RETIREMENT SYSTEMS FOR PUBLIC EMPLOYEES
PENSION RESEARCH COUNCIL PUBLICATIONS

Retirement Systems for Public Employees

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PURPOSE OF THE COUNCIL

The Pension Research Council of the Wharton School of the University of Pennsylvania was created in 1952 for the purpose of sponsoring objective research in the area of private pensions. It was formed in response to the urgent need for a better understanding of the private pension movement. Private pensions have experienced a phenomenal growth during the last three decades, but their economic, political, and social implications are yet to be explored. They seem destined to play a major role in the quest for old-age economic security, but the nature of that role can be ascertained only on the basis of more enlightened evaluation of the capabilities and limitations of the private pension mechanism. It was to conduct an impartial study into the facts and basic issues surrounding private pensions, under the auspices of an academic and professional group representing leadership in every phase of the field, that the Council was organized.

Projects undertaken by the Council are broad in scope and predominantly interpretive rather than technical in nature. In general, attention is concentrated on areas which are not the object of special investigation by other research groups. Its research studies are conducted by mature scholars drawn from both the academic and business spheres. Research results are published from time to time in a series of books and monographs.
FOREWORD

This is the fifteenth publication of the Pension Research Council. It represents the culmination of an effort initiated almost ten years ago. Recognizing the importance of public employee retirement systems in the total economic security structure and keenly aware of some major deficiencies in their design and operation, the Council commissioned a study of this sector of the pension field in 1959. Several abortive attempts were made to get the study under way, but it was not until Thomas Bleakney was persuaded, three years ago, to undertake the task that the study began to move forward. Mr. Bleakney carried out the study in the face of formidable obstacles, with little respite from the heavy professional and administrative burdens associated with his full-time position with a nationally active employee benefit consulting firm.

This study was essentially conceptual in nature, not designed to present a detailed quantitative profile of public employee retirement systems as they exist today in the United States and Canada. Mr. Bleakney examined with a critical eye the environment in which public employee retirement systems operate and called attention to the prevailing concepts, practices, and influences that will have a material bearing on how these plans will fulfill their assigned mission and at what cost to the taxpayers. He points to many inadequacies and anomalies that will have to be corrected before these retirement systems can be considered sound from the standpoint of either the participants or general public policy. He calls especial attention to the urgency of recognizing the accruing cost of pension and other benefits under public employee plans and the adoption of realistic fiscal policies to meet the obligations created by these plans. The book was written at a level and with a focus designed to further the understanding of public employee retirement systems by legislators and others responsible for their proper functioning.
A native of the state of Washington, Mr. Bleakney attended the University of Washington, where he received his Bachelor of Science degree with a major in mathematics and statistics. Following graduation he was employed briefly in the group department of California-Western States Life Insurance Company while awaiting induction into the military service. Upon release from the service, he joined the group department of New York Life Insurance Company. In 1955 he returned to Seattle to join the consulting actuarial staff of Stuart Robertson. Shortly thereafter, when Wendell Milliman left New York Life to form the Milliman and Robertson actuarial consulting firm, Mr. Bleakney accepted an invitation to cast his lot with the new organization. He has been a principal in the firm from its inception. While he serves a wide variety of clients, his activities in recent years have been predominantly in the area of public employee retirement systems. He is a Fellow of the Society of Actuaries, the Canadian Institute of Actuaries, and the Conference of Actuaries in Public Practice, and a member of the American Academy of Actuaries.

The Council is very much indebted to Mr. Bleakney for having taken on this burdensome assignment and seeing it through to a successful completion. He did so at substantial financial and personal sacrifice. The Council is also grateful to Milliman and Robertson, Inc. for having made Mr. Bleakney’s services available and to the various members of the firm who lent technical assistance and moral support to Mr. Bleakney. Special acknowledgment is due Wendell Milliman for his unique contribution.

As with any other Council publication, the views and opinions expressed in the book are those of the author and are not necessarily shared by all members of the Council.

October 1972

DAN M. MCGILL
Research Director
It would be unrealistic to expect an author to urge anything but the complete devouring of his creation by its readers. It would be equally unrealistic for any author of a work of this sort to expect any but the most devout students of the subject to do this. As a guide for the vast majority, therefore, particularly those who have legislative or administrative responsibilities for public employee retirement systems, I would urge the reading of the prologue, Chapters 1 and 9, and the introductory remarks in each of the other chapters. In the course of this reading, points of particular interest may come up which can then be pursued in the balance of the text.

At the end of Chapter 1 is a guide to the plan of the book. In brief, the plan is as follows:

- Prologue and Chapter 1: Introduction
- Chapters 2, 3, and 4: System structure and benefits
- Chapters 5 and 6: Financing
- Chapter 7: Investments
- Chapter 8: Administration
- Chapter 9: Summation of matters at issue

The debt I owe to my colleague, Wendell Milliman, for his assistance in this work can never be repaid. In the first place, it was through him that the Pension Research Council provided me with the opportunity (for which, in the more discouraging moments of this work’s birth, I have read “inflicted the burden”) of discoursing on a subject I find so fascinating. Wendell Milliman reviewed and red-penciled every page of the original draft, and his discussions of many of the more obscure concepts helped immeasurably. His aid was especially valuable for the chapters about financing, in reducing to manageable size and logical order the complex matters discussed.

I am also most grateful for the extensive and detailed suggestions given me by members of the Pension Research Coun-
cil in their review of drafts of the text. Dr. Dan M. McGill, the Council's research director, had the least enviable task with respect to that review—that of directing my efforts toward a new organization of the material of an earlier draft. He did this with the utmost tact and patience. His guidance and encouragement will always be appreciated.

In distributing my thanks for support in this book's preparation, I certainly must include my staff associates, who did a great deal of the legwork and gathered voluminous statistics, many of which were edited out in the final revisions. Among this group of individuals, particular thanks are due to Charles E. Dean, Jr., who reviewed the entire text and suggested many changes to improve the presentation.

A special place in my acknowledgments is reserved for my secretaries, Tamara Tanner and Leah Woodruff, who, I am sure, despaired of ever seeing the end of the countless redrafts inflicted upon them in my inimitable scrawl.

Finally, a general note of thanks should be extended to all of the others who reviewed the text and gave their suggestions. Space does not permit listing them for individual remarks and appreciation, but it should be noted that I am grateful for their help.

October 1972

THOMAS P. BLEAKNEY
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