

CHAPTER 25

State and Local Public Retirement Funds*

INTRODUCTION

PURPOSES—OBJECTIVES—FUNCTIONS

A retirement fund whether in public or private enterprise seeks to accomplish two broad purposes; namely: (1) to create a systematic method for removing from the active working force superannuated and disabled employees who are in fact hidden pensioners, effectuating by this process the recruitment policy and stabilizing employment conditions; and (2) to meet in the most economical manner the social obligation of aiding workers to provide against insecurity in old age and disability, and assisting them in making provision for their immediate dependents.

That a reasonable expenditure for retirement purposes is justified has been demonstrated by the advantages to government. They consist of improved service, economies in operation, the retention of competent and skilled workers, and the attraction to the service of persons of proved ability and special skills.

Translated into monetary terms, these advantages offset partially, if not entirely, the governmental expenditures for pensions.

A public employees' retirement fund, therefore, though concerned with the end objective of financial security after retirement, has as its primary aim the furnishing of an indispensable factor in an effective personnel program for government. It seeks to induce the entry of competent people into public administration and their retention in service. Through a formula which relates the pensions directly to length of service, age, and salary, it provides the incentive for the retention in service of the employees which the fund in the first instance has been recruited. It constitutes in essence, therefore, an incentive program. Finally, by providing an annuity reasonably related to the final average earnings, it encourages the retirement of superannuated employees. Through this orderly system of retirement, the fund affords an opportunity for systematic promotion in salary and rank to the younger employees.

The recruitment of personnel in the trained professions for public work is at best hazardous and uncertain. Competition from private enterprise plus a natural inclination toward self-employment with its higher financial rewards tends to restrict the attractiveness of governmental service. And yet this personnel must be obtained if the various services are to be provided.

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