DRAFT OF REPORT OF THE RETIREMENT COMMITTEE TO THE BOARD OF TRUSTEES OF THE RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS, PRESENTING A PROGRAM FOR INTEGRATION OF RETIREMENT SYSTEM BENEFITS WITH THE BENEFITS PROVIDED UNDER THE AMENDED SOCIAL SECURITY ACT

At the meeting of the Board of Trustees of the Retirement System held June 14, 1950, the Retirement Committee was requested to prepare a detailed plan for integration of the benefits provided by the Retirement System with the benefits provided under the amended Social Security Act when finally passed. This report contains a brief statement of the principal features of the amended Social Security Act, which has now become law, a suggested plan of integration, and a recommendation with reference to increasing the active service death benefit.

I. Social Security Benefits

Benefits provided by the amended Social Security Act are as follows:

A. Eligibility

New entrants will be "covered" under the plan on January 1, 1951, and will become eligible for retirement or death benefits after 18 months of covered employment.

This means that it will be July 1, 1952, before any Federal Reserve Bank employee will be eligible for retirement or for death benefits without having had covered employment elsewhere prior to January 1, 1951.

B. Benefits

1. Retirement Benefits

A benefit payable monthly equal to 50% of first $100 of average monthly salary plus 15% of the next $200 of such salary. (Salary exceeding $3,600 per annum is disregarded.) This benefit is called the "primary insurance amount".

No increase is made in the primary benefit for years of service. With an annual salary not less than $3,600 during the period of covered employment, the monthly retirement benefit payable for the minimum service required for eligibility (18 months) is $80. This same monthly benefit is payable in the case of a person having approximately 44 years of continuous covered employment with an annual salary not less than

$3,600 during that period. Since Social Security benefits are based on the full-term average salary and disregard any salary above $3,600 (as contrasted with the best 5-year average under the Retirement System), any years in which salary is less than $3,600, regardless of the number of years of covered employment and regardless of the number of years in which salary may exceed $3,600, will reduce the benefit payable.

If there is a wife or dependent husband, who is also 65, such person is entitled to receive a benefit equal to one-half the insured individual's primary benefit, and upon the death of the insured individual, the surviving spouse would receive a benefit equal to three-quarters of the individual's primary benefit. There are also provisions for additional concurrent benefits for minor children. The maximum benefit payable to a family group is $150 a month, or 80% of the insured individual's average monthly wage, whichever is less, but in no case less than $40. The minimum primary benefit payable in any case is $20 a month. There is no provision for payment of retirement benefits before age 65 under any circumstances.

2. Disability Benefits

There are no disability benefits provided under the Act.

3. Death Benefits

There is a lump sum death benefit payable of an amount equal to three times the "primary insurance amount" to which the individual is entitled. The maximum lump sum death benefit accordingly would be $240 (3 x $80).

Survivorship benefits upon death of an individual in active service are paid to such individual's widow with minor children (under age 18) and to minor children, and, in some cases, to a dependent widower or parents. When all children attain age 18, the widow's and children's benefits lapse, but the widow's benefit is reinstated at age 65 if she otherwise qualifies. There are also survivorship benefits on death of covered workers after retirement for their widows, aged 65 or over; dependent widowers 65 or over; minor children; and parents when there are no other dependents.

C. Cost

Following is the scale of taxes payable by employees under the new law:

(1) 1 1/2% of "wages" (not over $3,600) received during each of the calendar years 1950-1953, inclusive;

(2) 2% of "wages" (not over $3,600) received during each of the calendar years 1954-59, inclusive;

(3) 2 1/2% of "wages" (not over $3,600) received during each of the calendar years 1960-1964, inclusive;

(4) 3% of "wages" (not over $3,600) received during each of the calendar years 1965-1969, inclusive;

(5) 3 1/4% of "wages" (not over $3,600) received during each calendar year after December 31, 1969.

The employer will have to pay similar amounts.

There is attached (Exhibit "A") a digest of the principal provisions of the Social Security Act as amended, including a summary of the benefits payable in case of death or retirement of Federal Reserve Bank employees.

II. Recommendations for Integration

The Retirement Committee has reviewed its recommendations set forth in its report of February 21, 1950, with reference to the tentative program for integration, and now makes the following definite recommendations:

A. Service Retirement Benefit

1. Annuity (provided by the member's accumulated contributions)

It is recommended that beginning January 1, 1951, the percentage rate of contribution to the Retirement System to be paid by employees of the Federal Reserve Banks in respect of the first $3,600 of basic annual salary shall be the normal rate of contribution provided under the Rules and Regulations, less the rate currently required for Social Security, so that an employee's total rate of contribution will not be increased after integration.

It is the Committee's understanding that the Social Security tax is applicable to all remuneration (up to $3,600), including overtime and similar supplementary payments, which the employee receives during the year. Further, the tax is deductible on the first $3,600 of remuneration received during the year; for example, an employee receiving $7,200 per annum would receive $3,600 during the first six months and all of his Social Security tax would be deducted within the first six months of the year. For our own Retirement System purposes, however, it is proposed to continue to make deduction from regular salary on a level basis over the entire year. Thus, in the case of any member whose regular salary is less than $3,600 the reduction in the Retirement System contribution would be 1 1/2% of such salary during the years 1951, 1952 and 1953, 2% during the years 1954 to 1959, inclusive, and so on; and in the case of every member whose regular salary is $3,600 or over, the reduction in the Retirement System contribution would be a flat $2.25 for each semi-monthly period (1 1/2% x $150) during the years 1951, 1952 and 1953, $3.00 for each semi-monthly period (2% x $150) during 1954 to 1959, inclusive, and so on.

As pointed out in the previous report of the Retirement Committee, the employee's initial contribution (1 1/2%) to Social Security will not cover the cost of one-half of the Social Security benefit. The benefit provided by employee contributions to Social Security will, for some years at least, be greater than the reduction in the annuity benefit from the Retirement System. This difference will decrease as the length of time during which contributions are made to Social Security increases, but for present employees who will reach retirement age in 15 years or less, the Social Security benefit will be substantial in relation to contributions.

The Committee has agreed that it would be desirable for the Reserve Banks to point out to their members the fact that all members have the privilege of making additional contributions to the Retirement System to provide increased annuities, and that any member may elect to continue his normal contribution to the Retirement System so that his annuity may not be affected by integration.

2. Pension (provided by the bank's contributions)

The Committee has reviewed its previous recommendation with reference to the pension benefit. This recommendation is that the service pension provided by the Retirement System on the first $3,600 of final average salary (best 5-year average) for service on and after January 1, 1951, be fixed at 1/2 of 1% for each year of such future service, provided that in no case shall the reduction in the Retirement System service pension exceed 50% of the primary Social Security benefit to which the employee is entitled. After discussion, the Committee agreed to renew this recommendation.

In this connection, the Committee has noted that the primary retirement benefits under the Social Security law as finally enacted are more generous than those provided under the House bill which was previously considered by the Committee. The new law provides that persons starting new under Social Security on January 1, 1951, and who thereafter remain in "covered" employment will become eligible for all primary benefits, including retirement benefits, commencing July 1, 1952. Under the House bill, the minimum period for achieving such full coverage was approximately 5 years. The maximum primary benefit (for a person whose annual salary is not less than $3,600) for the minimum period of service is now $80 per month under the new law, as compared with $71.75 under the House bill. The new bill therefore provides even larger benefits in relation to the minimum period of covered employment than were contemplated under the House bill and increases the disparity between total benefits payable to those members who retire in the early years after relatively short coverage under Social Security and those who will retire after a long period of coverage, the primary benefit under the new bill being the same for approximately 44 years of continuous coverage as for 18 months of coverage.

The Committee regards the above recommendation for adjustment in the service pension as an equitable adjustment and as the appropriate formula to adopt at this time.

It should be noted that the reduction which will be made in the pension is applicable only to service on and after January 1, 1951, and members' accrued pension benefits up to that date will not be affected.

Members retiring with relatively short coverage in the Social Security System will receive substantially greater total benefits than will be payable to those retiring after a considerable period of coverage under Social Security. The Committee recognizes that a review of the pension benefit may be necessary at some time in the future (perhaps 20 years hence) when the Social Security benefits payable to retiring employees will bear a closer relationship to contributions and the pension benefit provided by the Retirement System will reflect the reduction made for service on and after January 1, 1951.

3. Treatment of members who become 65 years of age before qualifying for Social Security benefits

In view of the substantial benefits which would be foregone by members upon retirement in the immediate future before qualifying for Social Security benefits, it would seem desirable to adopt a procedure which will result in the same treatment, as respects service retirement, being accorded to all employees who reach age 65 during or after the month in which the new Social Security Act became the law. The Committee is of the opinion that it would be unfortunate if a situation were created whereby two members, who had the same length of service and average salary and who retired within a relatively short period of each other, received widely different total benefits. It also seems to the Committee that deferments of retirement would almost certainly be made toward the end of the 18-month period following January 1, 1951, thus discriminating against those members who retired earlier in that period, and that it would be preferable, therefore, to adopt a uniform policy to be applicable during the entire period up to July 1, 1952.

Accordingly, the Committee recommends that members who attain age 65 during or subsequent to the month in which the new Social Security law becomes effective for Federal Reserve bank employees (January 1, 1951) and prior to July 1, 1952 be given the privilege (in the discretion of the employing banks) of remaining in active service until July 1, 1952, in order that they may qualify for Social Security benefits. (Such benefits continue to accrue after attainment of age 65.)

It was pointed out that this recommendation if adopted would not involve any change in the Rules and Regulations, which already provide that members may be retained for periods of one year after age 65 up to age 70. However, it would be necessary for the Board of Governors to suspend until July 1, 1952 its letter S-895, dated February 4, 1946, which requires specific approval of the Board in individual cases of retention for more than 90 days after attainment of age 65.

The Committee recognizes that there may be some cases where members will not wish to remain in service beyond age 65, regardless of Social Security benefits. The Committee is of the opinion that such a member should not be required to suffer any reduction in his total retirement allowance, and the Committee recommends that the Board of Governors be requested to authorize the employing banks, in their discretion, to make a specific payment to the Retirement System to provide the same retirement allowance for a member retiring on service retirement prior to July 1, 1952 that such member would have received if employees of the Federal Reserve Banks had not become subject to Social Security, that is to say, such member's allowance would not be reduced by reason of the bank's or his contributions to Social Security. The additional benefit required would be small in any case; moreover, if the recommendation in the preceding paragraph is adopted, there will probably be very few such cases.

4. Elimination of minimum pension provision for future members.

In its previous report the Retirement Committee recommended that the provision in the Rules and Regulations for a minimum service pension of $32 per annum for each year of service up to 20 years be eliminated with respect to all future entrants after integration with Social Security.

The Committee sees no reason to change its recommendation in this respect, feeling that the generous treatment accorded under Social Security to lower-salaried, employees with short service fully justifies its former position. It is recommended, therefore, that this provision of the Rules shall apply only to employees on the rolls on December 31, 1950, and that it shall not apply to employees engaged on and after January 1, 1951.

5. Comparison of service retirement benefits before and after integration

There are attached two tables, giving a comparison of service retirement benefits payable before and after integration. Table 1 relates to employees entering service on and after January 1, 1951; Table 2 relates to present employees now aged 60 who would reach age 65 after 5 years of covered employment under Social Security. These tables indicate in the first column the benefits now payable under our Retirement System after 10, 20 and 30 years of service, with a final average salary of $2,400, $3,600 and $6,000; the second column shows the Social Security benefit which will be payable; the third column shows the combined Retirement System and Social Security benefits on the basis of the Comittee's recommendations outlined above. The tables are based on final average salary (best 5-year average) as to Retirement System benefits and a whole-term average for Social Security benefits, assuming a normal rate of salary progression. All figures are on a straight life basis.

B. Special Service Retirement After Age 50

Social Security makes no provision for payment of retirement benefits earlier than age 65. Any person, however, who completes 40 quarters of covered employment, or has covered employment for one-half the elapsed time between January 1, 1951, and the attainment of age 65 with a minimum of 6 quarters, becomes what is termed a "fully insured" individual and is entitled to some benefit at attainment of age 65. The amount of the benefit depends upon the average wage and total quarters of covered employment, since it is determined by dividing the total of wages (up to $3,600 per annum) received during covered employment by the number of months elapsed between January 1, 1951 (or attainment of age 21 3/4 if later) and age 65. For instance, if a Federal Reserve Bank employee who was aged 55 on January 1, 1951, discontinued service after 5 years of covered employment at age 60 because of special service retirement or otherwise, the primary Social Security benefit payable beginning at age 65 (on a salary of $3,600 or more) would be $57.50 a month as compared with $80 a month if he remained in covered employment for the 5 years from age 60 to age 65. This is the only type of situation where length of covered employment would have any effect upon amount of the Social Security benefit, once qualification is obtained.

There is no problem where a member separates from service under our Retirement System's special service retirement and elects to have payments deferred to age 65. Under special service retirement, however, payments of the retirement allowance with appropriate actuarial reduction may begin, at the member's option, at any time after attainment of age 50. Therefore, since in no case would a member begin to receive the Social Security benefit before age 65, the treatment of the special service retirement benefit, when payments are to commence before age 65, creates more of a problem than the service retirement benefit. The special service benefit has been utilized in a number of instances where retirement earlier than at age 65 is in the mutual interests of the member and his employing bank and, in such cases, immediate income is usually necessary.

The Committee believes it is essential that the special service retirement benefit at any time shall be the exact actuarial equivalent of the service retirement benefit. It is therefore recommended that the special service retirement benefit be calculated on the same basis as the service retirement benefit, with the provision that payments may commence on an actuarially equivalent basis at any time after attainment of age 50.

In order to provide for the situation where retirement is in the interest of the employing bank, it is recommended that the Board of Governors be requested to review its authorizations to the banks to provide supplementary retirement benefits in cases of involuntary separations from service before age 65 (S-741 and S-905), with a view to making appropriate adjustments in the authority in the light of the situation which will be created by integration. Some members of the Committee are further of the opinion that the banks should be given greater latitude to grant an additional pension in a meritorious case, whether or not retirement is at the bank's instigation.

The Committee is agreed that an additional option under the provisions of Option 4 of the Rules and Regulations will be given members retiring on special service retirement (other than those for whom a supplementary benefit would be provided as suggested in the preceding paragraph), who might wish to adjust the immediate retirement allowance payable from the Retirement System so as to provide a level income over the entire period of payment. This would result in larger payments from the Retirement System during the period before Social Security payments commence, with appropriate reduction at the time such payments start and could be worked out actuarially with no increase in cost to the Retirement System.

C. Special Service Retirement before Age 50

The Committee recommends that the present provisions for special service retirement before age 50 be discontinued. It recommends that all special service retirements after 10 years of service regardless of age be handled in the same manner, i.e., that the benefit be calculated on the same basis as the service retirement benefit with the provision that payment of the allowance could commence only after the attainment of age 50, but not later than age 65, on an actuarially equivalent basis.

The present benefit for special service retirement before age 50 is a fixed benefit in which the proportion of annuity and pension varies greatly according to age and length of service. Integration of the benefit with Social Security would therefore present considerable difficulty.

When the benefit was originally adopted it was designed to take the place of Social Security coverage since the employees of the Federal Reserve Banks were not subject to such coverage. It would be possible to eliminate the benefit entirely upon integration but the Committee believes that it is desirable to continue to make provision for some vesting of Retirement System benefits after 10 years of service. This period of service is also the period required to qualify for full coverage under Social Security for all persons who are not now approaching retirement age. Accordingly, all future members who elect a special service retirement benefit after 10 years of service would also be entitled to a benefit from Social Security at age 65.

D. Disability Benefit

There is no provision in the amended Social Security bill for immediate payments before age 65 in case of disability. The Committee has accordingly concluded that it would be logical for the Retirement System to retain the present disability provisions, but to provide for an offset reduction in the disability allowance at age 65 when Social Security payments commence.

The Committee recommends, therefore, that the disability provisions of the present Rules and Regulations be retained, but that a paragraph be added providing that upon attainment of age 65, the amount of the disability pension payable as determined under the Rules be reduced by one-half of the primary Social Security benefit to which the member is entitled, and further, that no disability retirement allowance payable by the Retirement System shall exceed the amount of the service retirement allowance which the member would normally receive from the Retirement System if he remained in service to age 65. The latter provision is considered necessary in order to avoid a situation where a member, who retired on disability retirement shortly before age 65, could receive a higher retirement allowance than would be payable upon service retirement at age 65.

It was pointed out that the cost to the Federal Reserve Banks of the disability benefit will be increased somewhat after integration with Social Security, since the pension portion of this benefit is not fixed but is always the amount required, in addition to the annuity provided by the member's contributions, to provide a total benefit of 1 1/2% of final average salary for each year of service (with a minimum of 25% of such salary). The member's normal contributions to the Retirement System will be lowered by reason of his Social Security tax and, accordingly, the pension portion of the disability allowance will be larger and more costly in all cases. It is not anticipated that any substantial offset will be obtained by reason of the proposed reduction in the allowance at age 65 by half of the Social Security benefit, since relatively few persons retired for disability survive to that age.

E. Active Service Death Benefit

The Conference of Presidents at its meeting June 12-13, 1950, requested the Retirement Committee to work out a program in connection with Social Security integration for increasing the active service death benefit of the Retirement System along the lines suggested in the report of the Chairmen's Conference Committee. In connection with this subject, the Presidents also asked the Retirement Committee to give consideration to a possible plan for increased protection for employees in intermediate age groups where the need for such protection is presumably greater.

The Chairmen's Conference Committee suggested that a change be made in the active service death benefit, which would increase the present death benefit by some percentage of salary for each year of service after a stipulated number of years and, as an example, suggested that the benefit might be increased by 5% or 6% of annual salary for each year of service after 20 years, with a maximum benefit of two years' salary. This would result in the payment of two years' salary in the case of death after a maximum of 40 years of service.

The Committee is mindful that there is a considerable sentiment in the System that the death benefit payable to members with long service should be liberalized in order that there would be a minimum of disparity between benefits payable upon death shortly prior to service retirement and shortly thereafter. In this connection, however, the Committee again calls attention to the fact that effective July 1, 1949, the Rules and Regulations were amended so that the pension in respect of all service after that date is provided on a straight life basis with the privilege of conversion only to some form of joint and survivorship settlement; accordingly, the amount of lump sum death benefit which it would be possible to provide upon death shortly after retirement will gradually decrease.

The Committee recognizes, nevertheless, that the value of the pension reserve in terms of income to the beneficiaries of members is substantial, and believes that it is desirable to increase the death benefit in the case of members with long service who may die shortly before retirement. On the other hand, the Committee desires to avoid a death benefit shortly before retirement having a greater value than the benefit shortly after retirement. It has been recognized that a logical procedure would be to fix the death benefit at the value of the accrued pension benefit to which the member was entitled at the time of his death, i.e., the amount of his pension reserve, with the proviso that in no case could the benefit be less than one year's salary nor more than two years' salary. The Actuary has pointed out, however, that this would involve actuarial difficulties and would make it difficult, if not impossible, to estimate the amount of a member's death benefit at any given time before death actually occurred, particularly since pension benefits are based on the best 5-year average salary, and since the mortality factor is of major importance in the calculation of pension reserves. The Actuary feels strongly that it is preferable to base the active service death benefit upon salary, with limiting provisions which would accomplish the desired result as nearly as possible. Actual tests indicate that a maximum of two years' salary payable upon death shortly before service retirement would achieve the desired objective, i.e., substantially equalize the value of benefits payable immediately before and immediately after retirement, without producing a situation which might place a premium upon death immediately before retirement.

It is recognized that after some years of operation under the integrated plan, the payment of a death benefit of as much as two years' salary in the case of a lower-salaried (less than $3,600) employee might result in the payment of an amount in excess of the value of the accrued pension benefit, since the pension benefit for service after January 1, 1951, will be reduced by one-half for such lower-salaried employees, with a correspondingly smaller reserve. Since this situation would exist only in the case of a lower-salaried employee and the full effect of it would not be felt for a considerable period of time, the Committee does not regard it as a serious objection.

The Committee agrees that it is desirable that the formula for increasing the active service death benefit be designed to achieve the maximum benefit as close to age 65 as possible. Data obtained from the Actuary's office indicate that the average age at entrance is 28 for men and 25 for women. After full consideration, the Committee recommends that the present active service death benefit of one year's salary be increased by 5% of such salary for each year of service after completion of 16 years of service, with a maximum benefit payable amounting to two years' salary. On the basis of the average age at entrance of 28 years for men, the maximum death benefit would be payable upon attainment of age 64 after the completion of 36 years of service. It is understood, of course, that in addition a member's accumulated contributions will be refunded in all cases.

In order to be consistent with the provision for payment of two years' salary after 36 years of service, the Committee concluded that the present limitation of $25,000 on the lump sum death benefit payable should be changed, but that the figure of $25,000 should be retained as the maximum salary to be used in calculating the benefit. It is recommended that the maximum lump sum payment to be made in any case of death in active service would be two years' salary, and that for this purpose, any part of salary over $25,000 per annum would be disregarded.

In connection with the suggestion that consideration be given to providing increased protection for younger employees where the need for protection is presumably greater, the Committee is of the opinion that the survivorship benefits provided under Social Security for widows and minor children are substantial and afford adequate protection in most of such cases. A widow (or a divorced wife) with one minor child could receive 75% of the husband's primary insurance benefit in case of the husband's death after 18 months' covered employment and an additional 75% of the primary benefit would be payable for the minor child. If there is more than one dependent child each child receives 50% of the primary insurance benefit with an additional 25% divided among the number of children. Based on a $3,600 salary, the monthly payment for a widow and one minor child would be $120; where there were two or more minor children the monthly payment would be $150 (the maximum group payment permissible being $150). The Committee regards this benefit, together with the lump sum death benefit and the return of accumulated contributions provided by the Retirement System, as reasonable treatment for this group of employees.

III. Cost

The Actuary has indicated that in order to obtain an exact estimate of the cost of the integrated plan and the proposed new active service death benefit, it would be necessary to make an actuarial valuation. It is obviously undesirable, in view of the substantial work and expense involved, to undertake such a valuation until the plan for integration has been approved by the employing banks, the Board of Governors and the Board of Trustees of the Retirement System.

The Actuary has, however, estimated that the banks' current rate of contribution for Retirement System benefits will be approximately 9.47% of the payroll as follows:

	Present Plan	Proposed Integration Plan
Service benefit	4.07%	3.67%
Special service benefit	1.22	.62
Death benefit	1.18	1.61
Disability benefit	2.56	2.92
Expenses	.25	.25
$32 minimum	.95	.40
	10.23%	9.47%
Additional cost to banks, representing initial Social Security tax		1.35% of total payroll

In addition to the increase of 0.43% in the current cost of the active service death benefit, the Actuary estimates that a lump sum payment of $2,532,258 would be required from the employing banks for the accrued liability. If the banks should prefer not to liquidate the accrued liability by a lump sum payment, the current rate of contribution would be increased an additional 0.34%, making the percentage applicable to the death benefit 1.95% instead of 1.61% (and making the rate 9.81% instead of 9.47%) until the accrued liability for present members is liquidated.

As noted above, the banks' contribution to Social Security (1 1/2% of all salaries up to $3,600) will be approximately 1.35% of total payroll and this percentage will be increased by one-third when the Social Security tax is 2% and so on.

The Retirement Committee recognizes that some period of operation under the integrated plan will be necessary before it can be determined whether any benefits that may be decided upon are appropriate and satisfactory in all respects. It is suggested that the plan be adopted as recommended, with the understanding that a review will be made in the light of the experience of the first several years of operation in conjunction with Social Security.

Respectfully submitted,

RETIREMENT COMMITTEE

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COMPARISON OF SERVICE RETIREMENT BENEFITS UNDER RETIREMENT SYSTEM, SOCIAL SECURITY BENEFITS, AND COMBINATION OF BOTH

New entrants, i.e., employees employed on and after January 1, 1951.

SERVICE OF:		PRESENT RETIREMENT SYSTEM BENEFIT	SOCIAL SECURITY BENEFIT	SUGGESTED TOTAL BENEFIT*
		FINAL AVERAGE SALARY (a) OF $2,400		
10 years	Pension	$ 320		$ 120
	Annuity	233		181
	Social Security	-	$768	768
	Total	$ 553		$1,069
20 years	Pension	$ 640		$ 240
	Annuity	444		329
	Social Security	-	$753	753
	Total	$1,084		$1,322
30 years	Pension	$ 880		$ 360
	Annuity	620		434
	Social Security	-	$730	730
	Total	$1,500		$1,524
		FINAL AVERAGE SALARY (a) OF $3,600		
10 years	Pension	$ 360		$ 180
	Annuity	350		273
	Social Security	-	$944	944
	Total	$ 710		$1,397
20 years	Pension	$ 720		$ 360
	Annuity	666		493
	Social Security	-	$920	920
	Total	$1,386		$1,773
30 years	Pension	$1,080		$ 625
	Annuity	931		651
	Social Security	-	$885	885
	Total	$2,011		$2,161
		FINAL AVERAGE SALARY (a) OF $6,000		
10 years	Pension	$ 600		$ 420
	Annuity	582		503
	Social Security	-	$960	960
	Total	$1,182		$1,883
20 years	Pension	$1,200		$ 840
	Annuity	1,111		924
	Social Security	-	$960	960
	Total	$2,311		$2,724
30 years	Pension	$1,800		$1,317
	Annuity	1,552		1,228
	Social Security	-	$960	960
	Total	$3,352		$3,505

* i.e., Retirement System benefit plus Social Security benefit, with Retirement System pension reduced to 1/2 of 1% of final average salary on first $3,600 of salary for each year of service and with annuity reduced by amount employee's contributions to Social Security of 2% of first $3,600 of salary would provide. (2% has been used as an average rate of contribution.)

(a) If best 5 year average is as shown, 20 and 30 year averages would be lower and Social Security benefit would be based on the lower average. While maximum Social Security benefit is shown for a $6,000 salary, employee would have to receive $3,600 or over for each year of covered employment to receive such maximum benefit.

COMPARISON OF SERVICE RETIREMENT BENEFITS UNDER RETIREMENT SYSTEM, SOCIAL SECURITY BENEFITS, AND COMBINATION OF BOTH

Present employee with 5, 15 and 25 years of creditable Retirement System service, respectively, on January 1, 1951.

SERVICE OF:		PRESENT RETIREMENT SYSTEM BENEFIT	SOCIAL SECURITY BENEFIT	SUGGESTED TOTAL BENEFIT*
		FINAL AVERAGE SALARY (a) OF $2,400		
10 years	Pension	$ 320		$ 240
	Annuity	233		211
	Social Security	-	$ 780	780
	Total	$ 553		$ 1,231
20 years	Pension	$ 640		$ 560
	Annuity	444		419
	Social Security	-	$ 780	780
	Total	$ 1,084		$ 1,759
30 years	Pension	$ 880		$ 800
	Annuity	620		592
	Social Security	-	$ 780	780
	Total	$ 1,500		$ 2,172
		FINAL AVERAGE SALARY (a) OF $3,600		
10 years	Pension	$ 360		$ 270
	Annuity	350		318
	Social Security	-	$ 960	960
	Total	$ 710		$ 1,548
20 years	Pension	$ 720		$ 630
	Annuity	666		629
	Social Security	-	$ 960	960
	Total	$ 1,386		$ 2,219
30 years	Pension	$ 1,080		$ 990
	Annuity	931		891
	Social Security	-	$ 960	960
	Total	$ 2,011		$ 2,841
		FINAL AVERAGE SALARY (a) OF $6,000		
10 years	Pension	$ 600		$ 510
	Annuity	582		548
	Social Security	-	$ 960	960
	Total	$ 1,182		$ 2,018
20 years	Pension	$ 1,200		$ 1,110
	Annuity	1,111		1,071
	Social Security	-	$ 960	960
	Total	$ 2,311		$ 3,141
30 years	Pension	$ 1,800		$ 1,710
	Annuity	1,552		1,506
	Social Security	-	$ 960	960
	Total	$ 3,352		$ 4,176

* i.e., Retirement System benefit plus Social Security benefit, with Retirement System pension reduced to 1/2 of 1% of final average salary on first $3,600 of salary for each year of future service and with annuity reduced by amount future contributions to Social Security of 1.7% of first $3,600 of salary would provide. (1.7% has been used as the average rate of contribution over next 5 years.)

(a) Since service under Social Security would be 5 years in these examples no adjustment of the average salary need be made for that part of benefit.