans, many Americans viewed Social Security as part of the emerging European "socialism." In fact, Witte expressed doubt as to whether or not President Roosevelt would have been able to achieve passage of Social Security legislation after 1935.[43] Understanding the unfavorable mood of the American public, President Roosevelt was determined not to proceed without their approval and support. He stated

this concern when establishing the Committee on Economic Security:

> It is overwhelmingly important to avoid any danger of permanently discrediting the sound and the necessary policy of federal legislation for economic security by attempting to apply it on too ambitious a scale before actual experience has provided guidance for the permanently safe direction of such benefits.[44]

Sharing the President's concern, the Committee on Economic Security, with Witte as Executive Director,[45] presented a retirement program based upon the following five principles: 1) compulsory participation for designated groups; 2) an earnings-related system; 3) supplementary in nature; 4) benefits a matter of right; and 5) the determining factor based on the principle of social adequacy.[46]

The Social Security Act that President Roosevelt signed into law on August 14, 1935, was an initial step of a long range program developed by the Committee on Economic Security based on the above five principles. The initial Social Security program had three purposes: 1) an old age insurance program, 2) a federal/state system of unemployment insurance, and 3) the

retirement of senior workers. The third aim, as stated in the committee report, was designed to enable "the employer to retire a worker after he has passed his period of usefulness."[47]

The basic concept of Social Security was simple, it required workers during their productive years to pay contributions to the Social Security Trust Fund through a payroll tax. When earnings are halted or reduced because of retirement, death or disability, cash benefits are paid monthly to replace part of the individual's or the family's lost earnings.[48]

The revisions or modifications to Social Security since 1935 may be reviewed from two approaches; 1) changes in benefits; and 2) changes in membership eligibility. Since its establishment in 1935, four major changes in benefits have occurred: 1) in 1956, the addition of disability insurance; 2) in 1965, the addition of Medical Insurance; 3) in 1972, the inflation indexing of benefits related to the CPI; and 4) also in 1972, the establishment of a new public assistance program.[49] Changes in membership eligibility that have occurred during the past five decades are: 1) 1950, addition of selected farm and

domestic workers; 2) 1953, addition of members of the uniformed services; 3) 1956, addition of Americans employed by foreign governments; 4) 1960, addition of physicians; 5) 1965, addition of clergy; and 6) addition of railroad workers.[50] Over the past one-half century Social Security has evolved into a annual combined cost in excess of $250 billion.

Major Programs

Social Security is the largest retirement system in the United States, covering 90% of the working population.[51] The programs are comprised of three elements; Old Age and Survivors Insurance (OASI), Disability Insurance (DI), and Health Insurance (HI). The oldest of the programs, OASI is a well-known program that provides benefits to retired workers and/or their dependents and survivors.

Social Security was developed and continues to receive popular support, because it meets certain needs for a majority of the American people. First, it provides basic income protection for a mobile work force in both the public and private sectors.[52] Second, a contributory system of national scope is

expected to be compulsory because benefits are paid as a matter of right. Third, Social Security provides for catastrophic situations, such as the loss of or the disability of the breadwinner for eligible families covered. Fourth, the medical coverage is for the parents of children in the current work force.[53]

In 1950, Congress established Aid to the Permanently Disabled, as a public assistance program. The law provided long term disability benefits for permanently disabled workers age 50 to 64. Then in 1960, Congress removed the minimum age of 50 for eligibility for disability benefits.[54] In 1956, after a heated debate over the issues of responsibility for disabled persons, Congress amended the OASI program by creating a separate Disability Insurance Trust Fund (DI) and the Old Age Survivors and Disability Insurance (OASDI). Over 80% of the nation's aged receive benefits from OASDI.

In OASDI the workers pay for their own income maintenance program through a mandatory percentage payroll tax. In essence, the most important element in financing OASDI is based on a payroll tax computed only up to a certain payroll level.[55] Benefits are based on

the participant's AIME (average indexed monthly earnings). In 1935, the OASDI tax was one percent of the first $3,000 for both the employee and employer; in 1984, 5.7%, and in 1990 it will be 6.2%.[56]

In 1972, two revolutionary changes were made to Social Security. The first was the automatic increase in benefits related to the Consumer Price Index (CPI); the second set up Supplemental Security Income (SSI) as a replacement for: 1) the former Old Age Assistance program (OAA); 2) the Aid to the Blind (AB); and 3) Aid to the Permanently and Totally Disabled (APTD). This new SSI program, which provided assistance to the aged poor, was fully funded from general tax revenues.[57]

The primary job of aiding the needy poor is the responsibility of public assistance programs such as SSI, food stamps, and Medicaid. The importance of the needs of the aged poor and disabled are made apparent by the fact that approximately 50% of those receiving SSI also are receiving Social Security.[58]

Enacted in 1965 under the leadership of President John F. Kennedy, legislation mandated a new payroll tax to be applied to the Hospital Insurance Trust Fund (HT), which was to be separate from the OASI and DI

trust funds. In addition, Medicare was created to supplement medical coverage of the aged and the disabled and made available to all social security beneficiaries over age 65, to disabled workers and to disabled surviving spouses over the age of 50.[59]

Financial Issues of Social Security

In 1972, a time when the cost-of-living was rising at an annual rate of 3%, Congress tied increases in Social Security to the CPI. This change followed the creation of Medicare in 1965 and subsequent Medicare benefit increases amounting to 15% in 1969, 10% in 1971, and 20% in 1972.[60] These changes were consistent with the philosophy that Social Security should not accumulate full reserves, because the taxing power of the government was assumed to stand behind any previous commitments.[61] However, as the decade came to a close the American taxpayer began to be concerned about the mounting costs of Social Security. In 1974 and 1975, when inflation rates rose significantly higher than expected, the concern for financing Social Security became a major public and political concern.

Warnings and projections of doom were forecast in newspaper articles, TV news broadcasts, political

speeches, and in magazine articles such as: "The Shocking Shape of Things to Come," Ashly Bladen, Forbes; "Social Security: Permit for Idleness?," Journal of the Institute for Socioeconomic Studies; "Changes to Expect in Your Social Security," U.S. News & World Report; and "Big Deficits for Social Security, Small Chance for Reform," George Church, Time.[62]

Critics of Social Security often have utilized the enormous costs required to fund Social Security rather than state that their primary opposition is to existing or proposed taxes for support of the aged and disabled. One economic point of view holds that "$75 billion in potential spending is being transferred from the working to the nonworking"[63] and in effect is restraining capital investment and economic growth. Another argument is based upon Fleming v. Nestor, 363 U.S. 603(1960), in which the United States Supreme Court ruled that the government has the power to change Social Security benefits. The Court said:

> To engraft upon the social security system a concept of "accrued property rights" would deprive it of the flexibility and boldness in adjustment to ever changing conditions which it demands.[64]

However, despite this bombardment of negative predictions of financial collapse, Social Security is still accepted by the average citizen, whose faith in the ability of the government to raise money to finance Social Security is steadfast. The average American citizen believes that Social Security is an essential American institution that will be there whenever needed.[65]

To provide realistic funding of Social Security programs, Congress amended the law in 1977, 1980, and 1985. In 1977, a system of benefits based upon an average of indexed wages was created. This change to an indexed system "gave added security to current contributors."[66] The 1977 law also relaxed the limitations on the earnings test and liberalized treatment of divorced and widowed beneficiaries.

In 1980, reacting to the pressures of an election year, Congress voted to reallocate federal funds from the Disability Fund to the OASI Fund to insure revenues to pay 1980-81 beneficiaries.[67] Then in 1983, Congress made major changes in Social Security by raising the eligibility age from 65 to 67 by the year 2027,

delaying the COLAs for six months, and increasing the payroll tax.[68]

The politics of Social Security is one of intense pressure from an organized older constituency. Canadian scholar John Myles has stated that the "welfare state is for the elderly."[69] Since the 1960s a successful organization of senior citizens groups have joined forces to become a formidable national lobby.[70] Today, the political leadership at the national level is coordinated by Save our Security (SOS), a coalition of over 100 of the nation's largest and most influential senior citizens, labor, handicapped, civil rights, religious, and veterans groups.[71]

SOS was formed as a reaction to the Reagan Administration's approach to solving the Social Security financial questions. The coalition believes that current problems are a result of the Social Security system's sensitivity to economic changes and that these are short range problems that can be solved with "administrative adjustments" and that further cuts or curtailment of benefits are not necessary.[72]

At present, Social Security appears vulnerable to modifications that would erode benefits. A naive approach suggests that the funding questions should be realistically addressed with sound financial principles and theoretically with as little political interaction as possible.[73]

TEACHER RETIREMENT AND SOCIAL SECURITY

Teachers in 37 states, or 75% of the nation's educators, are participants of Social Security (see appendix B for states and coverages). The following thirteen states do not have Social Security for their teachers:

Alaska
California
Colorado
Connecticut
Illinois
Kentucky
Louisiana
Maine
Massachusetts
Missouri
Nevada
Ohio
Rhode Island[74]

The 37 states participating in Social Security have either supplemental or coordinated Social Security benefits with state retirement systems. In addition, some states offer supplemental assistance to Social Security.[75]

Social Security as a supplemental system implies that Social Security benefits are independent and function as an addition to the retirement system benefits. The 25 states that have supplemental Social Security benefits are:

Alabama
Arizona
Delaware
Florida
Georgia
Hawaii
Idaho
Iowa
Kansas
Maryland
Montana
Nebraska
New Jersey
New Mexico
New York
North Dakota
Oklahoma
Pennsylvania
South Dakota
Texas
Utah
Vermont
Washington
West Virginia
Wyoming[76]

A coordinated Social Security plan is the integration of Social Security with the retirement system plan. The 12 states that have teacher retirement systems coordinated with Social Security benefits are:

Arkansas
Indiana
Michigan
Minnesota
Mississippi
New Hampshire
North Carolina
Oregon
South Carolina
Tennessee
Virginia
Wisconsin[77]

The type of Social Security benefit coverage is critical to the impact upon an individual's retirement program. The key word is "supplemental," because in the future a teacher with Social Security and a

supplemental retirement system will be able to plan and provide more adequately for their retirement years. The disadvantage of a coordinated or integrated Social Security plan is that the total benefits are capped. That is, the state retirement system will pay the difference between the Social Security benefit and the scheduled combined retirement benefit. With a Supplemental plan the state will pay a guaranteed benefit and the Social Security supplement will usually grow at a higher rate of increase based on the CPI.

In addition to the basic question of supplemental, coordinated, or no Social Security, there are several states that have divided programs. The 1956 Amendment to the Social Security Act, provides for two methods that allows a state to permit partial participation. One is the establishment of two employee groups. Here the option of participation is selected by a majority of possible enrollees. Initially the decision to participate is an individual choice; however, after Social Security is selected, all new employees are required to participate in Social Security.[78]

The second divisional method that a state may employ is to permit individual counties, cities,

municipalities, school districts, or other governmental units to participate in Social Security as a subgroup. The following 20 states have a divisional method of membership:

Alaska	New Mexico
California	New York
Connecticut	North Dakota
Florida	Pennsylvania
Georgia	Rhode Island
Hawaii	Tennessee
Illinois	Texas
Massachusetts	Vermont
Minnesota	Washington
Nevada	Wisconsin[79]

However, five states--Alaska, Connecticut, Massachusetts, Nevada, and Rhode Island--have not implemented their authorizations. States utilizing a county or district system, such as Georgia, New Mexico, Texas, and Vermont have various levels of their teachers covered by Social Security depending upon the decision of the local Board of Education.

A major issue is the nonparticipation of some teachers in Social Security. One argument is that the lack of coverage is not fair to the teachers because they might not stay in the same state and would need Social Security benefits later because of their mobility. A second argument for required participation is that a teacher could manage to earn the Social

Security quarters needed after an early retirement, through part-time work, or self-employment at a cheaper rate, and avoid reasonable contributions.[80]

Political Issues of Social Security

The three major Social Security issues that concern teachers today are: 1) require, or not require teacher participation, 2) the discrimination against women, and 3) fiscal protection of the current system.

Those who favor required participation of teachers in the Social Security program point to the economic benefits and the national scope of the program. Most experts agree that duplication of Medicare coverage and other Social Security programs would be individually prohibitive through a private plan. In addition, cost-of-living benefits for retired workers are automatically adjusted upward based upon the CPI.[81]

The structure and purpose of Social Security are important because they represent the national standard for retirement benefits. Further, if a national health insurance program is ever enacted into law, it is likely that Social Security will become the vehicle for the implementation. In addition, consideration should

be given to the possibility of the federal government assuming a larger portion of the operating costs of Social Security financed through general revenue funds. This would enable additional health coverage and/or provide greater security for funding of current Social Security programs.[82]

The opposition to Social Security coverage for teachers not currently covered centers either upon economic issues or philosophical issues concerning democratic participation. Economic issues include: 1) Social Security taxes are nonrefundable when covered employment is vacated, 2) Social Security payroll taxation is projected to continue to increase, and 3) many teachers already have Social Security coverage through nonteaching employment.[83]

Philosophical issues include: 1) the objection of a governmental unit's authority to unilaterally withdraw from Social Security coverage with no input from their employees; 2) Social Security benefits are not guaranteed and may be modified or reduced at any time by Congress;[84] and 3) many Social Security benefits are sexually discriminatory towards women.[85]

The employed married woman (a description of many teachers) is discriminated against because women are considered to be financially dependent upon their husbands and treated as an economic appendage by the Social Security Administration. Even if she has paid into her own account, she will be given the higher premium, usually that of her husband, which she would have received in any case without any consideration for her own employment years.[86]

Women who are mothers are further discriminated against by Social Security because the benefit formula is based upon average salary excluding the five lowest years. Thus every year beyond five that a working mother is home for child care, is a Social Security penalty. Added to this is the "widow's gap," which eliminates a widow's benefits when the youngest child reaches eighteen, not to resume until she reaches sixty.[87] A woman who stays home to raise her children as a single parent becomes as she grows older, less employable, and ultimately is disadvantaged in regard to Social Security benefits.

Another child care concern for women is that benefits follow the breadwinner and are lost to a

divorced woman, if the marriage did not last twenty years. In our present society this often proves to be catastrophic to many divorced women.[88] A woman may stay at home enabling her husband to work and earn Social Security credits for his retirement; but if she is divorced from him after nineteen years and eleven months, she is no longer considered his dependent. Critics maintain that a person should not be required to make decisions concerning divorce or remarriage based upon Social Security benefits.

In summation, all wage earners, regardless of family income or marriage and parenting situations, pay into Social Security based upon a payroll tax. However, benefits accrue to individuals and their dependents. When more than one person in the family is paying Social Security taxes the Social Security Administration will consider only the highest contributor thereby usually ignoring the contributions of women.

TIAA-CREF

Teachers Insurance and Annuity Association and Annuity Association and College Retirement Equities

Fund (TIAA-CREF) is the retirement system most often identified with higher education.[89] The place it has in pension history is as important as the program itself. Andrew Carnegie was distressed when, as a member of the Board of Trustees at Cornell University, he learned "how small were the salaries of the professors."[90] He extended his custom of philanthropy by initiating a plan to support the salaries of college faculty at private nonsectarian schools through pension support.

Andrew Carnegie named MIT President, Henry S. Pritchard, in 1905, as the first president of the Carnegie Foundation for the Advancement of Teaching, as created by an act of the Congress of the United States.[91] Initially the Carnegie Foundation was established with a $10 million grant. The grant was raised by an additional $5 million when state universities were included for eligibility.[92]

In 1905, six institutions of higher education had pension systems for their teaching faculty. The first three were Ivy League institutions: Columbia University (1891), Yale University (1897), and Harvard College (1899). In addition, Cornell University, the

University of California and the Randolph-Macon Woman's College were the institutions that offered either a pension or a deferred saving's plan when Carnegie and Pritchard established their Foundation.[93]

In order for "universities, colleges and technical schools" to participate in the Carnegie Foundation, they had to meet certain criteria, as established by the trustees on April 9, 1906. These criteria, or rules, were amended and finalized on November 21 of that year and provided the groundrules for determination of eligibility for both individual professors and potential institutions.

Individual eligibility requirements were as follows: 1) connection with an "accepted institution;" 2) 65 years of age; 3) position of professor, dean or president; and 4) completion of 25 or more years of service. If eligible, these individuals were to be paid $400 plus one-half of their "active pay," not to exceed $3,000.[94]

The principal requirements for becoming an "accepted institution" were as follows: 1) no denominational connections; 2) offer a four-year course of study in the arts and science; 3) employ at least

six professors whose full time was devoted to the institution; 4) have an endowment of at least $200,000; and 5) require completion of high school for entrance.[95] The first and fifth requirements had the greatest impact.

The Carnegie Foundation had a tremendous influence on both higher and secondary education. Some institutions decided to separate from their church affiliation in order to qualify. In secondary education, the requirement for high school completion led to the establishment of "Carnegie units" as the standard of proof for completion of high school. Today, high school students still count their Carnegie units in order to certify eligibility for graduation.

By 1914, the number of institutions participating in the Carnegie Foundation had risen to 96.[96] The growth of the Foundation also created concerns about indefinite funding into the future. In response to these fiscal concerns, the Foundation created an independent commission to make recommendations to the trustees. The Commission on Insurance and Annuities with representation from the American Association of University Professors, the Association of American

Universities, the National Association of State Universities and the Association of American Colleges was headed by Henry Pritchard.[97]

Considering portability the greatest strength of the Foundation program, the Commission recommended the establishment of the Teachers Insurance and Annuity Association of America (TIAA). From 1918 to 1933, TIAA functioned as an extended venture of Andrew Carnegie and the Foundation with Henry Pritchard becoming the first President of TIAA. In 1938, the New York legislature, through a Special Act, created an independent membership life insurance corporation, TIAA.[98] At this time, the Carnegie Foundation transferred the stock of the Foundation to TIAA and TIAA as a chartered corporation was established.[99]

The purpose of TIAA was to establish and maintain individual accounts for each teacher and to buy whatever size annuity that could be be purchased based upon the fixed contributions of the employee and employer and whatever investment earnings were available.[100] The basic component parts of the TIAA contract with its members has stood the test of time. All TIAA contracts have the following characteristics:

1) fully vested; 2) noncashable; and 3) variations in premium amounts and maturity dates.[101]

In 1952, TIAA as an insurance company created the College Retirement Equities Fund (CREF), thus revolutionizing college pension planning. CREF permitted investments to be made entirely in equities and thus created a possible hedge on inflation. This also made it possible for participants in TIAA-CREF to determine what if any, of their retirement money would be invested in CREF. This dual system provided the possibility for a retiree to receive two retirement checks; a check from TIAA based on a fixed-dollar income that does not change during retirement, and a second check from CREF based upon the performance of the securities in the CREF's portfolio.[102]

Currently, institutions of higher education initiating or continuing a TIAA-CREF retirement plan would follow one of two approaches to establish contribution regulations. One, the "level percentage" approach or two, the step rate approach." The level percentage approach is a fixed percentage of the salary as the contribution level. The "step rate approach is a bifurcated system whereby the contribution rates

vary. Usually the Social Security wage base is the determining factor, that is, whether or not the employees' wages are above or below the contribution level.[103]

TIAA-CREF is unique to public retirement and pension systems for four reasons. First, it was established by a philanthropist, and not through government action. Second, it was a national plan established before many states had developed a plan for teachers. Third, it created a plan for both public and private employees based upon an industry classification. Fourth, defined contribution plans were favored by small groups of employees or partnerships. TIAA-CREF is by far the largest of the defined contribution plans in America.[104]

STATE LEGISLATIVE ACTIVITY FOR RETIREMENT AND RELATED ISSUES 1969-1978

To measure changes made by state legislatures for any issue is difficult due to the enormous problems created by variations of reporting, recording and coding technical variables. However, to gain some direction and understanding into the nature of

legislative changes in teacher retirement systems, NEA's High Spots in State School Legislation, an annual compilation of state reports concerning individual state legislation affecting teacher concerns, was reviewed for the years 1969 to 1978.[105]

Although there were voids in reporting by the state affiliates, the annual reports provided a strong foundation to this section of chapter II. In addition to reporting legislative activities that had created changes in retirement systems (and other relevant legislation) and their compatibility with association goals, state lobbyists were asked to identify the major achievement (positive) and the major defeat (negative) that had been experienced in their respective states during the preceding year.

For exploratory purposes, the positive and negative responses for the first decade (1969-1978) of this study (Heller unpublished data) were tabulated into nine categories: 1) funding, 2) teacher rights, 3) collective bargaining, 4) tenure-merit pay, 5) tax or spending limitations, 6) instruction, 7) aid to non-public schools, 8) board of education - structure and governance, and 9) retirement. However, these data

should be viewed with the understanding that the original data source consisted of opinions and that the defeat of a negative pension proposal could have been reported as positive. Conversely, the defeat of a positive collective bargaining proposal could have been reported as a negative, even though legislation was not enacted and there were no statutory changes.

After tabulating the data by geographical region, the responses were converted into total percentages for negative and positive responses (see table I). In addition, the annual percentages were analyzed using a Pearson r correlation by correlating each category, both positive and negative designations with each other.

This process suggested a possible relationship with pension legislation and collective bargaining, funding and teacher rights. Positive retirement with positive collective bargaining (.5954), positive funding (-.8245) and positive teacher rights (-.6043) and negative retirement with positive collective bargaining (-.5903) and negative collective bargaining (.5193) are relationships worth studying. An accepted "rule of thumb," suggests that correlation coefficients

in the .50 to .70 (-.50 to -.70) range are considered to be a moderate ± correlation, whereas correlation coefficients in the .70 to .90 (-.70 to -.90) range are considered to be a high ± correlation. Figure I supports these positive and negative correlations.

Table I

Positive and Negative Responses
to State Legislative Changes
From 1969 to 1978
by NEA Staff

Subgroup and Pct.	Positive	Negative
Funding	43.7	28.7
Teacher Rights	9.3	12.2
Collective Bar-	13.3	42.3
Tenure-Merit Pay	2.5	0.7
Tax/Spending Limit	1.9	2.5
Instruction	3.1	2.9
Aid to nonpublic	1.5	0.7
BOE Governance	0.9	2.9
Retirement	23.8	7.2
	100.0%	100.0%

In figure I, retirement, collective bargaining and funding are graphed by annual percentages for both positive and negative trends. The graph reflects the positive and negative relationships of the annual percentages for the three dominant categories: retirement, collective bargaining and funding.

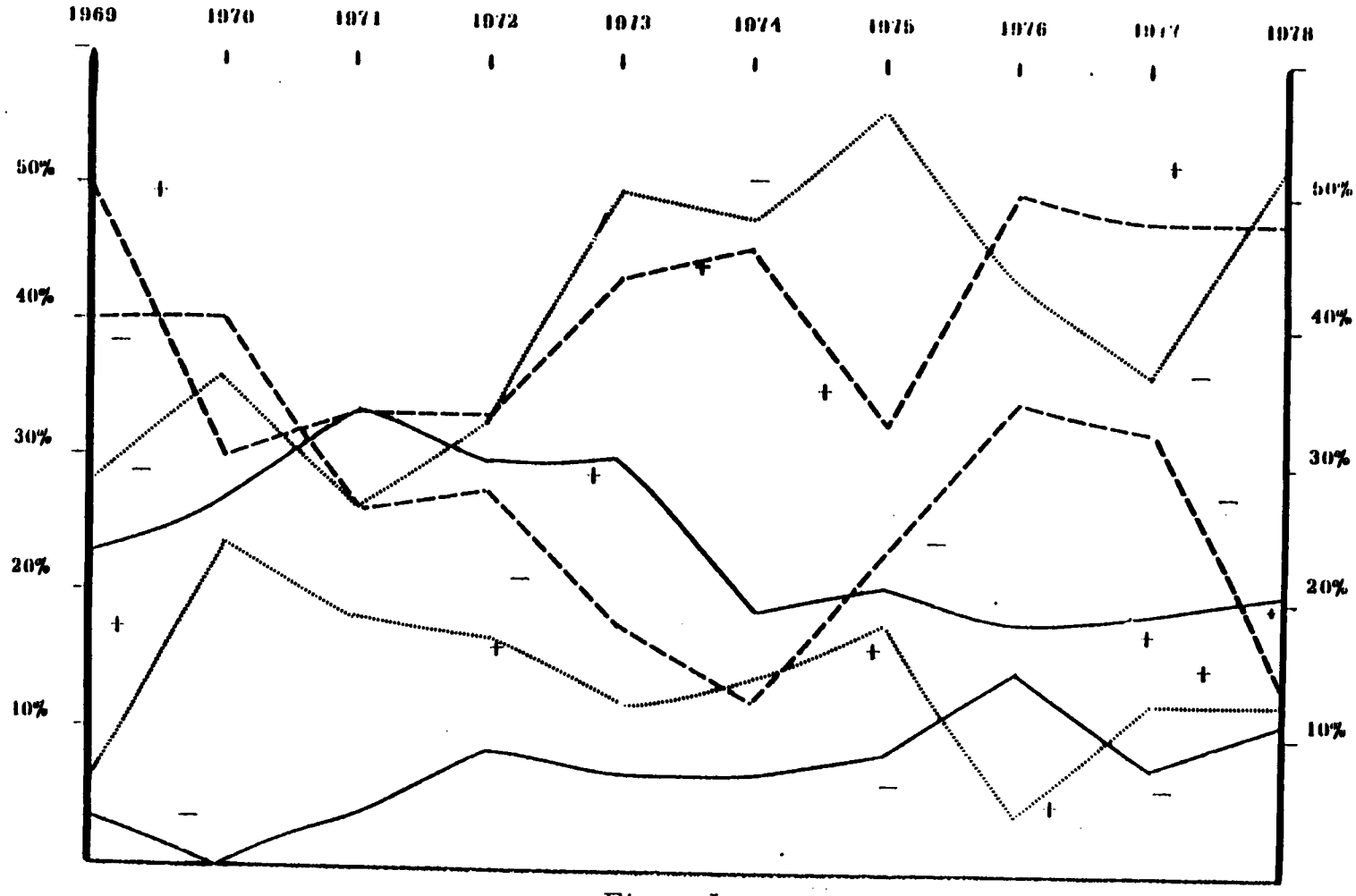

Figure I

Retirement ——— Collective Bargaining ····· Funding - - - -

Positive and Negative Trends in Legislation for Retirement, Collective Bargaining and Funding from 1969 - 1978

Appendix D presents the highlights of changes in the individual 50 teacher retirement systems from 1969 to 1984. States are grouped by region and relevant changes in each state are presented with chronological notations.

LEGAL ISSUES OF THE 50 TEACHER RETIREMENT SYSTEMS

The amount of case law concerning teacher retirement systems is sporadic and nonconclusive. In a recent study (Heller, unpublished data, 1985) respondents in only 14 states indicated in the affirmative to the question, "Please identify and cite major state and/or federal court cases in which your teacher retirement system has been a part to during the period of time from July 1, 1969, to June 30, 1984." These 14 states were: Alaska, California, Colorado, Delaware, Indiana, Kansas, Kentucky, Maryland, Michigan, Nevada, Pennsylvania, Tennessee, Utah and Washington. The current status of pension law for most states was expressed well by a respondent from South Dakota, who stated "Court cases concern individual cases of disability or survivorship benefits." A

review of the West's Education Law Reporter for the 15-year period of this study (1969-1984) supports this statement.

Of these fourteen states, many reported pension cases are concerned with funding pension system liabilities. Delaware, Indiana, Kentucky, Michigan, Utah, and Washington have engaged in court tests over funding during the past 15 years. However, the overwhelming majority of cases involve the definition of terms as they apply to individual cases in individual states.

Nevertheless, there were three major cases, occurring within the past decade, that are important to public employee retirement systems. These cases are: 1) United States Trust Co. v. New Jersey, 431 U.S. 1, 17.21, 97 S.Ct. 1505, 52. L.Ed. 2d 92 (1977); 2) Pennsylvania Federation of Teachers v. School District 484 A.2d 751 (Pa. 1984); and 3) Garcia v. San Antonio Metropolitan Transit Authority 105 S.Ct. (1985).

The New Jersey case presents the question of continuing contracts and the obligations of future legislatures. In U.S. Trust v. New Jersey, the Court ruled that it must be determined if a contract existed

prior to determining whether or not an obligation under the contract was changed. If both questions are answered in the affirmative, then the court must determine whether or not the "change unconstitutionally impairs the contract obligation." Citing U.S. Trust, the Supreme Court subsequently indicated that a "state's own contracts would face more stringent examination under the contract clause than private contractual relationships." (See Allied Structural Steel Co. v. Sponnius, 438 U.S. 234, 244 (1978).)

The Pennsylvania case is a State Supreme Court case concerned with state constitutional guarantees. The distinction is made because currently state retirement systems are established upon three principles: 1) a constitutional guarantee that exists in 11 states; 2) a contractual relationship that exists in 14 states; and 3) the systems that exist in the remaining 26 states.

The Pennsylvania case was a consolidated effort between the Pennsylvania State Education Association (NEA) against Commonwealth of Pennsylvania and the Pennsylvania Federation of Teachers (AFT) against the School District of Philadelphia concerning a state

statute that increased the basic contribution rate of retirement system members. The Court ruled that a contract existed between the teachers and the system and that "increasing the compensation rate" represented a "unilateral modification of the contract."

In addition, the court found that the legislation constituted an "unconstitutional impairment of the state obligation of contract." The Court further stated that the "increased contribution rate can not constitutionally be imposed." This same concept known as the "Pennsylvania Doctrine" was applied in a Tennessee Case, Roberts v. TCRS (Tenn. 1981), when the Court determined that members of a retirement system may not have their benefit "detrimentally" affected by change in the system after he becomes vested. A Maryland case is now under appeal in the 4th Circuit Court of Appeal based on the Contract Clause of the U.S. Constitution.

The Garcia v. San Antonio MTA case has raised questions concerning 10th Amendment immunity for state and local government. The case involves the issue of whether or not the MTA has immunity from the minimum and overtime pay provisions of the Fair Labor Standards

Act of 1938. Arguments centered around two landmark cases: 1) United Transportation Union v. Long Island Railroad Co, (hereafter as LIRR) 455 U.S. 678, 102 S.CT. 1249, 71 L.ED.2d 547 (1982); and 2) National League of Cities v. Usery, 426 U.S. 833, 96 S.Ct. 2465, 49 L.Ed.2d. 245 (1976). In Usery the Court stated that state or local government is entitled to the 10th Amendment immunity protection for "traditional" state and local government functions, such as "fire protection, police protection, sanitation, public health, parks and recreation." Public schools and hospitals were established as having 10th Amendment immunity in 1968 when the Court overruled Maryland v. Wirtz 392 U.S. 183 88 S.Ct. 2017, 20 L.Ed. 2d, 1020 (1968). The LIRR decision emphasized "tradition or history" as a prevailing factor, while emphasizing that "States occupy a special position in our constitutional system" in the Usery decision. However, the Court in ruling in favor of Garcia stated that "In sum, the League of Cities (Usery) decision tried to repair what did not need repair" and reversed the decision of the lower court and thus reversed the Usery decision.

FOOTNOTES

[1]W. William Schmid, Retirement Systems of the American Teacher (New York: Fleet Academic Editions, Inc., 1970), p. 7.

[2]Bruno Stein, Social Security and Pensions in Transition: Understanding the American Retirement System (New York: The Free Press, A Division of MacMillan Publishing Co., Inc., 1980), p. 107.

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[22]Ibid., p. 177.

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CHAPTER III

METHODOLOGY

This study was a descriptive examination of the legislative changes of the 50 state teacher retirement systems and their relationship with selected state demographic variables over the 15-year period of time from 1969 to 1984. Without addressing the question of causality, several techniques were employed, including surveys, interviews and case studies.[1] Statistical methods used to classify and summarize the numerical data were cross-tabulations and frequencies. Statistics from Pearson r and Spearman Rho correlations studies were used to determine relationships between pairs of variables.

Descriptive studies involve the collection of data for describing conditions as they exist. Such studies are often of greatest value during the initial stages of research and often are used to understand the size and scope of a question. The purpose of this study was to explore whether or not two or more variables were related. The basic principles of relationship studies were consistent with John Stuart Mill's canon of concomitant variation:

> Whatever phenomenon varies in any manner whenever another phenomenon varies in some particular manner, is either a cause or an effect of that phenomenon, or is connected with it through some fact of causation.[2]

Causation was beyond the scope of this study. The purpose was to discover variance of change and the interrelationship of change over a defined 15-year period.

DESCRIPTION OF THE POPULATION

The population for this study was the 50 state teacher retirement systems of the United States. Selected individuals representing expert knowledge of their separate state retirement systems were surveyed for specific factual information. The respondents were: 1) the system administrator or administrative designee of the 50 teacher retirement systems; 2) the executive director or designee, usually a chief lobbyist or research director, for the 50 NEA state affiliates; and 3) the presidents of the state federations of teachers, American Federation of Teachers, AFL-CIO.

Since the study was designed to determine changes in state retirement systems and each selected

participant was accepted as having a level of expertise for their particular state retirement system, a response to the survey questionnaire from only one respondent from each state was considered valid for the purposes of this study.

RESEARCH QUESTIONS

The research questions that guided this study were:

1. What are the existing characteristics of the 50 states, teachers retirement systems, and selected state demographic variables?
2. What are the changes over a 15 year period (from 1969 to 1984) of the 50 states, teacher retirement systems, and selected state demographic variables?
3. What are the projected changes in the 50 teacher retirement systems?
4. What are the relationships between the following pairs of variables?
    a) Changes in the 50 teacher retirement systems and changes in the selected state demographic variables.
    b) Changes in the selected state demographic variables and projected changes in the 50 teacher retirement systems.
    c) Changes in the 50 teacher retirement systems and projected changes in the 50 teacher retirement systems.

d) Current (1984) teacher retirement systems and projected changes in the 50 teacher retirement systems.

e) Current (1984) selected demographic variables and projected changes in the 50 teacher retirement systems.

Descriptive statistics were utilized to answer research questions one, two, and three. The following null hypotheses related to research question number four were utilized in this study:

Ho: 1 There is no relationship between change in retirement systems and change in the state demographic variables based on comparisons of relevant factors.

Ho: 2 There is no relationship between change in selected state demographic variables and projected change in the retirement systems based on comparisons of relevant factors.

Ho: 3 There is no relationship between change in the 50 teacher retirement systems and projected change in the 50 teacher retirement systems based on comparisons of relevant factors.

Ho: 4 There is no relationship between the 1984 teacher retirement system characteristics and projected change in the 50 teacher retirement systems based on comparisons of relevant factors.

Ho: 5 There is no relationship between the 1984 selected state demographic variables and projected change in the 50 teacher retirement systems based on comparisons of relevant factors.

DEVELOPMENT OF THE SURVEY INSTRUMENT

The survey instrument (see appendix A) was deliberately brief in order to facilitate a high rate of return and to provide both precise information for analysis and comparison. Again for brevity, the subjective questions were limited to two and were for exploratory purposes. The objective of the two subjective questions was to solicit opinions of major legislative and judicial activity related to state retirement systems during the past 15 years.

Questions A through J are identical to questions posed in a 1969 study by W. William Schmid entitled, Retirement Systems of the American Teacher.[3] Schmid utilized these questions to gather data for evaluation of teacher retirement systems through the use of his "Golden Retirement Rating Scale." The questions repeated in this study were not designed to evaluate retirement systems, but were included as a bench-mark to measure changes. Each state was coded in 1984 as it was in 1969, using the same questions and method of reporting. In doing so, a comparison for the purpose of examining change was possible.

Questions K through T provided data for selected state demographic variables for comparison with the 50 teacher retirement systems that indicated significant changes or categorical differences as identified in questions A through J. In addition, the questions of state population, regional location, average per pupil expenditures, average teacher salary, right to work, region, and Social Security also were included.

On the third page of the questionnaire respondents were asked to indicate if they anticipated any proposed legislative changes to their retirement systems during the next five years. The responses for the 12 categories were rated as follows: 1) significant change, 2) moderate change, and 3) no change. These projections were made without indicating whether the anticipated change would be an improvement or a diminishment in retirement benefits. The results of these responses were cross-tabulated with questions K through T.

To increase the validity of the study, the survey questionnaire was submitted to six experts in the field of teacher retirement for review: Douglas M. Bilheimer, Assistant Director of Legislation, Pennsylvania State

Education Association; V. Thomas Gray, Assistant Executive Director, Maryland State Teachers Association; Eugene McClune, University of Maryland; Ralph Shotwell, Assistant Executive Director for Research, The Virginia Education Association; Byron Spice, National Education Association Specialist, Department of Research; and James Ward, Director, Department of Research, American Federation of Teachers, AFL-CIO.

Responses received were in writing and through personal interviews. Many suggestions were in the areas of clarification of terms, length of the document, understanding why certain information would not be readily available and an overall understanding of the type of questionnaire that must be developed in order to facilitate a high rate of return.

Experts from Maryland, Pennsylvania, and Virginia were selected for both their proximity to one another and the researcher and because these states varied enough to provide diversified reactions and viewpoints from the state association experts. The other three experts have a national perspective and their input was equally important. It was at this point that the

questionnaire was developed and rewritten with the constructive suggestions from the experts utilized.

DISTRIBUTION OF THE QUESTIONNAIRE

The questionnaire (see appendix A) was mailed first class with a preaddressed return envelope to three groups of selected persons in each state.

Group one consisted of the plan administrators. An individualized letter from the Honorable Louis L. Goldstein, Comptroller of the State of Maryland and Chairman of the Maryland Teachers Retirement System was included with a cover letter (see appendix A).

Group two consisted of the executive director for each of the National Education Association state affiliates. An individualized letter from Harvey Zorbaugh, Executive Director of the Maryland State Teachers Association was included with a cover letter (see appendix A).

Group three consisted of the presidents of the state federations of the American Federation of Teachers, AFL-CIO. An individualized cover letter was sent with the questionnaire to the state federation presidents (see appendix A).

COLLECTION AND CODING OF DATA

When the questionnaires were returned in the preaddressed envelope to the Virginia Tech, Northern Virginia Graduate Center, they were separated into states by region. Printed materials such as booklets, flyers, copies of legislation, and newsletters in addition to notations concerning the two subjective questions, were filed by state for use in the literature review. Copies of individual correspondence were filed chronologically and are reported in appendix C. Some returns indicated that the questionnaire had been referred to another office or person.

The questionnaires were marked by "system," "association" or "federation" according to the name and the address of the person filling out the response. Multiple responses from each state were compared for agreement. In the case of a conflict of responses, a telephone follow-up was utilized to determine a proper answer for each state for coding purposes. The returned questionnaires were noted and after four weeks, a second questionnaire was mailed to those selected individuals not responding. A follow-up phone

call was made simultaneously. This procedure provided the remaining five states needed for a 100% response.

The data from the returned questionnaires and reference tables were coded into eight sections for correlation studies: 1) 1969 Schmid question data, 2) 1984 Heller data replicated on the Schmid questions, 3) change from 1969 to 1984 Schmid/Heller data, 4) 1969 state demographic variables, 5) 1984 state demographic variables, 6) change from 1969 to 1984 of the state demographic variables, 7) 1984 state characteristics as reported in questions K - T, and 8) projected change by retirement system administrators and union leaders.

1969 SCHMID AND 1984 HELLER DATA

The 1969 Schmid data were obtained from table 30, in Retirement Systems of the American Teacher.[3] The procedure for coding these ten factors was either a 1, 2 or 3 rating based on what Schmid considered in 1969 to be the "proposed national average." That is, below the "proposed" national average, was coded 1; the "proposed" national average, 2; and above the "proposed" national average, 3. This coding on the retirement questionnaire was also used for each

question in 1969 and 1984. The exception was question J for the questionnaire, which was question A in 1969. All other questions are also recoded for identical coding: that is, J to A, A to B, B to C, C to D and the like. For question J, all states were given a final figure based on Social Security and divided into fifths. The top two-fifths were coded as 3, the middle fifth was coded 2, and the bottom two-fifths were coded 1.[4]

The formula for obtaining the ST (Schmid Total) score, the Golden Retirement Rating Scale final score for 1969, was:[5]

$$
\begin{array}{rcl}
A + B + C + D \times 1.67 & = & \\
E + F + G \times 1.33 & = & \\
H + I + J \times 1.00 & = & \\
 & & \underline{+\qquad\qquad} \\
\text{Total Score} & = &
\end{array}
$$

The same procedure was utilized for scoring the 1984 data for purposes of comparison. The difference between the 1969 data and the 1984 data was coded 0, 1 or 2 for each state and was reported as the Schmid/Heller difference. The difference in total scores was simply the difference between ST (Schmid Total Score) and HT (Heller Total Score). Tables B-2(population), B-3 (average per pupil expenditure),

B-4 (average teacher's salary), and B-5 (average per capita income) in appendix B present the 1969 and 1984 state demographic variables and their differences respectively.

The 11 questions of projected change were reported for each of the three sampled groups: system administrators, association staff, and federation presidents and were analyzed by subgroups as well as by total response. The questions were parallel in subject to the Schmid/Heller questions A - J and were answered and coded as significant change 3), moderate change 2), and no change 1).

FOOTNOTES

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[3]W. William Schmid, Retirement Systems of the American Teacher (New York: Fleet Academic Editions, Inc., 1971), pp. 69, 71.

[4]Ibid., p. 70.

[5]Ibid., p. 69.

CHAPTER IV

ANALYSIS OF THE DATA

The primary purpose of this study was to examine changes in the 50 state teacher retirement systems during the period July 1, 1969, to June 30, 1984. In addition to presenting descriptive statistics, the study was to statistically explore whether or not two or more variables were related to each other. Data were collected from each of the 50 state teacher retirement systems for the purposes of analysis.

The statistical methods used to classify and summarize the numerical data were cross-tabulations and frequencies. Pearson r and Spearman Rho correlations were used to determine relationships between pairs of variables with a .05 level of significance ($p < .05$). The results of the data analysis were presented with the research questions. Descriptive statistics were utilized to answer research questions 1, 2, and 3.

The data analyses for this study were based on the responses from 75 returned questionnaires representing all of the 50 states from the following categories of respondents: 1) 38 retirement system administrators,

2) 32 state teacher association leaders, and 3) five state federation presidents. Association leaders and federation presidents were combined into a single category entitled union leadership for the purposes of data analysis and comparison with retirement system administrators. Reported in table II are each of the four groups arranged by geographical region (see table D-1 in appendix D for a listing of the 50 states by region).

Table II

Regional and Organizational Representation of Responses

Region	System Admin.	NEA State Leaders	AFT State Presidents	Combined Unions
Eastern	8	6	1	7
Southern	9	8	1	9
Central	9	9	3	12
Western	12	9		9
Totals	38	32	5	37

Research Questions 1 and 2:

Research questions 1 and 2 addressed the current status and changes in the 50 teacher retirement systems and selected demographic variables. These were presented together because it was easier to understand patterns of change when the existing and previous

conditions are observed simultaneously. The following research questions were developed:

1. What are the existing characteristics of the 50 states, teacher retirement systems, and selected state demographic variables?
2. What are the changes over a 15-year period (from 1969 to 1984) of the 50 states, teacher retirement systems, and selected state demographic variables?

Selected state demographic variables were obtained from the 1969 and 1984 editions of the U.S. Commerce Department's Statistical Abstract of the United States. The selected state demographic variables included population, average per pupil expenditure, average teacher's salary and per capita income. These are reported by descending ranked order for 1969 and 1984 with their respective differences arranged in tables B-2, B-3, B-4 and B-5 in appendix B. In addition, questions K through T (for example, see table B-6 in appendix B) from the questionnaire provided additional demographic information of a specific nature and will be reported later in this chapter.

Indicated in table III are categorical classifications for 10 retirement system characteristics as identified by Schmid in 1969 and replicated for this

Table III

Selected Ratings for Characteristics of the 50 State Teacher Retirement Systems Number and Percentage of States for FY 1969 and FY 1984

	Rating*	1969 #	1969 %	1984 #	1984 %
A - Retirement and Social Security	1	14	28	17	34
	2	22	44	20	40
	3	14	28	13	26
B - Social Security	1	14	28	13	26
	2	12	24	25	50
	3	24	48	12	24
C - Teacher on Retirement Board	1	17	34	6	12
	2	25	50	23	46
	3	8	16	21	42
D - Investment of Common Stock	1	13	26	3	6
	2	24	48	11	11
	3	13	26	36	72
E - Vesting	1	19	38	2	4
	2	19	38	26	52
	3	12	24	22	44
F - Out-of-State Service	1	32	64	29	58
	2	14	28	15	30
	3	4	8	6	12
G - Cost-of-Living	1	30	60	16	32
	2	11	22	24	48
	3	9	18	10	20
H - Final Average Salary Determination	1	10	20	0	0
	2	8	16	1	2
	3	32	64	49	98
I - Disability Requirements	1	12	24	4	8
	2	27	34	18	36
	3	11	22	28	56
J - Survivorship Requirements	1	22	44	11	22
	2	18	36	21	42
	3	10	20	18	36

* Rating 1 = Below national average
2 = National average
3 = Above national average

study, utilizing responses to questions A through J of the questionnaire. Presented in the data are the number and percentages for states reporting their classification for each of the teacher retirement characteristics. The rating of these ten characteristics of the 50 teacher retirement systems was either a 1, 2, or 3 based upon what Schmid considered to be the "proposed national average." That is, responses below the proposed national average were coded 1, responses at the national average were coded 2, and responses above the proposed national average were coded 3. This system of coding was repeated identically in the data analysis for responses to the 1984 questionnaire.

The second research question involved the changes over the 15-year period (1969 to 1984) of the 50 state teacher retirement systems and selected state demographic variables. Also, indicated in table III are the categorical classifications (e.g., Retirement and Social Security, Social Security, and the like) for the 10 retirement system characteristics utilized in the study in 1969 and in 1984.

Presented in table IV are the number of states in which category ratings changed during the 15 years for each question. Differences between the 1969 data and the 1984 data were scored 0, 1, or 2 for each state and were reported as the 50 teacher retirement system characteristic differences. There was no attempt to indicate direction of change. A score of 0 was given for no change, a score of 1 for a difference between any two adjacent categories, and a score of 2 for a difference of two separated categories, that is, from 1 to 3 or 3 to 1.

It was observed that 50% or more of the states showed no categorical change for five of the questions over the 15-year period. These questions and the percentages of states not changing from their 1969 category were: question F, out-of-state service, 68%; question B, Social Security, 52%; question G, teacher on the retirement board, 52%; question E, vesting, 52%; and question H, disability requirements, 50%.

A majority of the states indicated a change in their categorical rating between 1969 and 1984 on the

TABLE IV

Change in Teacher Retirement Systems 1969 to 1984 Reported by Number of States and Number of Changes, and Their Percentages

	No Change		Change of One		Change of Two	
	#	%	#	%	#	#
A - Retirement and Social Security	19	38	25	50	6	12
B - Social Security	28	56	19	38	2	4
C - Teacher on Retirement Board	26	52	20	40	4	8
D - Investment of Common Stock	22	44	18	36	10	20
E - Vesting	26	52	20	40	4	8
F - Out-of-State	34	68	14	28	2	4
G - Cost-of-Living	16	32	25	50	9	18
H - Final Average Salary Determination	17	34	26	52	7	14
I - Disability Requirements	25	50	17	34	8	16
J - Survivorship Requirements	20	40	19	38	11	22

remaining 50% of the questions. The five questions reporting the greatest amount of change were: question G, cost-of-living, 68%; question H, final average salary determination, 66%; question A, retirement and Social Security, 62%, question J, survivorship requirements, 60%; and question D, investment of common stock, 56%.

Reported in tables III-A to III-J is the numerical information previously presented in table III. The ratings used in table III (as designed by Schmid in 1969) are identified by definition for each subquestion used in the study. They are repeated here through categorical representation in 1969 and 1984 to amplify the changes in the 10 subsections of research questions 1 and 2. Also presented are the numerical changes of the states during this 15-year period. Categorical changes presented in table IV are again presented to focus on the direction and strength of change for the 10 subsections of research questions 1 and 2.

Retirement and Social Security

The total retirement benefits received by retired teachers include the benefits received from the state

retirement system in addition to possible Social Security benefits in 37 states. In order to calculate this annual retirement allowance, the questionnaire asked: "What would be the yearly retirement allowance for a teacher retiring on July 1, 1984, at age 65 with a final average salary of $25,000 and 30 years of service in your state?" In 1969, the final average salary was $7,200. The total income for the "average" retiree in each state was established by adding the retirement allowance to the Social Security benefit for each state. Salary ranges for 1969 and 1984 reflect the same state percentages.

Indicated in Table III-A are the ranges of combined Social Security and retirement income for teachers retiring at age 65 with 30 years of teaching in one state, based upon a constant final average salary (1969 - $7,200 and 1984 - $21,000).

Retirement and Social Security were reported in 1969 as those states having the following combined retirement and Social Security income: 14 or 28% of the states fell between $2,604 to $3,767; 22 or 44%, between $3,768 to $,350; and 14 or 28%, between $4,351 to $5,512. In 1984, states were reported as having the

following combined retirement and Social Security income: 15 or 30% fell between $12,500 to $17,000; 21 or 42%, between $17,001 to $18,000; and 14 or 28%, between $18,001 to $21,000.

Table III-A

Range of Combined Yearly Pension Income
from Social Security and Teacher Retirement Systems
Number and Percentage of States
for FY 1969 and FY 1984

1969*			1984*		
Range	#	%	Range	#	%
$2,604 - $3,767	14	28	$12,500 - $17,000	15	30
$3,768 - $4,350	22	44	$17,001 - $18,000	21	42
$4,351 - $5,512	14	28	$18,001 - $21,000	14	28

*Year represented in current dollars.

Although the percentage of states reported in categories 1, 2, and 3 for table III-A were similar by definition in 1969 and 1984, there was a great deal of change within the 50 state retirement systems over this 15-year time period. Changes were observed in 31 of the states, no changes were observed in 19 states, a change of one category was noted in 25 states, and six states showed changes in two categories.

Social Security

The term Social Security is popularly used to refer to the federal social insurance program - OASDHI. Social Security coverage for teachers in 37 states is either supplemental, which is independent of the retirement system; or coordinated, which is integrated into the existing system. Although there was movement for teachers to join Social Security in the late 1950s, no states have adopted coverage since then.

Reported in table III-B is the relationship between teacher retirement systems and Social Security benefits for the years 1969 and 1984. In 1969 a review of the data indicated that: in 14 states teachers did not participate in Social Security, in 12 states the teachers had a supplemental Social Security benefit, and in 24 states the teachers had a retirement system with coordinated Social Security benefits. A similar review of the data for states in 1984 indicated that: in 13 states teachers did not participate in Social Security, in 25 states teachers had supplemental Social Security, and in 12 states teachers had a retirement system with coordinated Social Security benefits.

Table III-B

Social Security Status for Teachers in the 50 State Teacher Retirement Systems Number and Percentage of States for FY 1969 and FY 1984

	1969		1984	
	#	%	#	%
No Social Security Coverage	14	28	13	26
Supplemental Social Security	12	24	25	50
Coordinated Social Security	24	48	12	24

From 1969 to 1984, changes in Social Security coverage were observed in 22 of the states, no changes were observed in 28 states, a change of only one category was noted in 20 states, and two states showed changes in two categories. It is important to observe that the most important change noted was in the increased reliance upon supplemental programs rather than coordinated programs for Social Security benefits.

Teachers As Retirement Board Members

Administration of teacher retirement systems is usually under the direction of a retirement board or board of trustees comprised of ex officio members and other members either elected by the system membership

or appointed by the governor. In general, the responsibilities of these boards are to set policies, hire administrative staff, approve investments and ensure that the retirement laws are implemented. Definition of terms for this question was a concern for this study, because of semantic differences of what is considered to be a "teacher" or "retirement system member" for the purposes of the second category. However, the other two classifications were more specific, using "designated" and "classroom" to narrow their definition. By structuring the question in this manner, respondents had to make an either/or selection from the two extremes.

Shown in table III-C is the reported teacher membership on state retirement system boards for 1969 and 1984. In 1969, a review of teacher membership on retirement boards indicated that in 17 states there were no designated teacher members, 25 states required membership of either a teacher or system member and eight states required membership of a classroom teacher member. For 1984, a review of the data indicated that six states did not designate a teacher member, 23 states had either a teacher or system member, and 21 states required a classroom teacher member.

Table III-C

Teacher Representation on Retirement Boards
Number and Percentage of States
for FY 1969 and FY 1984

	1969		1984	
	#	%	#	%
No Designated Teacher Member	17	34	6	12
Teacher or System Member	25	50	23	46
Classroom Teacher Member	8	16	21	42

Changes occurred in the makeup of 24 state retirement boards. Ratings 2 and 3 show growth in addition of system members and classroom teachers to the retirement systems board of directors in the years between 1969 and 1984. Changes were observed in 24 of the states, no change in 26 states, one change in only one category in 20 states, and changes in two categories in four states.

Investment In Common Stock

A major function of teacher retirement system boards is the investment of the system's assets. The balance between fund security and the rates of return is a prime consideration of the individuals involved in the fiduciary responsibilities of their retirement

systems. Addressed in this subsection of research questions 1 and 2 is the authority of state retirement systems to invest in common stock.

Reported in table III-D are the investing authorities of the 50 teacher retirement systems for common stock. This table shows that in 1969, 13 states had no investments in common stock, 24 states had the authority to invest below 30% of their assets in common stock, and 13 states had the authority to invest at or above 30% of their assets. In 1984, the authority to invest in common stock had increased substantially since 1969. In 1984, only three states had no authority to invest in common stocks, 11 states were authorized to invest up to 30% of their assets in common stock, and 36 states had authorization for investment above 30% of these assets.

From 1969 to 1984, changes in investment policies occurred in 28, no changes were observed in 22 states, a change of one category was noted in 18 states, and 10 states showed changes in two categories. In 1984, 72% of all states have the authority to invest more than 30% of their teacher pension funds in common stock compared with 26% of the states 15 years earlier.

Table III-D

Teacher Retirement Systems Authority to Invest in Common Stock
Number and Percentage of States
for FY 1969 and FY 1984

	1969		1984	
	#	%	#	%
No Investment in Common Stock	13	26	3	6
Authority to Invest up to 30%	24	48	11	22
Authority to Invest above 30%	13	26	36	72

Vesting

Vesting rights are defined as a guarantee that, after a certain period of employment, employees are entitled to future retirement benefits when they reach retirement age. In one respect, vesting can be considered a type of retirement -- one where the benefits begin at a specific age as opposed to a specified period of service. After meeting the vesting prerequisites, an employee has a right to a deferred allowance based upon the contributions of both the member and the employer.

Displayed in table III-E are the service years required prior to vesting in the 50 teacher retirement

systems in the states for 1969 and 1984. In 1969, 19 states required more than 10 service years prior to vesting, 19 states vested with 10 service years and 12 states vested their teachers with less than 10 service years. From the perspective of teachers, vesting provisions improved greatly from 1969 to 1984. In 1984, only two states required more than 10 years service for vesting. Vesting with 10 years of service was provided for by 26 or a majority of the states and the remaining 22 states vested their teachers with less than 10 service years.

Table III-E

Provisions for Vesting in the
50 State Teacher Retirement Systems
Number and Percentage of States
for FY 1969 and FY 1984

	1969		1984	
	#	%	#	%
Vesting at More Than 10 Years	19	38	2	4
Vesting at 10 Years of Service	19	38	26	52
Vesting at Less Than 10 Years	12	24	22	44

From 1969 to 1984, changes in the provisions for vesting were observed in 24 of the states, no changes

in 26 states, a change of one category in 20 states, and changes in two categories in four states. In 1984, 96% of all states vested their teachers with 10 or fewer service years compared with 62% of the states in 1969.

Out-of-State Service Credit

Out-of-state service credit is an important aspect of teacher retirement for two reasons: 1) it is one of the qualifications for the right to retire and 2) it is a factor in the determination of the retirement allowance. The question presented here addresses only the potential number of years of out-of-state credit that the employees are permitted to purchase. It is not concerned with the question of how much the out-of-state credit will cost or the myriad of individual state provisions that are predicated upon numerous and varied restrictions.

Reported in table III-F is the status of the 50 states regarding granting credit for out-of-state teaching service as reported in 1969 and 1984. In 1969, 32 states accepted less than 10 years of out-of-state teaching credit, 14 states accepted 10

years, and only four states accepted more than 10 years. In 1984, 29 states accepted less than 10 years of out-of-state teaching credit, 15 states accepted 10 years, and six states accepted more than 10 years.

Table III-F

Out-of-State Service Credit for Teachers in the 50 State Retirement Systems Number and Percentage of States for FY 1969 and FY 1984

	1969		1984	
	#	%	#	%
Less Than 10 Years	32	64	29	58
Ten Years	14	28	15	30
More Than 10 Years	4	8	6	12

From 1969 to 1984, changes in the provisions for out-of-state service credit for teachers were observed in 16 of the states, no changes were observed in 34 of the states, a change of one category was noted in 14 states, and two states showed changes in two categories.

Cost-of-Living Adjustments

Traditional methods used by teacher retirement systems to address the problem of post retirement

inflation included: 1) automatic cost-of-living adjustments tied to the consumer price index, 2) variable annuities, 3) automatic percentage increases of retirement allowances, and 4) adjustments related to the wages of active teachers. This subsection measures the change in states that have no cost-of-living provisions with states that provide adjustments through the use of a COLA based on the CPI or an automatic percentage increase established through legislation or directive of the retirement boards.

Arranged in table III-G, are the cost-of-living mechanism benefits for the 50 teacher retirement systems for 1969 and 1984. In 1969, 30 states had no provisions for cost-of-living adjustments, 11 states had a cost-of-living mechanism related to the CPI, and nine states had automatic percentage increases. In 1984, 16 states had no provisions for cost-of-living increases, 24 states had cost-of-living mechanisms related to the CPI, and ten states had automatic percentage increases.

From 1969 to 1984, changes in the provisions for cost-of-living adjustment mechanisms were observed in 34 of the states, no changes were observed in 16 of the

states, a change of one category was noted in 25 states, and nine states showed changes in two categories. A review of the data indicated a shift of cost-of-living mechanisms from a predominance of no cost-of-living provisions in 1969 towards the use of a COLA related to the CPI in 1984.

Table III-G

Cost-of-Living Adjustment Mechanisms
for the 50 Teacher Retirement Systems
Number and Percentage of States
for FY 1969 and FY 1984

	1969		1984	
	#	%	#	%
No Cost-of-Living Provisions	30	60	16	32
COLA Related to the CPI	11	22	24	48
Automatic Percentage Increase	9	18	10	20

Final Average Salary Determination

The final average salary determination is the method most often used to reduce the negative impact of inflation. There are three different final average salary plans to be considered: 1) plans using one fixed benefit formula; 2) plans using two or three fixed benefit formulas; and 3) plans using complex fixed

benefit formulas. It is important to consider these three differences in analyzing this subsection, because they yielded evidence of dramatic polarization of the results for this study: Forty-nine states utilized a final average salary plan in 1984. This polarization indicates a movement from 1969 to 1984 away from other types of final average salary determination, such as money purchase plans, combined money purchase plus final average salary plans, lifetime contribution plans, and service annuity plans to an almost universal reliance upon one of the three variances of a final average salary determination.

Displayed in table III-H are the various final average salary plans as reported in 1969 and 1984. In 1969, 32 states used a final average salary plan, eight states provided for a money purchase plus a final average salary plan, and 10 states used a variety of other plans. In 1984, 49 of the 50 states utilized a final average salary plan and only a single state utilized a money purchase plus a final average salary plan.

Table III-H

Final Average Salary Determination in the 50 State Teacher Retirement Systems Number and Percentage of States for FY 1969 and FY 1984

	1969		1984	
	#	%	#	%
Final Average Salary Plan	32	64	49	98
Final Average + Money Purchase	8	16	1	2
All Other Plans	10	20	0	0

From 1969 to 1984, changes in the provisions for final average salary determinations were observed in 33 of the states, no changes were observed in 17 of the states, a change of one category was noted in 26 states, and seven states showed changes in two categories. An analysis of the 1984 data indicated final average salary determinations polarizing with an overwhelming predominance of rating 1 in 1984.

Disability Requirements

The original emphasis of teacher retirement systems at the turn of the century was upon disability retirement. This subsection addresses the question of the length of service required in each state for

teacher eligibility for disability retirement benefits. Not considered were the questions of Social Security benefits, temporary disability benefits, or the actuarial methods utilized by the states to compute their specific disability allowances.

Reported in table III-I are the service year requirements for disability retirement for 1969 and 1984. In 1969, 12 states required more than 10 years of service, 27 states required precisely 10 years of service, and 11 states required less than 10 years of service. In 1984, four states required more than 10 years of service, 18 states required 10 years of service, and 28 states required less than 10 years of service.

From 1969 to 1984, changes in the provisions for disability retirement were observed in 25 of the states, no changes were observed in 25 of the states, a change of one category was noted in 17 states, and eight states showed changes in two categories. An analysis of the 1984 data indicated significant improvement in the conditions for disability retirement for teachers with a strong shift from more than 10 years of service to less than 10 years of service.

Only four states in 1984 did not provide for disability retirement compared with 12 states in 1969.

Table III-I

Provisions for Disability Retirement in the 50 State Teacher Retirement Systems Number and Percentage of States for FY 1969 and FY 1984

	1969		1984	
	#	%	#	%
More Than 10 Years of Service	12	24	4	8
Ten Years of Service	25	54	18	36
Less Than 10 Years of Service	11	22	28	56

Survivorship Benefit Requirements

Survivorship benefits are periodic payments to the beneficiaries of deceased teachers, while death benefits are additional financial considerations over and above survivorship benefits that are considered for dependents at the time of death of the teacher. Those most concerned with death and survivorship benefits are teachers and their families participating in teacher retirement systems in the 13 states that do not have Social Security or in the 11 states that have no survivors' benefits.

Reported in table III-J are the service time requirements for qualification for survivorship benefits due to death before eligibility for retirement benefits. In 1969, 22 states reported no survivorship benefits, 18 states had survivorship benefits with more than two years of service, and 10 states had survivorship benefits with less than two years of service. In 1984, 11 states reported having no survivorship benefits, 21 states reported having survivorship benefits with two or more years of service, and 18 states had survivorship benefits with less than two years of service.

Table III-J

Survivorship Benefit Requirements
in the 50 Teacher Retirement Systems
Number and Percentage of States
for FY 1969 and FY 1984

	1969		1984	
	#	%	#	%
No Benefits	22	44	11	22
Benefits with More Than 2 Yrs.	18	36	21	42
Benefits with Less Than 2 Yrs.	10	20	18	36

From 1969 to 1984, changes in the provisions for disability retirement were observed in 30 of the

states, no changes were observed in 20 of the states, a change of one category was noted in 19 states, and 11 states showed changes in two categories. An analysis of the 1984 data indicated a gradual shifting from no survivorship benefits to survivorship benefits with less than two years of service.

Research Question 3:

> What are the projected changes in the 50 teacher retirement systems?

The third research question explored projected changes in the 50 teacher retirement systems. Respondents were asked to indicate if they anticipated significant changes, moderate changes, or no changes to the issues of teacher retirement addressed in research questions 1 and 2. These data were recoded into two categories, change and no change for the purpose of analysis. Reported in table V are the perceptions of projected change by system administrators and union leadership.

The responses of retirement system administrators and union leaders were similar; that is, they were only five percentage points or less apart for eight of the

11 questions. These questions were about retirement allowance, disability benefits, Social Security, retirement board membership, common stock investment, average salary plan, disability requirements, survivors' benefits and vesting.

The two groups -- system administrators and union leaders -- differed more than 10 percentage points in their projection of change for the three questions concerning: out-of-state service, cost-of-living adjustment factors, and average salary plan. In all cases of conflict, the union leadership projected more change than did the system administrators. However, it should be noted that over one-third of both the system administrators and the union leaders predicted a change in the retirement allowance and disability benefits.

None of the 11 categories were projected to change by a majority of the union leader respondents. Those categories receiving a 20% projection of change by union leaders were: cost-of-living adjustment, 44%; retirement allowance, 36%; disability benefits, 36%; average salary plan, 32%; survivorship benefits, 24%; out-of-state service, 23%; investment in common stock, 20%; and vesting, 20%. The system administrators

TABLE V

Projected Changes of the 50 Teacher Retirement Systems by System Administrators and Union Leaders Reported as Percentage of Projection by Each Group for Change or No Change

Category	Projections of Change	System Admin.	Union Leaders
Retirement Allowance	No Change	60.5%	64.0%
	Change	39.5%	36.0%
Disability Benefits	No Change	68.4%	64.0%
	Change	31.6%	36.0%
Social Security	No Change	94.7%	96.0%
	Change	5.3%	4.0%
Retirement Board Membership	No Change	86.8%	92.0%
	Change	13.2%	8.0%
Investment in Common Stock	No Change	81.1%	80.0%
	Change	18.9%	20.0%
Out-of-State Service	No Change	97.4%	76.9%
	Change	2.6%	23.1%
Cost-of-Living Adjustment	No Change	73.7%	56.0%
	Change	18.4%	44.0%
Average Salary Plan	No Change	89.5%	68.0%
	Change	10.5%	32.0%
Disability Requirements	No Change	89.5%	88.5%
	Change	10.5%	11.5%
Survivorship Benefits	No Change	81.6%	76.0%
	Change	18.4%	24.0%
Vesting	No Change	84.2%	80.0%
	Change	15.8%	20.0%

projected by 20% or more only two categories to change: retirement allowance, 39.5%; and disability benefits, 31.6%.

The two groups -- system administrators and union leaders -- differed more than 10 percentage points in their projection of change for the three questions concerning: out-of-state service, cost-of-living adjustment factors, and average salary plan. In all cases of conflict, the union leadership projected more change than did the system administrators. However, it should be noted that over one-third of both the system administrators and the union leaders predicted a change in the retirement allowance and disability benefits.

None of the 11 categories were projected to change by a majority of the union leader respondents. Those categories receiving a 20% projection of change by union leaders were: cost-of-living adjustment, 44%; retirement allowance, 36%; disability benefits, 36%; average salary plan, 32%; survivorship benefits, 24%; out-of-state service, 23%; investment in common stock, 20%; and vesting, 20%. The system administrators projected by 20% or more only two categories to change:

retirement allowance, 39.5%; and disability benefits, 31.6%.

Research Question 4:

The fourth research question was subdivided into five parts to explore interrelationships of change or projected change in characteristics of the 50 teacher retirement systems and the existing or changed characteristics of selected state demographic variables. A review of the data did not indicate an extensive listing of paired variables of statistically significant relationships ($p < .05$). However, the fact that respondents, both union leaders and system administrators, through their projections of change created more statistically significant relationships than the actual realities of past practice is an interesting phenomenon to observe. The statistical analysis used to evaluate these relationships were Pearson r, and Spearman Rho.

Research Question 4, Part A:

> What are the relationships between the changes in the 50 teacher retirement systems and changes in the selected state demographic variables?

Part A of research question 4 is concerned with the relationships between the changes in the 50 teacher retirement systems and changes in the selected state demographic variables. Research Question 4, Part A was analyzed through the use of two statistical techniques. Change in selected state demographic variables is reported as the difference between 1969 and 1984 data (see tables B-2, B-3, B-4 and B-5 in appendix B). These demographic variables are: 1) population, 2) average per pupil expenditure), 3) average teacher salary, and 4) per capita expenditure.

A Spearman Rho correlation analysis of these four variables was done with changes in the 50 teacher retirement systems as identified by the differences between the 1969 and 1984 data for: Social Security, teacher member on the retirement board, investment of retirement system funds in common stock, vesting, out-of-state service credit, cost-of-living adjustment mechanisms, final average salary determination, disability requirements, survivorship benefits, and the DT or difference of total scores as reported in table VI. The only pair of variables that yielded a relationship was total score difference and average per pupil expenditure difference, ($r = .4274$).

Table VI

1969 and 1984 Total Scores and their Differences Based on the Schmid Golden Retirement Scale Presented for the 50 States

State	1969 Total Score	1984 Total Score	Difference
Alabama	29.69	31.90	2.29
Alaska	28.33	31.66	3.33
Arizona	28.01	26.67	-1.34
Arkansas	26.01	28.01	2.00
California	29.01	31.01	2.00
Colorado	28.67	26.09	-2.58
Connecticut	27.33	27.77	-1.56
Delaware	23.35	29.90	6.55
Florida	27.57	31.80	4.13
Georgia	34.04	29.68	-4.36
Hawaii	30.68	35.68	5.00
Idaho	25.01	29.34	4.33
Illinois	26.34	32.00	5.66
Indiana	24.35	22.34	-2.01
Iowa	21.34	29.01	7.67
Kansas	20.01	22.01	2.00
Kentucky	29.67	30.00	.33
Louisiana	26.68	28.35	1.63
Maine	27.33	24.68	-2.65
Maryland	27.69	31.34	3.65
Massachusetts	28.00	27.68	- .32
Michigan	28.34	33.34	5.00
Minnesota	23.68	31.55	7.67
Mississippi	25.68	27.68	2.00
Missouri	22.34	25.33	2.99
Montana	26.01	26.23	1.78
Nebraska	23.00	29.44	6.44
Nevada	25.68	31.01	5.33
New Hampshire	24.02	28.68	1.66
New Jersey	28.02	31.01	2.99
New Mexico	27.69	31.68	3.99
New York	31.68	30.35	1.33
North Carolina	27.68	30.67	2.99
North Dakota	18.68	24.34	5.66
Ohio	27.34	30.67	1.64
Oklahoma	21.35	28.02	6.67
Oregon	20.67	30.68	10.01
Pennsylvania	27.34	37.55	10.01
Rhode Island	27.34	27.18	- .16
South Carolina	22.67	34.67	12.00
South Dakota	21.68	32.01	10.33
Tennessee	26.11	33.88	7.77
Texas	29.01	27.01	-2 00
Utah	30.34	32.01	1.67
Vermont	24.02	37.01	12.01
Virginia	26.35	35.38	9.03
Washington	28.35	36.02	7.67
West Virginia	25.34	27.34	2.00
Wisconsin	28.68	33.34	4.66
Wyoming	21.00	27.68	6.68

A second look at this relationship was possible through the use of a Pearson correlation (see table VII), because the total difference score and the four scales indicating change in selected state demographic variables were both interval scales. The formula used to calculate the 1969 total scores and the 1984 total scores and their difference is found on page 76 in chapter III. Presented in table VI are these scores and their differences arranged by state. The Pearson correlation analysis between the difference in total scores with the average per pupil expenditure as presented in table VII was a low positive relationship, ($r = .328$). The calculation of Pearson correlation coefficients between all other variables did not yield statistically significant results.

Research Question 4, Part B:

> What are the relationships between the changes in the selected state demographic variables and projected changes in the 50 teacher retirement systems?

Part B of research question 4 involved the relationships between the changes in the selected state demographic variables and projected changes in the 50

Table VII

Pearson Correlations for

1969 and 1984 Total Scores and their Differences

with

Demographic Variable Differences

	POPD	APED	ATSD	PCID
ST	.1598	-.1912	-.1513	-.0897
	(50)	(50)	(50)	(50)
	P= .268	P= .183	P= .294	P= .536
HT	-.1168	-.1886	.0394	-.2377
	(50)	(50)	(50)	(50)
	P= .419	P= .189	P= .786	P= .096
DT	.0128	.3281	.1373	-.0310
	(50)	(50)	(50)	(50)
	P= .930	P= .020	P= .342	P= .831

ST = 1969 Retirement Total Score

HT = 1984 Retirement Total Score

DT = Retirement Total Score Difference

POPD = Population Difference

APED = Average per Pupil Expenditure Difference

ATSD = Average Teacher Salary Difference

PCID = Per Capita Income Difference

teacher retirement systems. This question was answered with two Spearman Rho analyses, one for the responses of system administrators and a second analysis of union leaders through the regrouping of responses from association leaders and federation presidents. Reported in tables VIII, IX, X, and XI are the Spearman Rho analyses for the change of demographic variables as reported in population difference (VIII), average per pupil expenditure difference (IX), average teacher salary difference (X), and per capita expenditure difference (XI) and the two projecting groups. Eight pairs of variables were identified as indicating a low correlation with each other at the .05 level of significance ($p < .05$).

The four pairs of system administrator variables are: population difference with disability benefits ($r = -.3678$), Social Security status ($r = -.3085$), average per pupil expenditure difference with investment of retirement funds in common stock ($r = .31513$), and average teacher salary difference with teacher member on retirement board ($r = .3907$).

Table VIII

Spearman Rho Correlations
for
Population Difference
and
Projected Changes in the 50 Retirement Systems
by
Retirement System Administrators
or Union Leaders

Spearman Rho Correlations -
Population Difference with
Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.1383	.20
Disability Benefits	-.3678	.01
Social Security Status	-.3085	.03
Teacher Membership on Retirement Board	-.0038	.49
Investment of Funds in Common Stock	.1102	.26
Out-of-State Service Credit	-.2152	.10
Cost-of-Living Adjustment Factor	.0348	.42
Final Average Salary Determination	.0208	.45
Service Requirement for Disability	-.0956	.28
Survivorship Benefits for Dependents	-.1810	.14
Extent of Vesting	-.1749	.15

Spearman Rho Correlations -
Population Difference with
Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.0413	.42
Disability Benefits	-.0488	.41
Social Security Status	-.0299	.44
Teacher Membership on Retirement Board	-.2267	.14
Investment of Funds in Common Stock	-.0879	.34
Out-of-State Service Credit	.0259	.45
Cost-of-Living Adjustment Factor	.0059	.49
Final Average Salary Determination	.0565	.39
Service Requirement for Disability	.1450	.24
Survivorship Benefits for Dependents	.0069	.49
Extent of Vesting	-.3369	.05

Table IX

Spearman Rho Correlations
for
Average per Pupil Expenditure Difference
and
Projected Changes in the 50 Retirement Systems
by
Retirement System Administrators
or Union Leaders

Spearman Rho Correlations -
Average per Pupil Expenditure Difference with
Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.2616	.06
Disability Benefits	-.0882	.30
Social Security Status	-.0918	.29
Teacher Membership on Retirement Board	-.1856	.13
Investment of Funds in Common Stock	.3151	.03
Out-of-State Service Credit	.2487	.07
Cost-of-Living Adjustment Factor	-.0658	.35
Final Average Salary Determination	.0393	.41
Service Requirement for Disability	.0354	.42
Survivorship Benefits for Dependents	.0778	.32
Extent of Vesting	-.1092	.26

Spearman Rho Correlations -
Average per Pupil Expenditure Difference with
Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.0954	33
Disability Benefits	-.0755	.36
Social Security Status	-.2844	.08
Teacher membership on Retirement Board	-.0616	.39
Investment of Funds in Common Stock	-.1324	.26
Out-of-State Service Credit	.0244	.45
Cost-of-Living Adjustment Factor	.0225	.46
Final Average Salary Determination	.1195	.29
Service Requirement for Disability	.1934	.17
Survivorship Benefits for Dependents	-.0130	.48
Extent of Vesting	-.0209	.46

Table X

Spearman Rho Correlations
for
Average Teacher Salary Difference
and
Projected Changes in the 50 Retirement Systems
by
Retirement System Administrators
or Union Leaders

Spearman Rho Correlations -
Average Teacher Salary Difference with
Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.1628	.16
Disability Benefits	-.1478	.19
Social Security Status	-.0810	.31
Teacher membership on Retirement Board	-.1177	.24
Investment of Funds in Common Stock	.2143	.10
Out-of-State Service Credit	.2335	.08
Cost-of-Living Adjustment Factor	-.0164	.46
Final Average Salary Determination	-.0354	.42
Service Requirement for Disability	-.0825	.42
Survivorship Benefits for Dependents	.1275	.22
Extent of Vesting	.0265	.44

Spearman Rho Correlations -
Average Teacher Salary Difference with
Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.0843	34
Disability Benefits	-.0116	.48
Social Security Status	.0285	.47
Teacher membership on Retirement Board	.3907	.03
Investment of Funds in Common Stock	-.2650	.10
Out-of-State Service Credit	-.1407	.25
Cost-of-Living Adjustment Factor	-.1405	.25
Final Average Salary Determination	-.1196	.29
Service Requirement for Disability	-.0726	.36
Survivorship Benefits for Dependents	-.0261	.45
Extent of Vesting	.1325	.26

Table XI

Spearman Rho Correlations
for
Per Capita Income Difference
and
Projected Changes in the 50 Retirement Systems
by
Retirement System Administrators
or Union Leaders

Spearman Rho Correlations -
Per Capita Income Difference with
Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	.0345	.42
Disability Benefits	-.3528	.02
Social Security Status	-.0864	.30
Teacher membership on Retirement Board	-.0571	.37
Investment of Funds in Common Stock	.2599	.06
Out-of-State Service Credit	-.0979	.28
Cost-of-Living Adjustment Factor	.2218	.09
Final Average Salary Determination	-.0275	.44
Service Requirement for Disability	.0668	.35
Survivorship Benefits for Dependents	.0342	.42
Extent of Vesting	-.1587	.17

Spearman Rho Correlations -
Per Capita Income Difference with
Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.0953	33
Disability Benefits	.1043	.31
Social Security Status	.0284	.45
Teacher Membership on Retirement Board	-.1948	.18
Investment of Funds in Common Stock	-.0070	.49
Out-of-State Service Credit	.1832	.19
Cost-of-Living Adjustment Factor	-.3923	.03
Final Average Salary Determination	-.4354	.02
Service Requirement for Disability	.1047	.31
Survivorship Benefits for Dependents	.0521	.40
Extent of Vesting	-.2365	.13

The four pairs of union leadership variables were: population difference with extent of vesting ($r = -.3369$), average teacher salary difference with teacher membership on the retirement board ($r = .3907$), and per capita income difference with cost-of-living adjustment factor ($r = -.3923$), and final average salary determination ($r = -.4354$).

Research Question 4, Part C:

Part C of research question 4 involved analyzing the relationships between the changes in the 50 teacher retirement systems and projected changes in the 50 teacher retirement systems. This question was answered with two analyses, one for system administrators and a second analysis of union leaders through the regrouping of responses of association leaders and federation presidents. A Spearman Rho statistical analysis was used to compare the difference in total scores (1969 to 1984) for the the 11 characteristics of teacher retirement systems and the projections of change by the system administrators and union leaders.

Table XII

Spearman Rho Correlations
for
Changes in the 50 Retirement Systems (1969 - 1984)
and
Projected Changes in the 50 Retirement Systems
by
Retirement System Administrators
or Union Leaders

Spearman Rho Correlations -
Changes in the 50 Retirement Systems with
Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.2656	.05
Disability Benefits	.0155	.46
Social Security Status	-.0646	.45
Teacher membership on Retirement Board	-.1671	.16
Investment of Funds in Common Stock	.1068	.27
Out-of-State Service Credit	.2628	.06
Cost-of-Living Adjustment Factor	-.0737	.33
Final Average Salary Determination	-.0822	.31
Service Requirement for Disability	.1292	.22
Survivorship Benefits for Dependents	.2015	.11
Extent of Vesting	-.2901	.04

Spearman Rho Correlations -
Changes in the 50 Retirement Systems with
Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	.2685	.10
Disability Benefits	-.1966	.17
Social Security Status	-.2267	.14
Teacher membership on Retirement Board	.0102	.48
Investment of Funds in Common Stock	.1041	.31
Out-of-State Service Credit	.3472	.04
Cost-of-Living Adjustment Factor	.1902	.18
Final Average Salary Determination	-.1071	.31
Service Requirement for Disability	.1285	.27
Survivorship Benefits for Dependents	.2730	.09
Extent of Vesting	.0763	.36

Reported in table XI are the Spearman Rho analyses for the changes in the 50 teacher retirement systems and the two projecting groups. Three pairs of variables (two for system administrators and one for union leaders) were identified as having a low correlation with each other at the .05 level of significance. These pairs of variables were difference in total score with: projections by administrators for amount of retirement allowance ($r = -.2656$) and extent of vesting ($r = -.2901$); and projections by union leaders for out-of-state service credit ($r = .3472$).

Research Question 4, Part D:

Part D of research question 4 involved the relationship between the current (FY 1984) characteristics of the 50 teacher retirement systems and projected changes in the 50 teacher retirement systems. This question was addressed through the use of two Spearman Rho analyses, one for system administrators and a second analysis for union leaders through the regrouping of responses of association leaders and federation presidents. Reported in table XIII are the Spearman Rho statistical analyses for the

Table XIII

Spearman Rho Correlations
for
Current Characteristics of the 50 Retirement Systems
and
Projected Changes in the 50 Retirement Systems
by
Retirement System Administrators
or Union Leaders

Spearman Rho Correlations -
1984 characteristics of the 50 Retirement Systems
with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.1793	.14
Disability Benefits	.0775	.32
Social Security Status	-.0484	.39
Teacher membership on Retirement Board	-.1598	.16
Investment of Funds in Common Stock	-.3588	.02
Out-of-State Service Credit	.2625	.06
Cost-of-Living Adjustment Factor	-.0927	.29
Final Average Salary Determination	-.1917	.13
Service Requirement for Disability	.1956	.22
Survivorship Benefits for Dependents	.3561	.02
Extent of Vesting	-.0922	.29

Spearman Rho Correlations -
1984 Characteristics of the 50 Retirement Systems
with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	.2181	.15
Disability Benefits	-.2197	.15
Social Security Status	-.2550	.11
Teacher membership on Retirement Board	.2865	.08
Investment of Funds in Common Stock	.0555	.40
Out-of-State Service Credit	.1401	.25
Cost-of-Living Adjustment Factor	.1342	.26
Final Average Salary Determination	.0952	.33
Service Requirement for Disability	-.0080	.48
Survivorship Benefits for Dependents	.2340	.13
Extent of Vesting	.2637	.10

relationships between the 1984 total scores of the teacher retirement systems with the projections of change by the system administrators and union leaders.

Two pairs of variables for system administrators were identified as having a low correlation with each other at the .05 level of significance ($p < .05$). These pairs of variables were 1984 total score with: projections by administrators for investment of funds in common stock ($r = -.3588$) and survivorship benefits for dependents ($r = .3561$). Calculation of Spearman Rho correlation coefficients between projections by union leaders and other variables did not yield statistically significant results.

Research Question 4, Part E:

> What are the relationships between the current (1984) selected demographic variables and projected changes in the 50 teacher retirement systems?

Part E of research question 4 involved the relationship between the current selected state demographic variables and projected changes in the retirement systems by the system administrators and union leaders. This subsection of research question 4

considered 11 projections of change by two groups related to 17 selected demographic variables creating 374 possible relationships. The 17 state demographic variables were: 1) region, 2) collective bargaining, 3) local meet and confer, 4) statewide tax limitation, 5) local tax limitation, 6) statewide spending limitation, 7) local spending limitation, 8) teachers and state employees in the same retirement system, 9) K-12 and higher education employees in the same retirement system, 10) K-12 or K-14 teachers in separate retirement system, 11) more than one active retirement system, 12) Social Security, 13) right to work, 14) population, 15) average per pupil expenditure, 16) average teacher salary, and 17) average per capita index. The 11 areas of projected change were the same as that of other sections of research question 4 and are presented as part of table VII. Table VII presents the positive and negative Spearman Rho correlations between both the projections of system administrators and union leaders with selected state demographic variables.

Fourteen of these statistically significant relationships ($p < .05$) were projections of system administrators and 23 of the relationships were

Table XIV

Spearman Rho Correlations for Selected 1984 State Demographic Variables and The Projected Changes in the 50 Retirement Systems By Retirement System Administrators of Union Leaders

Positive and negative Spearman Rho Correlations between System Administrators (S) and Union Leaders (U) Projections of Retirement System Change* with Selected State Demographic Variables

State Demographic Variables	1	2	3	4	5	6	7	8	9	10	11
Region	S	U	S-	U	S-	U-					
Collective Bargaining									S-	S-	
Local Meet and Confer Bargaining	U									U	
Statewide Tax Limitation											
Local Tax Limitation					S					S-	
Statewide Spending Limitation											
Local Spending Limitation	S-										
Teachers & State Employees		U-			U			U-			
K-12 and Higher Education		U	U						S U		
k-12 or k-14 in Separate System					U-						
More than One Active System					S		U-			U-	U-
Social Security										U-	U-
Right to Work									U-		U-
Population				U	U-			S			
Average per Pupil Expenditure		U									
Average Teacher Salary			S-								
Average per Capita Index							S-			U	S

*Spearman Rho correlations for the above demographic variables and projected change by union leaders and system administrators with the following retirement system characteristics: 1) amount of retirement allowance, 2) disability benefits, 3) Social Security status, 4) teacher membership on retirement board, 5) investment of funds in common stock, 6) out-of-state service credit, 7) cost-of-living adjustment factor, 8) final average salary determination, 9) service requirement for disability, 10) survivorship benefits for dependents, and 11) extent of vesting. Both positive and negative correlations that are statistically significant at the .05 level ($r < .05$) are reported for system administrators (S) and union leaders (U).

projections of the union leaders. Eighteen of the statistically significant relationships were positive and 19 were negative. There were eight positive and six negative relationships from projections by the system administrators and 10 positive and 13 negative relationships from projections by the union leaders. There was only one relationship, K-12 and higher education in the same retirement system with projected change in service requirements for disability, that was statistically significant for projections from both retirement system administrators and union leaders.

Reported in tables B-7 to B-23 (appendix B) are the Spearman Rho statistical analyses for the 1984 selected state demographic variables with the projections of change by the retirement system administrators and union leaders. The 37 statistically significant positive and negative relationships at the .05 level of significance from these tables are presented here by state demographic variable with the related retirement characteristic and projecting group.

There were six statistically significant correlations with regional distribution (table D-1, page 209) as the demographic variable. The three system

administrator projections were region with: amount of retirement allowance (r = .3604); social security status (r = .3225); and investment of funds in common stock (r = .3973). The three union leader projections were region with: disability benefits (r = .4095); teacher membership on retirement board (r = -.4475); and out-of-state service credit (r = .3628).

There were two statistically significant correlations with collective bargaining as the demographic variable. Both were negative and resulted from projections from retirement system administrators. They were administrator projections for collective bargaining with survivorship benefits for dependents (r = -.3582) and extent of vesting (r = -.2815).

There were two statistically significant correlations with local meet and confer (collective bargaining) as the demographic variable . Both were positive and resulted from projections from union leaders. They were union leader projections for local meet and confer with the amount of retirement allowance (r = .4886) and extent of vesting (r = .3396).

There were no statistically significant correlations between projections of change by either

system administrators of union leaders with the demographic variables statewide tax limitations or statewide spending limitations. There were three statistically significant correlations with local tax and local spending limitations as the demographic variables. All three correlations resulted from projections by system administrators. They were administrator projections for local tax limitations with: investment of funds in common stock ($r = .4152$), extent of vesting ($r = .2933$), and for local spending limitations with the amount of retirement allowance ($r = -.3185$).

There were three statistically significant correlations with teachers and state employees in the same retirement system as the demographic variable. All three correlations resulted from projections by union leaders. They were union leader projections of teachers and state employees in the same retirement system with: disability benefits ($r = -.3290$), investment of funds in common stock ($r = .3626$), and final average salary determination ($r = -.4353$).

There were four statistically significant correlations with K-12 teachers and higher education

employees in the same retirement system as the demographic variable. The system administrator projection was K-12 teacher and higher education employees in the same retirement system with service requirement for disability (r = .4539). The three union leader projections were K-12 teacher and higher education employees in the same retirement system with: disability benefits (r = .6623), Social Security status (r = .4065), and service requirement for disability (r = .3689).

There were four statistically significant correlations with more than one active retirement system as the demographic variable. The system administrator projection indicated more than one active retirement system with investment of funds in common stock (r = .2739). The three union leader projections were more than one active retirement system with: cost-of-living adjustment factor (r = -.3327), survivorship benefits for dependents (r = -.5247), and extent of vesting (r = -.5898).

There were two statistically significant correlations with Social Security as the demographic variable. Both were negative and resulted from

projections from union leaders. They were union leader projections for Social Security with survivorship benefits for dependents (r = -.3285) and extent of vesting (r = -.4009).

There were two statistically significant correlations with right to work as the demographic variable. Both were negative and resulted from projections from union leaders. They were union leader projections for right to work with survivorship benefits for dependents (r = -.4965) and extent of vesting (r = -.3430).

There were two statistically significant correlations with population as the demographic variable: 1) a system administrator projection of population with final average salary determination (r = .3206) and 2) a union leader projection indicated population with teacher member on retirement board (r = .34377).

There was only one statistically significant correlation with average per pupil expenditure or average teacher salary as the demographic variable. Union leader projections for average per pupil expenditure with disability benefits created a positive

correlation (r = .3353) and system administrator projections for average teacher salary with Social Security status created a negative correlation (r = -.3439).

There were three statistically significant correlations with average per capita index as the demographic variable. The system administrator projections were average per capita index with: cost-of-living adjustment factor (r = -.2752) and extent of vesting (r = .2896). The union leader projection was average per capita index with survivorship benefits for dependents (r = .3507).

CHAPTER V

SUMMATION, REVIEW OF FINDINGS, AND CONCLUSIONS

SUMMATION

For the past two decades pension funds, specifically, teacher pension funds, in addition to undergoing both positive and negative modifications have experienced a rapid growth and increased importance in the national and regional economies of the United States. Historically, public pension funds were first established in our metropolitan centers in the late 19th century for policemen and firemen as death and disability protection for their families. These benefits were subsequently established for teachers and later for other public employees. Early in the 20th century the basic purpose of pension plans was expanded to provide income for employees who had worked and retired either by choice or necessity. A pension was considered deferred compensation for continued years of creditable service with an employer.

During the era of the New Deal, Social Security was established as an "old age insurance plan" with the title of Old Age Survivors Disability Health Insurance

(OASDHI) providing monthly benefits for a worker's dependents and survivors. However, teachers were not included in the original Social Security Act signed into law by President Franklin D. Roosevelt on August 14, 1935.

Subsequently, through amendments in 1950 and 1954, the Social Security Act provided the opportunity for teachers to participate. Today approximately 75% of all teachers participate in Social Security with 13 state retirement systems not participating in the program. Within the states that do provide Social Security for teachers, there are varying coverages ranging from coordinated, supplemental, and divisional based upon selection or group participation.

With the passage of the Employee Retirement Income Security Act of 1974 (ERISA), two new directions for public retirement systems emerged: 1) the public retirement system members began to question the investment practices of their pension funds; and 2) state governments began to look at defined contribution plans as opposed to defined benefits programs as a way to fund state employee and teacher retirement systems.

For the most part, public retirement systems are defined benefit plans and are more expensive than defined contribution plans that are preferred by private industry. TIAA-CREF is the largest defined contribution plan in the United States. Universally, almost all federal, state, and local government employees enjoy the benefits of retirement programs. At the same time, 50% of the private sector employees do not participate in any retirement program--with the exception of universal Social Security coverage.

Teacher retirement systems are an annual, multibillion-dollar, slightly regulated industry that has generated tremendous resistance to federal oversight. Efforts to establish a Public Employee Retirement Income Security Act (PERISA) traditionally have met strong united opposition from state and local governing bodies, including state and local boards of education. The absence of a national system of reporting has resulted in confusion, misinformation, and the inability to monitor the current status of retirement systems or their changes.

Seventeen percent or one out of every six dollars invested in United States capital markets is from a

private or public pension fund. On the New York Stock Exchange, pension assets represent the single largest source of funds. The projected worth of public pension systems is staggering. It is estimated that by the 21st century, private funds will be worth $3 trillion and state and local funds will be worth well over $1 trillion. The two funds will own between two-thirds and three-fourths of all publicly traded corporate equities.

The extent of case law concerning teacher retirement systems are sporadic and nonconclusive. A review of the West's Education Law Reporter for the 15-year period of this study (1969-1984) supports the opinion that "most court cases concern individual cases of disability or survivorship benefits."

Of the fourteen states that reported major pension cases, most were concerned with funding pension system liabilities. Delaware, Indiana, Kentucky, Michigan, Utah, and Washington have engaged in court tests over funding during the past 15 years. However, the overwhelming majority of teacher pension cases involve the definition of terms as they apply to individual cases in individual states.

Three major cases, occurring within the past decade that are important to public employee retirement systems are the following: 1) United States Trust Co. v. New Jersey, 431 U.S. 1, 17.21, 97 S.Ct. 1505, 52. L.Ed. 2d 92 (1977); 2) Pennsylvania Federation of Teachers v. School District 484 A.2d 751 (Pa. 1984); and 3) Garcia v. San Antonio Metropolitan Transit Authority 105 S.Ct. (1985).

The New Jersey case presents the question of continuing contracts and the obligations of future legislatures. In U.S. Trust v. New Jersey, the Court ruled that it must be determined if a contract existed prior to determining whether or not an obligation under the contract was changed.

The Pennsylvania case is a State Supreme Court case concerned with state constitutional guarantees.

The Garcia v. San Antonio MTA case has raised questions concerning 10th Amendment immunity for state and local governments. The case involves the issue of whether or not the MTA has immunity from the minimum and overtime pay provisions of the Fair Labor Standards Act of 1938.

REVIEW OF FINDINGS

This study was primarily descriptive in nature with the survey instrument designed to be brief to ensure a return of 100% of the states. Some questions were identical to those asked 16 years ago in a study by W. William Schmid. They were repeated not as a form of evaluation, but as an indicator of change. Other questions provided variables to compare with the retirement systems. In addition, the question of relationship between state population, average per pupil expenditure, average teacher salary, and average per capita income and their differences between 1969 and 1984 and changes or projected changes in the 50 teacher retirement systems was explored. Respondents to the questionnaire were: 1) the retirement system administrators, 2) the executive directors for the 50 NEA state affiliates, and 3) the state presidents of the American Federation of Teachers, AFL-CIO.

The study presented selected characteristics of retirement systems as they existed in 1969 and 1984, and as they were projected to change according to two defined groups: system administrators and union leaders. Throughout the study, nine components of

teacher retirement systems were analyzed for change and their relationships with selected state variables. These were: 1) Social Security, 2) teacher membership on retirement boards, 3) authority to invest in common stock, 4) vesting, 5) out-of-state service credit, 6) cost-of-living funding mechanisms, 7) final average salary determination, 8) disability requirements, and 9) survivorship requirements. Coefficients of correlations were considered significant at the .05 level of significance ($p < .05$).

Social Security

Social Security is the most complex variable of teacher retirement systems. The percentage of states having no Social Security, supplemental Social Security and coordinated Social Security saw some change in two of the categories from 1969 to 1984. Change between the categories of supplemental and coordinated Social Security was significant. In 1969, 12 states had supplemental coverage and 24 states had coordinated coverage. In 1984, this was reversed with 25 states having supplemental coverage and 12 states having coordinated Social Security benefits. The number of

states having no Social Security benefits for teachers decreased from 14 to 13 during the 15 years.

Both system administrators and union leaders agree, 95% and 96% respectively, in their projection of no changes in their state Social Security coverage for teachers. There were no statistically significant correlations between Social Security and selected state demographic variables. There were three statistically significant correlations with the current status of Social Security and projections of change. Two of these were negative projections by the system administrators with: region ($r = .3225$) and the average teacher salary ($r = -.3439$). The projection of change by the union leaders for Social Security produced a statistically significant relationship with K-12 and higher education employees in the same retirement system ($r = .4065$).

Teacher Representative on Retirement Boards

In 1969, 17 states had no system member on their teacher retirement boards and only eight states required a classroom teacher member. In 1984, 44 states required membership on their teacher retirement

boards to be system members, with 21 of these states requiring classroom teacher members. Almost one-half, or 24, states changed the representation of their retirement boards from 1969 to 1984 through the addition of system member representatives, and in some situations through the requirement for classroom teacher representation..

Thirteen percent of the system administrators projected change in the composition of classroom teacher membership on the retirement board, while only eight percent of the union leaders projected change. This is one of only two categories where system administrators projected change of a higher percentage than the union leaders. The relationship between the difference in the per capita income of the 50 states from 1969 to 1984 and the addition of a teacher or system member on the state boards for the 50 state teacher retirement systems established a negative correlation ($r = -.2316$). There were two statistically significant correlations for projections of change by union leaders concerning teacher membership on retirement boards with: region ($r = -.4475$) and population ($r = .34377$).

Authority to Invest in Common Stock

In 1969, 13 states prohibited the investment of their teacher retirement funds in common stock. In 1984, only three states had prohibitions against investments in common stock. The authority to invest up to 30% of pension system funds changed from 24 states in 1969 to 11 in 1984. However, the authority to invest more than 30% of teacher pension system funds increased nearly 75% from 13 states in 1969 to 36 states in 1984.

One out of five of both retirement system administrators (18.9%) and union leaders (20%) projected a change from current state policy on investment of teacher retirement system funds. There were six statistically significant correlations with the current status of retirement system authority to invest in common stock and projections of change. Three of these were projections by the system administrators with: region ($r = .3973$), local tax limitations ($r = .4152$), and more than one active retirement system ($r = .2739$). Three of these were projection of change by the union leaders for investment in common stock with: teachers and state

employees in the same retirement system (r = .3626), K-12 or K-14 employees in a separate retirement system (r = -.3563), and population (r = -.3676).

Vesting

In 1969, 38% of the states reported provisions for vesting at more than 10 years. In 1984, only two states reported vesting at more than 10 years. Vesting at less than 10 years changed from 12 states in 1969 to 22 states in 1984, while vesting at 10 years changed from 19 in 1969 to 26 in 1984.

Fifteen percent of the system administrators and twenty percent of the union leaders project a change in vesting in the retirement system. There were no statistically significant correlations between vesting and selected state demographic variables. There were four statistically significant correlations with the current status of vesting and projections of change. One of these was projections by the system administrators with: average per capita index (r = .2896). Three of these were negative projections of change by the union leaders for vesting with: more than one

active retirement system (r = -.5898), Social Security (r = -.4009), and right to work (r = -.3430).

Out-of-State Credit

Less than one-third of the states changed their reporting for out-of-state credit from 1969 to 1984. In 1969, 32 states accepted less than 10 years of credit and four states accepted more than 10 years of credit. In 1984, 29 states accepted less than 10 years and six states accepted more than 10 years of credit. The number of states accepting 10 years of out-of-state service increased from 14 to 15 during 1969 - 1984.

Nearly one in every four (23.1%) of the union leaders projected change in out-of-state service credit policies, while a single respondent of the system administrators projected change. There were no statistically significant correlations between out-of-state service and selected state demographic variables. There was a statistically significant correlation with the current status of out-of-state service credit and projections of change by the union leaders for region with out-of-state service credit (r = .3628).

Cost-of-Living Mechanism

In 1969, 30 states had no cost-of-living provisions, nine states had an automatic percentage increase, and the remaining 11 states had cost-of-living provisions related to the CPI. By 1984, states with COLAs related to the CPI had more than doubled to 24%; while automatic percentage increases gained by one state, to a total of 10. States with no cost-of-living provisions decreased from 30 to 16.

Projected changes for cost-of-living mechanisms produced the greatest difference between system administrators and union leaders. Eighteen and one-half percent of the system administrators projected a change, while 44% of the union leaders projected change in cost-of-living mechanisms. There were no statistically significant correlations between cost-of-living mechanisms with: selected state demographic variables or with projected changes by system administrators or union leaders.

Final Average Salary Determination

The most dramatic change of the retirement components occurred in the final average salary determination. In 1969, 32 states utilized a final average salary plan, eight states a final average plus a money purchase plan, and 10 states used other plans. Fifteen years later (1984), 49 states utilized a final average salary plan determination, with the remaining state using a final average plus a money purchase plan.

In spite of this dramatic change, further modification or change of these plans are projected by 32% of the union leaders and 10.5% of the system administrators. There were no statistically significant correlations between final average salary determination service and selected state demographic variables. However, there were two statistically significant correlations with the current status of final average salary plan determinations and projections of change. One was the projections by the system administrators with population ($r = .3206$); the other was the projections by union leaders with teachers and state employees in the same system ($r = -.4353$).

Disability Requirements

In 1969, 12 states required more than 10 years of service, 27 states required ten years of service, and the remaining 11 states required less than 10 years of service for disability retirement. In 1984, four states required more than 10 years of service and 28 states required less than 10 years of service for disability retirement. Thirty states reduced the service requirements for disability retirement during the fifteen-year period of time for this study.

Both the system administrators (10.5%) and the union leaders (10.5%) agreed on projected changes for disability requirements in their states. There was a negative correlation between the difference in average per pupil expenditures from 1969 to 1984 and requirements for disability retirement ($r = -.2477$). There were four statistically significant correlations with the current status of disability retirement and projections of change. Two were projections by the system administrators with: collective bargaining ($r = .4095$) and K-12 and higher education in the same retirement system ($r = .4539$). The other two were projections of change by union leaders for disability

requirements with: K-12 and higher education in the same retirement system (r = .6623) and vesting (r = -.3430).

Survivorship Benefits

In 1969, 22 states had no survivorship benefits. This number was reduced 50% to 11 states in 1984. In 1969, 18 states had survivorship benefits with more than two years of service and 10 states had survivorship benefits with less than two years service. In 1984, 21 states had survivorship benefits with more than two years and 18 states had survivorship benefits with less than two years of service. However, teachers in one out of every five states are not entitled to survivorship benefits for their spouse or dependents.

Both system administrators (18.4%) and union leaders (24%) project changes in provisions for survivorship benefits. There was a negative correlation between the difference in average per pupil expenditures from 1969 to 1984 with survivorship benefits (r = -.2159) There were six statistically significant correlations with the current status of survivorship benefits for dependents and projections of

change. Two were projections by the system administrators with: collective bargaining ($r = -.3582$) and local tax limitation ($r = -.3185$). The other four were projections of change by union leaders for survivorship benefits for dependents with: local meet and confer collective bargaining ($r = .3396$), more than one active retirement system ($r = -.5247$,; Social Security ($r = -.3285$), and average per capita index ($r = .3507$).

CONCLUSIONS

Many of the legislative changes of the 50 teacher retirement systems over the past 15 years have not affected the active teacher. Legislated improvements for state systems were often projected benefits to be received after retirement and had no immediate impact on current employees. Some states did enact fiscally damaging revisions, which were established through the creation of separate bifurcated systems designed to phase in new employees and save harmless the veteran employee or previously retired teacher. Despite the fact that during the decade of the 70s there was a constant and progressive improvement of the 50 teacher retirement systems, an analysis of recent data

indicates a retrenchment by state legislatures in the funding of teacher retirement systems.

A review of the literature and the study data project further changes and potential conflicts for teacher retirement systems centering around the following areas: Social Security funding, the mandating of participation in Social Security for all teachers, the continued effort toward the enactment of PERISA, the desire of state legislatures to replace defined benefit plans with defined contribution plans, public demonstrations for the social investment of pension monies, and a more critical oversight as to how teacher pension money is invested.

Because of policy statements established by the American Federation of Teachers and the National Education Association, teachers through their state organizations will likely continue to strive for a pension plan that will include Social Security as a supplementary support. Among the myriad of variables of the 50 teacher retirement systems, the relationship of Social Security is the greatest variable of difference. Social Security is a national program that is constantly monitored by the AFT and NEA because it

potentially benefits all teachers, particularly mobile teachers. However, with the inclusion of Social Security, state governments traditionally have reduced pension benefits to provide funding for the employers FICA payroll tax.

Currently, two approaches are being proposed to improve the fiscal condition of Social Security. Advocates of the first approach recommend the following steps to alleviate the immediate crisis: provision of general revenue funds for part of Medicare, reallocation of Social Security taxes, an annual rollover of trust funds, addition of public membership to the Board of trustees, and establishment of a bipartisan board to operate Social Security.

The second approach is a more radical solution that advocates massive reduction in all Social Security benefits.

In theory, a defined benefit approach appears favorable, because of the economic security provided the career educator. Recently some states have created bifurcated systems for employees hired before or after an established date with the option of veteran employees to participate in the new program. However,

from a practical approach, it must be realized that today's teachers are more mobile than their predecessors when teacher retirement systems were established a half century ago. Many young teachers now prefer a noncontributory system in order to increase their take-home pay despite the long range advantages of defined contribution plans.

As indicated in the review of the literature, teachers and public employees will seek to establish their retirement systems through state constitutional amendments to provide for the security of their vested retirement rights. One recent court decision, Pennsylvania Federation of Teachers v. School District 484 A.2d 751 (Pa. 1984), demonstrated that constitutional guarantees are stronger than contractual language in legislative actions. The Pennsylvania case was a consolidated effort between the Pennsylvania State Education Association (NEA) against the Commonwealth of Pennsylvania and the Pennsylvania Federation of Teachers (AFT) against the School District of Philadelphia concerning a state statute that increased the basic contribution rate of retirement system members. The Court ruled that a contract existed between the teachers and the system

and that "increasing the compensation rate" represented a "unilateral modification of the contract."

In addition, the court found that the legislation constituted an "unconstitutional impairment of the state obligation of contract." The Court further stated that the "increased contribution rate can not constitutionally be imposed." This same concept known as the "Pennsylvania Doctrine" was applied in a Tennessee Case, Roberts v. TCRS (Tenn. 1981), when the Court determined that members of a retirement system may not have their benefit "detrimentally" affected by change in the system after a system member becomes vested.

Another case, Maryland State Teachers Association v. Hughes, 594 F.Supp. 1353 (D.Md. 1984) is now under appeal in the U.S. Court of Appeals, 4th Circuit, in Richmond, Virginia, based upon: 1) the Contract Clause, Article I, section 10 of the U.S. Constitution and 2) the rights of class members under the due process clauses of the fifth and fourteenth amendments of the U.S. Constitution.

This position of establishing constitutional amendments to protect teacher pension rights is a

natural threat to state legislatures and will continue to conflict with state legislative leaders who are reluctant or unwilling to relinquish their power to govern or to restrict or bind future legislatures through constitutional amendments.

To address the question of retirement for the mobile teacher, consideration should be given to a national annuity plan based on the TIAA-CREF model for the nation's K-12 teachers. The use of that model allows teachers to decide which type of retirement plan best meets their specific needs, defined benefit, or defined contribution.

The question of reporting for state and local government retirement plans is an area of concern that should be addressed as a crisis situation. The passage of PARISA would set up standards of accounting and provide for conflict-of-interest reporting for investors and accountability to the retirement system members.

Finally, teacher retirement systems are important, complex, understood by few, and a significant economic factor in contemporary American society. Without a standardized reporting procedure, the study and real

understanding of this important aspect of a teacher's well-being will be limited to the few vested interested parties who already have access to the needed information.

Further research should include a complete review of the legal aspects of teacher retirement systems. A regional study might be more appropriate because of the complexity of this task. At the national level, the Garcis v. San Antonio Metropolitan Transit Authority should be followed, because the court has shifted its position on the constitutional rights of state and local governments under the protection clause of the 10th Amendment of the Constitution.

This case involves the issue of whether or not the MTA has immunity from the minimum and overtime pay provisions of the Fair Labor Standards Act of 1938. Arguments centered around two landmark cases: 1) United Transportation Union v. Long Island Railroad Co, 455 U.S. 678, 102 S.CT. 1249, 71 L.ED.2d 547 (1982) and 2) National League of Cities v. Usery, 426 U.S. 833, 96 S.Ct. 2465, 49 L.Ed.2d. 245 (1976).

The Court in ruling in favor of Garcia stated that "In sum, the League of Cities (Usery) decision tried to

repair what did not need repair" and reversed the decision of the lower court and thus reversed the Usery decision. The principles of Garcia could very well be extended to argue for the mandatory inclusion of state and local workers, including teachers, into the Social Security system.

Additional research in the areas of Social Security benefits earned outside of teaching employment, early retirement incentive plans, and the quantity and quality of technical expertise available to teacher retirement system investors would add to the better understanding and intelligent planning of individualized retirement, as well as the administration of state systems.

Public and private pension funds will continue to be a dominant factor in the American capital markets with their increased collective investment practices annualLy having a greater impact on the national economy. Because this important system is complicated, ever changing, and with greater impact each year, teacher pensions systems need to be better understood through more research, objective analysis, and regulated reporting procedures.

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APPENDIX A - CORRESPONDENCE SENT

A-1
Retirement Questionnaire

A-2
From: Louis L. Goldstein, Comptroller of the Treasury
State of Maryland
To: State Employees' Retirement Systems

A-3
From: Harvey W. Zorbaugh, Executive Director
Maryland State Teachers Association
To: Education Association leaders

A-4
From: Henry B. Heller
To: Accompany Goldstein and Zorbaugh letters

A-5
From: Henry B. Heller
To: State Federation Presidents

APPENDIX A-1

RETIREMENT QUESTIONNAIRE

STATE _____

Name and Address of person filling out this questionnaire:

NAME _____

ADDRESS _____

_____

TELEPHONE: (_____) _____–_____

Do you wish to receive a copy of a brief summary of this study? _____ Yes

A. Social Security status of public school teachers:
   _____ 1. No Social Security
   _____ 2. Supplemental Social Security
   _____ 3. Coordinated Social Security

B. Teacher member on the state retirement board:
   _____ 1. No designated teacher or system member
   _____ 2. Teacher or system member
   _____ 3. Classroom teacher member

C. Investment of retirement system funds in common stock:
   _____ 1. No common stock investments
   _____ 2. Authority to invest below 30%
   _____ 3. Authority to invest at or above 30%

D. Extent of vesting:
   _____ 1. Vesting at more than 10 years
   _____ 2. Vesting at 10 years
   _____ 3. Vesting at less than 10 years

E. Creditable years of out-of-state teaching service:
   _____ 1. Less than 10 years
   _____ 2. 10 years
   _____ 3. More than 10 years

F. Existence of cost-of-living adjustment mechanism for benefits:
   _____ 1. No provisions
   _____ 2. Cost of living related to CPI
   _____ 3. Automatic percentage increase

G. Final average salary is determined by a:
   _____ 1. Final average salary plan
   _____ 2. Money purchase plus final average salary plan
   _____ 3. All other plans

H. Service requirements for disability retirement:
   _____ 1. More than 10 years of service
   _____ 2. 10 years of service
   _____ 3. Less than 10 years of service

I. Service requirements for survivorship benefits due to death before eligibility for retirement:
   _____ 1. No benefits
   _____ 2. Benefits with 2 or more years of service
   _____ 3. Benefits with less than 2 years of service

J. What would be the yearly retirement allowance for a teacher retiring on July 1, 1984, at age 65 with a final average salary of $25,000 and 30 years of service in your state? $_____

APPENDIX A-1

Does your state have:

YES	NO		
_____	_____	K.	Collective bargaining for public school teachers?
_____	_____	L.	Local meet and confer situations?
_____	_____	M.	Statewide tax limitations?
_____	_____	N.	Statewide spending limitations?
_____	_____	O.	Local tax limitations?
_____	_____	P.	Local spending limitations?
_____	_____	Q.	Teachers in a retirement system with other state employees?
_____	_____	R.	Higher education faculty (public) in the same retirement system as K-12?
_____	_____	S.	K-12 or K-14 teachers in a separate retirement system?
_____	_____	T.	Active teachers in more than one retirement system?

Please identify the two most important pieces of teacher pension legislation enacted in your state during 1969 - 1984.

How has this legislation changed the previous status of your retirement system?

If your state has had an unusual amount of pension legislation during this time period, please include as much information as possible.

Please use the back page, if needed for response.

APPENDIX A-1

Please indicate any or all of the following categories in which you anticipate change — either an improvement or a diminishment — occurring in your state during the next five years:

Significant Change	Moderate Change	No Change	
_____	_____	_____	Amount of retirement allowance
_____	_____	_____	Disability benefits for teacher and dependents
_____	_____	_____	Social Security status of your state
_____	_____	_____	Teacher membership on retirement board
_____	_____	_____	Investment of system funds in common stock
_____	_____	_____	Creditable years of out of state service
_____	_____	_____	Existence of cost-of-living adjustment factor
_____	_____	_____	Final average salary or money purchase plan
_____	_____	_____	Service requirement for disability retirement
_____	_____	_____	Survivorship benefits for dependents of teachers
_____	_____	_____	Extent of vesting

Please identify and cite major state and/or federal court cases in which your teacher retirement system has been a party to during the period of time from July 1, 1969 to June 30, 1984.

Please use the back page, if needed for response.

APPENDIX A-2

LOUIS L. GOLDSTEIN
COMPTROLLER OF THE TREASURY
LOUIS L. GOLDSTEIN TREASURY BUILDING
P.O. BOX 466
ANNAPOLIS, MARYLAND 21404-0466
269-2661

RECEIVED
MAR 14 1985
PUBLIC SCHOOL RETIREMENT SYSTEM

March 2, 1985

Ms. Mary-Jeabn Hackwood, Executive Secretary
State Employees' Retirement System
900 Leslie Boulevard
P.O. Box 209
Jefferson City, Missour 65101

Dear Ms. Hackwood:

I would like to take this opportunity to urge you to participate in this survey questionnaire concerning changes in the fifty teacher retirement systems. I have known Hank Heller for over twenty-five years and I have followed his professional career as a teacher and educational leader in the State of Maryland.

I have had an opportunity to read his dissertation proposal and it is straightforward and clearly written. I agree with his doctoral committee that it follows proper academic procedures and that his proposed statistical analysis is appropriate for this study.

I believe Mr. Heller has undertaken a very complex and meaningful project to complete his doctoral studies at Virginia Tech. It is a study of importance and one that we can all learn from. I urge your participation.

With kindest regards and best wishes for continued success, good health and happiness, I remain,

Most cordially yours,

LLG/gek

APPENDIX A-3

MARYLAND
STATE
TEACHERS
ASSOCIATION
An NEA affiliate

Maryland (Toll Free)
800-492-9650

TWX
710-234-1635
MD ST TE A BAL

MAR 11 1985

Jackie Ann Plaskett
President
Harvey Zorbaugh
Executive Director

March 5, 1985

Mr. Bruce Lund, Executive Director
Utah Education Association
875 East 5180 South
Murray, Utah 84107

Dear Mr. Lund:

I would like your help on a project. One of our local association leaders is getting his Doctorate from Virginia Polytechnic Institute. Part of his work includes an analysis of the changes in the State Teachers' Retirement Systems.

Enclosed is a letter from Henry Heller and a questionnaire to be filled out. Would you please assign the questionnaire to the most knowledgeable person on your staff regarding teachers retirement. The questionnaire is not lengthy and shouldn't take too much time.

I don't often make requests of this nature but on occasion you work with a local association leader who really has done a lot to strengthen the united teaching profession. Hank is one who has done a lot for all of us.

Since we have had so many highly publicized retirement battles in Maryland in recent years, I will be interested to see the responses to the questionnaire myself. Perhaps copies of the questionnaire should be left with NCSEA.

In conclusion, please read Hank's letter, assign the questionnaire and return it in the enclosed envelope.

Sincerely,

Harvey W. Zorbaugh
Executive Director

HWZ/rmp
Enclosures

APPENDIX A-4

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

COLLEGE OF EDUCATION — NORTHERN VIRGINIA GRADUATE CENTER (703) 698-6066

February 20, 1985

Dear Colleague,

I am a doctoral candidate at Virginia Tech and my dissertation study is a descriptive examination of the legislative changes of the fifty teacher retirement systems made during the period of time from July 1, 1969 to June 30, 1984. I know how busy the population for my study is and I have considered this factor in developing my questionnaire.

The survey instrument is designed to be brief in order to facilitate a 100% rate of return. It will provide both precise information for analysis and meaningful responses to the two subjective questions.

Needless to say, with a sample size as small as fifty, I need a 100% return on my questionnaire. I hope that you will consider my study worthy because of the potential understanding it will provide all of us and that you will share your unique expertise in a timely manner.

Please return the survey in the enclosed envelope. Any additional information or printed material that you feel will help me in understanding your teacher retirement system and/or past legislative revisions to your system will also be appreciated.

Sincerely,

Henry B. Heller

If you have any questions, please call:

VA TECH 703 698-6043
Home

2990 Telestar Court, Falls Church, Virginia 22042

APPENDIX A-5

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

COLLEGE OF EDUCATION — NORTHERN VIRGINIA GRADUATE CENTER (703) 698-6066

March 21, 1985

Pat Tornillo, President
Florida EA United
208 W. Pensacola Street
Tallahassee, Florida 32301

Dear President Tornillo:

I am a doctoral candidate at Virginia Tech and my dissertation study is a descriptive examination of the legislative changes of teacher retirement systems made during the period of time from July 1, 1969 to June 30, 1984. I know how busy you and your colleagues are and I have considered this factor in developing my questionnaire.

The survey instrument is designed to be brief in order to facilitate a 100% rate of return. It will provide both precise information for analysis and meaningful responses to the two subjective questions. I hope that you will consider my study worthy because of the potential understanding it will provide all of us and that you (or the appropriate member of your staff) will share your unique expertise in a timely manner.

Please return the survey in the enclosed envelope. Any additional information or printed material that you feel will help me in understanding your teacher retirement system and/or past legislative revisions to your system will also be appreciated.

Sincerely,

Henry B. Heller

If you have any questions, please call:

VA TECH (703) 698-6043
Home (301) 949-9247

2990 Telestar Court, Falls Church, Virginia 22042

APPENDIX B - TABLE B-1

Fifty State Teacher Retirement Systems and the Dates of their Formation

Name of System	Date
Teachers' Retirement System of Alabama	1941
Teachers' Retirement System of Alaska	1945
Arizona State Retirement System	1955
The Teacher Retirement System of Arkansas	1937
State Teachers' Retirement System of California	1913
Public Employees' Retirement Association of Colorado	1944
Connecticut Teachers' Retirement System	1917
State of Delaware Retirement System	1968
Teachers' Retirement System of the State of Florida	1939
Teachers' Retirement System of Georgia	1945
Employees' Retirement System of Hawaii	1926
Public Employee Retirement System of Idaho	1965
Teachers' Retirement System of the State of Illinois	1939
Indiana State Teachers' Retirement Fund	1921
Iowa Public Employees' Retirement System	1953
Kansas School Retirement System	1941
Teachers' Retirement System of the State of Kentucky	1940
Teachers' Retirement System of Louisiana	1936
Maine State Retirement System	1947
Teachers' Retirement System of the State of Maryland	1927
Massachusetts Teachers' Retirement System	1914
Michigan Public School Employees' Retirement System	1945
Minnesota State Teachers' Retirement Association	1931
Mississippi Public Employees' Retirement System	1952
The Public School Retirement System of Missouri	1946
The Teacher Retirement System of the State of Montana	1937
Nebraska School Employees' Retirement System	1945
Public Employees' Retirement System of the State of Nevada	1948
New Hampshire Retirement System	1967
The Teachers' Pension and Annuity Fund of New Jersey	1896
State of New Mexico Educational Retirement Board	1939
New York State Teachers' Retirement System	1921
Teachers' and State Employees' Retirement System of North Carolina	1941
North Dakota Teachers' Insurance and Retirement Fund	1913
The State Teachers' Retirement System of Ohio	1920
Teachers' Retirement System of Oklahoma	1943
Public Employees' Retirement System of the State of Oregon	1946
Pennsylvania Public School Employees' Retirement System	1917
Employees' Retirement System of the State of Rhode Island	1936
South Carolina Retirement System	1945
South Dakota State Teachers' Retirement System	1959
Tennessee Teachers' Retirement System	1945
Teacher Retirement System of Texas	1937
Utah State Retirement System	1967
State Teachers' Retirement System of Vermont	1947
Virginia Supplemental Retirement System	1952
Washington State Teachers' Retirement System	1938
West Virginia Teachers' Retirement System	1941
Wisconsin State Teachers' Retirement System	1921
Wyoming Retirement System	1943

APPENDIX B - TABLE B-2

Population Ranking of the 50 States for 1969, 1984, and Difference

States	1969	1984	Difference
Alabama	21	22	1
Alaska	50	50	0
Arizona	32	29	3
Arkansas	31	33	2
California	1	1	0
Colorado	24	28	4
Connecticut	25	25	0
Delaware	47	47	0
Florida	9	7	2
Georgia	15	13	2
Hawaii	40	39	1
Idaho	41	41	0
Illinois	5	5	0
Indiana	11	12	1
Iowa	26	27	1
Kansas	29	32	3
Kentucky	23	23	0
Louisiana	20	19	1
Maine	38	38	0
Maryland	17	18	1
Massachusetts	10	11	1
Michigan	7	8	1
Minnesota	19	21	2
Mississippi	30	31	1
Missouri	14	15	1
Montana	43	44	1
Nebraska	34	35	1
Nevada	46	43	3
New Hampshire	41	42	1
New Jersey	8	9	1
New Mexico	36	37	1
New York	2	2	0
North Carolina	12	10	2
North Dakota	45	46	1
Ohio	6	6	0
Oklahoma	28	26	2
Oregon	30	30	0
Pennsylvania	3	4	1
Rhode Island	39	40	1
South Carolina	27	24	3
South Dakota	44	45	1
Tennessee	18	17	1
Texas	4	3	1
Utah	35	36	1
Vermont	48	48	0
Virginia	13	14	1
Washington	22	20	2
West Virginia	33	34	1
Wisconsin	16	16	0
Wyoming	49	49	0

APPENDIX B - TABLE B-3

Average Pupil Expenditure Ranking of the 50 States for 1969, 1984, and Difference

States	1969	1984	Difference
Alabama	50	45	5
Alaska	1	1	0
Arizona	33	25	8
Arkansas	49	49	0
California	18	21	3
Colorado	25	15	10
Connecticut	5	10	5
Delaware	7	4	3
Florida	23	26	3
Georgia	36	48	12
Hawaii	13	19	6
Idaho	38	43	5
Illinois	9	14	5
Indiana	31	38	7
Iowa	15	23	8
Kansas	27	28	1
Kentucky	46	46	0
Louisiana	23	40	7
Maine	32	41	9
Maryland	7	6	1
Massachusetts	17	9	1
Michigan	6	18	12
Minnesota	13	16	3
Mississippi	47	50	3
Missouri	32	31	1
Montana	21	13	8
Nebraska	43	20	23
Nevada	21	34	13
New Hampshire	30	27	3
New Jersey	3	3	0
New Mexico	35	32	3
New York	2	2	0
North Carolina	36	35	1
North Dakota	31	39	8
Ohio	29	24	5
Oklahoma	48	29	19
Oregon	16	5	11
Pennsylvania	10	11	1
Rhode Island	10	8	2
South Carolina	38	42	4
South Dakota	34	36	2
Tennessee	45	47	2
Texas	18	37	19
Utah	44	44	0
Vermont	4	22	19
Virginia	27	31	4
Washington	25	17	8
West Virginia	38	33	5
Wisconsin	12	12	0
Wyoming	20	7	13

APPENDIX B - TABLE B-4

Average Teacher's Salary Ranking of the 50 States for 1969, 1984, and Difference

States	1969	1984	Difference
Alabama	47	39	8
Alaska	1	1	0
Arizona	18	20	2
Arkansas	50	48	2
California	2	4	2
Colorado	33	15	18
Connecticut	11	18	7
Delaware	13	23	10
Florida	22	33	10
Georgia	41	41	0
Hawaii	8	9	1
Idaho	45	40	5
Illinois	5	11	6
Indiana	9	21	12
Iowa	20	28	8
Kansas	33	32	1
Kentucky	38	31	7
Louisiana	43	35	8
Maine	29	47	18
Maryland	6	10	4
Massachusetts	15	19	4
Michigan	4	2	2
Minnesota	21	8	13
Mississippi	50	50	0
Missouri	28	34	6
Montana	32	25	7
Nebraska	35	36	1
Nevada	7	14	7
New Hampshire	30	46	16
New Jersey	10	12	2
New Mexico	27	24	3
New York	3	3	0
North Carolina	37	38	1
North Dakota	48	26	22
Ohio	24	22	2
Oklahoma	44	37	7
Oregon	14	16	2
Pennsylvania	17	17	0
Rhode Island	19	6	13
South Carolina	46	44	2
South Dakota	49	49	0
Tennessee	42	43	1
Texas	39	29	10
Utah	31	27	4
Vermont	25	42	17
Virginia	26	30	4
Washington	10	5	5
West Virginia	36	45	9
Wisconsin	16	13	3
Wyoming	23	7	16

APPENDIX B - TABLE B-5

Average Per Capita Income Ranking of the 50 States for 1969, 1984, and Difference

States	1969	1984	Difference
Alabama	48	45	3
Alaska	5	1	4
Arizona	27	32	5
Arkansas	49	49	0
California	8	5	3
Colorado	13	8	5
Connecticut	1	2	1
Delawere	4	9	5
Florida	19	22	3
Georgia	33	34	1
Hawaii	8	15	7
Idaho	35	31	4
Illinois	5	11	6
Indiana	19	33	14
Iowa	22	42	20
Kansas	17	12	5
Kentucky	42	44	2
Louisiana	45	35	10
Maine	42	38	4
Maryland	10	6	4
Massachusetts	12	4	8
Michigan	10	23	13
Minnesota	22	17	5
Mississippi	50	50	0
Missouri	22	28	6
Montana	31	37	6
Nebraska	19	27	8
Nevada	7	10	3
New Hampshire	30	16	14
New Jersey	3	3	0
New Mexico	45	41	4
New York	2	7	5
North Carolina	34	40	6
North Dakota	37	21	16
Ohio	14	26	12
Oklahoma	35	29	6
Oregon	27	30	3
Pennsylvania	17	24	7
Rhode Island	15	20	5
South Carolina	47	46	1
South Dakota	39	39	0
Tennessee	39	43	4
Texas	31	19	12
Utah	37	48	11
Vermont	39	36	3
Virginia	22	14	8
Washington	15	13	2
West Virginia	42	47	5
Wisconsin	27	25	2
Wyoming	22	18	4

APPENDIX B - TABLE B-6

Selected Variables of the 50 States
As Reported in the 1984 Questionnaire by Percentages

Projected Change K-T	% Yes	% No
K - Collective bargaining for public school teachers	58	42
L - Local meet and confer situations	56	44
M - Statewide tax limitations	44	56
N - Statewide spending limitations	44	56
O - Local tax limitations	62	38
P - Local spending limitations	46	54
Q - Teachers in a retirement system with other state employees	52	48
R - Higher education faculty (public) in the same retirement system as K-12	80	20
S - K-12 or K-14 teachers in a separate retirement system	20	80
T - Active teachers in more than one retirement system	18	82

APPENDIX B - TABLE B-7

Region

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Region with
Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	.3604	.01
Disability Benefits	-.0721	.33
Social Security Status	.3225	.02
Teacher Membership on Retirement Board	.0294	.43
Investment of Funds in Common Stock	.3973	.01
Out-of-State Service Credit	-.2325	.08
Cost-of-Living Adjustment Factor	.2113	.10
Final Average Salary Determination	-.0849	.31
Service Requirement for Disability	-.0849	.31
Survivorship Benefits for Dependents	-.0384	.41
Extent of Vesting	-.0102	.48

Spearman Rho Correlations - Region with
Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.1514	.24
Disability Benefits	.4095	.02
Social Security Status	.0295	.44
Teacher Membership on Retirement Board	-.4475	.01
Investment of Funds in Common Stock	-.1806	.19
Out-of-State Service Credit	-.3628	.04
Cost-of-Living Adjustment Factor	-.0233	.46
Final Average Salary Determination	-.3036	.07
Service Requirement for Disability	.0672	.37
Survivorship Benefits for Dependents	-.2639	.10
Extent of Vesting	.0217	.46

APPENDIX B - TABLE B-8

Collective Bargaining

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Collective Bargaining with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.1875	.13
Disability Benefits	.0968	.28
Social Security Status	-.0065	.49
Teacher Membership on Retirement Board	-24794	.07
Investment of Funds in Common Stock	.0702	.34
Out-of-State Service Credit	-.1712	.16
Cost-of-Living Adjustment Factor	-.1382	.21
Final Average Salary Determination	-.1836	.14
Service Requirement for Disability	-.0094	.48
Survivorship Benefits for Dependents	-.3582	.02
Extent of Vesting	-.2815	.05

Spearman Rho Correlations - Collective Bargaining with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.2182	.15
Disability Benefits	-.0667	.38
Social Security Status	.2692	.10
Teacher Membership on Retirement Board	-.1615	.23
Investment of Funds in Common Stock	.0265	.45
Out-of-State Service Credit	.1639	.22
Cost-of-Living Adjustment Factor	-.0216	.46
Final Average Salary Determination	-.1183	.29
Service Requirement for Disability	.2359	.13
Survivorship Benefits for Dependents	-.0497	.41
Extent of Vesting	-.3974	.03

APPENDIX B - TABLE B-9

Local Meet and Confer

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Local Meet and Confer with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.1683	.18
Disability Benefits	.2660	.07
Social Security Status	.0493	.39
Teacher Membership on Retirement Board	-.0055	.49
Investment of Funds in Common Stock	-.2509	.09
Out-of-State Service Credit	-.1486	.21
Cost-of-Living Adjustment Factor	.1902	.15
Final Average Salary Determination	.0721	.35
Service Requirement for Disability	.1705	.18
Survivorship Benefits for Dependents	.0917	.31
Extent of Vesting	.0917	.31

Spearman Rho Correlations - Local Meet and Confer with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	.4886	.01
Disability Benefits	.0318	.44
Social Security Status	-.2041	.18
Teacher Membership on Retirement Board	-.2955	.09
Investment of Funds in Common Stock	-.2936	.09
Out-of-State Service Credit	-.1925	.18
Cost-of-Living Adjustment Factor	-.2197	.16
Final Average Salary Determination	-.1510	.25
Service Requirement for Disability	.1260	.28
Survivorship Benefits for Dependents	.1284	.28
Extent of Vesting	.3396	.05

APPENDIX B - TABLE B-10

Statewide Tax Limitations

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Statewide Tax Limitations with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	.1192	.24
Disability Benefits	-.0358	.42
Social Security Status	-.0124	.48
Teacher Membership on Retirement Board	.0574	.37
Investment of Funds in Common Stock	.0299	.43
Out-of-State Service Credit	-.1733	.15
Cost-of-Living Adjustment Factor	-.0315	.43
Final Average Salary Determination	-.0181	.46
Service Requirement for Disability	-.0181	.18
Survivorship Benefits for Dependents	.0429	.40
Extent of Vesting	-.1674	.16

Spearman Rho Correlations - Statewide Tax Limitations with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	.1154	.30
Disability Benefits	-.0961	.33
Social Security Status	-.2431	.13
Teacher Membership on Retirement Board	-.2431	.13
Investment of Funds in Common Stock	-.1757	.21
Out-of-State Service Credit	.0976	.33
Cost-of-Living Adjustment Factor	-.2137	.16
Final Average Salary Determination	-.1823	.20
Service Requirement for Disability	.0639	.38
Survivorship Benefits for Dependents	.3213	.07
Extent of Vesting	.1710	.22

APPENDIX B - TABLE B-11

Local Tax Limitations

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Local Tax Limitations with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	.0061	.49
Disability Benefits	-.1484	.19
Social Security Status	-.0326	.42
Teacher Membership on Retirement Board	.0259	.44
Investment of Funds in Common Stock	.4152	.01
Out-of-State Service Credit	.1455	.20
Cost-of-Living Adjustment Factor	.1627	.17
Final Average Salary Determination	-.0475	.39
Service Requirement for Disability	.1282	.23
Survivorship Benefits for Dependents	.2360	.08
Extent of Vesting	-.2933	.04

Spearman Rho Correlations - Local Tax Limitations with Projections by Union Leaders for:

	CORR	Sig
Amount of retirement allowance	-.0169	.47
Disability benefits	-.1398	.27
Social Security Status	-.2623	.12
Teacher membership on Retirement Board	-.1860	.21
Investment of Funds in Common Stock	-.2106	.17
Out-of-State Service Credit	.0782	.36
Cost-of-Living Adjustment Factor	-.0925	.34
Final Average Salary Determination	-.0271	.45
Service Requirement for Disability	-.1812	.20
Survivorship Benefits for Dependents	.0944	.34
Extent of Vesting	.3306	.07

APPENDIX B - TABLE B-12

Statewide Spending Limitations

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Statewide Spending Limitations with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.1014	.27
Disability Benefits	.0305	.43
Social Security Status	-.1903	.13
Teacher Membership on Retirement Board	.1635	.16
Investment of Funds in Common Stock	-.1178	.24
Out-of-State Service Credit	-.1328	.21
Cost-of-Living Adjustment Factor	.0064	.49
Final Average Salary Determination	-.1016	.27
Service Requirement for Disability	.0739	.33
Survivorship Benefits for Dependents	-.1060	.26
Extent of Vesting	-.0544	.37

Spearman Rho Correlations - Statewide Spending Limitations with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.0155	.47
Disability Benefits	.2604	.11
Social Security Status	.3249	.06
Teacher Membership on Retirement Board	-.1338	.27
Investment of Funds in Common Stock	-.3292	.06
Out-of-State Service Credit	.0161	.47
Cost-of-Living Adjustment Factor	-.0383	.43
Final Average Salary Determination	-.0084	.48
Service Requirement for Disability	.2744	.09
Survivorship Benefits for Dependents	-.1588	.23
Extent of Vesting	-.1085	.32

APPENDIX B - TABLE B-13

Local Spending Limitations

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Local Spending Limitations with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.3185	.03
Disability Benefits	-.0693	.34
Social Security Status	-.0271	.43
Teacher Membership on Retirement Board	.0359	.42
Investment of Funds in Common Stock	.1443	.20
Out-of-State Service Credit	.1512	.19
Cost-of-Living Adjustment Factor	-.0693	.34
Final Average Salary Determination	-.2174	.10
Service Requirement for Disability	.1383	.21
Survivorship Benefits for Dependents	-.2000	.12
Extent of Vesting	-.1257	.23

Spearman Rho Correlations - Local Spending Limitations with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.2833	.10
Disability Benefits	-.2588	.12
Social Security Status	.1992	.19
Teacher Membership on Retirement Board	-.0289	.45
Investment of Funds in Common Stock	.0594	.40
Out-of-State Service Credit	.1724	.22
Cost-of-Living Adjustment Factor	.0000	.50
Final Average Salary Determination	.0356	.44
Service Requirement for Disability	-.1461	.26
Survivorship Benefits for Dependents	-.0559	.40
Extent of Vesting	-.1693	.23

APPENDIX B - TABLE B-14

Teachers and State Employees
In the Same Retirement System

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Teachers and State Employees in the Same Retirement System with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.0538	37
Disability Benefits	-.1132	.25
Social Security Status	-.2357	.08
Teacher Membership on Retirement Board	-.0778	.32
Investment of Funds in Common Stock	.0821	.32
Out-of-State Service Credit	.1644	.16
Cost-of-Living Adjustment Factor	.0000	.50
Final Average Salary Determination	-.1715	.15
Service Requirement for Disability	.0000	.50
Survivorship Benefits for Dependents	-.0679	.34
Extent of Vesting	-.1443	.19

Spearman Rho Correlations - Teachers and State Employees in the Same Retirement System with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.1883	.18
Disability Benefits	-.3290	.05
Social Security Status	.2303	.13
Teacher Membership on Retirement Board	-.2614	.10
Investment of Funds in Common Stock	.3626	.04
Out-of-State Service Credit	.2701	.09
Cost-of-Living Adjustment Factor	.0260	.45
Final Average Salary Determination	-.4353	.02
Service Requirement for Disability	-.3093	.06
Survivorship Benefits for Dependents	-.0679	.37
Extent of Vesting	-.0403	.42

APPENDIX B - TABLE B-15

K-12 Teachers and Higher Education Employees in the Same Retirement System

Spearman Rho Correlations for Selected 1984 State Demographic Variables and The Projected Changes in the 50 Retirement Systems By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - K-12 Teachers and Higher Education in the Same Retirement System with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	.1112	.25
Disability Benefits	.0658	.35
Social Security Status	-.1217	.23
Teacher Membership on Retirement Board	.1809	.14
Investment of Funds in Common Stock	.0815	.32
Out-of-State Service Credit	-.0849	.31
Cost-of-Living Adjustment Factor	.0154	.46
Final Average Salary Determination	.2435	.07
Service Requirement for Disability	.4539	.00
Survivorship Benefits for Dependents	.0876	.30
Extent of Vesting	-.0466	.39

Spearman Rho Correlations - K-12 Teachers and Higher Education in the Same Retirement System with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	.0173	.47
Disability Benefits	.6623	.00
Social Security Status	.4065	.03
Teacher Membership on Retirement Board	-.1070	.31
Investment of Funds in Common Stock	-.2632	.11
Out-of-State Service Credit	-.0965	.32
Cost-of-Living Adjustment Factor	-.0601	.40
Final Average Salary Determination	-.1035	.32
Service Requirement for Disability	.3689	.04
Survivorship Benefits for Dependents	-.0592	.39
Extent of Vesting	-.2632	.11

APPENDIX B - TABLE B-16

K-12 or K-14 Teachers in Separate Retirement System

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - K-12 or K-14 Teachers in Separate Retirement System with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.1012	.28
Disability Benefits	-.0569	.37
Social Security Status	-.1648	.17
Teacher Membership on Retirement Board	.0156	.46
Investment of Funds in Common Stock	.0938	.29
Out-of-State Service Credit	-.0875	.30
Cost-of-Living Adjustment Factor	.0240	.44
Final Average Salary Determination	-.0268	.43
Service Requirement for Disability	-.2400	.08
Survivorship Benefits for Dependents	.2537	.07
Extent of Vesting	.0530	.38

Spearman Rho Correlations - K-12 or K-14 Teachers in the Same Retirement System with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.0144	.47
Disability Benefits	-.2747	.09
Social Security Status	-.3273	.06
Teacher Membership on Retirement Board	.1839	.19
Investment of Funds in Common Stock	-.3563	.04
Out-of-State Service Credit	-.0792	.35
Cost-of-Living Adjustment Factor	-.1651	.22
Final Average Salary Determination	-.1458	.41
Service Requirement for Disability	-.0522	.40
Survivorship Benefits for Dependents	.1418	.25
Extent of Vesting	.3118	.07

APPENDIX B - TABLE B-17

More than One Active
Retirement System for Current Teachers

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - More than One Active Retirement System with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	.0700	.35
Disability Benefits	-.0210	.45
Social Security Status	.1313	.32
Teacher Membership on Retirement Board	.0337	.42
Investment of Funds in Common Stock	.2739	.05
Out-of-State Service Credit	-.0916	.29
Cost-of-Living Adjustment Factor	.0518	.38
Final Average Salary Determination	.1911	.13
Service Requirement for Disability	-.2123	.10
Survivorship Benefits for Dependents	-.0546	.37
Extent of Vesting	.0715	.34

Spearman Rho Correlations - More than One Active Retirement System with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.2614	.10
Disability Benefits	.2212	.14
Social Security Status	.0602	.39
Teacher Membership on Retirement Board	.0870	.34
Investment of Funds in Common Stock	.1474	.25
Out-of-State Service Credit	.1581	.22
Cost-of-Living Adjustment Factor	-.3327	.05
Final Average Salary Determination	.2023	.17
Service Requirement for Disability	.1043	.31
Survivorship Benefits for Dependents	-.5247	.00
Extent of Vesting	-.5898	.00

APPENDIX B - TABLE B-18

Social Security

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Social Security
with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.0736	.33
Disability Benefits	-.1014	.27
Social Security Status	-.1056	.26
Teacher Membership on Retirement Board	.1028	.27
Investment of Funds in Common Stock	.0067	.48
Out-of-State Service Credit	.2247	.09
Cost-of-Living Adjustment Factor	-.2113	.10
Final Average Salary Determination	.1496	.19
Service Requirement for Disability	-.2304	.08
Survivorship Benefits for Dependents	-.0224	.45
Extent of Vesting	.0612	.36

Spearman Rho Correlations - Social Security
with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	.2654	.10
Disability Benefits	-.2804	.09
Social Security Status	-.2776	.09
Teacher Membership on Retirement Board	.0000	.50
Investment of Funds in Common Stock	.1289	.27
Out-of-State Service Credit	.2265	.13
Cost-of-Living Adjustment Factor	.0923	.33
Final Average Salary Determination	-.2455	.12
Service Requirement for Disability	-.0830	.34
Survivorship Benefits for Dependents	-.3285	.05
Extent of Vesting	-.4009	.02

APPENDIX B - TABLE B-19

Right to Work

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Right to Work
with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.0986	.28
Disability Benefits	-.1068	.26
Social Security Status	-.0784	.32
Teacher Membership on Retirement Board	-.0475	.39
Investment of Funds in Common Stock	-.0781	.32
Out-of-State Service Credit	.1185	.24
Cost-of-Living Adjustment Factor	.0530	.38
Final Average Salary Determination	-.1142	.25
Service Requirement for Disability	.0666	.35
Survivorship Benefits for Dependents	.1996	.12
Extent of Vesting	-.1441	.19

Spearman Rho Correlations - Right to work
with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.0898	.34
Disability Benefits	-.2001	.17
Social Security Status	.1400	.25
Teacher Membership on Retirement Board	.2023	.17
Investment of Funds in Common Stock	.1286	.27
Out-of-State Service Credit	-.1771	.19
Cost-of-Living Adjustment Factor	.0898	.34
Final Average Salary Determination	.1029	.31
Service Requirement for Disability	-.4964	.01
Survivorship Benefits for Dependents	-.2168	.15
Extent of Vesting	-.3430	.05

APPENDIX B - TABLE B-20

Population

Spearman Rho Correlations for Selected 1984 State Demographic Variables and The Projected Changes in the 50 Retirement Systems By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Population with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	.1498	.19
Disability Benefits	-.0671	.34
Social Security Status	-.0107	.47
Teacher Membership on Retirement Board	.1668	.16
Investment of Funds in Common Stock	.1810	.14
Out-of-State Service Credit	.2474	.07
Cost-of-Living Adjustment Factor	.0191	.46
Final Average Salary Determination	.3206	.03
Service Requirement for Disability	-.0782	.32
Survivorship Benefits for Dependents	.0650	.35
Extent of Vesting	.0724	.33

Spearman Rho Correlations - Population with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	-.0335	.44
Disability Benefits	.2774	.09
Social Security Status	-.0849	.34
Teacher Membership on Retirement Board	.3477	.05
Investment of Funds in Common Stock	-.3676	.04
Out-of-State Service Credit	-.1887	.18
Cost-of-Living Adjustment Factor	.0894	.34
Final Average Salary Determination	.2022	.17
Service Requirement for Disability	.0883	.33
Survivorship Benefits for Dependents	-.0260	.45
Extent of Vesting	-.1110	.30

APPENDIX B - TABLE B-21

Average per Pupil Expenditure

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Average per Pupil Expenditure with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.1399	.20
Disability Benefits	.0000	.50
Social Security Status	-.2042	.11
Teacher Membership on Retirement Board	-.1385	.20
Investment of Funds in Common Stock	.1357	.21
Out-of-State Service Credit	-.0675	.34
Cost-of-Living Adjustment Factor	-.1308	.22
Final Average Salary Determination	.1799	.14
Service Requirement for Disability	-.1251	.28
Survivorship Benefits for Dependents	.0031	.49
Extent of Vesting	.0757	.33

Spearman Rho Correlations - Average per Pupil Expenditures with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	.0356	.49
Disability Benefits	.3353	.05
Social Security Status	.0708	.37
Teacher Membership on Retirement Board	-.2864	.08
Investment of Funds in Common Stock	.1040	.31
Out-of-State Service Credit	.1339	.26
Cost-of-Living Adjustment Factor	-.2292	.14
Final Average Salary Determination	-.1546	.23
Service Requirement for Disability	-.0161	.47
Survivorship Benefits for Dependents	.0000	.50
Extent of Vesting	-.1665	.21

APPENDIX B - TABLE B-22

Average Teacher Salary

Spearman Rho Correlations for
Selected 1984 State Demographic Variables and
The Projected Changes in the 50 Retirement Systems
By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Average Teacher Salary with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.2627	.06
Disability Benefits	-.1084	.26
Social Security Status	-.3439	.02
Teacher Membership on Retirement Board	-.0390	.41
Investment of Funds in Common Stock	-.1357	.21
Out-of-State Service Credit	.1574	.17
Cost-of-Living Adjustment Factor	-.2371	.08
Final Average Salary Determination	.2659	.14
Service Requirement for Disability	-.1251	.05
Survivorship Benefits for Dependents	-.1393	.20
Extent of Vesting	-.1382	.20

Spearman Rho Correlations - Average Teacher Salary with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	.0894	.34
Disability Benefits	.1849	.19
Social Security Status	.1416	.25
Teacher Membership on Retirement Board	.0000	.50
Investment of Funds in Common Stock	.0069	.49
Out-of-State Service Credit	.2496	.11
Cost-of-Living Adjustment Factor	-.0112	.48
Final Average Salary Determination	.1546	.23
Service Requirement for Disability	.1044	.31
Survivorship Benefits for Dependents	.1299	.27
Extent of Vesting	-.1110	.30

APPENDIX B - TABLE B-23

Average per Capita Index

Spearman Rho Correlations for Selected 1984 State Demographic Variables and The Projected Changes in the 50 Retirement Systems By Retirement System Administrators or Union Leaders

Spearman Rho Correlations - Average per Capita Index with Projections by System Administrators for:

	CORR	Sig
Amount of Retirement Allowance	-.0908	.29
Disability Benefits	.0258	.44
Social Security Status	-.2257	.09
Teacher Membership on Retirement Board	-.0461	.39
Investment of Funds in Common Stock	.0582	.37
Out-of-State Service Credit	.1124	.25
Cost-of-Living Adjustment Factor	-.2752	.05
Final Average Salary Determination	.1017	.27
Service Requirement for Disability	-.1017	.27
Survivorship Benefits for Dependents	.0650	.35
Extent of Vesting	.2896	.04

Spearman Rho Correlations - Average per Capita Index with Projections by Union Leaders for:

	CORR	Sig
Amount of Retirement Allowance	.1229	.28
Disability Benefits	-.0809	.35
Social Security Status	.0283	.45
Teacher Membership on Retirement Board	.0409	.42
Investment of Funds in Common Stock	.0763	.36
Out-of-State Service Credit	.1157	.29
Cost-of-Living Adjustment Factor	.0559	.40
Final Average Salary Determination	.0595	.39
Service Requirement for Disability	-.0562	.39
Survivorship Benefits for Dependents	.3507	.04
Extent of Vesting	-.0139	.47

APPENDIX C - CORRESPONDENCE RECEIVED

C-1 January 30, 1985	Douglas M. Bilheimer Assistant Director of Legislation Pennsylvania State Education Association
C-2 March 12, 1985	JoAnn S. Mogensen, Director Retirement Division State of Connecticut
C-3 March 13, 1985	Vernon L. Strickland, Director Louisiana State Employees Retirement System
C-4 March 13, 1985	Paul L. Groschen Executive Director Minnesota State Retirement System
C-5 March 14, 1985	Abe Domain, Director Employees' Retirement System State of Georgia
C-6 March 15, 1985	John McManaman Assistant Deputy Comptroller Employees' Retirement System New York State
C-7 March 18, 1985	Louis L. Goldstein Comptroller of the Treasury State of Maryland With attachments:
C-8 March 12, 1985	Benny A. Armijo Deputy Executive Secretary Public Employees' Retirement Association of New Mexico

C-9 March 20, 1985	M. Dee Williams Assistant Director Employer/Employee Relations Utah State Retirement Board
C-10 March 21, 1985	Jerald J. Juneau Deputy Secretary-Treasurer Teachers' Retirement System of Louisiana
C-11 March 25, 1985	Jack L Hawn Deputy Executive Secretary Kansas Public Employees Retirement System
C-12 March 26, 1985	Ann Black, Communications Manager Virginia Supplemental Retirement System
C-13 2 Pages March 27, 1985	W. Ronald Brown Retirement Cunsultant/Advocate California Teachers Association
C-14 April 1, 1985	Norvel A. Hansen Executive Director Department of Management and Budget State of Michigan

APPENDIX C - CORRESPONDENCE C-1

PENNSYLVANIA STATE EDUCATION ASSOCIATION
Box 1724, 400 North Third Street, Harrisburg, Pennsylvania 17105-1724 phone (717)255-7000

Nancy M. Noonan, president
John M. Yarnovic, vice president
James Stevens, treasurer
K. Eugene Preston, executive director

January 30, 1985

Mr. Hank Heller

Rockville, Md. 20853

Dear Hank:

It was a pleasure having you here in our office, and Bill Hughes and I have discussed your survey at length and offer you the following comments in that regard.

(1) The survey looks good; however, you might want to break the tax or spending limitation question into two questions.

(2) You might want to reconsider the defined contribution question, since, in our state, the rate and benefit for the employee is defined and the rate for the state and local contribution varies from year to year, in order to fund the system.

(3) Regarding the question relating to changes in the teachers' pension system in the past fifteen years, you may want to seek out more than two changes. There were at least six significant changes in Pennsylvania in the last fifteen years.

(4) The answers to the question relating to future changes may be more valuable if you allowed a differential to alleviate whether the respondant believes it would improve or diminish.

(5) You may want to question people with regard to their knowledge and feeling on a two-tier retirement system.

If we can be of any further assistance to you in the collecting of data, or in the dissemination of any materials on your behalf, we will be more than happy to do so. Please keep in touch, and if we ever get to the Rockville area, you at least owe us a beer.

Sincerely,

Douglas M. Bilheimer
Assistant Director of Legislation
Government/Agency Relations

DMB:md

cc: W. Hughes
W. Carmo, Jr.

APPENDIX C - CORRESPONDENCE C-2

COMMISSION
JAMES J. HEALY, CHAIRMAN
DOMINIC BADOLATO
LAWRENCE J. CACCIOLA
CHARLES CASELLA
PETER KELLY
ANTHONY MILANO
ANTONIA MORAN
STEVEN PERRICCHI
CLAUDE POULIN
SCOTT SCHWARTZ
DONALD R. SONDERGELD

State of Connecticut

STATE EMPLOYEES
RETIREMENT COMMISSION
OFFICE OF THE STATE COMPTROLLER
30 TRINITY STREET
HARTFORD, CONNECTICUT 06106
203-566-3126

MEDICAL EXAMINATION BOARD
ROBERT L. CHERNOW, M.D., CHAIRMAN
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SHERWIN MELLINS, M.D.
LUIGI SARACENO, M.D.
MARIETTA SONEGO, M.D.

March 12, 1985

Mr. Henry B. Heller
Virginia Polytechnic Institute
2990 Telestar Court
Falls Church, VA 22042

Dear Mr. Heller:

The Teachers Retirement System in Connecticut is administered by the Teachers Retirement Board.

We are sending your survey data to Mr. John Shears, Executive Secretary of the Teacher's Retirement Board for a direct response.

Please do not hesitate to contact this office if we can be of any further assistance.

STATE EMPLOYEES RETIREMENT COMMISSION
J. EDWARD CALDWELL, SECRETARY EX OFFICIO

BY:

JoAnn S. Mogensen, Director
Retirement Division

JSM/la
cc: Mr. John Shears
Executive Secretary
Teachers Retirement Board
State Office Building - Rm 208
165 Capitol Avenue
Hartford, CT 06106

APPENDIX C - CORRESPONDENCE C-3

STATE OF LOUISIANA
Louisiana State Employees Retirement System
P.O. BOX 44213, CAPITOL STATION
4041 Essen Lane, Suite 200
Baton Rouge, Louisiana 70804
Telephone: (504) 922-0600

VERNON L. STRICKLAND
DIRECTOR

JEANETTE PENDLEY
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March 13, 1985

Mr. Louis L. Goldstein
Comptroller of the Treasury
P. O. Box 466
Annapolis, Maryland 21404-0466

Dear Mr. Goldstein:

We have received Mr. Hank Heller's survey questionnaire concerning changes in the fifty teacher retirement systems. Since the membership in this retirement system does not include Louisiana teachers, I have forwarded the questionnaire to Dr. Carleton Page, Director of the Louisiana Teachers' Retirement System, for reply.

Sincerely,

Vernon L. Strickland
Director

VLS:cemc

cc: Dr. Carleton Page, Director
Teachers' Retirement System
P. O. Box 44123
Baton Rouge, Louisiana 70804

Please include member's social security number with all correspondence.

APPENDIX C - CORRESPONDENCE C-4

MINNESOTA STATE RETIREMENT SYSTEM

529 JACKSON STREET AT 10th
ST. PAUL, MINNESOTA 55101
(612) 296-2761

OFFICERS
Executive Director
Paul L. Groschen
Assistant Directors
Douglas Mauthorter
Arvin Herman

March 13, 1985

Mr. Henry B. Heller
College of Education
Virginia Tech-Northern VA
2990 Telestar Court
Falls Church, Virginia 22042

Dear Mr. Heller:

The survey questionnaire concerning changes in the fifty teacher retirement systems has been forwarded to:

Mr. Harvey Schmidt
Executive Director
Teacher's Retirement System
302 Capitol Square Building
550 Cedar Street
St. Paul, Minnesota 55101

(toll free # 800-652-9747)

Good luck on your dissertation.

Sincerely,

Paul L. Groschen
Executive Director

PLG:ag

cc: Mr. Schmidt

APPENDIX C - CORRESPONDENCE C-5

Employees' Retirement System
Two Northside 75, Atlanta, Ga., 30318 Telephone (404) 656-2960

March 14, 1985

Mr. Henry B. Haller
College of Education
Virginia Tech-Northern VA
2990 Telestar Court
Falls Church, VA 22042

Dear Mr. Haller:

I am taking the liberty to forward your letter of February 20, 1985 and enclosed questionnaire to Mr. Gerald Gilbert who is the Executive Secretary-Treasurer of the Georgia Teachers Retirement System.

Yours very truly,

Abe Domain, Director

AD:bwc

cc: Mr. Gerald Gilbert

Mr. Louis L. Goldstein

APPENDIX C - CORRESPONDENCE C-6

New York State
Employees' Retirement System
Policemen's and Firemen's Retirement System
Edward V. Regan, State Comptroller

Gov. Smith State Office Building, Albany, New York 12244 (518) 474-4600

John McManusman
Assistant Deputy Comptroller

March 15, 1985

Henry B. Haller
Virginia Polytechnic Institute and
State University
2990 Telestar Court
Falls Church, VA 22042

Dear Mr. Haller:

This letter is in response to the survey you recently forwarded to this agency. Since you are concerned with benefits for Teachers' Retirement System's members we are referring your questionnaire to the New York State Teachers' Retirement System.

Sincerely,

John McManusman
Assistant Deputy Comptroller

JMcM/yvk

APPENDIX C - CORRESPONDENCE C-7

LOUIS L. GOLDSTEIN
COMPTROLLER OF THE TREASURY
LOUIS L. GOLDSTEIN TREASURY BUILDING
P.O. BOX 466
ANNAPOLIS, MARYLAND 21404-0466
269-2661

March 18, 1985

Mr. Henry B. Heller

Dear Mr. Heller:

I am enclosing a copy of a letter dated March 12, 1985, which I received from Benny A. Armijo, Deputy Executive Secretary, Public Employees' Retirement Association of New Mexico, and a letter dated March 13, 1985, received from Vernon L. Strickland, Director of the Louisiana State Employees Retirement System, in response to my recent letter on behalf of your survey questionnaire concerning changes in the fifty teacher retirement systems.

I thought you would like to have this information for your records.

It's a pleasure to cooperate!

With kindest personal regards and best wishes for your continued success, good health, and happiness, I am

Most cordially yours,

Louis L. Goldstein

LLG:bda
File: 1R
Encs.

APPENDIX C - CORRESPONDENCE C-8

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF NEW MEXICO
PUBLIC EMPLOYEES' RETIREMENT BOARD
P.O. BOX 2123
SANTA FE, NEW MEXICO 87504-2123
PHONE: 505-827-4700

Albert Gallegos, Chairman
State Treasurer

Leonard T. Valdez
Executive Secretary

March 12, 1985

Mr. Louis L. Goldstein
Comptroller of the Treasury
Louis L. Goldstein Treasury Building
Post Office Box 466
Annapolis, Maryland 21404-0466

Dear Mr. Goldstein:

We have received the questionnaire concerning teacher retirement in the State of New Mexico, as requested by Mr. Henry B. Heller for his dissertation.

Your letter and questionnaire have been forwarded to Mr. Frank Ready, Director of the Educational Retirement Board for his compliance and return to you.

Best wishes to Mr. Heller for a successful survey and anticipated doctoral degree.

Very truly yours,

BENNY A. ARMIJO
Deputy Executive Secretary

BAA/aia

APPENDIX C - CORRESPONDENCE C-9

UTAH RETIREMENT SYSTEMS
UTAH STATE RETIREMENT BOARD
540 East 200 South
Salt Lake City, UT 84102
(801) 355-3884

BERT D. HUNSAKER
EXECUTIVE DIRECTOR

March 20, 1985

Henry B. Heller
College of Education
Virginia Tech-Northern VA
2990 Telestar Court
Falls Church, VA 22042

Dear Mr. Heller:

Enclosed is the dissertation study survey that you requested we complete.

I have completed the survey with the most up-to-date information provided. We are happy to be helpful in your doctorial pursuits and wish you continued success in your endeavors.

If we can provide any further information for you, please don't hesitate to call.

Sincerely,

M. Dee Williams
Asst. Director:Employer/Employee Relations

MDW:sb

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ROGER F. RAWSON
HURLEY D. HANSEN

APPENDIX C - CORRESPONDENCE C-10

State of Louisiana
TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
P.O. Box 94123, Capitol Station
Baton Rouge, Louisiana 70804-9123
Telephone: 504-925-6446

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Superintendents

Auralyn Castigliola
School Lunch Employees

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Retirement Committee

William L. McLeod, Jr.
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Retirement Committee

BOARD ATTORNEY:

William T. Reeves, Jr.
Ass't. Attorney General

RECORDING SECRETARY:

Liz Dellave

March 21, 1985

Virginia Polytechnic Institute
and State University
Henry B. Heller
College of Education
Northern Virginia Graduate Center
2990 Telestar Court
Falls Church, Virginia 22042

Dear Mr. Heller:

In response to your letter of February 20, 1985, please find enclosed the completed survey we received.

If we may be of further assistance to you with regard to this matter, please do not hesitate to call on this office.

Sincerely yours,

Jerald J. Juneau
Deputy Secretary-Treasurer

JJJ/tba

Enclosure

cc: Mr. Louis L. Goldstein
Comptroller of the Treasury
P. O. Box 466
Annapolis, Maryland 21404-0466

APPENDIX C - CORRESPONDENCE C-11

KPERS
Kansas Public Employees Retirement System
MARSHALL CROWTHER, Executive Secretary

March 25, 1985

Mr. Henry B. Heller
College of Education
Virginia Tech-North VA
2990 Telestar Court
Falls Church, VA 22042

Dear Mr. Heller:

Enclosed herewith is your retirement questionnaire for use in your dissertation study on the descriptive examination of the legislative changes of the fifty (50) teacher retirement systems made during the period of time from July 1, 1969 to June 30, 1984.

Hopefully, this will be of assistance to you in your endeavors; however, if you have any questions, please let me know.

Very truly yours,

Jack L. Hawn
Deputy Executive Secretary

JLH:djp

Enclosure

cc: Louis L. Goldstein

APPENDIX C - CORRESPONDENCE C-12

COMMONWEALTH of VIRGINIA

GLEN D. POND
DIRECTOR

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RAY C. HUNT, JR.
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S. BUFORD SCOTT

Virginia Supplemental Retirement System
1200 East Main Street
RICHMOND, VIRGINIA

MAILING ADDRESS:
POST OFFICE BOX 3-X
RICHMOND, VIRGINIA 23207

TELEPHONE (804) 786-3231

March 26, 1985

Mr. Henry B. Heller
College of Education -
Northern Va. Graduate Center
Virginia Polytechnic Institute & State Univ.
2990 Telestar Ct.
Falls Church, VA 22042

Dear Mr. Heller:

I am enclosing the completed retirement questionnaire for the Virginia Supplemental Retirement System. Also enclosed is a copy of our Handbook for Members which will provide additional information.

I hope the enclosed material will be of assistance to you in completing your dissertation study.

Please feel free to contact me if additional information is needed.

Sincerely,

Ann Black
Communications Manager

AB/cp

cc: Glen D. Pond

APPENDIX C - CORRESPONDENCE C-13

California Teachers Association

5757 West Century Boulevard, Suite 400, Los Angeles, California 90045
(213) 642-6622
Mailing Address: P. O. Box 92888, Los Angeles, California 90009

March 27, 1985

Mr. Henry B. Heller
College of Education
2990 Telestar Court
Falls Church, VA 22042

Dear Mr. Heller:

I enjoyed completing your questionaire and I congratulate you upon the structure of your survey; you asked the questions I consider of greatest importance. However, like many other retirement specialists, I felt compelled to add a little extra to many of your questions with the following supplement:

A. Social Security is not related to California State Teachers' Retirement System service, but there is a mechanism by which teachers can obtain social security credit for overtime-type of service.

B. Of the four (4) system members etc. on the STRS Board two (2) must be classroom teachers (K-14) and one must be a retiree of the system.

C. Until last year (Constitutional Amendment - Proposition 21), #2 was correct.

D. Five years.

E. Creditable years out of state before 1944 if member of California STRS before 7/1/44.

F. Annual increase of 2% of original benefit, NOT compounded.

G. Final Compensation is average of three highest, consecutive annual earnable salaries.

H. Five years.

I. One year.

J. Age 60 or older (with that service and salary) would generate that benefit.

APPENDIX C - CORRESPONDENCE C-13 (CONT'D)

K. The Rodda Act - 1/1/76

L. We hope not.

M,N,O,P. California gave the nation Howard Jarvis/Paul Gann and Proposition 13.

Q,R,S,T. Most K-14 teachers are in the State Teachers' Retirement system; most California State College and University System members are state employees and members of Public Employees Retirement System (with other state employees); faculty of the University of California have a separate system.

I'm looking forward to receiving a summary of your findings.

Sincerely,

W. Ronald Brown
Retirement Consultant/Advocate

WRB:mm

cc: Harvey W. Zorbaugh
Ralph J. Flynn
Alice A. Huffman

APPENDIX C - CORRESPONDENCE C-14

PENNSYLVANIA STATE EDUCATION ASSOCIATION
Box 1724, 400 North Third Street, Harrisburg, Pennsylvania 17105-1724 phone (717)255-7000

Nancy M. Noonan, president
John M. Yanavia, vice president
James Stevens, treasurer
K. Eugene Preston, executive director

April 15, 1985

Mr. Henry B. Heller
College of Education
Virginia Tech
Northern Virginia
2990 Telestar Court
Falls Church, VA 22042

Dear Hank:

Enclosed please find the completed retirement questionnaire which you requested. I have also included some explanatory notes on recent legislative improvements and the Supreme Court case affecting the implementation of the legislation. You will also find some printed material I use in teacher retirement seminars.

I hope you find the material interesting and helpful in your investigation and wish you well in your efforts.

As always, it's a pleasure to serve and if I can be of further assistance, please call.

Sincerely,

Emery L. Eyster
Assistant Director
of Legislation

ELE/sf
D/M

Encls.

APPENDIX D

Table D-1

Regional Distribution of the 50 States

Eastern Region

Connecticut	New Jersey
Delaware	New York
Maine	Pennsylvania
Maryland	Rhode Island
Massachusetts	Vermont
New Hampshire	West Virginia

Southern Region

Alabama	North Carolina
Arkansas	Oklahoma
Florida	South Carolina
Georgia	Tennessee
Kentucky	Texas
Louisiana	Virginia
Mississippi	

Central Region

Illinois	Missouri
Indiana	Nebraska
Iowa	North Dakota
Kansas	Ohio
Michigan	South Dakota
Minnesota	Wisconsin

Western Region

Alaska	Nevada
Arizona	New Mexico
California	Oregon
Colorado	Utah
Hawaii	Washington
Idaho	Wyoming
Montana	

APPENDIX D

STATE-BY-STATE SUMMARY

Grouped by Region

Appendix D presents the highlights of changes in the 50 teacher retirement systems from 1969 to 1984. Material was compilated from 10 editions of the National Education Associations High Spots in State School Legislation, responses from questionnaires utilized in this study, and assorted pamphlets and booklets from the various state retirement systems and employee organizations responding to this study.

EASTERN REGION

Connecticut

In 1969, cost-of-living adjustments were calculated biennially for employees already retired and were improved in 1973. Then in 1974, the Appropriations Acts provided for a COLA beginning after one instead of three years of retirement with a limit of 6% for 1974-1975. Legislation in 1978 provided for a 5% COLA, an increase from the previous 3%. Other legislation included provisions for military credit, automatic vesting, and the definition the "annual salary."

Delaware

Major changes in the State Employee's Pension Plan in 1970 included in part: establishing an actuarially sound program, vesting after 20 years of service with payment of deferred benefits to begin at age 60, and reduction of the mandatory retirement age from 69 to 65. In 1976, the pension benefit in coordination with Social Security amounted to 75% of final average compensation. In 1978, the retirement age was raised to 70.

Maine

During the years of the study the retirement formula was changed. In 1976-1977 the cost-of-living was capped at 4% or the actual annual COLA, whichever was smaller. Current legislation provides that the unfunded liability must be paid off over a twenty-year period, which tightened the 1975 provision.

Maryland

In 1979, a new noncontributory pension system was created for employees hired after January 1, 1980. Employees prior to that date had the option of transferring to the new system. In 1984, came pension changes, which effected members who retained the old

retirement system. The legislation provides three options and is the basis for a court case on legislative actions, which is now in the Federal Court of Appeals.

Massachusetts

The major legislative action in Massachusetts occurred in 1983 when the Public Employees Retirement Authority (PERA) was established. The PERA formalized and standardized operations, has authority over all 106 separate retirement systems, and has established the Pension Reserve Investment Trust.

New Hampshire

In 1973, the Teacher's Retirement System merged with the New Hampshire Retirement System. The other major legislation involved financial considerations and control over the system. The question of control was resolved in a court case in which the State Supreme Court ruled in favor of the board of trustees.

New Jersey

The two major pieces of legislation enacted in New Jersey were the 1971 Administration's Omnibus Bill and the 1979 Unisex Bill. The comprehensive Omnibus legislation covered numerous change to the Teacher's

Fund Statute, including retirement. The Unisex legislation changed the Teacher's Pension and Annuity Fund by providing annuity values based on the age of the employee when first entering the system without reference to sex; thus, contributions for male and female members were the same.

New York

Numerous changes in the retirement system benefits were enacted by the New York legislature. In 1970, the retirement age of 55 was permitted with as little as 2 years of service under certain conditions.

Pennsylvania

The major legislation was enacted in 1979 and 1984. In 1979, the legislation provided for the employer "pick up" of employee contributions, a new distribution formula, a contribution increase of 1% for employees and contained a nonseverability clause. In 1981, a the State Supreme Court ruled that a contract existed between the teachers and the system in a what came to be known as the "Pennsylvania Doctrine." This case came about because the state legislature sought to increase the tax burden on member teachers.

Rhode Island

Major improvements occurred in the retirement system in 1970, including a raise in the benefit formula, establishment of an automatic post-retirement adjustment, increases in the minimum disability allowance, and raises in ordinary death benefits.

Vermont

In 1981, Vermont enacted legislation that changed the retirement system from a contributory to a noncontributory system. The employees had the option of converting to the noncontributory system or remaining in the previous contributory system.

West Virginia

In 1970, the benefit formula increased from 1% to 2% of the final average salary. Another change of note was the removal of the salary lid of $12,000.

SOUTHERN REGION

Alabama

Changes between 1969 and 1984 in Alabama included the reduction of the retirement age, extension of membership in the Teachers' Retirement System, credit

for military service, and reduction in the years of service requirement. In the area of financial changes, were cost-of-living increases to retired members, increases in the benefit formula, a reduction from five to three years of last ten years for highest base formula, and a sliding increase in monthly benefits.

Arkansas

Increases in the area of member contributions, state contributions, annuities of retirees, and survivor benefits were provided by various pieces of legislation in Arkansas. Vesting requirements changed as did the funding formula. Now an alternate formula has become the formula for the system that has effectively circumvented the ceilings on contributions and benefits earned for years of service prior to 1969 and between 69 and 77. Also currently a teacher may retire with full formula benefits regardless of age after 30 years.

Florida

Legislation in 1970 provided extensive changes in the Retirement system for teachers in Florida with the passage of the consolidation of existing retirement systems for present members. Included among other

provisions were financial issues of the definition of final salary, contribution rate, benefits formula, payments for COLA, service conditions for out-of-state service credit, supplemental employment hours for retirees, length of employment and retirement age. In subsequent years, additional provisions addressed survivors benefits, a change in the retirement age for type and length of service and total state funding for the 30-year retirement bill.

Georgia

Vesting requirements were reduced in 1973 from 20 to 10 years, while retirement benefits were increased. Other changes included out-of-service time, related disability and survivor benefits, and the number of years required for death and disability benefits coverage. Between 1975 and 1978 the Georgia legislature enacted legislation providing for an increase in the formula multiplier from 1.75% to 1.84%, also in 1978, there was a change from 5 years to 2 years for final average salary. In 1984, limits on salary increases used in determining final average salary were set, special increases to retirees from 1% up to 20% were granted, and minimum funding standards for all public plans were established.

Kentucky

In 1970, a provision permitting retired teachers to vote for members of the board of trustees of the Teachers' Retirement System was enacted. Then in 1972, the number of teacher trustees was increased from three to four, adding a retired teacher trustee. A 1976 provision provided for an increase in the state contribution to match the teacher contribution, plus an amount sufficient to fund all unfunded obligations over a 30-year period. Also in 1976, equal benefits for widows and widowers were provided, as well as increases in payment to survivors. Full retirement benefits regardless of age after 30 years of service received legislative sanction in 1978. In 1982 the funding formula was increased from 2% of the value of a year of service to 2.5%.

Louisiana

Retirement regardless of age after 20 years of service was enacted in 1970. Then in 1971, a change from 5 to 3 years of average salary was adopted and by 1975 the formula was increased from 2% to 2.5% times the years times the average salary. Between 1971 and 1983 three retirement systems merged with the Louisiana Teachers Retirement System.

Mississippi

In 1971, widow benefits were changed to spouse benefits for a member with 20 or more years of service. Full retirement benefits with 30 years of creditable service regardless of age became law in 1975. In 1980 there was an increase in the benefits formula for both active and retired members of the retirement system. Between 1970 and 1981 the Teachers' Retirement System increased minimum benefits from $62.50 to $325.

North Carolina

In 1969, North Carolina enacted legislation to provide for a 3% cost-of-living increase for retired members, which was later increased. Currently the automatic COLA increases are tied to the Consumer Price Index. Legislation also provides that retirement contributions are sheltered from income taxes. Full retirement benefits after 30 years of service regardless of age are currently provided by the retirement system.

Oklahoma

Over the years, the Oklahoma legislature has increased the funding formula to the current 2% factor, as well as increased the cost-of-living amount. Along

with other changes in the retirement system, the retirement age and years of service for full retirement benefits have changed to the current age 55 with 30 years of service.

South Carolina

In 1970, the legislature provided for an automatic annual cost-of-living increase when the Consumer Price Index rose 3% or more in a year. South Carolina has vesting in the retirement system after 5 years and provides for full retirement benefits with 30 years of service regardless of age. Over the years the funding formula changed and benefits to the retired member of the retirement systems increased as did survivors benefits.

Tennessee

All state retirement systems were consolidated in one in 1972. The new systems was called the Tennessee Consolidated Retirement System (TCRS). In 1974, legislation was enacted in the areas of: retirement credit, cost-of-living increases, out-of-state service and retirement earnings among other changes intended to improved the retirement provisions for teachers in comparison to other state-financed programs. In 1975

the legislature enacted a statutory COLA. Legislation in 1976 provided an age/service change from age 65 with 30 years of service to age 60. In 1977, one of the major issues was to insure that the TCRS had sufficient funds to remain actuarially sound. Cost-of-living adjustments were made in 1978 along with other changes. Between 1981 and 1984 there were additional changes and several law suits.

Texas

In 1969, the benefits formula was changed from 1% for each year of creditable service to 1.5% for service prior to 1937-1938 and 1.65% for service after 1938. In 1971, the 1.65% was increased to 1.75%. Also in 1971, the annuity base was changed from 10 years to the best 5 years of salary. In 1977, retirement benefits were increased to 2% of the average of the best 5 years of salary multiplied by the years of creditable service. The member contribution was increased by .65%; the state contribution, by 1.5%. Then in 1983, the state funding was reduced by 1.4%. These formula changes were the major actions in the Texas legislature.

Virginia

In 1970, legislation provided a biennial cost-of-living allowance with an automatic adjustment based on the CPI. In 1977, the COLA was changed to an annual adjustment with a 5% ceiling if the CPI increased by 7% or more. Also in 1977, legislation reduced retirement to age 55 with at least 5 years of service. On April 1, 1980, a two-tiered retirement system was established, which placed a cap on system members hired after that date and provided an annuity, which in relation to 1/2 of Social Security, would equal a certain percentage of average final compensation for members with all or part of their service before that date.

CENTRAL REGION

Illinois

An automatic annual increase in base pension of 1-1/2%, to be financed by an additional 1/2% contribution by the employee and employer was approved in 1969 with the percentage increase in subsequent years. Other increases and changes to provisions in

the Illinois retirement system included: increase in survivor benefits, eligibility of widowers, provisions for payment of benefits to minors, health insurance program for annuitants, and fully funded retirement with 20 years of service at age 55.

Indiana

The major legislative action in the early 1970s related to appropriation and the use of appropriated money. In 1971, a state record was set for the largest (though according to actuaries, inadequate) appropriation for teachers retirement. The following year it became illegal to divert money appropriated to the Indiana Teachers Retirement Fund to pay for other state bills. Litigation followed in Etherton v. Wyatt (No. 1-672A10) before the Court of Appeals of Indiana, First District on March 7, 1973. The State of Indiana was ordered to restore monies ($26.4 million) of members reserve used to pay retirement benefits that had not been deposited in the fund. In 1973, the appropriation was increased and previously appropriated money was deposited. Other legislative action that year and over the next few years involved increasing retirement benefits and a change in benefits for years

of service. In 1974, the defined benefits multiplier was raised from .1% to 1.1% of final average salary.

Another case of major importance to the teacher retirement system was heard on February 22, 1977, by the Supreme Court of Indiana in Reilly v. Robertson (No. 376 592). In this litigation, sex-distinct annuity purchase tables were ruled discriminatory and were subsequently made gender neutral.

Iowa

Employee and employer contributions increased in Iowa five times (1969, 1970, 1973, 1975, and 1978) between 1969 and 1984. Also increased several times was the funding formula while the benefit formula was raised from high average to the high five-year average. Other changes included authorization for tax-sheltered annuities, merging area boards of education, community colleges and the State Department of Public Instruction, and change in the death benefits.

In 1970, the benefit program was increased 16% by changing the formula from 1.25 to 1.45 percent. In 1975, the contribution ceiling was raised from $10,800 to $20,000 and the final average was changed from career average to "high five." Also in 1975, employer

contributions grew from 3.5% to 4.25% of salary; a year later, this was raised to 5.25% as part of a five-year phase-in to raise the employer contributions to 7.5%. In 1979 the employee share increased from 3.6% to 3.7%. The benefit level was improved from 40% to 44% of the "high five" in 1978.

Kansas

During 1969-78, various changes occurred in the retirement benefits system. In 1971 the Kansas School Retirement System (KSRS) merged with the Kansas Public Employees Retirement System (KPERS), resulting in a near doubling of the dollar benefits and enhancing the other benefits significantly. This major change converted the retirement system from a pay-as-you-go program to a fully funded system.

Michigan

In 1974, the statute changed to a noncontributory plan, which eliminated member contributions and shifted responsibilities to local school districts. The formula was changed from 1% for the first $4,200 to 1-1/2% of final average compensation (5 years) and 1-1/2% of excess. State-paid health care for retirees was added and the retirement age was reduced to 55 with

30 years of service without penalty. Following this legislative action, court action in KOSA v. State of Michigan, sought compliance with Article IX, sec. 24 of the Michigan Constitution. The practice of state use of current service appropriation to pay pension benefits was halted; the state was required to repay past underfunded accrued liabilities.

A new law, in 1980, consolidated the Michigan and Detroit Public School Employees' Retirement Systems, which had previously been separate entities since their origins in 1915 and 1895 respectively.

In 1982, litigation between KOSA and the State of Michigan involved the statutory requirement for state payment of appropriation in equal installments. The state got back on schedule and repaid lost interest on monies earned in the Retirement Fund.

Minnesota

Under the High-5 Formula Program enacted in 1973 and with the additional changes in 1974 and 1978, the annual annuity at the normal retirement age (62 with 30 or more years or 65 with less than 30 years) is a percentage of the highest average annual salary over five successive years of formula service credit. In

1984, the Rule of 85 was enacted with an expiration date of December 31, 1986. This rule provides that any combination of age and service equaling 85 permits the employee to retire early with full benefits.

Missouri

Enacted in 1972 were provisions that the same benefits for survivors of women as for men; base retirement benefits on final average salary were also reduced from 10 to 5 consecutive years, while vesting rights were lowered from 20 or more years to 10 or more years. In 1978, the 30-years-and-out with full benefits formula was enacted. Other changes reduced disability eligibility requirements and increased survivor benefits.

Nebraska

Legislation in 1972, (LB 1311) made full disclosure of the status of the retirement systems to members, also enacted that year was a constitutional amendment to authorize cost-of-living adjustment in retirement benefits for retired public employees. Then in 1975, legislation increased the formula annuity of the retirement system to 1-1/4%, included death-in-service benefit, and increased funding by school districts.

North Dakota

Legislation in 1971 adopted the current retirement plan and repealed the previous plan. Under the current plan member contribution rates were increased from 3% on salary up to $7,500 to 4% of the full salary, while school board contribution rates were increased from 2% on salary up to $7,500 to 4% on salary up to $12,500. Also provided for was retirement at age 65 with full benefits. In 1977 these percentages were increased to a 5% contribution by both the member and the board.

Ohio

Major legislative changes began in 1971 with the enactment of an automatic COLA, which provided that after 36 months in retirement, benefits were increased 1-1/2% monthly if the CIP increased by that amount. Then in 1976 the COLA increased from 1-1/2% to 2% payable in the 25th month. The most recent COLA increase occurred in 1979 with the percentage moving to 3% payable the 13th month.

South Dakota

The retirement systems for public employees, including teachers, were consolidated into the South Dakota Public Employees Retirement System in 1974.

In 1982, the benefits formula was increased from 1% of final average salary to 1.1%. Modifications were made in the cap on the COLA from 2% to 3% and the cost-of-living adjustment was changed from simple to compound during the year of the study.

Wisconsin

In 1973, a comprehensive teacher retirement bill was enacted, which placed all teachers under a new formula of 1.3% times the average of the best three years times the number of years taught. On March 9, 1984, a major retirement benefit change became law. These changes apply to anyone currently covered by the Wisconsin Retirement System on or after the date of enactment. Also changed were the formula factor to 1.6% and reduction of the retirement age from 65 to 62, thus enabling an employee to retire with full benefits with 30 years at age 62.

A significant change occurred in 1974, when the Wisconsin State Teacher Retirement Board was restructured to consist of nine members as follows: 4 public school teachers, 1 vocational technical school representative, 1 school board member, 1 university representative from a doctoral campus, 1 faculty member

from a nondoctoral campus, and 1 academic nonfaculty employee from the university system.

Another important change occurred in 1981 effective on January 1, 1982. This was the merger of the Wisconsin Retirement Fund (state and local employees other than teachers), the State Teachers Retirement System and the Milwaukee Teachers Retirement System into the Wisconsin Retirement System.

WESTERN REGION

Alaska

Numerous changes occurred in survivor benefits for both children and spouses in the areas of cost-of-living allowance, age of minor children, and disabled children among others. Teaching experience credit was extended and outside service was redefined. Retirement credit was defined and later extended. Chapter 84 (1969) exempted employee accounts from legal process and Chapter 85 of the same year increased the number of board members and granted the board authority to hear appeals on rulings or decisions made by the administrators of the teacher's retirement system. In 1972 (Chapter 61) Alaska Teachers' Retirement Board was

established. The benefits formula was raised along with teacher and employer contributions to the system. Membership service for retirement was reduced and full benefits after certain number of years was provided. Benefit increases also highlighted the extensive changes in Alaska.

Arizona

In 1970, the option to switch to a fixed benefit formula was provided to the membership if 70% exercised the option to switch within 9 months of its effective date. If 70% did not switch, the law became null and void. In addition, a new board for administering the state retirement systems was created, as well as provisions for the handling of the retirement fund's investment portfolio. Increases in retirement benefits occurred nearly every year following that option. Chapter 52 (1975) increased membership of the retirement board and allowed members of the system to opt for coverage under the plan. Arizona law also reduced the age of retirement without penalty.

California

During the period of this study, numerous pieces of legislation have been enacted by the California

legislature in the areas of retirement benefits, disability and death benefits and benefits for dependent children. The major retirement legislation was enacted in 1971. The Barnes Act changed the retirement system from a pay-as-you-go to a system that will be fully funded system by 2002. Employee and employer contributions were increased and are now 8% each.

Another major year for the retirement system was 1979, when a substantial increase in state funding was enacted. This legislation indexed the fixed dollar amount to the California CPI along with provision for other fixed amount increases annually.

Colorado

Retirement benefits increased 1% for each year of teaching above 20 years in 1969. The cost-of-living adjustments increased and the retirement options improved. Other legislation liberalized investment provisions and increased contribution by members and employers. In 1971, employees were given the option of retiring before 60 years of age with 20 or more years of service with reduced benefits. Cost-of-living adjustments were made in 1973 and 1974; in 1980 an ad

hoc fund for future cost-of-living increases was created. These funds were specifically part of the employer share. In 1981 the final average salary part of the retirement formula was reduced from 5 years to 3 years.

Hawaii

Although legislation in Hawaii addressed the elimination of Social Security benefit offsets for certain teachers, changes in the funding formula for final average salary, increases in the retirement allowance, and repeal of certain death benefit provisions, the major change in the retirement system occurred in 1984. Teachers employed as of June 30, 1984, were able to choose the new noncontributory retirement plan with a refund of previous contributions or to remain in the present contributory plan. New employees automatically participated in the new noncontributory plan.

Idaho

With the passage of an omnibus bill in 1969, retirement provisions were extensively changed. Further the Budget and Fiscal Committee of the Legislative Council was instructed to study the

possibility of the state's discontinuing it's participation in Social Security and providing benefits similar to those of the Federal Civil Service Retirement System as the state retirement system. In 1971, together with other changes, legislation was enacted to provide the Rule of 90 for teacher retirement. This would provide for full retirement at age 60 with 30 years of service. The annual benefits formula was changed in 1974 to provide an average of the best 60 months times 1.667 times the years of service.

Montana

In 1971, with retirement benefit and contribution increases, benefits calculations were changed from a part-money-purchase-part-formula plan to an entire formula plan. In 1975, legislation provided for full benefits with 30 years of service reduced from 35 years. Contributions by both the employer and employee increased that year, too. In 1981, legislation further reduced provisions for full retirement benefits to 25 years of service or age 60, and revised after retirement earning from 1/4 to 1/3 of the final average salary.

Nevada

The most significant legislation between 1969 and 1976 reduced the years of vesting, changed contribution rates, and adopted the "Prudent Man" investment rule. In 1977, the benefits' increase from 65% to 75% of average compensation was a major change. Still another major change occurred in 1983, when a permanent 2% cost-of-living adjustment was enacted.

New Mexico

During the period of this study, the New Mexico legislature altered the retirement system in the areas of: cost-of-living adjustments, vesting period, retirement formula and benefits, among other items. In 1977, $250,000 was appropriated to study every aspect of all the retirement systems in the state.

Oregon

In 1969, there were numerous changes in the retirement law. Enacted in 1971 were the benefits formula change increasing the range, pension formula factors, and establishing the final average salary with the three highest years. In 1973, the benefits percentage again increased and the full funding of retirement became available to those with 30 years of

service at age 60 and 25 years of service at age 62. Currently the retirement provision is a full formula calculation, which was a change from a formula and annuity benefits calculation. The retirement age for full funding is 58 or 55 with 30 years of service.

Utah

In 1971, the legislature provided a cost-of-living adjustment for a certain period. In 1973, the legislature increased the annual COLA from 1% to 1.5%, reduced penalties for early retirement and extended death benefits. The retirement benefit factor was increased in 1975 to 2.0% of the final average salary and remains the current percentage. In 1978, provisions for the full funding of the retirement system were enacted. By 1983-1984, the COLA maximum was 4.0% annually.

Washington

In 1969 and 1970, extensive changes were made in the retirement system laws and the pension formula. In 1971, the State Supreme Court ruled that the state must appropriate sufficient monies to meet funding obligations. A 2% per year of service (60% maximum) of final average compensation was enacted in 1973 along

with a cost-of-living adjustment. A two-tiered system was adopted in 1977. In 1984, the state transferred employer funding to the school districts.

Wyoming

Among the many changes to the retirement system were equal benefits for men and women in 1973. In 1975, the benefits formula was changed to 2% formula for service after July 1, 1975, and in 1983 the benefits for pre-July 1, 1975, service was changed to 1.5% formula. Other changes included new rates and improved benefits to retired employees.

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TEACHER RETIREMENT SYSTEMS - AN ANALYSIS OF CHANGE (1969-1984)

BY

Henry B. Heller, II

(ABSTRACT)

For the past two decades pension funds, and more specifically teacher pension funds, have experienced a rapid growth and an increased importance in the national and regional economies of the United States. The primary purpose of this study was to provide a descriptive examination of the legislative changes in the 50 state teacher retirement systems and the relationship of these changes with selected state demographic variables over the fifteen-year period of time from July 1, 1969, to June 30, 1984.

The research questions that guided this study were: 1) What are the existing characteristics of the 50 states; teachers retirement systems and selected state demographic variables? 2) What are the changes over a 15-year period of time of the 50 states; teacher retirement systems and selected state demographic variables? 3) What are the projected changes in the 50

teacher retirement systems? 4) What are the relationships between the following pairs of variables; a) change in retirement systems and change in state variables, b) change in state variables and projected change in retirement systems, c) changes in retirement systems and projected changes in retirement systems, d) current retirement systems and projected change in retirement systems, and e) current demographic variables and projected changes in retirement systems?

A survey instrument, designed to statistically explore the relationship of selected demographic characteristics with legislative changes in the 50 teacher retirement systems, over the fifteen-year period of time was administered nationally. The population for this study was the 50 state teacher retirement systems. Selected individuals representing systems were surveyed for specific factual information. The rate response from the 50 states was 100%. Statistical methods used to classify and summarize the numerical data were cross-tabulations and frequencies. Pearson r and Spearman Rho correlation statistics were used to determine relationships between pairs of variables.