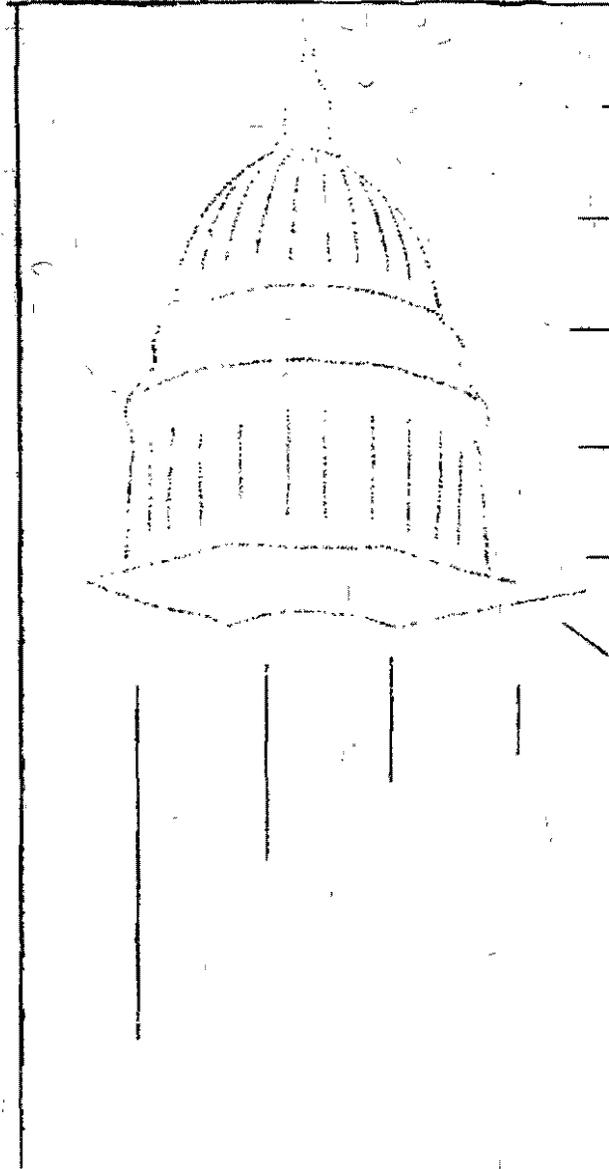


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BASIC
COMPARATIVE
DATA REGARDING THE
MAJOR WISCONSIN PUBLIC
EMPLOYEE RETIREMENT SYSTEMS

PREPARED BY
THE WISCONSIN LEGISLATIVE REFERENCE LIBRARY
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BASIC COMPARATIVE DATA REGARDING THE MAJOR WISCONSIN PUBLIC
EMPLOYE RETIREMENT SYSTEMS

INTRODUCTION

Following the 1951 session of the legislature the Legislative Reference Library was requested by the State Budget Committee of the Legislative Council and the Joint Survey Committee on Retirement Systems acting as a joint committee to prepare a comparative chart of the major retirement systems of the state to facilitate the study of these systems which was authorized by Joint Resolution 55, S. of 1951. A short analysis of 8 such systems was prepared, but it was released only to the members of the committee. At the time, the data regarding each of the systems was referred to some person informed regarding that system for checking.

Late in 1954 the Reference Library was requested to provide somewhat the same data for a legislator. At that time it was decided to concentrate on the Wisconsin Retirement Fund, Public Employes Social Security Fund, the State Teachers Retirement System, the Public School Teachers Annuity and Retirement Fund and the Milwaukee County Employes Retirement System. The data was expanded to incorporate some information regarding the liability of retirement benefits for state and federal income, gift and inheritance taxes. The material was again checked by persons competent to comment on the several programs. This data was again restricted in circulation.

The current request for the data was initiated on behalf of the Governor's Commission on the Study of Retirement Systems created by Chapter 477, Laws of 1955. It represents the refinement of the prior efforts and their revision in view of changes made by the 1955 legislature. Again the material was checked by experts. For the first time, general circulation is given to the report.

The analysis and description of a retirement system is at best a hazardous occupation. Broad descriptions provide little information and detailed analyses create confusion. It is our hope that this report reaches a goal between these extremes, and that it will provide a starting point from which the current study group will go on to provide, among other things, an analysis with the proper breadth and detail to permit the maximum understanding of the retirement program of Wisconsin.

BASIC COMPARATIVE DATA REGARDING THE MAJOR WISCONSIN PUBLIC
EMPLOYEE RETIREMENT SYSTEMS

Name	Wisconsin Retirement Fund	Public Employees Social Security Fund	State Teachers Retirement System	Pub. School Teachers Annuity and Retirement Fund (Milwaukee City Teachers)	Milwaukee County Employees Retirement System
Year of original enactment	1943, ch. 175 basic system 1947, chs. 206, 556 Old system for state employes under ss. 42.60-42.70 virtually discontinued	1953 though potentially retroactive to 1/1/51 (ch. 346, 1953)	1911	1909	1937
Statutory Citation	Ss. 66.90-66.918	S. 66.99 P.L. 734, 81st Cong.	Ch. 42, Stats	Ss. 38.24-38.27	Ch. 201, Laws of 1937 as amended by: ch. 144, 1941 ch. 218, 1943 chs. 77, 138, 432, 1945 ch. 357, 1947 ch. 575, 574, 1949 ch. 445, 1951 chs. 152, 153, 234, 526, 1953 ch. 264, 1955
Governing Body	Board of Trustees	Director (Executive director of the Wis. Retirement Fund) is responsible by state law for administration; national administration is under Dept. of Health, Education and Welfare	State Teachers Retirement Board	Public School Teachers Annuity and Retirement Fund Trustees	Annuity and Pension Bd.

Name	Wisconsin Retirement Fund	Public Employes Social Security Fund	State Teachers Retirement System	Pub. School Teachers Annuity and Retirement Fund (Milwaukee City Teachers)	Milwaukee County Employes Retirement System
Membership of Governing Body	1-city or village chief exec. or member of governing body of participating municipality 1-city or village finance officer of participating municipality 1-city or village participating member 1-county or town bd. member 1-dep.cl. of participating county 1-employee of part. county or town 1-participating state employe 1-state trustee appointed by Gov. Com. of Insurance or actuary	3-pub. sch. ret. assn. 2-state college ret. assn. 2-university ret. assn. State treasurer is ex officio treas.	Pres. school bd. 4 sch. bd. members 2 female teachers 2 male teachers	3 citizens apptd. by chm.co.bd. 3 county employes county auditor ex officio
Coverage	Any employe who: 1. Receives earnings from general or special funds; 2. Is on regular payroll; 3. Has 6 mos. continuous or 12 mos. interrupted service, whichever comes first.	1. Every employe or officer in unit of govt. or agency or instrumentality of govt. not included in any other retirement plan other than the Wis. Ret. Fund is eligible if unit elects to come under	All teachers: In public schools except city of Milwaukee; In vocational schools including city of Milwaukee; In university; In state colleges; In county normals.	All active teachers	1. Membership is required of: All county employes & officers including co.bd. except members of bds. and commissions and except

Name	Wisconsin Retirement Fund	Public Employees Social Security Fund	Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employees Retirement System
Coverage (cont.)	<p>4. Is employed on a job normally requiring 600 hrs. a yr;</p> <p>5. Is employed by a unit which has acted to be included except that police and firemen in cities employed after 1/1/48 on mandatory basis; county judges also mandatory;</p> <p>6. Excluding Milw. city and county & excluding those under existing ret. systems for tchrs, and prior systems for police, firemen & conservation wardens.</p>	<p>those under an existing ret. system can be included only after referendum approval by majority of members.</p> <p>2. Every employe or officer in a unit of govt. or agency or instrumentality of govt. under the Wis. Ret. Fund</p> <p>3. Includes legislators and legis. employes;</p> <p>4. Coverage back to 1/1/51 was possible before 1/1/54. Until end of 1957 coverage is possible back to 1/1/55.</p>	<p>Certain employes: In Dept. of P.I. In St. Bd. of Voc. & Adult Educa.; In Conserva. Dept. In institutions under control of St. Dept. of Pub. Welfare.</p> <p>Those over 25 yrs. of age on or before 7/1 preceding must contribute.</p> <p>Those under 25 yrs. may make voluntary contributions but state does not contribute</p>		<p>those in (2) & (3).</p> <p>2. These may belong: Employes paid in part by state; medical and dental interns; jr. asst. & sr. resident physicians; seasonal employes; part-time employes working at least $\frac{1}{2}$ time; emergency employment after 6 mos.</p> <p>3. These may not belong: Emergency employes less than 6 mos.; members bds. & commissions, physicians on fee basis; part-time employes working less than $\frac{1}{2}$ time; noncivil service on relief (WPA);</p>

Name	Wisconsin Retirement Fund	Public Employes Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employes Retirement System
Coverage (cont.)					teacher eligible for state retirement.
Qualifications	None	None	See above. Those under 25 may make voluntary contributions.	None	None
Minimum age to enter					
Minimum age to retire	55	65	50 if the annuitant desires annuity based on state's deposit. If annuitant retires before 50, annuity based on own deposit only.	55	55 with 15 yrs. service; 60 with no limit on service
Years of service to retire	No minimum. Must have sufficient credits to provide \$10 monthly life annuity.	$\frac{1}{2}$ the no. of quarters elapsing after 12/50 or after age 21 whichever is later up to time person is 65 or dies but not less than 6 quarters or more than 40 quarters.	None	10 years	None except if retirement is at age 55
At what age is retirement compulsory?	65 with 2 exceptions: 1. Governing body may continue employment because of special qualifications for 1 yr. at a time. 2. For those employed upon date of original coverage if retirement annuity is not equal to 25%	Retirement is not compulsory but in order to draw benefits between 65 and 72 earnings must be less than \$1,200 per yr. If earnings between \$1,200 and \$2,080 may draw under certain conditions.	None	70 years	70 years. Prior extension of 2 yrs. eliminated by Ch. 264, laws of 1955

Name	Wisconsin Retirement Fund	Public Employes Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employes Retirement System
At what age is retirement compulsory? (cont.)	of final rate of pay.				
Basic retirement benefit	Provides annuity supplementary to OASI, amount depending upon age at retirement, yrs. covered, average salary, interest earned.	Based on average monthly wage between 1/1/51 and 65 or retirement. Minimum \$30. Maximum \$108.50 (up to 5 yrs. of lowest or no earnings can be dropped out in figuring average monthly wage) Formula based on 55% of first \$110 and 20% of remainder based on wages up to \$4,200, in covered employment during that period, excluding up to 5 yrs. of lowest or no earnings.	1951 legislation provided the basic theory that teachers with 35 yrs. experience in Wis. may retire at half pay on up to \$4,800 average salary for last 5 yrs. With less salary or service, annuity is less. Must be age 60 and have 30 yrs. of service, 20 of which must be in Wis., to qualify for per cent of salary plan. 2nd plan is money purchase plan which pays annuity on the basis of what the contribution of both state and member will buy. 3d plan is \$2 per month for each yr. of creditable service plus what their own deposit will provide. Varies with age and total service.	\$60 per yr. for 1st 10 yrs. of teaching; \$84 per yr. for each yr. thereafter; but not to exceed \$2,700.	The member gets a retirement allowance composed on an annuity and a pension. The annuity is based on the deposit to the credit of the annuitant and his age at retirement. The pension is based on a membership service figure including prior service, military service and covered service and a related percentage of the final average salary with maximum of \$300

Name	Wisconsin Retirement Fund	Public Employes Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employes Retirement System
Benefits to dependents	<p>If designated as beneficiary by employe, may receive:</p> <ol style="list-style-type: none"> 1. If a close relative death benefit equals credits employe could have used for retirement annuity if employed at least 5 yrs.; otherwise and also for former employes only a refund of employe's contributions with interest. Under former an annuity is required in case of wife or minor child; 2. If life annuitant has not received equivalent of own contribution with interest, beneficiary receives difference; 3. Remainder of 180 payment annuity; 4. Joint survivorship annuity; 5. If a person granted a disability annuity dies, his close relatives get the beneficiary annuity to which such would have been entitled if the annuitant had died 	<p>Wife over 65 gets $\frac{1}{2}$ husband's benefit. Child under 18, gets $\frac{1}{2}$ benefit. Maximum is 2 times husband's annuity or top of \$200. Mother with child under 18 gets $\frac{1}{2}$ for self and $\frac{1}{2}$ for child. Each additional child gets $\frac{1}{2}$ but total is \$200.</p>	<p>Dependent always gets the member and state deposit accumulation upon death of member before retirement. Member may or may not designate how it is to be paid. If member does not specify, beneficiary may elect type of settlement.</p>	<p>No benefits to dependents after retirement unless annuitant elects 15 yr. guaranteed or Joint and Survivorship Annuity.</p>	<p>There are 5 plans.</p> <ol style="list-style-type: none"> 1. If he dies while employed, and has 1 or more yrs. of service credit, beneficiaries get $\frac{1}{2}$ annual final average salary or \$2,000, whichever is smaller plus his savings in annuity fund. 2. He may elect to take maximum retirement allowance which ceases at death and beneficiaries get nothing. 3. Option 1. He takes less annuity per mo., and a lump sum of the residue of savings is paid to his beneficiary. 4. Option 2. He takes smaller amount per mo. but this amount continues through life of his designated beneficiary.

Name	Wisconsin Retirement Fund	Public Employes Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund(Milwaukee City Tchrs.)	Milwaukee County Employes Retirement System
Benefits to dependents (cont.)	the day before his disability annuity began.				5. Option 3. He takes larger amount per mo. than under option 2 and designated beneficiary gets $\frac{1}{2}$ the retirement allowance during lifetime.
Benefits in case of occupational death	Same as nonoccupational	Same as nonoccupational	Survivor gets state and member deposit plus interest.	Refund of member's contribution without interest, unless member has 10 or more yrs. service and eligible beneficiary has been named, in which case death benefit is actuarial equivalent of retirement annuity to which member is eligible at time of death, paid as life annuity only to beneficiary.	After 1 yr. service lump sum payment equal to 50% of 5 highest yrs. average salary not to exceed \$2,000 plus annuity savings plus interest. If under 1 yr. of service, annuity savings only. Payment under workmen's compensation offset. Payments for nonoccupational death are the same except that there is no workmen's compensation offset.
Benefits in case of occupational disability	Covered if totally and permanently disabled regardless of length of service after they are actually under the system. Receives greater of these:	No provision for cash benefit until he reaches 65 and then only if he has full coverage. Throw out all yrs. permanently disabled.	If under 50 and has been a member 5 yrs receives annuity which his and state's deposits will provide plus \$25 per mo. If over 50 and at	Annuity calculated on same basis as the retirement benefit for actual yrs. of service.	If under 60, gets pension of 75% of average salary for 5 highest yrs. plus annuity equal in value to annuity savings to his credit

Name	Wisconsin Retirement Fund	Public Employes Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employes Retirement System
Benefits in case of occupational disability (Cont.)	<p>A. Annuity at that age on total accumulation.</p> <p>B. What he would have received at age 65 if he had continued working, but not to exceed 50% of his rate of earnings. Guarantee also includes equivalent of total OASI contributions with offset against OASI payments, if any.</p> <p>C. Less workmen's compensation.</p>		least 20 yrs. of Wis. service, receives normal annuity for his deposit plus \$2 per mo. guarantee for each yr. of Wis. service.		
Benefits in case of non-occupational disability	If member has 5 yrs. of qualifying experience, the benefits are the same as for occupational disability.	Same as occupational.	Same as occupational	Same as occupational.	9/10 of 1/70 of the highest 5 yr. average salary multiplied by yrs. of service with 25% minimum as a retirement allowance.
What are the alternatives if member is separated from the service before retirement?	<p>1. If under 55 can get contribution of employe plus interest. True if over 55 and not enough to give minimum of \$10.</p> <p>2. After age 55, gets annuity on own and state's contribution.</p>	Cannot get refund. No way to get funds except through payment after reaching age 65.	At any age may withdraw member deposit with interest. After 50 yrs. of age receives annuity on state deposit unless under \$1,500 when he may be paid in lump sum.	Refund of member contributions without interest, except if he has 10 or more yrs. service, when he may allow contributions to remain in fund and receive annuity based on teaching service after he reaches 55.	<p>He may:</p> <p>1. Withdraw full amount of his annuity savings;</p> <p>2. Elect deferred retirement allowance when he reaches 60 if such allowance amounts to \$10</p>

Name	Wisconsin Retirement Fund	Public Employees Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Police)	Milwaukee County Employees Retirement System
What are the alternatives if member is separated from the service before retirement? (cont.)					<p>3. Leave all or at least 50% of annuity savings in so if he returns within 5 yrs., gets service credits. Such funds bear interest for 5 yrs. only.</p> <p>4. If he has 15 yrs. of service and was involuntarily separated, may elect immediate retirement allowance.</p>
Maximum benefits	50% of final rate of earnings plus annuity from additional contributions except if no prior service credit. Then only annuity from municipal credits is limited to 25% of final rate of earnings. For purposes of this limitation, \$4,200 is maximum salary counted except judges.	\$108.50 per mo. based on average monthly salary from 1/1/51 to retirement. Formula based on 55% of 1st \$110 and 20% of remainder based on wages up to \$4,200 in covered employment during that period excluding up to 5 yrs. of lowest or no earnings.	\$200 on life plan is guaranteed minimum with 35 yrs. experience and \$4,800 average salary for last 5 yrs., but higher if member's total accumulated deposits will buy more than \$100.	\$225 per month.	Pension of not to exceed \$300 per mo. plus annuity based on contributions.
Contribution by employe	3% of earnings not in excess of \$4,200 except 5% for conservation wardens, state forest rangers, state traffic patrol	On the 1st \$4,200 of salary both employe and employer pay: 1½% to end of 1953 2% to end of 1959 2½% to end of 1964	6% of total salary	Contribution is flat amount regardless of salary or position. \$170 per yr. for 1st 10 yrs.; \$260 per yr. there-	Based on age at time of enrollment and sex. Expressed as per cent of gross salary. Varies from 5%

Name	Wisconsin Retirement Fund	Public Employees Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employees Retirement System
Contribution by employe (cont.)	men, policemen, supreme court justices, circuit and county judges. County may permit deputy sheriffs and traffic officers to contribute on 5% basis. Judges pay on full salary. All can elect to pay additional contributions up to \$500 per yr. Firemen pay 7% because of exclusion from OASI.	3% to end of 1969 3 $\frac{1}{2}$ % to end of 1974 4% in 1975 and thereafter.			for men who enter at 20 yrs. to 8.4% for men who enter at 59 and over and from 5.7% for women who enter at 20 yrs. of age to 9.5% for women who enter at 59 yrs. of age and over.
Contribution by employer	The unit pays a rate sufficient to match employe contributions, finance prior service credits entirely, pay guaranteed costs under disability and death provision and all other administrative costs.	See above.	50% of 6% of salary up to \$3,000 plus 5% for each yr. of teaching experience plus \$25 with top of \$385.	City makes no contribution. Contribution by public is percentage of income tax collections in Milwaukee as determined by s. 71.14 (8) of the statutes.	County contributes enough to meet pension requirements, death benefits beyond annuity savings, administration costs; generally more than member's contribution.
Types of plans available	4 options: 1. Straight life with full refund of own deposits, with interest. 2. 180 monthly payments guaranteed to either annuitant or his beneficiaries	One plan only.	1. Straight life; 2. Straight life with 15-yr. guarantee; 3. Joint survivorship; 4. Own deposit may be adapted to variety of	1. Straight life; 2. Straight life with 15-yr. guarantee; 3. Joint survivorship.	1. Straight life; 2. Option 1. Unused amount of his accumulated contributions paid to beneficiary if he dies before receiving all.

Name	Wisconsin Retirement Fund	Public Employees Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employees Retirement System
Types of plans available (cont.)	<p>but payable to annuitant for life.</p> <p>3. Joint survivorship with 75% of employee's annuity to one beneficiary if surviving.</p> <p>4. A person with sufficient OASI quarters who retires before 65 can provide a higher state annuity until he becomes eligible for OASI benefits at 65, and a smaller state annuity for the balance of his life.</p>		methods of payment as approved by board.		<p>3. Option 2. Smaller amount to continue during his life and life of designated beneficiary.</p> <p>4. Option 3. Smaller amount to continue during his life and $\frac{1}{2}$ of this amount during life of beneficiary.</p>
Prior service credits	<p>3 plans from which employer may elect.</p> <p>1. Value of employee's contribution;</p> <p>2. Value of employer's contribution plus $\frac{1}{2}$ employee's contribution;</p> <p>3. Value of both contributions.</p> <p>(State elected this. This applies only to those on the payroll when the plan became effective. Gets credit for prior yrs. plus compound interest.)</p>	<p>Credit for work from 1/1/37 to 1/1/51. Vets. of W.W. II credited with salary of \$160 per mo. for period of military services between 9/15/40 and 7/1/55 unless he uses it for credit in civil service or military retirement.</p>	Yes.	<p>May use prior service for computing total yrs. of teaching experience but may not use it to collect annuity for prior service under another system while collecting under this system.</p>	<p>In computing membership service upon which pension part of retirement allowance is based, member gets double credit for yrs. of service prior to 1/1/38, double credit for military service on leave and credit for yrs. of covered service.</p>

Name	Wisconsin Retirement Fund	Public Employees Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employees Retirement System
Is that part of employe's salary paid as contributions to retirement taxable under state income tax?	Yes	Yes	Yes	Yes	Yes
Is that part of an annuity represented by the employe's contribution taxable under Wis. income tax law?	No. Benefits paid the annuitant are not taxable until he has recovered the total of his contributions	No	No Sec. 42.52	No Sec. 38.24 (17)	No See section 11 of Ch. 201, Laws of 1937.
Is the interest on the employe's contribution taxable as an annuity under Wis. income tax law?	Yes. After the retired employe has recovered the total of the contributions made by him, the remaining retirement benefits are taxable under Wis. income tax law, Sec. 66.90. This is true whether retirement is for length of service or by reason of disability.	No	No	No	No

Name	Wisconsin Retirement Fund	Public Employes Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employes Retirement System
Are amounts received by employe who resigns before retirement subject to Wis. income tax?	If he elects to receive return of his contributions plus interest thereon, only interest received is taxable. If he leaves his contribution in the fund and receives annuity benefits when he reaches retirement age, the benefits received after he has recovered the total of his contribution are taxable. This includes interest and state contribution.	Does not apply.	Interest taxable under state income tax if he takes it out. If he leaves it in, all exempt. See sec. 42.52.	Interest taxable under state income tax if he takes it out when he quits. Annuity is exempt.	Interest taxable. Deposit is not taxable. Sec. 11 of Ch. 201, Laws of 1937.
Is a lump sum benefit to a beneficiary subject to Wis. income tax?	No. See Inheritance Tax.	No	No	No	No
Is an annuity paid to a beneficiary in a monthly sum subject to the Wis. income tax?	Yes	No	No	No	No

Name	Wisconsin Retirement Fund	Public Employes Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employes Retirement System
Are any parts of the benefits received by the member or his beneficiaries taxable under the Wis. inheritance tax?	Plan in operation from 1943-1947 provision was made for exemption. Benefits under the system now in effect are taxable. No. Specifically exempted under s. 72.04(6) created by Ch. 589, Laws of 1955.	Generally exempt.	Specifically exempted by s. 42.52.	Specific exemption under s. 38.24 (17) and s. 72.04 (6).	Under section 11 of Ch. 201, Laws of 1937 as amended, the benefits are completely exempt from Wis. inheritance tax. See note (1) at end.
Are annuity payments taxable under the federal income tax?	Yes. Own contribution is exempt. The fractional part of the annuity represented by the employe's own contribution is exempt and the tax levied on the remainder.	Not taxed.	Yes. Annuitant recovers his cost (investment in contract) (a) over a period of yrs. based on actuarial tables of life expectancy. (b) within a 3-yr. period, in special cases, if investment in contract can be recovered within said period.	Same as Wis. Retirement Fund.	Same as Wis. Retirement Fund.

Name	Wisconsin Retirement Fund	Public Employes Social Security Fund	State Teachers Retirement System	Public School Teachers Annuity and Retirement Fund (Milwaukee City Tchrs.)	Milwaukee County Employes Retirement System
If an employe quits before he reaches retirement age and withdraws his contribution, is it taxable under federal income tax?	The amount he contributes is not taxable, but interest is taxable.	Does not apply.	Same as Wis. Retirement Fund.	Same as wis. Retirement Fund.	Same as Wis. Retirement Fund.
Are annuities taxable under the U.S. . . estates tax?	Any interest left at death is taxable subject to the general exemption of \$60,000 and the widow's deduction of up to $\frac{1}{2}$ the estate if her control is absolute.	Does not apply.	Same as Wis. Retirement Fund.	Same as Wis. Retirement Fund.	Same as Wis. Retirement Fund.

(1) We (Milwaukee County Employes Retirement System) have always held that section 11 of Ch. 201, Laws of 1937, exempted any benefits from inheritance tax of Wisconsin, but Mr. Neil Conway, inheritance tax counsel (Wis. Tax Dept.) recently ruled this did not apply to inheritance tax. We have written for an explanation but to date (2/10/56) we have received no reply. Chapter 589, Laws of 1955, specifically exempts certain funds, but our funds are not included therein.