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PUBLIC EMPLOYEES'
RETIREMENT SYSTEM
OF
NEW JERSEY



1981
Annual Report



**DEPARTMENT OF
THE TREASURY**

**DIVISION OF
PENSIONS**

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OF NEW JERSEY**

20 West Front Street
Trenton, New Jersey 08625

BOARD

GENEVIEVE F. McMENAMEN, Chairperson
CLIFFORD A GOLDMAN, State Treasurer, Custodian
THE REV. FRANCIS J. CRUPI
ANTON HEINS
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VINCENT J. McKENNA
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GEORGE B. BUCK
CONSULTING ACTUARIES, INC.

MEDICAL BOARD

WILLIAM COLEMAN, M.D.
MURRAY SHEPP, M.D.
DAVID ECKSTEIN, M.D.

To His Excellency
Thomas H. Kean
Governor of the State of New Jersey

Dear Sir:

The board of trustees of the Public Employee's Retirement System is pleased to present its Twenty-seventh Annual Report in compliance with the provisions of N.J.S.A. 43:15A-21.

Respectfully submitted,

GENEVIEVE F. McMENAMEN,
Chairperson

As a result of the annual election, Mrs. Suzanna M.F. Macasek and Mrs. Angelina Siconolfi were elected to 3-year terms commencing July 1, 1981.

MEMBERSHIP

A summary of the membership activity for the fiscal year ended June 30, 1981, follows:

35,850—enrollments
 4,668—retirements
 21,474—active accounts terminated through
 separation from employment
 776—deaths before retirement

Comparative data on membership for selected June 30 periods since 1955 follow:

<u>June 30</u>	<u>Active</u>	<u>Retirants and Beneficiaries</u>	<u>Total</u>
1955	34,087	2,649	36,736
1960	50,576	7,116	57,692
1965	68,086	10,445	78,531
1970	113,866	13,298	127,164
1975	171,518	21,682	193,200
1980	205,038	35,185	240,223
1981	213,970	38,115	252,085

Retirements by Type and Option July 1, 1980—June 30, 1981

<u>Service</u>	<u>Early</u>	<u>Deferred</u>	<u>Ordinary Disability</u>	<u>Accidental Disability</u>	<u>Veteran</u>	<u>Accidental Death</u>	<u>Active Death</u>
2,912	186	73	188	56	1,245	8	0
	<u>Maximum</u>	<u>Option I</u>	<u>Option II</u>	<u>Option III</u>	<u>Option IV</u>		
	2,104	1,399	699	448	18		

Retirement Payroll June 30, 1981

Regular Allowances—38,115 retirants and beneficiaries	\$ 8,850,365
Pension Adjustment Act—	<u>2,560,391</u>
Gross Payroll, month of June 1981	<u><u>\$11,410,756</u></u>

Comparative data on retirement payroll and average allowances for selected June 30 periods follow:

<u>June 30</u>	<u>Number</u>	<u>Payroll</u>
1955	2,649	\$ 2,848,923
1960	7,116	8,876,808*
1965	10,445	16,737,419*
1970	13,298	24,036,226*
1975	21,682	53,518,488*
1980	35,185	114,408,900*
1981	38,115	127,535,007*

*Includes benefits paid under the provisions of the Pension Adjustment Act.

Group Life Insurance Claims:

ACTIVE MEMBERS

<u>Number</u>	<u>Settlement</u>	<u>Amount</u>
735	Cash Lump Sum	\$23,915,755
	Reserve—Monthly	
<u>7</u>	Annuities	<u>238,959</u>
742	Total active member death claims	\$24,154,714

RETIRED MEMBERS

1,199	Regular Retirants (Death after age 60)—Lump Sum	\$ 2,047,555
30	Disability Retirants (Death before age 60)—Lump Sum	<u>550,558</u>
1,229	Total death claims—retirants	<u>\$ 2,598,143</u>
<u>1,971</u>	Total claims—active and retired members	<u><u>\$26,752,857</u></u>

Summary of Claim Charges

NONCONTRIBUTORY PLAN:

Active Members	742	\$12,728,862
Retirants	<u>1,229</u>	<u>\$ 2,598,143</u>
	1,971	\$15,327,005

CONTRIBUTORY PLAN:

Active Members	<u>11,425,852</u>	<u>\$26,752,857</u>
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Return of Contributions:

a) 20,733 members withdrew from the system and received a return of the pension contributions totaling		\$17,249,757
b) The survivors of 776 members who died before retirement received a return of the member's contributions totaling		\$ 3,624,517
c) Settlement of inactive accounts		\$ 553,456

Loans:

25,331 members applied for and received loans on their accounts totaling		\$34,337,296
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UNCLAIMED ACCOUNTS

Unclaimed accounts, June 30, 1980.....		\$ 935,929
Memberships discontinued and not settled during 1980-81.....	\$389,021	
Memberships discontinued and settled in 1980-81.....	<u>266,122</u>	
Added in fiscal year 1980-81.....		<u>655,143</u>
		\$ 1,591,072
Less:		
Cash settlements during fiscal year.....	\$371,574	
Cash escheat to State Treasurer.....	181,253	
Transferred to new accounts.....	<u>28,611</u>	581,438
BALANCE, JUNE 30, 1981.....		<u>\$ 1,009,634</u>

Lists of the new additions during 1980-81 have been sent to all employing units with a request that they circulate copies among their memberships in an effort to ascertain the whereabouts of the listed former members and advise the Division of Pensions.

INVESTMENTS

<u>HOLDINGS: June 30, 1981</u>	<u>Per Value Shares</u>	<u>Book Value</u>	<u>Eff. Rate (%)</u>	<u>% by Type</u>
Commercial Paper-Interest Based	12,800,000	12,800,000	18.09	.56
U.S. Treasury Notes	850,000	842,364	8.04	.04
U.S. Treasury Bonds	8,900,000	9,332,051	6.76	.41
Merchant Marine-Title IX Guar. Bds.	1,022,000	1,022,000	5.49	.04
Fed. National Mortgage Assn. Debs.	7,190,000	7,130,750	6.88	.31
Fed. Housing Admin. Series MM.	3,700	3,190	6.89	Nil
Fed. Housing Admin. Gen. Ins. Debs.	50,000	43,264	10.67	Nil
Farmers' Home Admin. Ins. Notes	1,399,235	1,399,235	6.53	.06
Industrial Bonds	141,671,003	140,551,315	7.20	6.18
Gas and Electric	223,613,000	223,203,454	5.73	9.81
Telephone	93,196,000	93,037,089	5.30	4.09
Water	1,650,000	1,650,000	4.80	.07
Convertible Bonds	350,000	350,000	6.25	.01
Finance Company-Senior Debt	29,979,000	29,710,773	5.65	1.31
Railroad Equipment Obligations	416,318	416,318	7.54	.02
Inter-American Development Bank	2,000,000	1,990,925	5.61	.09
Internat'l Bank Reconst. and Develop.	6,868,000	6,887,679	6.67	.30
Government of Canada	1,500,000	1,498,198	6.90	.07
Provinces of Canada	11,350,000	11,293,997	7.01	.50
Canadian Provincial Guaranteed	15,593,000	15,546,404	7.79	.68
Municipals-General Obligation	338,000	331,913	3.06	.01
Municipals-Revenue	352,000	350,509	2.82	.02
FHA Single Family Mortgages	1,940,006	1,879,465	6.44	.08
VA Single Family Mortgages	3,060,298	2,967,501	6.49	.13
FHA Multi-Family Mortgages	9,162,242	8,098,860	7.03	.36
GNMA Mortgage Backed Certificate	286,516,130	277,580,673	11.01	12.21
GNMA Mortgage Backed Certificate GPM.	25,796,507	24,536,499	10.81	1.08
Federal Home Loan Mortgage Corp.-PC.	15,367,324	15,151,325	12.48	.67
Capehart Mortgages	6,017,152	6,010,704	4.29	.26
State Leased Buildings	2,444,457	2,444,457	4.00	.11
Preferred Stock	12,600*	1,073,696	8.03	.05
Convertible Preferred	17,500*	1,288,041	4.72	.06
Common Stock	17,167*	145,261	13.24	.01
Units-Common Pension Fund A	437,802*	481,064,826	5.42	21.15
Units-Common Pension Fund B	1,059,317*	865,868,558	9.43	38.07
Units-Cash Management Fund	26,803,231*	26,803,231	15.50	1.18
GRAND TOTAL FIXED	<u>\$911,395,372</u>	<u>\$2,274,304,524</u>	<u>8.11</u>	<u>100.00</u>

Market Values on June 30, 1981, were:

Preferred Stock	\$590,963
Convertible Preferred	861,563
Common Stock	381,966

*Shares

PURCHASES

<u>Type</u>	<u>Par Value</u>	<u>Average Effective Rate</u>
<u>Long-Term</u>		
U.S. Government Agencies	\$ 50,000	10.667
Mortgages	123,481,829	13.422
SUBTOTAL	<u>\$123,531,829</u>	<u>13.421</u>
<u>Short-Term</u>		
Commercial Paper	\$113,300,000	15.378
Time Certificates of Deposit	14,800,000	12.565
SUBTOTAL	<u>\$128,100,000</u>	<u>15.053</u>
TOTAL PURCHASES	<u>\$251,631,829</u>	<u>14.252</u>

SALES

<u>Long-Term</u>	
Industrials	\$ 31,000
Mortgages	\$ 1,123,027
SUBTOTAL	<u>\$ 1,154,027</u>
<u>Stocks</u>	
Preferred Stock*	\$ 31,175
SUBTOTAL	<u>\$ 31,175</u>
TOTAL SALES	<u>\$ 1,185,202</u>

*Book Value

REDEMPTIONS AND PREPAYMENTS

<u>Type</u>	<u>Par Value</u>
U.S. Government Agencies	\$ 52,000
Industrials	902,083
Gas and Electric	22,000
Telephone	3,000
Railroad Equipment Obligations	1,000,000
Merchant Marine	21,000
Finance Companies—Senior Debt	32,000
Provinces of Canada	20,000
Canadian Provincial Guaranteed	416,000
Farmers' Home Administration	207,968
Prepaid Mortgages	111,119
TOTAL REDEMPTIONS AND PREPAYMENTS	<u>\$ 2,787,170</u>
<u>MATURITIES</u>	<u>\$155,492,760</u>

EXCHANGES

For the year ended June 30, 1981, the fund exchanged the following:

Bonds having a par value of \$13,517,054 for other bonds having a par value of \$13,468,049.

	<u>Number of units</u>	<u>Cost</u>
<u>UNITS ACQUIRED IN COMMON PENSION FUND A</u>		
Purchased	<u>53,545</u>	<u>\$ 75,555,464</u>
<u>UNITS ACQUIRED IN COMMON PENSION FUND B</u>		
Purchased	<u>199,730</u>	<u>\$124,041,316</u>
<u>UNITS ACQUIRED IN COMMON PENSION FUND C</u>		
Purchased and Received by		
Distribution of Income	<u>15,273</u>	<u>\$ 15,019,143</u>
Withdrawn	<u>51,522</u>	<u>\$ 51,824,969</u>
<u>CASH MANAGEMENT FUND</u>		
Purchased and Received by		
Distribution of Income		<u>\$363,776,886</u>
Withdrawn		<u>\$349,967,000</u>

STATEMENT OF ASSETS—JUNE 30, 1981

Ledger Assets		
Cash in Banks	\$ (455,881)	
Investment Holdings	2,266,865,560	
Accrued Interest on Investments	32,916,122	
Accrued Interest Receivable—		
State Appropriation	5,871,172	
Investment Holdings—Contr. Grp.		
Ins. Prem. Fund	4,869,027	
Investment Holdings—Noncontr.		
Group Ins. Prem. Fund	2,296,058	
Employees' Contributions Receivable	11,176,537	
Loans to Members	38,590,434	
Local Employers' Contributions		
Receivable	92,749,482	
Local Non-CGIPF Receivable	13,440,934	
Local Expense Fund Receivable	2,570,710	
Receivable from Employers—		
Delayed Enrollments	892,897	
Dividend Receivable	6,595,766	
Pension Adjustment Receivable	2,560,391	
Dividends Receivable-NCGIPF	5,801,947	
Appropriation Receivable		
C.R.F.—State	13,132,003	
Accounts Receivable	<u>20,944</u>	
Total		. \$2,499,894,103
Miscellaneous Liabilities		
Pension Payroll Payable	\$ 8,850,240	
Pension Adjustment Payroll Payable	2,560,391	
Noncontrib. Group Insurance		
Premium Fund	18,357,604	
Administrative Expense	2,571,599	
Contributory Group Insurance		
Premium Fund	4,956,813	
Noncontributory Group Insurance		
Premium Fund	2,296,861	
Unearned Interest on Loans	1,299,099	
Supplemental Annuity Collective		
Trust	4,525	
Canceled Checks	<u>89,518</u>	<u>40,986,650</u>
Net Ledger Assets		<u><u>\$2,458,907,453</u></u>

DISTRIBUTION OF ASSETS

Funds Derived from Members:		
Annuity Savings Fund		
State Employees—A.S.F.	\$208,727,400	
State Employees—		
Clearing Account	<u>7,131,599</u>	\$ 215,858,999
Local Employees—A.S.F.	\$342,927,206	
Local Employees—		
Clearing Acct.	<u>17,800,663</u>	360,727,869

ASSETS (Continued)

Accumulative Int.—A.S.F.			
State Employees	\$ 52,335,404		
Local Employees	<u>78,353,862</u>	\$ 130,689,266	
Unclaimed Accounts		<u>1,009,634</u>	\$ 708,285,768
Funds Derived from Employers:			
Contingent Reserve Funds			
State Employees	\$245,684,923		
Local Employees	<u>599,553,940</u>	\$ 845,238,863	
Pension Adjustment Fund			
State Employees	\$ 5,503		
Local Employees	<u>11,069</u>	16,572	
Unclaimed Pension Adjustment Fund		<u>41,731</u>	845,297,166
Funds Derived from Members and Employers:			
Retirement Reserve Fund			
State Employees	\$378,671,198		
Local Employees	<u>503,904,023</u>	\$ 882,575,221	
Unclaimed Pension Special Reserve Fund		<u>80,642</u>	882,655,863
			<u>22,668,656</u>
Total Assets			<u><u>\$2,458,907,453</u></u>

STATEMENT OF REVENUE AND EXPENDITURES
JUNE 30, 1981

Ledger Assets, 6/30/80—Per Previous Report

\$2,155,187,807

REVENUE

Pension Contributions:			
 Annuity Savings Fund			
State	\$36,756,601		
Local	63,733,697	\$100,490,298	
 Accumulative Interest			
State	\$ 16,081		
Local	27,535	43,616	
 Unclaimed Accounts		231,657	100,765,571
Employers' Contributions:			
 Contingent Reserve Fund:			
 State			
Appropriation	\$63,911,698		
Delayed Enrollments	55,483		
Transfers from Other			
Systems	141,898		
	\$64,109,079		
 Local			
Employers' Contributions	\$92,453,589		
Add'l Employee			
Contributions	127,051		
Delayed Enrollments	768,402		
Transfers from Other			
Systems	156,357		
	\$93,505,399		
 Total Employers' Contrib. to C.R.F.		\$157,614,478	
 Pension Adjustment Fund			
State	\$12,089,097		
Local	14,509,624	26,598,721	184,213,199
Retirement Benefits Redeposited			
 Regular Allowances			
State	\$ 169,364		
Local	374,595	\$ 543,959	
 Pension Adjustment Allowances			
State	\$ 72,082		
Local	106,551	178,632	
 Unclaimed Pensions		43,661	
 Unclaimed Pension Adjustment Allowances		17,844	784,096
Gains—To Special Reserve Fund			
On Prepayment of Mortgages		\$ 4,116	
On Bond Redemptions and Sales		8,086	
Gains on Stock Sales		1,831	14,033
Total Carried Forward		\$ 285,776,899	

REVENUE (Continued)

Total Brought Forward	\$ 285,776,899
Income	<u>\$ 175,799,372</u>
Total Revenue	<u>\$ 461,576,271</u>
	<u>\$2,616,764,078</u>

EXPENDITURES

Benefits Provided by Members

Accumulated Contributions Withdrawn

Regular Withdrawals

State	\$ 5,135,136		
Local	<u>9,319,640</u>		\$ 14,454,956

Active Deaths

State	\$ 981,667		
Local	<u>2,010,908</u>		2,992,575

Transfer to Other Systems

State	\$ 237,347		
Local	<u>833,618</u>		1,070,965

Net Overpayment

Transferred			5
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Accumulative Interest Withdrawn:

Regular Withdrawals

State	\$ 583,911		
Local	<u>1,002,836</u>		1,586,747

Active Deaths

State	\$ 233,568		
Local	<u>398,373</u>		631,941

Transfers to Other Systems

State	\$ 31,798		
Local	<u>105,292</u>		137,090

Unclaimed Accounts

			<u>553,456</u>		\$ 21,427,735
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Benefits Provided by Members and Employers:

Retirement Allowances

State	\$44,566,060		
Local	<u>62,282,461</u>		106,848,521

Unclaimed Pensions

			<u>80,009</u>		106,928,530
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Total Carried Forward

					<u>\$ 128,356,265</u>
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EXPENDITURES (Cont'd)

Total Brought Forward			\$ 128,356,265
Benefits Provided by Employers:			
Pension Adjustment Allowances			
State	\$12,159,700		
Local	<u>14,622,583</u>	\$26,782,283	
Contingent Reserve Fund			
State	\$ 34,063		
Local	<u>1,170,558</u>	1,204,621	
Unclaimed Pension Adjustment Allowances			
		<u>10,099</u>	27,997,003
Losses—To Special Reserve Fund			
			<u>1,503,358</u>
Total Expenditures			
			<u>\$ 157,856,626</u>
Ledger Assets, June 30, 1981			
			<u><u>\$2,458,907,452</u></u>

ACTUARIAL EVALUATION

The information given below is taken from the valuation of March 31, 1980, showing the system's contributions (assets) and present and contingent benefits (liabilities) as of that date.

ASSETS

Present assets of system creditable to:		
Retirement Reserve Fund:		
Credited to fund	\$ 709,822,791	
Add accrued interest creditable	31,171,824	
Add reserve transferable from		
Contingent Reserve Fund	<u>8,427,423</u>	\$ 749,422,038
Annuity Savings Fund:		
Credited to fund	\$ 602,389,644	
Add accrued interest creditable	<u>15,232,721</u>	617,622,365
Contingent Reserve Fund:		
Credited to fund	\$ 690,432,670	
Add accrued interest creditable	30,274,241	
Add excess interest earnings creditable	25,935,489	
Less reserve transferable to		
Retirement Reserve Fund	<u>(8,427,423)</u>	738,214,977
Special Reserve Fund		<u>19,321,024</u>
Total Present Assets		\$2,124,580,404
Present value of prospective contributions of members to be made to		
Annuity Savings Fund	\$ 889,988,236	
Present value of prospective contributions payable by the State and local employers to the		
Contingent Reserve Fund		
as follows:		
Future normal contributions	1,803,507,828	
Future accrued liability contributions	<u>192,141,571</u>	
Total Prospective Assets		<u>2,885,637,635</u>
TOTAL ASSETS		<u>\$5,010,218,039</u>

LIABILITIES

Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund		\$ 749,422,038
Present value of benefits payable from contributions to the Annuity Savings Fund and Contingent Reserve Funds:		
Service retirement allowances including early retirement and vesting benefits	\$3,283,088,874	
Ordinary disability retirement allowances	184,176,022	
Accidental disability retirement allowances	48,377,604	
Ordinary death benefits	460,160,790	
Accidental death benefits	4,975,088	
Return of members' contributions upon withdrawal before retirement	<u>280,017,623</u>	<u>4,260,796,001</u>
TOTAL LIABILITIES		<u><u>\$5,010,218,039</u></u>

LEVEL OF FUNDING

With respect to the funding of the system, the following is an excerpt from page 15 of the actuarial valuation as of March 31, 1980.

In conjunction with the current valuation, the level of funding of the system, as measured by the ratio of valuation assets to projected liabilities, has been determined as follows:

	<u>State</u>	<u>Local Employers</u>
A. Projected Accrued Liabilities	\$1,002,006,183	\$1,459,195,610
B. Adjusted Value of Assets	782,499,396	1,249,966,568
C. Funding Level = B ÷ A	78.1%	85.7%

Projected accrued liabilities include the present value of benefits payable on account of beneficiaries or their dependents (liabilities of Retirement Reserve Fund) plus the present value of benefits accrued to the valuation date for active members including salary projection. The adjusted value of assets reflects employer contributions receivable and other miscellaneous amounts.

CONTRIBUTORY INSURANCE

The board of trustees is authorized by law to purchase a group life insurance policy to provide for the benefits which are to be met by contributions by members. The statute requires the board to establish rates of contributions for the purpose of maintaining the Contributory Group Insurance Premium Fund at a level sufficient to meet the obligations of the fund for the cost of insurance.

In the administration of the program certain amounts derived from employee contributions have been left on deposit with the carrier for specific reasons. Though they are not assets of the system, a brief description of each deposit account, the opening balance at 7/1/79, and closing balance at 6/30/80 is noted below:

1. Dividend Accumulation—This is an account established by the board of trustees, as policyholder, into which dividends arising from the active life experience are deposited. Such funds could be used to forestall rate increases and used to reduce rates.
2. Advance Premium—This money is where returned premiums are deposited when the Special Reserve contains funds in excess of its contractual limit. Such money could be used to delimit rate increases or reduce rates.
3. Special Reserve—This money is used to stabilize experience.

Each of the above accounts, except the Special Reserve, earned interest at the rate of 8.125 percent per annum during the policy year, while the Special Reserve earned interest at 7.625 percent.

FUNDS ON DEPOSIT

	Balance <u>6/30/79</u>	Balance <u>6/30/80</u>
Dividend Accumulation	\$5,758,426	\$6,226,298
Advance Premium	55,097	59,574
Special Reserve	609,507	497,926



Public Employees' Retirement System
State of New Jersey
CN 295
Trenton, N.J. 08625