

State and Local Employees Covered by Government Retirement Systems

DOROTHY McCAMMAN*

THE HISTORY OF organized protection against the risks of disability, old age, and premature death for employees of State and local governments in this country is marked by several distinct trends. The earliest significant legislation for public employees resulted from a recognition of the need for protection against the risks of disability and death; provisions for old-age retirement followed later. The first municipal pension fund established by law in the United States was that for New York City police in 1857. The original law provided only disability and death payments which were financed by awards, donations, and proceeds from the sale of confiscated or unclaimed property. Not until 20 years later were retirement protection and employee contributions added.

For many groups and in many localities, voluntary mutual benefit associations pointed the way to later public legislation. In 1869, the teachers of New York City founded the Mutual Life Assurance Association, which paid only lump-sum death benefits. This association was supported entirely by voluntary contributions made by members when the need arose. Sick benefits were added in 1885; by that time, regular annual dues were collected. The first retirement provisions for teachers were introduced in 1887 with the organization of the Old-Age and Disability Annuity Association in New York and Brooklyn. At first membership was voluntary, but it became compulsory in 1894 when New York City teachers obtained State legislation providing that deductions from their pay because of absence were to be turned over to the retirement fund.

The earliest plans and provisions for old-age, disability, or survivor protection for public employees were predominantly local in scope, presumably because interest could be awakened more easily in relatively small groups. As the principle of publicly sponsored protection for State and local government employees gained acceptance, sys-

tems expanded to cover wider geographical areas. A State-wide contributory plan for teachers was established in New Jersey in 1896; membership was voluntary under the original legislation but was later made compulsory for new entrants. From 1904 on, a number of States passed legislation providing for State-wide contributory systems for teachers; in most of these, membership was compulsory.

In the early stages of growth, protection was confined to special classes of public employees: teachers, policemen, firemen, and judges. The first system covering general State employees was established in 1911 by Massachusetts. Four years later, the employees of Philadelphia and Pittsburgh were covered by the earliest municipal systems combining the employees of several governmental departments.

There has been increasing acceptance of the principle that the financing of retirement and survivor protection for employees of State and local governments is a joint responsibility of the employee and the governmental unit. Although the earliest teachers' systems were supported entirely by voluntary employee contributions, systems for other occupational groups were more commonly financed at first by the governmental unit alone. Many of these noncontributory plans were supported by sporadic appropriations by the governmental unit to provide the funds needed currently. Other units cared for employees who were too old to work by means of concealed pensions—by keeping superannuated employees on the regular pay roll although they were not expected to perform any regular duties. More orderly provisions and recognition of social insurance needs are associated with the rapid growth, after 1910, of legislation calling for contributions from both the employee and the governmental unit. In many instances, the contributory legislation represented the conversion of older systems and not the creation of new ones.

Retirement systems for State and local government employees have grown at an uneven rate in

*Bureau of Research and Statistics, Division of Coordination Studies. Thurza Brannon and Martin L. Marlmont assisted in preparation of data and estimates presented.

different sections of the country and for different groups of employees. When the Social Security Act was passed in 1935, all State and local government employees were excluded from coverage of old-age and survivors insurance because of the legal problems involved in taxing State and local government pay rolls. Thus, a large proportion of employees and their families who were not protected by State or local systems were left without any protection against the loss of earnings through old age or death. The character and the extent of the benefits vary widely among the groups which have some protection under State or local plans.

The Social Security Board is responsible for evaluating the extent of the protection available to and the social security needs of persons not covered by the provisions of the Social Security Act. Among the groups for which information has been lacking are employees of State and local governments. Therefore, the possibility of obtaining data on coverage and benefits through a mail canvass was discussed with staff members of the Division of State and Local Government of the Census Bureau and the survey was undertaken by them. Questionnaires were sent to retirement systems administered by States, by all municipalities with populations of 5,000 or more, by all counties with populations of 50,000 or more, and by a sample of the smaller governmental units. The study excluded retirement systems in which employees were first covered after the end of the fiscal year 1940-41; systems under which only service-connected disability payments are made and which therefore resemble workmen's compensation rather than retirement programs; private endowment plans such as those of the Carnegie Foundation for the Advancement of Teaching; and plans which provide for the purchase of retirement annuity contracts through life insurance companies. Of the estimated 1,753 systems which were considered to fall within the scope of this study, a small portion have no formal organization but merely represent the current payment by the government of pensions to selected former employees or their survivors.

National estimates of State and local retirement coverage, benefits and beneficiaries, refunds, and contributions have been prepared jointly by the Division of Coordination Studies, Bureau of Research and Statistics of the Social Security Board, and the Division of State and Local Government

of the Bureau of the Census. An analysis of the complete results will be published by the Bureau of Research and Statistics in the near future.¹ In the meantime, because public attention is again focused on the groups which do not yet have social insurance protection, data on coverage of public employees under State and local government retirement systems are presented here.

Coverage in Relation to All State and Local Employment

Approximately 1.5 million State and local government employees were members in January 1942 of retirement systems which were in operation at the close of the fiscal year 1940-41 (table 1).² The covered employees made up less than half of all State and local employment. The almost complete lack of protection for all employees in a number of States and for employees in certain occupations or localities in other States is concealed in the over-all coverage figure.

California, New York, and Ohio lead in covering their State and local employees. In each of these States, approximately three out of every four public employees were members of retirement systems operating at the end of the fiscal year 1940-41. At least two out of every three employees in Connecticut, Massachusetts, and Pennsylvania had protection. But in contrast to these 6 States are Idaho, with no coverage, and 7 other States which covered less than 5 percent of their State and local employees—Mississippi, Nebraska, North Carolina, Oklahoma, South Carolina, South Dakota, and Wyoming. Almost equally unprotected were the employees of Alabama, Iowa, Missouri, New Hampshire, and Oregon, where fewer than one-tenth were covered³ by retirement systems. In approximately half the States, the

¹ Summary tabulations of operating data have been published by the Division of State and Local Government, Bureau of the Census, in *Retirement Systems for State and Local Government Employees*, April 1943, State and Local Government Special Study No. 17.

² The figures for covered employment do not include employees under the following types of programs: systems under which only service-connected disability payments are made; private endowment plans; and plans which provide for the purchase of retirement annuity contracts through life insurance companies.

³ The proportion of coverage in Alabama and North Carolina has increased significantly as a result of retirement systems which came into operation after the 1940-41 fiscal year. From information now available, it is estimated that, at the close of 1942, 50 percent of all State and local employees in the United States were covered by retirement systems. The States which account for the bulk of the increase in coverage, and the estimated proportion of their public employment which was covered by the end of 1942 are: Alabama, 47 percent; Michigan, 61 percent; North Carolina, 70 percent; and Virginia, 64 percent.

employees who had no protection outnumbered the members of retirement systems more than two to one.

The tendency for the States with the largest numbers of public employees to have the highest proportionate coverage results in a marked concentration of membership in a few States. Thus New York alone accounted for one-fifth of all the

covered employment and, in combination with California, Ohio, and Pennsylvania, for almost half. The combined employment in these 4 States, however, represents less than a third of all State and local employment. The 15 States with the smallest number of government employees had 7.1 percent of all State and local employment but only 4.5 percent of the covered employment.

Table 1.—Employment and pay rolls covered by State and local government retirement systems, and proportion of school, nonschool, and permanent full-time employment covered, by State, January 1942¹

(Amounts in thousands)

| State | Employment | | | Pay rolls | | | Percent of total school employment covered | Percent of total non-school employment covered | Percent of permanent full-time employment covered |
|---------------------------|------------|--|---------|-----------|-------------------------------|---------|--|--|---|
| | Total | Covered by retirement systems ² | | Total | Covered by retirement systems | | | | |
| | | Number | Percent | | Amount | Percent | | | |
| Total..... | 3,249,290 | 1,404,714 | 43.0 | \$380,497 | \$231,067 | 59.8 | 57.7 | 38.1 | 55.3 |
| Alabama..... | 47,421 | 2,700 | 5.8 | 3,700 | 349 | 9.4 | 0 | 12.1 | 6.7 |
| Arizona..... | 12,304 | 3,951 | 32.1 | 1,722 | 675 | 39.2 | 69.1 | 6.2 | 36.0 |
| Arkansas..... | 32,483 | 12,700 | 39.3 | 2,143 | 820 | 38.3 | 66.2 | 4.7 | 45.0 |
| California..... | 102,070 | 147,408 | 76.4 | 30,744 | 20,420 | 86.0 | 100.0 | 64.8 | 85.2 |
| Colorado..... | 31,243 | 8,620 | 27.0 | 3,697 | 1,324 | 36.0 | 25.0 | 29.6 | 31.1 |
| Connecticut..... | 42,728 | 20,650 | 48.4 | 0,035 | 4,783 | 79.3 | 89.1 | 60.3 | 78.3 |
| Delaware..... | 7,208 | 1,005 | 14.8 | 844 | 185 | 21.9 | 16.3 | 13.8 | 16.9 |
| District of Columbia..... | 15,360 | 5,700 | 37.1 | 2,485 | 1,307 | 55.0 | 73.9 | 22.5 | 37.8 |
| Florida..... | 50,110 | 28,000 | 56.0 | 4,009 | 3,107 | 62.2 | 72.2 | 46.8 | 62.4 |
| Georgia..... | 57,457 | 8,204 | 14.3 | 4,784 | 1,035 | 21.0 | 14.6 | 13.9 | 16.3 |
| Idaho..... | 13,836 | 0 | 0 | 1,456 | 0 | 0 | 0 | 0 | 0 |
| Illinois..... | 170,608 | 88,164 | 51.7 | 23,272 | 16,812 | 72.2 | 76.1 | 37.1 | 63.7 |
| Indiana..... | 80,720 | 25,988 | 32.2 | 8,904 | 3,702 | 42.3 | 66.2 | 11.5 | 37.2 |
| Iowa..... | 67,923 | 3,707 | 5.4 | 6,207 | 590 | 9.5 | 6.3 | 4.5 | 7.1 |
| Kansas..... | 57,602 | 10,960 | 19.0 | 4,852 | 1,823 | 37.6 | 56.0 | 5.2 | 39.0 |
| Kentucky..... | 47,704 | 22,414 | 47.0 | 4,201 | 1,990 | 47.6 | 77.5 | 11.5 | 62.6 |
| Louisiana..... | 59,901 | 20,170 | 33.7 | 5,407 | 2,317 | 42.9 | 68.6 | 7.9 | 37.9 |
| Maine..... | 20,747 | 13,514 | 65.0 | 2,048 | 1,236 | 60.3 | 69.1 | 40.2 | 68.1 |
| Maryland..... | 30,048 | 23,600 | 78.5 | 4,434 | 2,735 | 61.7 | 73.3 | 53.4 | 65.1 |
| Massachusetts..... | 116,370 | 70,443 | 60.6 | 15,900 | 12,001 | 75.4 | 68.3 | 64.5 | 78.8 |
| Michigan..... | 143,702 | 68,004 | 47.3 | 19,259 | 11,857 | 61.6 | 87.7 | 25.5 | 56.4 |
| Minnesota..... | 86,371 | 37,649 | 43.6 | 8,893 | 5,132 | 57.7 | 41.1 | 45.2 | 62.5 |
| Mississippi..... | 42,440 | 754 | 1.8 | 2,745 | 124 | 4.5 | 1.8 | 1.7 | 2.5 |
| Missouri..... | 77,807 | 4,248 | 5.5 | 8,257 | 711 | 8.6 | 0 | 9.7 | 6.4 |
| Montana..... | 15,544 | 5,838 | 37.6 | 1,881 | 490 | 26.1 | 70.7 | 3.8 | 41.6 |
| Nebraska..... | 30,219 | 1,731 | 5.7 | 3,038 | 284 | 9.3 | 6.0 | 3.1 | 5.7 |
| Nevada..... | 4,135 | 1,002 | 24.2 | 559 | 174 | 31.1 | 68.8 | 4.0 | 30.0 |
| New Hampshire..... | 18,186 | 1,430 | 7.9 | 1,449 | 190 | 13.5 | 18.1 | 4.4 | 14.8 |
| New Jersey..... | 102,550 | 60,028 | 58.5 | 10,334 | 10,244 | 99.1 | 80.0 | 46.5 | 70.5 |
| New Mexico..... | 12,930 | 7,435 | 57.5 | 1,376 | 806 | 58.6 | 100.0 | 3.6 | 65.1 |
| New York..... | 400,097 | 303,500 | 75.8 | 67,684 | 59,908 | 88.5 | 81.1 | 73.0 | 86.5 |
| North Carolina..... | 65,804 | 2,832 | 4.3 | 5,785 | 390 | 6.8 | 0 | 9.4 | 4.8 |
| North Dakota..... | 21,068 | 7,959 | 37.8 | 1,346 | 550 | 41.5 | 75.4 | 1.8 | 54.4 |
| Ohio..... | 175,459 | 128,350 | 73.2 | 20,633 | 15,565 | 75.4 | 87.7 | 64.1 | 91.2 |
| Oklahoma..... | 51,155 | 1,235 | 2.4 | 5,099 | 149 | 2.9 | 0 | 5.3 | 2.8 |
| Oregon..... | 31,388 | 2,373 | 7.6 | 3,510 | 454 | 12.9 | 9.7 | 5.9 | 9.0 |
| Pennsylvania..... | 222,147 | 140,921 | 63.4 | 27,039 | 18,809 | 69.6 | 95.9 | 46.0 | 88.2 |
| Rhode Island..... | 17,763 | 11,031 | 62.1 | 2,220 | 1,018 | 45.8 | 72.9 | 56.9 | 71.2 |
| South Carolina..... | 37,043 | 1,041 | 2.8 | 2,971 | 187 | 6.3 | 1.3 | 8.2 | 5.1 |
| South Dakota..... | 26,823 | 443 | 1.7 | 1,578 | 0 | 0 | 0 | 2.0 | 2.8 |
| Tennessee..... | 55,027 | 8,262 | 14.9 | 4,572 | 1,059 | 23.2 | 13.3 | 16.7 | 16.9 |
| Texas..... | 148,007 | 53,230 | 35.9 | 13,031 | 5,893 | 45.2 | 57.4 | 8.4 | 41.1 |
| Utah..... | 10,054 | 6,288 | 62.5 | 1,804 | 845 | 46.8 | 67.3 | 4.2 | 44.9 |
| Vermont..... | 11,021 | 1,108 | 10.0 | 848 | 113 | 13.3 | 10.0 | 10.0 | 18.0 |
| Virginia..... | 58,447 | 20,504 | 35.1 | 5,160 | 1,938 | 37.0 | 68.3 | 5.9 | 41.6 |
| Washington..... | 52,715 | 20,100 | 38.1 | 6,776 | 3,029 | 44.7 | 67.1 | 21.7 | 44.8 |
| West Virginia..... | 40,520 | 18,573 | 45.8 | 4,128 | 2,001 | 48.5 | 70.9 | 4.9 | 51.3 |
| Wisconsin..... | 92,011 | 32,520 | 35.3 | 6,181 | 4,999 | 80.9 | 65.4 | 20.2 | 49.4 |
| Wyoming..... | 8,370 | 335 | 4.0 | 830 | 55 | 6.6 | 1.8 | 6.3 | 4.7 |

¹ Estimates of total covered employment and pay rolls prepared jointly by the Division of Coordination Studies, Bureau of Research and Statistics, Social Security Board, and the Division of State and Local Government, Bureau of the Census, U. S. Department of Commerce, on basis of data collected by the Bureau of the Census. Total State and local government employment and pay rolls estimated by the Division of State and Local Government. Estimates of coverage of school and nonschool employment and of permanent full-time employment prepared by Division of Coordination Studies, on basis of information collected by Office of Education and by Division of State and Local Government.

² Covered by retirement systems in actual operation at the end of fiscal year 1940-41. Since then, systems have been set up in several States and a number of cities. On the basis of information available at present, it is estimated that approximately 50 percent of all State and local employees were covered by retirement systems at the end of 1942.

³ Total represents sum of unrounded amounts.

⁴ Data on coverage include only the teaching staffs, police, and fire department employees; other types of governmental employees are covered by the Federal civil-service retirement system.

The combined covered employment of the 25 States with the fewest members of retirement systems represented only 6 percent of all covered employment.

Type of employee covered.—Retirement systems cover a higher proportion of employment in public educational systems—58 percent—than in nonschool employment as a whole—38 percent.⁴ This fact does not mean, however, that certain occupations in the nonschool group, primarily those of policemen and firemen, are not protected as well as or better than teaching. Although teachers have pioneered in the field of organized retirement for State and local employees, it has long been recognized that public servants in hazardous occupations should be rewarded for their years of service by a pension. Originally, retirement provision for policemen and firemen was frequently in the form of a concealed pension; this practice with respect to policemen and firemen is relatively uncommon today except in small localities where, for example, a policeman past retirement age may be kept on the pay roll for occasional duty at school crossings.

In the present study it has been impossible to determine on a Nation-wide basis the relative number of policemen and firemen who are members of retirement systems because of the frequency with which these occupations are covered by systems including other occupations as well. But inasmuch as systems which limit their membership to policemen or firemen, or both, covered 52 percent of the estimated 299,000 employees of police and fire departments in the United States, it is probable that the addition of policemen and firemen who are members of other types of systems would raise this proportion above the 58 percent found for school employees.

Nonschool employees other than policemen and firemen obviously have much less protection. Again it is impossible to determine the exact proportion because of the existence of systems which combine policemen and firemen with other employees. There are, however, approximately

⁴ Public education employment includes the personnel of State universities, colleges, and normal schools. Clerical and custodial employees of all public schools are included also. Practice with respect to which types of school employees are eligible for membership in public retirement systems varies widely from State to State. A few systems include both school and nonschool employees. The number of school employees in such systems has been estimated and added to the number who are members of systems limited to school employees, to obtain the proportion of public education employment which is covered.

1,636,000 State and local nonschool employees in departments other than police and fire. The number of nonschool employees who are members of retirement systems, excluding those systems which are limited to employees of police and fire departments, is slightly less than 580,000. Even if it were assumed that this coverage figure did not include any policemen or firemen, not more than 35 percent of the other nonschool employment would be covered.

Alabama, Idaho, Missouri, North Carolina, Oklahoma, and South Dakota had no retirement systems for school employees in operation in 1940-41. In a dozen other States less than one-third of such employment was covered. California and New Mexico covered all their public education employees, and Connecticut, Michigan, Ohio, and Pennsylvania covered almost nine-tenths.

The coverage of nonschool employment was much greater in New York than in any other State; three out of every four employees were covered. In California, Massachusetts, and Ohio, the proportion was almost two out of three. Although all States except Idaho covered some nonschool employees, 14 States covered fewer than one-twentieth. All but 13 States covered less than a third of the nonschool employees.

Only 5 States, excluding the 5 which had no coverage for school employees, covered a higher proportion of their nonschool than of their school employment. In each of the 6 States which ranked highest in over-all coverage, a higher proportion of school than of nonschool employees were members of retirement systems.

On the other hand, the concentration of coverage in a few States is greater for nonschool employment. New York alone had approximately three-tenths of all nonschool covered employment, and California, Ohio, and Pennsylvania accounted for another three-tenths. These 4 States also had the largest numbers of covered school employment but, in this instance, they comprised only four-tenths of the total. The 25 States in which the combined covered employment amounted to only 6 percent of the United States total had 7 percent of the school coverage and only 5 percent of the nonschool, despite the fact that 5 of them had no retirement systems for school employees.

Nonschool coverage by type and size of governmental unit.—The relationship of coverage to the employing governmental unit is obscured by the

existence of State-administered systems which include in their membership the employees of local governments of all types and sizes. Systems of this kind were in existence in 35 States in 1940-41, but most of them were for school employees. By restricting the present analysis to public employees other than school employees, a distribution of total employment and covered employment by size and type of governmental unit can be made for the 36 States listed in table 2. The resulting figures cannot be considered as representative of the United States, however. In the first place, California, New York, and Ohio, which rank highest in the proportion of all employees covered, are

Table 2.—Covered nonschool employment as percent of total nonschool employment, by type and size of employing governmental unit, January 1942

| State ¹ | All governmental units ² | State governments | Municipal governments | | | Counties |
|--------------------|-------------------------------------|-------------------|------------------------------|-----------------|--------------------------------|----------|
| | | | 500,000 or more ³ | 100,000-499,999 | Less than 100,000 ⁴ | |
| Total, 36 States | 24.5 | 27.5 | 74.2 | 51.2 | 13.3 | 6.2 |
| Alabama | 12.1 | 0 | | 69.6 | 21.8 | 5.9 |
| Arizona | 6.2 | 0 | | | 23.8 | 0 |
| Arkansas | 4.7 | .1 | | | 23.3 | 0 |
| Colorado | 23.6 | 71.4 | | 10.2 | 21.5 | 0 |
| Connecticut | 60.3 | 94.9 | | 47.7 | 15.4 | 0 |
| Delaware | 13.8 | 12.2 | | 27.3 | 0 | 0 |
| Florida | 40.8 | 95.0 | | 62.2 | 11.1 | 0 |
| Georgia | 13.0 | (⁵) | | 63.4 | 6.1 | 18.1 |
| Indiana | 11.6 | 4.3 | | 37.4 | 15.8 | 0 |
| Iowa | 4.5 | 0 | | 30.4 | 8.5 | 0 |
| Kansas | 5.2 | 0 | | 37.1 | 6.5 | 0 |
| Kentucky | 11.5 | 0 | | 22.0 | 28.2 | 0 |
| Louisiana | 7.9 | 5.8 | | 24.9 | 0.1 | 0 |
| Maine | 40.2 | 100.0 | | | 6.8 | 0 |
| Maryland | 53.4 | 50.9 | 68.3 | | 0.0 | 0 |
| Massachusetts | 64.5 | 88.8 | 84.3 | 77.8 | 46.3 | 30.8 |
| Michigan | 25.5 | 3.1 | 76.4 | 70.0 | 12.8 | 0 |
| Mississippi | 1.7 | 0 | | | 5.8 | 0 |
| Missouri | 9.7 | 0 | 28.0 | 22.2 | 3.1 | 0 |
| Montana | 3.8 | 0 | | | 15.5 | 0 |
| Nebraska | 3.1 | 0 | | 27.0 | 1.2 | 0 |
| Nevada | 4.0 | 0 | | | 14.0 | 0 |
| New Mexico | 3.6 | 5.8 | | | 0 | 0 |
| North Dakota | 1.8 | 0 | | | 3.1 | 0 |
| Oklahoma | 5.3 | 0 | | 28.7 | 8.1 | 0 |
| Oregon | 5.9 | 0 | | 37.2 | 0 | .9 |
| Pennsylvania | 46.6 | 65.9 | 82.4 | 46.5 | 6.3 | 34.1 |
| Rhode Island | 50.9 | 74.5 | | 81.2 | 17.4 | |
| South Dakota | 2.6 | 0 | | | 3.0 | 0 |
| Tennessee | 16.7 | .6 | | 45.8 | 8.0 | 0 |
| Texas | 8.4 | 0 | | 45.8 | 8.7 | 0 |
| Vermont | 10.6 | .9 | | | 30.9 | 0 |
| Virginia | 5.9 | .9 | | 25.5 | 8.0 | 0 |
| Washington | 21.7 | .7 | | 84.0 | 7.1 | 0 |
| West Virginia | 4.9 | 2.7 | | | 13.4 | 0 |
| Wisconsin | 20.2 | 1.2 | 93.7 | | 7.1 | 27.4 |

¹ Excludes 11 States with State-administered retirement systems offering membership to employees of local governments of all types and sizes; Idaho, which has no coverage; and Washington, D. C., for which an analysis by size of unit would be meaningless.

² Total nonschool employment includes special districts in which there was no coverage.

³ Includes 2 cities with populations over 1 million—Detroit with a coverage proportion of 76.4 percent and Philadelphia with 83.1 percent. Of the employees of cities between 500,000 and 1,000,000 population, 69.3 percent are covered.

⁴ Includes townships.

⁵ Less than 0.05 percent.

excluded because their State-administered systems for local nonschool employees made comparison impossible.⁵ Only 25 percent of all nonschool employment in the 36 States was covered; the corresponding proportion for the United States was 38 percent. Moreover, the very fact that the States excluded from this analysis have State-administered systems for local employees may indicate a more complete coverage for their local employees than exists in the States on which the analysis is based.

Only 28 percent of the employees of the 36 State governments were covered by public retirement systems. In Connecticut, Florida, Maine, and Massachusetts, however, approximately 90 percent had protection. In Colorado, Maryland, Pennsylvania, and Rhode Island, between 60 and 75 percent were covered. But in the remaining 28 States, only Delaware covered as many as 12 percent of its State employees, and 15 States reported no coverage for this group. In States which have covered only a small proportion of their employees, the systems have frequently been limited to judges and State police.

The proportion of municipal employees covered in the 36 States bears a direct relationship to the size of city: 74 percent in cities of 500,000 or more, 51 percent in cities of 100,000-500,000, and only 13 percent in cities of less than 100,000. A low proportion of coverage by locally administered systems is to be expected in small governmental units, where the number of employees may be too small to permit the operation of a financially sound system. When no State-administered system which covers local units exists, a small locality occasionally protects its employees by the purchase of annuities through private insurance companies—a type of protection not included in the present study.

Covered pay roll.—Of the \$386.5 million pay roll for all State and local government employees in January 1942, 60 percent was paid to members of public retirement systems (table 1). The relatively high average pay for covered employees—\$155 in contrast to \$119 per month for all State and local government employees—reflects the exclusion from many retirement systems of part-

⁵ For the same reason, Illinois, Minnesota, New Hampshire, New Jersey, North Carolina, South Carolina, Utah, and Wyoming were excluded. Idaho was excluded because of the absence of any coverage and Washington, D. C., because the present analysis by size of unit would be meaningless.

time and temporary workers as well as the more frequent inclusion of the higher-paid public employees—teachers, policemen, and firemen.

In every State but Arkansas and Montana, the proportion of the pay roll covered was higher than the proportion of employment covered. But the proportionate differences were much greater for the States which include only a small portion of their government employees in retirement systems than for those with wider coverage. This results from the fact that almost all the covered employees in the former group of States are teachers, policemen, and firemen. In the 7 States which covered less than 5 percent of their State and local employees (excluding Idaho which had no covered employment), the total covered employment amounted to only 3.3 percent of all employment while the covered pay roll was 5.7 percent of the total pay roll. The average monthly pay of \$141 for covered employees in these 7 States was 74 percent higher than the average of \$81 for all employment. In the 6 States which covered two-thirds or more of their public employees, the 72 percent of all employees who were covered received 82 percent of the pay roll; their average monthly pay of \$165 was 13 percent higher than the average of \$146 for all public employees in these States.

Coverage in Relation to Full-Time Permanent State and Local Employment

Membership in many State and local government retirement systems is restricted to employees who are classified as permanent and who work on a full-time basis. In January 1942 there were approximately 2.7 million such employees in the United States. Employment covered by systems which were in operation at the end of the fiscal year 1940-41 represents about 55 percent of this group (table 1).⁶

Ohio led in the proportion of permanent full-time employment covered—91 percent—and Pennsylvania followed closely with 88 percent. New York and California ranked third and fourth, respectively, with 86 and 85 percent; these are the 2 States which covered the highest proportion of all their State and local employees. In Connecticut, Maine, Maryland, Massachusetts,

⁶ Several States include some part-time or temporary employees in certain systems; 5,160 such employees were omitted from the tabulations on which this percentage was computed. A few of the remaining 1,489,554 covered employees may be part-time or temporary, but they probably are not sufficiently numerous to affect the analysis.

New Jersey, New Mexico, and Rhode Island, at least 65 percent of the permanent full-time employees were protected.

Even when coverage is related to permanent full-time employment, a serious lack of protection is evident in many States. Of the 7 which covered less than 5 percent of their State and local employees, only 1 covered as many as 6 percent of the full-time permanent workers. In all, 10 States provided retirement protection for less than one-third of the permanent employees working full time.

In small localities, many departments are partly or wholly manned by part-time workers; large cities, on the other hand, employ most of their personnel full time. Consequently, the exclusion of part-time and temporary workers in determining the proportion of employees who have protection affects the smaller localities more than the large governmental units. Again the analysis must be limited to nonschool employment in the 36 States shown in table 2. Whereas the coverage proportion for all units regardless of size in these States increased from 25 percent, when computed on the basis of all employment, to 33 percent when based on permanent full-time employment only, the proportion for cities of less than 25,000 population more than doubled—from 5.9 to 13.2 percent:

| Type and size of governmental unit | Percent of all nonschool employment covered | Percent of permanent full-time nonschool employment covered |
|------------------------------------|---|---|
| Total, 36 states..... | 24.5 | 33.3 |
| State governments..... | 27.5 | 32.0 |
| Municipal governments: | | |
| 1,000,000 or more..... | 79.5 | 87.0 |
| 500,000-999,999..... | 69.3 | 71.8 |
| 100,000-499,999..... | 51.2 | 56.1 |
| 25,000-99,999..... | 41.8 | 46.7 |
| Less than 25,000..... | 5.9 | 13.2 |
| Counties..... | 6.2 | 8.0 |
| Townships ¹ | .1 | .5 |

¹ New England townships are included with municipalities.

Coverage in Relation to Employment and Pay Rolls in Departments Maintaining Retirement Systems

Almost 1.9 million (57 percent) of all State and local government employees in January 1942 were employed by departments which maintained

retirement systems.⁷ Four-fifths of them were members of retirement systems. That one-fifth of employment was not covered, even when there was a system available, may be accounted for by various factors. Part-time and temporary workers and employees who are beyond a specified age at the time of entering government service or at the date of establishment of a system are usually not eligible for membership. A retirement system may be designed to cover only a given class of workers in a department—only teachers in a department of education, for instance, or only uniformed policemen in a police department. Finally, employees already in service at the date of establishment of the retirement system are usually permitted to decline membership if they desire.

The departments which maintain retirement systems pay considerably higher salaries than do State and local governments as a whole—\$146 per month in January 1942 in contrast to \$119. An even greater contrast is apparent between the average salary of employees who are members of retirement systems and that of their fellow workers in the same department. The covered employees averaged \$155 in January 1942 and the noncovered employees, \$112. The difference illustrates the effect of the exclusion from membership in most systems of part-time workers and of such occupations as clerk and janitor in many of the systems maintained by education, police, and fire departments.

Type of employee and type and size of governmental unit.—Retirement systems maintained by fire departments covered 98 percent of all employment in the department—a higher proportion than in systems for other types of employees. Although part-time and temporary workers and the clerical help of fire departments are frequently excluded from membership in the retirement systems, the proportion of such employees is probably very low in fire departments.⁸ The same situation holds for police departments, although the latter have more desk workers; the police departments with retirement systems covered 93 percent of their employees. Systems covering both police

⁷ For State-administered systems which cover local school employees, for example, "employment in the department" represents total school employment in all localities which are included in the State-administered system.

⁸ Systems which cover only volunteer firemen and usually pay only service-connected disability or death benefits are not included in this survey. However, a few retirement systems covering both volunteer and paid members of the fire department (representing 612 members) are included.

and fire departments gave protection to 89 percent of the departmental employees. School departments which maintained or participated in retirement systems for school employees covered 82 percent.

The systems covering general employees have been classified into three types for this study: those which cover all classes of employees; those which cover all classes except school; and those which cover all classes except school, police, and fire department employees.

Of these three types, the type which includes school employees, policemen, and firemen covered the highest proportion of the department—78 percent—and the type which excludes those three classes of employees, the lowest—73 percent. Apparently, however, this difference is due not so much to the type of employees included as to the type and size of governmental units which maintain such systems. At a given governmental level, there is no consistent relationship in the proportion of coverage under these three classifications.

In general, noncontributory systems covered a higher proportion of the total employment of the department—91 percent—than did contributory systems—80 percent. The exceptions were systems for fire department employees and for the "other" group (public service employees, judges, and the like).

Characteristics of Retirement Systems and of Covered Employment

Contributory—noncontributory.—Of the 1,753 retirement systems operating in the fiscal year 1940-41 for State and local government employees, almost 400, or 22 percent had contributions from the government only (table 3). These are small systems, however, and account for less than 5 percent of the total covered employment in January 1942. Some of the noncontributory systems are closed to new membership as a result of a superseding contributory system; many have no formal organization but merely represent the current payment by the government of pensions to selected former employees or their survivors.

Policemen and firemen who were covered by separate systems or who were combined in a single system and employees classified as "other" (predominantly judges in noncontributory systems) formed a higher proportion of the membership of

noncontributory systems than of contributory while school employees constituted a smaller proportion.

Striking differences between contributory and noncontributory systems show up in the distributions by type and size of governmental unit.

Table 3.—Number of State and local government retirement systems and number of covered employees, by type of employee covered and by administering governmental unit, January 1942

| Administering governmental unit | Total | Type of employee covered | | | | | | | |
|--|-----------|---|---|---|-----------------------------|-----------------------------|---------------------------|---|--------------------------|
| | | General systems | | | School dept. employees only | Police dept. employees only | Fire dept. employees only | Police and fire dept. employees in combined systems | Other types of employees |
| | | Including school, police, and fire depts. | Including police and fire but not school depts. | Excluding school, police, and fire depts. | | | | | |
| Number of systems | | | | | | | | | |
| Total | 1,753 | 10 | 101 | 68 | 112 | 829 | 500 | 228 | 117 |
| Contributory | 1,360 | 9 | 93 | 88 | 81 | 417 | 413 | 212 | 49 |
| Noncontributory | 393 | 1 | 8 | 10 | 31 | 112 | 147 | 16 | 68 |
| State: | | | | | | | | | |
| For State employees only | 65 | 1 | 6 | 3 | 5 | 13 | 0 | 0 | 37 |
| Contributory | 23 | 1 | 3 | 3 | 0 | 10 | 0 | 0 | 6 |
| Noncontributory | 42 | 0 | 3 | 0 | 5 | 3 | 0 | 0 | 31 |
| For local employees only | 7 | 1 | 0 | 1 | 1 | 0 | 3 | 0 | 1 |
| Contributory | 7 | 1 | 0 | 1 | 1 | 0 | 3 | 0 | 1 |
| Noncontributory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| For State and local employees | 45 | 0 | 3 | 1 | 31 | 3 | 0 | 0 | 4 |
| Contributory | 37 | 0 | 3 | 1 | 20 | 3 | 0 | 0 | 1 |
| Noncontributory | 8 | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 3 |
| Municipality: | | | | | | | | | |
| 1,000,000 or more | 37 | 0 | 0 | 6 | 8 | 6 | 5 | 1 | 11 |
| Contributory | 30 | 0 | 0 | 5 | 6 | 5 | 4 | 1 | 9 |
| Noncontributory | 7 | 0 | 0 | 1 | 2 | 1 | 1 | 0 | 2 |
| 500,000-999,999 | 26 | 3 | 0 | 4 | 3 | 7 | 8 | 1 | 0 |
| Contributory | 18 | 3 | 0 | 2 | 2 | 5 | 5 | 1 | 0 |
| Noncontributory | 8 | 0 | 0 | 2 | 1 | 2 | 3 | 0 | 0 |
| 100,000-499,999 | 227 | 2 | 9 | 22 | 26 | 60 | 63 | 17 | 28 |
| Contributory | 154 | 2 | 8 | 19 | 18 | 39 | 45 | 16 | 8 |
| Noncontributory | 73 | 0 | 1 | 3 | 8 | 21 | 18 | 2 | 20 |
| Less than 100,000 ¹ | 1,223 | 3 | 66 | 44 | 27 | 428 | 481 | 200 | 25 |
| Contributory | 1,037 | 2 | 62 | 42 | 20 | 313 | 356 | 195 | 17 |
| Noncontributory | 246 | 1 | 4 | 2 | 7 | 85 | 125 | 14 | 8 |
| County: | | | | | | | | | |
| Contributory | 63 | 0 | 17 | 15 | 8 | 12 | 0 | 0 | 11 |
| Noncontributory | 64 | 0 | 17 | 13 | 5 | 12 | 0 | 0 | 7 |
| Noncontributory | 9 | 0 | 0 | 2 | 3 | 0 | 0 | 0 | 4 |
| Number of employees covered by systems | | | | | | | | | |
| Total | 1,494,714 | 55,580 | 225,529 | 200,701 | 740,781 | 73,850 | 51,905 | 30,689 | 25,680 |
| Contributory | 1,427,080 | 54,945 | 206,932 | 284,610 | 710,131 | 67,068 | 45,695 | 28,454 | 22,336 |
| Noncontributory | 67,634 | 635 | 18,597 | 0,082 | 24,650 | 6,801 | 6,300 | 2,235 | 3,244 |
| State: | | | | | | | | | |
| For State employees only | 109,606 | 4,019 | 55,320 | 41,647 | 1,465 | 3,552 | 0 | 0 | 3,897 |
| Contributory | 90,920 | 4,019 | 38,854 | 41,647 | 0 | 3,335 | 0 | 0 | 3,074 |
| Noncontributory | 18,977 | 0 | 16,472 | 0 | 1,465 | 217 | 0 | 0 | 823 |
| For local employees only | 9,441 | 6,650 | 0 | 1,650 | 323 | 0 | 589 | 0 | 329 |
| Contributory | 9,441 | 6,650 | 0 | 1,650 | 323 | 0 | 589 | 0 | 329 |
| Noncontributory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| For State and local employees | 814,907 | 0 | 137,023 | 55,200 | 619,085 | 3,216 | 0 | 0 | 383 |
| Contributory | 798,776 | 0 | 137,023 | 55,200 | 603,095 | 3,216 | 0 | 0 | 242 |
| Noncontributory | 16,131 | 0 | 0 | 0 | 15,990 | 0 | 0 | 0 | 141 |
| Municipality: | | | | | | | | | |
| 1,000,000 or more | 271,727 | 0 | 0 | 120,920 | 70,200 | 33,493 | 17,970 | 4,172 | 15,957 |
| Contributory | 271,370 | 0 | 0 | 120,920 | 78,852 | 33,493 | 17,976 | 4,172 | 15,957 |
| Noncontributory | 357 | 0 | 0 | 0 | 357 | 0 | 0 | 0 | 0 |
| 500,000-999,999 | 64,024 | 37,037 | 0 | 7,578 | 5,830 | 6,158 | 4,051 | 2,470 | 0 |
| Contributory | 64,024 | 37,037 | 0 | 7,578 | 5,830 | 6,158 | 4,051 | 2,470 | 0 |
| Noncontributory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100,000-499,999 | 113,323 | 5,977 | 9,820 | 31,272 | 25,136 | 14,927 | 14,912 | 9,602 | 1,677 |
| Contributory | 90,783 | 5,977 | 8,820 | 27,170 | 21,221 | 11,494 | 13,110 | 8,383 | 603 |
| Noncontributory | 16,560 | 0 | 1,000 | 4,096 | 3,915 | 3,433 | 1,793 | 1,219 | 1,074 |
| Less than 100,000 ² | 70,504 | 967 | 12,298 | 9,192 | 6,591 | 11,323 | 14,467 | 14,445 | 1,191 |
| Contributory | 58,503 | 362 | 11,173 | 8,302 | 5,131 | 9,112 | 9,960 | 13,429 | 941 |
| Noncontributory | 12,001 | 605 | 1,125 | 800 | 1,457 | 2,211 | 4,507 | 1,016 | 250 |
| County: | | | | | | | | | |
| Contributory | 40,882 | 0 | 11,062 | 23,342 | 3,142 | 1,160 | 0 | 0 | 2,146 |
| Noncontributory | 37,274 | 0 | 11,062 | 22,156 | 1,676 | 1,100 | 0 | 0 | 1,190 |
| Noncontributory | 3,608 | 0 | 0 | 1,180 | 1,460 | 0 | 0 | 0 | 956 |

¹ Includes 69 noncontributory systems which are paying benefits but which do not cover any active employees.

² Includes 35 systems in which volunteer as well as paid members of the fire department are covered; 33 are contributory systems; 2, noncontributory.

³ Includes townships.

⁴ Includes 612 firemen who are members of systems which cover volunteers as well as paid members of the fire department; 618 are in contributory systems, 64 in noncontributory.

Eleven percent of the noncontributory systems but only 1.7 percent of the contributory were State-administered for State employees only; systems of this type accounted for 28 percent of the employment covered by noncontributory systems but only 6.4 percent of the employment covered by contributory systems. Members of State-administered systems which cover both State and local employment made up 57 percent of the members of all contributory systems but only 24 percent of the employees covered by noncontributory systems. Of the employees covered by noncontributory systems, less than 1 percent were in systems maintained by cities of 500,000 or more population but 42 percent were in cities of less than 500,000. In contrast, 24 percent of the membership of contributory systems was in cities of 500,000 or more and only 11 percent in cities of less than 500,000.

Type of employee covered and type and size of governmental unit.—One out of every two covered employees belonged to a State-administered system which includes both State and local employees. The membership of all State-administered systems, including those designed for State employees only or for local employees only, amounted to 63 percent of the total covered employment. Membership in systems administered by cities with populations of more than a million accounted for another 18 percent. Thus, as few as 154 systems, or one-tenth of all systems for State and local government employees, contained more than four-fifths of all covered employees.

Half of all covered employment was public school employment covered by school department systems. General systems which exclude teachers, policemen, and firemen comprised 19 percent of the coverage, and those which include policemen and firemen but not teachers accounted for 15 percent. Systems for police and fire department employees contained only 10 percent of the total membership; these systems are numerous, however, particularly in small localities. Three-fourths of the 1,753 systems included in this study covered only police and/or fire employees; of these, 85 percent were in cities with populations of less than 100,000.

The membership of 53 contributory retirement systems accounted for three-fourths of all State and local employment covered by retirement systems. Of these systems, 29 are State-adminis-

tered for State and local school employees. Their membership alone—which averaged 21,000 per system—constituted four-tenths of covered employment. The remaining 24 systems comprise 6 systems for general State employees; 4 State-administered systems for general State and local employees; 5 general systems and 6 school systems administered by cities of more than a million population; and 3 general systems administered by cities of 500,000 to a million population.

Relationship between type of employee covered and type and size of governmental unit.—Of the members of school employee systems, 83 percent belonged to State-administered systems for State and local employees; 11 percent were in systems administered by cities of more than a million; while only 6 percent were included in governmental units of all other types and sizes.

Systems for policemen and firemen, on the other hand, are overwhelmingly local in their administration. All but 5 percent of the members of police and fire systems were under local administration, and one-fourth were in systems administered by cities with less than 100,000 population. On the plea of the special risks of these occupations, policemen and firemen were protected early in the history of public retirement systems; their existing local retirement plans are frequently maintained even when other types of employees in the same city join a State-administered system.

Approximately three-fifths of the members of systems which cover all types of employees except teachers were in State-administered systems for State and local employees. More than two-thirds of all members of general systems which include teachers, police, and firemen were concentrated in the cities with populations between 500,000 and a million.

An examination of the type of employee covered by systems administered at the various governmental levels reveals that more than nine-tenths of the members covered by State-administered systems for State employees only were in systems classified as general. General systems also accounted for almost nine-tenths of the coverage under State-administered systems for local employees only. At the level of State administration for State and local employees, three-fourths of the covered employees were in school department systems and practically all the others were in general systems.

Of the members of retirement systems administered by the cities of more than a million, nearly half were in general systems which exclude teachers, policemen, and firemen; three-tenths were in systems for public school employees; and one-fifth were in police and fire department systems.

Membership in systems administered by cities between 500,000 and a million is concentrated in general systems; 50 percent of the coverage was in general systems which include school, police, and fire department employees, and 12 percent was in general systems which exclude these occupations. General systems predominate at the county level of administration also, with a membership representing 84 percent of all county systems. At the levels of local administration for employees in cities of less than 500,000 population, police and fire department systems gain in importance. More than one-third of the members of systems in cities of 100,000–500,000 population and well over half of the employees covered by cities under 100,000 were in systems which limit their membership to employees of police departments, of fire departments, or both.

Members Leaving Systems and Receiving Refunds

During 1940–41, more than 82,000 former members of State and local contributory retirement systems withdrew their contributions on leaving the systems (table 4). The present study provides no measure of the loss of coverage under noncontributory systems. Even for contributory systems, the number receiving a refund of contributions represents an underestimate of the number who lost their retirement protection inasmuch as a few systems do not provide for refunds and others do not make refunds to employees who are discharged with prejudice or who have contributed for less than a stated number of years. Many of the systems which make refunds provide for redeposit of contributions if the individual reenters the system.

Three-fifths of the persons withdrawing their contributions were leaving State-administered systems covering State and local employees; almost another fifth withdrew from other State systems. The most frequent withdrawals by type of employee were from general systems—53 percent of all withdrawals—and from school systems—43 percent.

Table 4.—State and local government employees receiving refunds of contributions on withdrawal from contributory retirement systems during fiscal year 1940–41, by type of employee covered and by administering governmental unit

| Administering governmental unit | Total | | Number receiving refunds as percent of covered employment in January 1942 in contributory systems for— | | | |
|---|--------|--|--|------------------------|---------------------------------|--------------------------|
| | Number | As percent of coverage in January 1942 | General employees | School dept. employees | Police and fire dept. employees | Other types of employees |
| Total: | | | | | | |
| Number..... | 82,440 | | 43,013 | 35,270 | 783 | 2,474 |
| As percent of coverage in January 1942..... | | 5.8 | 8.0 | 4.0 | .6 | 11.1 |
| State: | | | | | | |
| For State employees only..... | 14,135 | 15.5 | 16.1 | | 1.2 | 12.2 |
| For local employees only..... | 870 | 0.3 | 10.1 | 5.9 | .8 | 7.3 |
| For State and local employees..... | 40,463 | 6.2 | 8.0 | 5.0 | 3.7 | 1.7 |
| Municipality: | | | | | | |
| 1,000,000 or more..... | 4,631 | 1.7 | 1.0 | .0 | .2 | 11.9 |
| 500,000–999,999..... | 3,130 | 4.0 | 6.0 | 1.5 | 2.4 | |
| 100,000–499,999..... | 3,078 | 3.2 | 6.2 | 2.2 | .1 | 0 |
| Less than 100,000 ¹ | 1,023 | 2.8 | 6.6 | 2.3 | .5 | 2.7 |
| County..... | 5,813 | 14.8 | 10.3 | .7 | 3.4 | 4.5 |

¹ Includes townships.

The impact of withdrawals can best be measured by the number of refunds as a percent of the membership of the contributory systems. The number of persons leaving the systems and receiving refunds in 1940–41 equaled almost 6 percent of the membership of the contributory systems in January 1942. The rate of withdrawal was greatest—11 per cent—for employees classified as “other,” mainly employees of public service enterprises in this instance. General systems refunded contributions to 8 percent of their membership; the turn-over rate of general systems was particularly great—16 percent—in State-administered systems for State employees only. In 6 of the 21 States with contributory systems for State employees only, withdrawals ranged from 17 to 23 percent of the active membership. These 6 States contained 74 percent of all membership of contributory systems for State employees and 89 percent of the withdrawals from such systems. The States and the proportion withdrawing are: Colorado, 19 percent; Connecticut, 23 percent; Minnesota and New York, 17 percent; Pennsylvania, 18 percent; and Rhode Island, 19 percent. Any loss in membership which resulted from the transfer of employees of State employment services to the Federal service in January 1942 is not, of course, measured by the data on withdrawals during the fiscal year 1940–41.

School employees, generally considered a relatively stable group, withdrew at a rate of 5 percent. Less than 1 percent of all members of contributory police and fire department systems received refunds. There are two possible explanations for this low rate. The employment opportunities may not have been so great in 1940-41 as to induce policemen and firemen, with their relatively high salaries, to leave public employment. Moreover, the early retirement age usual in systems for policemen and firemen makes it possible for them to draw retirement benefits while still young enough to enter the labor market; at the present time, the early retirement of policemen and firemen represents a serious problem of local government.

Summary of Coverage and Benefits

Although a detailed discussion of benefits is not within the scope of the present analysis, summary data comparing distributions of the number of beneficiaries and the amount of benefit payments to distributions of active membership will serve to round out the picture of coverage.

Beneficiaries of State and local retirement systems numbered 158,000 and received \$11.4 million in the last month of the fiscal year 1940-41.⁹ In the United States as a whole, monthly benefit payments, excluding refunds to members leaving the system and lump-sum death payments, averaged \$72 per recipient.

The 4 States which contained almost half the members of State and local government retirement systems—New York, California, Ohio, and Pennsylvania—had a corresponding proportion of the beneficiaries. They paid somewhat more than half the total amount of monthly benefits, indicating an average payment above that for the country as a whole. The 25 States which accounted for only 5.6 percent of the coverage had 5.2 percent of the beneficiaries; their average monthly benefit payments constituted only 4.3 percent of the total. The concentration of beneficiaries and payments in certain States reflects the maturity of the systems of these States as well as the extent of coverage. Illinois, for instance, had 12 percent of all beneficiaries but only 5.9 percent of all members of retirement systems.

⁹ Each retirement system reported data on beneficiaries with respect to the last month of the system's fiscal year ended in 1941; the majority of the reports relate to June.

The relative maturity of noncontributory systems accounts for a higher proportion of beneficiaries and benefit payments (6.6 and 6.2 percent) than of covered employment (4.5 percent). Moreover, the introduction of a contributory system frequently has closed the membership of an earlier noncontributory system, with the result that a number of the noncontributory systems are still paying benefits but have no current coverage.

Only 32 percent of all beneficiaries were on the rolls of State-administered systems which cover both State and local employees, although these systems included 55 percent of the total coverage. Their total benefit payments were relatively low, representing only 26 percent of all monthly payments. On the other hand, systems administered by cities of more than a million population, which claimed only 18 percent of the coverage, were paying 39 percent of all monthly benefits to 32 percent of all beneficiaries.

Police and fire department systems contained a much higher share of beneficiaries (35 percent) and of benefit payments (39 percent) than of covered employment (10 percent). The opposite situation is found for school systems and for general systems. School systems, with 50 percent of all members of State and local retirement systems, had only 35 percent of the benefits and 36 percent of the beneficiaries. Systems covering general employees accounted for 38 percent of the membership but for only 23 percent of the benefits and 26 percent of the beneficiaries. Partial explanation of these differences, which are associated with the type of employee covered, lies in the relatively early retirement age for policemen and firemen and in the frequent provision for monthly benefits to the survivors of policemen and firemen who die before or after retirement; monthly benefits to survivors are relatively uncommon in systems covering other classes of employees.

Half of all beneficiaries and benefit payments of State and local retirement systems in the last month of the fiscal year 1940-41 were concentrated in the 53 retirement systems which accounted for three-fourths of all coverage. This lower representation on the benefit roll as compared with the active pay roll reflects the fact that these 53 systems are predominantly for school and general employees and a number of the largest systems are relatively young.