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8th
ANNUAL REPORT

New Jersey

PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM



OF
NEW JERSEY

JUNE 30, 1962

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF

NEW JERSEY

137 EAST STATE STREET

TRENTON, NEW JERSEY

BOARD OF TRUSTEES

Fred U. Hillers, *Chairman*

John A. Kervick,
State Treasurer, Custodian
C. Harrison Hultman, *Vice-Chairman*

John T. Cox

Charles I. Levine

Alan W. Bowers

John J. McMahon

John L. Brown

Harry V. Osborne, Jr.

JOHN J. McMAHON, *Secretary*

GLADYS H. CLEARY, *Assistant Secretary*

GEORGE B. BUCK, *Consulting Actuary*

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OF
NEW JERSEY
TRENTON, NEW JERSEY

To His Excellency, Richard J. Hughes, Governor of the State of New Jersey:

Sir:

In compliance with the provisions of Section 21, Chapter 15A, Title 43 of the Revised Statutes, the Board of Trustees have the honor to transmit herewith the 8th Annual Report of the Public Employees' Retirement System of New Jersey, covering the period from July 1, 1961 to June 30, 1962.

TRUSTEES

Fred U. Hillers, *Chairman*

C. Harrison Hultman, *Vice-Chairman*

John A. Kervick, *State Treasurer-Custodian*

Alan W. Bowers

John L. Brown

John T. Cox

Charles I. Levine

John J. McMahon

Harry V. Osborne, Jr.

There were no Legislative Bills passed prior to June 30, 1962 affecting the Public Employees' Retirement System.

TRUSTEES ELECTED

Mr. Charles I. Levine was re-elected on July 1, 1962 to serve on the Board of Trustees as a State employee representative.

Mr. C. Harrison Hultman was elected as a Municipal Representative to the Board of Trustees on July 1, 1959. At the expiration of his term of office on June 30, 1962, Mr. Frederick W. Miller, Treasurer of Ocean Township, was elected as his successor, as a Municipal Representative on the Board of Trustees as of July 1, 1962.

Mr. George M. Borden, Secretary to the Board of Trustees retired on May 19, 1962 with a record of outstanding service to the Board for over 28 years. The Board of Trustees salutes Mr. Borden for his understanding of the many problems in connection with the growth and service of the system and for his devotion to the duties of his office.

Mr. John J. McMahon was appointed Secretary to replace Mr. Borden.

INVESTMENT

The average yield of securities purchased during the year with maturities over a twelve month period was 4.59%. The average yield on our entire holdings for the year ending June 30, 1962 was 3.89%.

RECAPITULATION

The actual par amount of each type of investment is as follows:

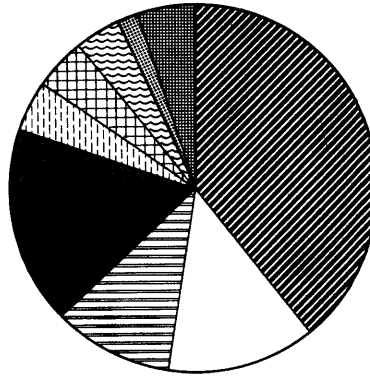
United States Government.....	\$ 17,965,000.00
United States Government Agencies.....	3,300,000.00
Municipal-Counties & Cities.....	9,363,400.00
Municipal-School Districts.....	4,082,000.00
Municipal-Revenues.....	8,501,000.00
Industrials.....	17,907,000.00
Gas & Electric.....	83,034,000.00
Telephone.....	27,505,000.00
Water.....	700,000.00
Railroad Equipment Trust Certificates.....	9,363,000.00
Commercial Paper.....	1,650,000.00
Merchant Marine.....	1,159,000.00
Finance Companies.....	8,200,000.00
International Bank.....	1,349,000.00
Government of Canada.....	450,000.00
Provinces of Canada.....	2,060,000.00
Canadian Provincial Guaranteed.....	<u>2,686,000.00</u>
Sub-Totals.....	\$199,274,400.00
Capehart Mortgages.....	9,577,480.00
Common Stocks.....	<u>981,352.00*</u>
TOTALS.....	<u>\$209,833,232.00</u>

*Book Value

Principal and interest due on all securities for the fiscal year have been collected and deposited to the account of the Public Employees' Retirement System of New Jersey.

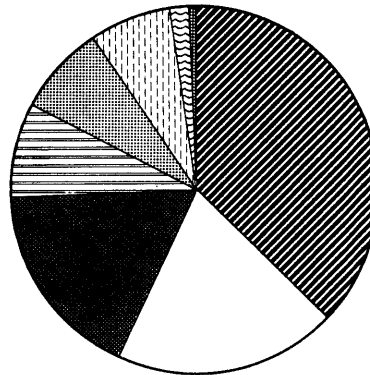
A summary of the holdings of this fund may be obtained from the Investment Division, State House, Trenton, New Jersey, upon written request.

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HOLDINGS AT JUNE 30, 1962

TYPE	Book Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$ 83,497,526	4.02%	39.6
Telephone	27,743,656	4.08	13.2
Municipals	22,233,226	2.92	10.5
U. S. Government	18,139,765	3.12	8.6
Industrials	17,824,809	4.26	8.5
Capehart Mtgs. (Guar. by U. S.)	9,421,421	4.28	4.5
R. R. Equip. Tr. Ctfs.	9,322,725	3.44	4.4
Finance Co. — Sr. Debt	8,142,383	5.00	3.9
U. S. Government Agencies	3,300,626	4.25	1.6
Other			
Canadian	\$5,081,584		
Commercial Paper	1,649,330		
Merchant Marine (U.S. Gov't Insured)	1,159,000		
International Bank	1,331,521		
Common Stock	981,352		
Water	694,206	10,896,993	4.15
Totals	\$210,523,130	3.89%	100.0



LONG-TERM PURCHASES
During Fiscal Year Ending June 30, 1962

TYPE	Par Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$ 8,950,000	4.60%	37.2
Telephone	4,775,000	4.58	19.8
Industrials	4,200,000	4.56	17.5
Municipals	2,000,000	4.64	8.3
U. S. Government Agencies	1,900,000	4.47	7.9
Capehart Mtgs. (Guar. by U. S.)	1,730,766	4.57	7.2
Finance Co. — Sr. Debt	400,000	5.13	1.7
Other			
Water	100,000	4.88	0.4
Totals	\$ 24,055,766	4.59%	100.0

Temporary Short-Term purchases during the year amounted to \$15,750,000.

MEMBERSHIP

The following is a list of the Municipalities and Public Agencies who have adopted the Retirement System on the dates indicated:

Effective June 1, 1962

Gloucester County Mosquito Extermination Commission

Effective July 1, 1962

Chatham Township
East Brunswick Township
Glen Rock Borough
Harrington Park Borough
Somerdale Borough
Wayne Township

Clementon Sewerage Authority

The total membership as of June 30, 1962 is recapitulated as follows:

State.....	24,772
Counties.....	9,082
Municipalities.....	19,010
Public Agencies.....	<u>3,431</u>
	<u>56,295</u>

BOARD OF TRUSTEES

AS OF JULY 1, 1962

Fred U. Hillers, *Chairman* - Term expires June 30, 1963
John T. Cox, *Vice-Chairman* - Term expires June 30, 1963
John A. Kervick, *State Treasurer-Custodian*
Alan W. Bowers
John L. Brown - Term expires June 30, 1964
Charles I. Levine - Term expires June 30, 1965
John J. McMahon - Term expires June 30, 1964
Frederick W. Miller - Term expires June 30, 1965
Harry V. Osborne, Jr.

COMMITTEES

Finance - Mr. Brown, *Chairman*
Mr. Kervick
Mr. Bowers
Mr. Cox
Mr. Miller
Mr. Hillers, *ex-officio*

Retirement - Mr. Cox, *Chairman*
Mr. Osborne
Mr. Miller
Mr. Levine
Mr. Bowers
Mr. McMahon
Mr. Hillers, *ex-officio*

Executive - Mr. Osborne, *Chairman*
Mr. Cox
Mr. Levine
Mr. Brown
Mr. McMahon
Mr. Hillers, *ex-officio*

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CERTIFICATE UNDER SECTION 21
CHAPTER 84, P.L. 1954

The members of the Board of Trustees of the Public Employees' Retirement System of New Jersey hereby certify that this 8th Annual Report for the fiscal year ending June 30, 1962, shows the true condition of the various funds created by section 22 of Chapter 84, P.L. 1954, and the affairs of the Public Employees' Retirement System of New Jersey, to the best of their knowledge, information and belief.

In witness whereof, we, the members of the Board of Trustees, have herewith set our hand this 15th day of January, 1963.

Fred U. Hillers
Frederick W. Miller
John A. Kervick
Alan W. Bowers
John L. Brown
John T. Cox
Charles I. Levine
John J. McMahon
Harry V. Osborne, Jr.

STATEMENTS
SHOWING OPERATION OF THE FUNDS
OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDING
JUNE 30, 1962

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1962

Ledger Assets, June 30, 1961.....		\$195,242,116.87
<u>INCOME</u>		
<u>Members' Contributions</u>		
State Employees.....	\$ 5,534,968.28	
Local ".....	<u>6,524,398.54</u>	\$12,059,366.82
<u>Appropriations for Contingent Reserve Fund</u>		
State-Members Serv.	\$6,113,192.00	
" -Vet. Accrued Liability	<u>1,315,225.00</u>	\$ 7,428,417.00
Local-Members' Serv.	6,641,427.50	
" -Accrued Liab.	<u>3,639,796.00</u>	<u>10,281,223.50</u>
		\$17,709,640.50
<u>Members' Contributory Group Insurance Premium Fund</u>		
State Employees.....	\$ 497,185.68	
Local Employees.....	<u>561,873.07</u>	\$ 1,059,058.75
<u>Non Contributory Group Insurance Premium Fund</u>		
Local Employers.....		\$ 1,686,571.00
<u>Appropriations to Increased Pension Fund</u>		
State of N.J.	\$ 34,147.81	
Local Employers.....	<u>50,190.11</u>	\$ 84,337.92
County, Municipality, Public Agency Fund.....		243,574.00
Unclaimed Pensions.....		42,888.48
Increased Unclaimed Pensions.....		879.30
Increased Pension Fund - Redeposits.....		840.53
Canceled Checks.....		24,905.84
Hospitalization Exchange Account.....		3,346.71
Accumulative Interest-Annuity Savings Fund		
Transfer from Teachers' Pension and Annuity Fund.....		3,033.85
Accumulative Interest-Annuity Savings Fund		
Redeposit of Withdrawals.....		<u>919.94</u>
Totals carried forward.....	\$32,919,363.64	<u>\$195,242,116.87</u>

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1962

Totals brought forward.....	\$32,919,363.64	\$195,242,116.87
<u>INCOME - continued</u>		
Unclaimed Accounts - Redeposits.....	\$ 527.13	
Contingent Reserve Fund		
Transfer from Police & Firemen's Fund.....	12,005.26	
Contingent Reserve Fund - Add'l. Assets		
Received from Hudson Co. Bds. of Education.....	1,412.18	
Contingent Reserve Fund - Add'l. Reserve for J. Kelly, R-10767, from No. Bergen Twp.....	14,458.12	
Contingent Reserve Fund - Reimbursement for Withdrawal Overpayment.....	28.82	
Contingent Reserve Fund - Accidental Death		
Reserves from Prud. Insurance Company.....	53,531.70	
Interest Income on Investments (net).....	7,449,536.56	
Accrued Interest on Bond Exchanges (net).....	19,524.31	
Accrued Interest on Real Estate Construction.....	8,991.03	
Dividends on Stocks Owned.....	37,094.02	
FHA - Mortgage Insurance.....	23,927.97	
Profit on Bond Redemptions and Sales.....	83,590.79	
TOTAL INCOME.....		<u>\$ 40,623,991.53</u>
		\$235,866,108.40
<u>DISBURSEMENTS</u>		
<u>Accumulated Contributions Withdrawn</u>		
<u>Regular Withdrawals</u>		
State Employees	\$ 910,082.06	
Local Employees	<u>915,935.37</u>	\$1,826,017.43
<u>Active Death Withdrawals</u>		
State Employees	\$ 337,715.84	
Local Employees	<u>392,564.46</u>	730,280.30
<u>Loans to Active Members</u>		
State Employees	\$1,220,910.00	
Local Employees	<u>738,460.00</u>	<u>1,959,370.00</u>
Totals carried forward.....	\$4,515,667.73	\$235,866,108.40

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
 STATEMENT OF INCOME AND DISBURSEMENTS
 FISCAL YEAR ENDED JUNE 30, 1962

Totals brought forward.....	\$ 4,515,667.73	\$235,866,108.40
<u>DISBURSEMENTS - continued</u>		
Settlement of Inactive Accounts	\$ 21,054.51	
BENEFITS PROVIDED BY MEMBERS.....	\$ 4,536,722.24	
<u>Pensions Paid to Retired Members</u>		
State Employees	\$4,555,471.34	
Local Employees	<u>5,814,406.78</u>	10,369,878.12
Settlement of Unclaimed Pensions	32,458.50	
Hospitalization Exchange Account	<u>3,175.29</u>	
BENEFITS PROVIDED BY MEMBERS AND EMPLOYERS.....	\$10,405,511.91	
<u>Increased Pensions-Members who Retired prior to 12-31-1951</u>		
State Employees	\$ 34,325.97	
Local Employees	<u>50,278.46</u>	84,604.43
Settlement of Increased Unclaimed Pensions	430.56	
<u>Monthly Allowances to Beneficiaries of Deceased Active Members - IRRF</u>		
State Employees	\$ 50,632.83	
Local Employees	<u>52,427.93</u>	103,060.76
<u>Payments from Contingent Reserve Fund for Deaths prior to 12-1-1956 (before Prud. Ins. Co. became Carrier)</u>		
<u>Deceased Active Member</u>		
Local Employees	8,903.82	
<u>Deceased Alcoholic Beverage Law Enforcement Officers Chapter 423, PL 1953</u>		
State Retirant	2,000.00	
BENEFITS PROVIDED BY EMPLOYERS.....	\$ 198,999.57	
<u>Increased Pension Fund - Redeposits and Unused Allowances</u>		
State Employees	821.85	
Local Employees	<u>278.92</u>	1,100.77
Totals carried forward.....	\$15,142,334.49	\$235,866,108.40

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1962

Totals brought forward..... \$ 15,142,334.49 \$235,866,108.40

DISBURSEMENTS - continued

Prudential Insurance Co.-Members'		
Contributory Insurance Premiums.....	1,044,146.03	
Canceled Check Settlements.....	21,366.35	
County, Municipality, Public Agency Fund.....	189,077.47	
State of N.J. - Non Contributory Group Insurance Premium Fund Payments from Local Employers.....	1,666,344.00	
Contingent Reserve Fund		
Transfer to Police and Firemen's Fund.....	30,626.18	
FHA - Mortgage Insurance.....	23,304.04	
Amortizations (net).....	<u>29,305.43</u>	
TOTAL DISBURSEMENTS.....		<u>\$ 18,146,503.99</u>
Ledger Assets, June 30, 1962		<u>\$217,719,604.41</u>

Trenton Trust Company Bank Accounts.....		\$ 6,749,193.21
FHA - Mortgages.....		9,577,480.00
Bonds (par).....		199,274,400.00
Premium and Discount.....		689,897.83
Stocks and Commissions.....		981,352.11
Advances-Construction Health & Agri. Bldg.		<u>447,281.26</u>
TOTAL ASSETS, June 30, 1962.....		<u>\$217,719,604.41</u>

“Local” denotes County, Municipality, Public Agency Participants.

COMPARISON STATEMENTS

	<u>June 30, 1957</u>	<u>June 30, 1961</u>	<u>June 30, 1962</u>
ASSETS			
Cash.....	\$ 5,040,944.49	\$ 6,063,948.69	\$ 6,749,193.21
Investments.....	112,142,400.00	187,538,057.01	208,851,880.00
Premium & Discount.....	1,369,025.96	574,529.49	689,897.83
Stocks & Commissions.....	-	974,300.43	981,352.11
Advances-Construction			
Health & Agriculture Building.....	-	91,281.25	447,281.26
	<u>\$118,552,370.45</u>	<u>\$195,242,116.87</u>	<u>\$217,719,604.41</u>

	<u>June 30, 1957</u>	<u>June 30, 1961</u>	<u>June 30, 1962</u>
MEMBERSHIP			
State.....	19,613	23,831	24,772
Counties.....	6,158	8,428	9,082
Municipalities.....	14,145	17,956	19,010
Public Agencies.....	<u>2,649</u>	<u>3,234</u>	<u>3,431</u>
	<u>42,565</u>	<u>53,449</u>	<u>56,295</u>

	<u>1957</u>	<u>1961</u>	<u>1962</u>
PENSION			
PAYROLL			
Net Pension Payroll, May 31st.....	5,373	7,504	7,786
Retirements in June.....	<u>64</u>	<u>37</u>	<u>49</u>
	5,437	7,541	7,835
Less Terminations.....	<u>29</u>	<u>35</u>	<u>32</u>
Net Pension Payroll, June 30th.....	<u>5,408</u>	<u>7,506</u>	<u>7,803</u>

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF ASSETS

JUNE 30, 1962

Bank Balances	\$ 6,749,193.21	
Book Value of Bonds and FHA Mortgages Held	209,541,777.83	
" " " Stocks and Commissions	981,352.11	
" " " Advances on State Construction Projects	<u>447,281.26</u>	
LEDGER ASSETS		\$217,719,604.41
Members' Contributions Receivable	\$ 781,423.23	
Local Employers' Contributions Receivable	2,730,006.50	
Local Expense Fund Receivable	62,303.00	
Local Non Contributory Group Insurance Premium Fund Receivable	433,107.75	
Interest Accrued on Bonds	<u>2,161,896.49</u>	
NON LEDGER ASSETS		<u>\$ 6,168,736.97</u>
TOTAL ASSETS		<u>\$223,888,341.38</u>

DISTRIBUTION OF ASSETS

Annuity Savings Fund	\$ 62,630,690.79	
Accumulative Interest, Annuity Savings Fund	10,657,552.09	
Clearing Account (Undistributed ASF)	1,941,175.16	
Clearing Account - State Centralized Payrolls (Undistributed ASF)	1,115,706.08	
Unclaimed Accounts	<u>67,331.57</u>	
	\$ 76,412,455.69	
Less:		
Overages & Shortages on Transmittals	<u>.38</u>	
FUNDS DERIVED FROM MEMBERS' CONTRIBUTIONS		\$ 76,412,455.31*
Contingent Reserve Fund	\$ 49,855,628.97	
Local Non Contributory Group Ins. Prem. Fund	1,062,752.50	
Increased Pension Fund	114.87	
Increased Pensions Payable 7/1/62	6,443.10	
Increased Unclaimed Pensions	<u>546.55</u>	
FUNDS DERIVED FROM EMPLOYERS' CONTRIBUTIONS		\$ 50,925,485.99
Retirement Reserve Fund	\$ 92,015,709.04	
Insurance Retirement Reserve Fund	763,579.00	
Pensions Payable 7/1/62	832,798.35	
Hospitalization Exchange Payable 7/1/62 \$386.91		
Less: Debit Balance 6/30/62 <u>105.68</u>	281.23	
Unclaimed Pensions	<u>9,858.56</u>	
FUNDS DERIVED FROM MEMBERS' AND EMPLOYERS' CONTRIBUTIONS		<u>\$ 93,622,226.18</u>
Total Carried Forward		\$220,960,167.48

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY

STATEMENT OF ASSETS

JUNE 30, 1962

Total brought forward.....	\$220,960,167.48
County, Municipality, Public Agency Expense Fund.....	418,161.46
Unearned Interest on Loans.....	58,374.93
Canceled Checks Redeposited.....	8,431.86
Contributory Group Insurance Premium Fund.....	78,121.63
Reserve for Adverse Experience.....	191,199.25
FHA - Mortgage Insurance.....	11,988.28
Income from Investments.....	<u>2,161,896.49</u>
TOTAL ASSETS.....	<u>\$223,888,341.38</u>

*These amounts exclude loans and arrearages.

"Local" denotes County, Municipality and Public Agency Participants.

SENIOR ASSOCIATES

ROBERT H. ARMSTRONG
DOUGLAS C. BORTON
L. J. BRADEN
GARLAND S. BROWN
GEORGE B. BUCK, JR.
M. A. GURT
JOHN M. FLEMING
HARRY GERSHENSON
HUGH GILESPIE
KATHARINE M. HAND
MARY A. HARDIMAN
DOROTHY I. HEATZ
ALEXIS ORAV
DONALD N. OVERHOLSER
KARL SAARET
M. CURTIS SCHIMPF
A. EUGENE STATOUS
GEORGE B. SWICK
ROBERT C. TOUSSAINT
JOHN H. WILLIAMS
ROBERT A. WISHART

GEORGE B. BUCK
CONSULTING ACTUARY

80 WORTH STREET
NEW YORK 13, NEW YORK
CABLE ADDRESS
SOUNDPLANS NEW YORK

January 8, 1963

Board of Trustees,
Public Employees' Retirement System of New Jersey.
Trenton, New Jersey.

Gentlemen:

I have the honor to submit herewith the results of the eighth annual valuation of the assets and liabilities of the Public Employees' Retirement System of New Jersey. The valuation represents the forty-first annual valuation of retirement benefits to State and other public employees in New Jersey, if the valuations made under the provisions of the State Employees' Retirement System of New Jersey, which was superseded by the present system, are included.

The valuation shows the financial condition of the system as of March 31, 1962 and gives the basis for determining the appropriation payable by the employers during the fiscal year beginning July 1, 1963.

The first investigation of the experience of the Public Employees' Retirement System was made as of June 30, 1957. Since five years have elapsed, and since the actuary is to make an actuarial investigation of the experience once in every five year period as called for in Section 19 of Chapter 84 of the Laws of 1954, as amended and supplemented, another investigation was made this year. The results of this investigation are described in detail in this report.

Respectfully submitted,

(Signed) GEORGE B. BUCK

Actuary

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REPORT ON THE EIGHTH VALUATION
OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY.

The Public Employees' Retirement System of New Jersey, which began operation January 2, 1955, was established under Chapter 84 of the Laws of 1954. It supersedes the State Employees' Retirement System of New Jersey which began operation as of January 1, 1922. The present system is designed to operate in conjunction with the coverage of the membership under the Social Security Act. This report, prepared as of March 31, 1962, presents the results of the eighth actuarial valuation of the system.

There was no legislation during the year which affected the valuation of the liabilities of the system. However, effective July 1, 1961 the contributory life-insurance program was liberalized by action of the Board of Trustees to provide for active members under age 70 a flat benefit of one times the compensation received by the member in the last year of creditable service instead of a benefit dependent upon the sex of the member and decreasing in amount with age. To provide the increased benefits the required rate of contribution was set at one per cent of compensation for all members; formerly the rate for male members was .7 per cent and for female members .5 per cent.

TABLE I

MEMBERSHIP OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF MARCH 31, 1962

GROUP	TOTAL		4% Members		3% Members	
	Number	Payroll	Number	Payroll	Number	Payroll
Class A:						
Men.....	578	\$ 3,452,135	468	\$ 2,953,089	110	\$ 499,046
Women.....	649	3,047,934	437	2,136,176	212	911,758
Class B:						
Men.....	34,967	181,998,246	3,211	20,819,336	31,756	161,178,910
Women.....	19,278	74,449,827	2,543	13,259,594	16,735	61,190,233
Law Enforcement Officers						
Men.....	197	1,023,788	14	82,584	183	941,204
Women.....						
TOTAL.....	55,669	\$263,971,930	6,673	\$39,250,779	48,996	\$224,721,151
Sub-totals for:						
Non-Veterans						
State Employees.....	16,768	\$ 76,462,949	3,667	\$22,407,673	13,101	\$ 54,055,276
County Employees.....	6,343	26,263,242	975	5,368,506	5,368	20,894,736
Municipal Employees.....	12,311	53,144,573	1,834	10,162,247	10,477	42,982,326
Employees of Public Agencies.....	1,899	9,654,097	188	1,247,293	1,711	8,406,804
Employees of Consolidated School Districts.....	126	445,759	2	12,950	124	432,809
Non-Participating Locals..	6	29,349			6	29,349
State Employees Paid by Local Employers.....	164	1,071,366	7	52,110	157	1,019,256
Employees of Locals Participating under Chapter 169, P.L. 1956.....	219	948,196			219	948,196
Veterans						
State Employees.....	7,867	45,653,002			7,867	45,653,002
County Employees.....	2,303	11,924,574			2,303	11,924,574
Municipal Employees.....	5,295	26,140,717			5,295	26,140,717
Employees of Public Agencies.....	1,413	7,797,011			1,413	7,797,011
Employees of Consolidated School Districts.....	8	45,798			8	45,798
Non-Participating Locals..	722	2,942,121			722	2,942,121
State Employees Paid by Local Employers.....	161	1,152,002			161	1,152,002
Employees of Locals Participating under Chapter 169, P.L. 1956.....	64	297,174			64	297,174

- Notes: (a) The maintenance of each employee is fixed at the time of his application and is included in the compensation listed.
- (b) The membership shown for Class B includes 51 County Court Judges with annual payroll of \$1,019,954.
- (c) There are 87 members who have selected vesting benefits not included in the membership shown by the table.

TABLE 2
THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF BENEFICIARIES
ON THE ROLL AS OF MARCH 31, 1962

GROUP	NUMBER	RETIREMENT ALLOWANCES
<u>Service Retirements and Early Retirement Benefits</u>		
Men.....	4,553	\$6,598,560
Women.....	<u>1,900</u>	<u>2,093,712</u>
Total.....	6,453	\$8,692,272
<u>Ordinary Disability Retirements</u>		
Men.....	198	\$ 256,716
Women.....	<u>103</u>	<u>99,156</u>
Total.....	301	\$ 355,872
<u>Accident Disability Retirements</u>		
Men.....	77	\$ 182,316
Women.....	<u>23</u>	<u>48,804</u>
Total.....	100	\$ 231,120
<u>Ordinary Death Benefits</u>		
Men.....	6	\$ 1,308
Women.....	<u>214</u>	<u>88,344</u>
Total.....	220	\$ 89,652
<u>Accidental Death Benefits</u>		
Men.....	1	\$ 1,632
Women.....	<u>56</u>	<u>97,476</u>
Total.....	57	\$ 99,108
<u>Dependents of Deceased Beneficiaries</u>		
Men.....	8	\$ 5,016
Women.....	<u>317</u>	<u>280,056</u>
Total.....	325	\$ 285,072
Grand Total.....	7,456	\$9,753,096

Note: In addition to the above there are 232 beneficiaries who elected to receive death benefits, otherwise payable in a lump sum, as annuities certain, amounting to \$283,728 per annum.

TABLE 3
VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE FUNDS OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF MARCH 31, 1962

TABLE III
 VALUATION BALANCE SHEET
 SHOWING THE ASSETS AND LIABILITIES OF THE FUNDS OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
 AS OF MARCH 31, 1962

ASSETS	
Present assets of system creditable to:	:
Annuity Savings Fund:	:
Credited to Fund.....	\$ 72,652,931 :
Add miscellaneous income creditable.....	136,823 :
Add accrued interest creditable.....	<u>1,698,602</u> :\$ 74,488,356
Contributory Group Insurance Premium Fund.....	66,307
Retirement Reserve Fund including	:
Insurance Retirement Reserve Fund:	:
Credited to Fund.....	\$ 91,796,359 :
Add accrued interest.....	<u>2,062,726</u> : 93,859,085
Contingent Reserve Fund:	:
Credited to Fund including interest income	:
exclusive of interest accrued on investments.....	\$ 54,193,055 :
Deduct interest creditable to other funds.....	<u>3,761,328</u> : 50,431,727
Accrued Interest on Investments.....	<u>2,141,730</u>
TOTAL.....	:\$ 220,987,205
Present value of prospective contributions payable	:
by the State and local employers to the	:
Contingent Reserve Fund as follows:	:
Future normal contributions.....	\$ 205,147,893 :
Future accrued liability contributions to be paid	:
in annual instalments over a period of years.....	<u>66,450,023</u> :
TOTAL.....	271,597,916
TOTAL ASSETS.....	:\$ <u>492,585,121</u>

TABLE III
 VALUATION BALANCE SHEET
 SHOWING THE ASSETS AND LIABILITIES OF THE FUNDS OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
 AS OF MARCH 31, 1962

LIABILITIES	
Member's contributions which have been accumulated to date in the Annuity Savings Fund.....	\$ 74,488,356
Member's contributions which have been accumulated to date in the Contributory Group Insurance Premium Fund.....	66,307
Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund.....	94,359,631
Present value of benefits payable from contributions to the Contingent Reserve Fund:	
Regular service retirement pensions allowable on account of total service including benefits upon withdrawal after 25 years of service and vesting benefits.....	\$ 219,191,187
Ordinary disability retirement pensions.....	8,128,776
Accident disability retirement pensions.....	6,437,642
Death benefits on account of active members dying due to ordinary causes prior to retirement and to those dying after retirement for service, ordinary disability or accident disability and to those dying after age 60 after retirement upon a withdrawal benefit.....	80,030,992
Accidental death benefits on account of active members dying in the performance of duty.....	3,935,645
Death benefits payable on account of beneficiaries dying after retirement.....	<u>3,804,855</u>
Accrued Interest on Investments.....	<u>2,141,730</u>
TOTAL LIABILITIES.....	\$ 492,585,121

TABLE 4
CONTRIBUTIONS PAYABLE BY THE STATE
FOR THE YEAR BEGINNING JULY 1, 1962

DIVISION	NUMBER	PAYROLL	CONTRIBUTIONS TO CONTINGENT RESERVE FUND		CONTRIBUTION TO GROUP INSURANCE	TOTAL CONTRIBUTION
			Normal	Accrued Liability	PREMIUM FUND	
State (including State University):						
Non-Veterans 4%	3,066	\$ 18,940,567	\$1,427,762		\$ 314,770	\$ 1,742,532
Non-Veterans 3%	11,447	47,843,912	2,549,177		795,112	3,344,289
Veterans 3%	<u>7,250</u>	<u>42,236,235</u>	<u>2,343,314</u>	<u>\$1,216,296</u>	<u>701,919</u>	<u>4,261,529</u>
Total	21,763	\$109,020,714	\$6,320,253	\$1,216,296	\$1,811,801	\$ 9,348,350
Disability Insurance Service:						
Non-Veterans 4%	54	\$ 282,104	\$ 21,266		\$ 4,688	\$ 25,954
Non-Veterans 3%	47	164,941	8,788		2,741	11,529
Veterans 3%	<u>19</u>	<u>136,934</u>	<u>7,597</u>	<u>\$ 5,068</u>	<u>2,276</u>	<u>14,941</u>
Total	120	\$ 583,979	\$ 37,651	\$ 5,068	\$ 9,705	\$ 52,424
All Other Units of Division of Employ- ment Security:						
Non-Veterans 4%	509	\$ 3,003,601	\$ 226,415		\$ 49,916	\$ 276,331
Non-Veterans 3%	916	3,642,037	194,052		60,526	254,578
Veterans 3%	<u>405</u>	<u>2,417,034</u>	<u>134,100</u>	<u>\$ 89,909</u>	<u>40,168</u>	<u>264,177</u>
Total	1,830	\$ 9,062,672	\$ 554,567	\$ 89,909	\$ 150,610	\$ 795,086
Grand Total	23,713	\$118,667,365	\$6,912,471	\$1,311,273	\$1,972,116	\$10,195,860

The present assets of the system as shown in the balance sheet were taken from a statement furnished the actuary by the Division of Pensions. The assets and liabilities of each fund may be considered separately.

(1) Annuity Savings Fund

The valuation balance sheet shows the assets of the Annuity Savings Fund, the fund in which the deductions from the compensation of members to provide for their annuities are accumulated, to be \$74,488,356 on March 31, 1962, after interest accrued from June 30, 1961 has been added. The liabilities of the fund are also shown as \$74,488,356. The benefits to be provided from the past and future contributions of members who will retire have been taken into account in determining the liabilities of the Contingent Reserve Fund.

(2) Contributory Group Insurance Premium Fund

Since the Board of Trustees has purchased group coverage from an insurance company for the additional death benefits for which the contributions of members had heretofore been credited to the Members' Death Benefit Fund, such contributions are now credited to the Contributory Group Insurance Premium Fund as provided in Chapter 79, P.L. 1960.

The valuation balance sheet shows the assets of the Contributory Group Insurance Premium Fund to be \$66,307. The liabilities of the fund are also shown as \$66,307. It is expected that these monies will be paid over to The Prudential Insurance Company of America.

(3) Retirement Reserve Fund Including Insurance
Retirement Reserve Fund

The Retirement Reserve Fund has present assets including accrued interest of \$93,859,085, while its liabilities have a present value of \$94,359,631. There is therefore a deficit of \$500,546 in this fund as of the valuation date.

(4) Contingent Reserve Fund

The liabilities of the Contingent Reserve Fund are \$321,529,097 of which \$317,724,242 is on account of present active members and \$3,804,855 is on account of death benefits payable to beneficiaries of present retired members. The present assets of the fund amount to \$50,431,727

after deducting interest accrued on the other funds. The balance, increased by the amount of the deficit in the Retirement Reserve Fund, or \$271,597,916, is to be met by the future contributions of the State and local employers. Of this amount, \$66,450,023 will be met by future accrued liability contributions, leaving \$205,147,893 to be met by the future normal contributions.

CONTRIBUTIONS PAYABLE BY
THE STATE AND LOCAL EMPLOYERS

The State was originally required to make two contributions to the retirement system, one to cover the liability assumed by the system on account of service rendered by members during the current year, and the other to cover the liability on account of the credit granted for service rendered prior to the establishment of the retirement system. The State completed its payment for prior service credit in 1946. However, under the Public Employees' Retirement System the State is required to pay over a period of 30 years commencing with July 1, 1956 an accrued liability contribution to meet the additional cost for allowances payable on account of service rendered by veteran members prior to January 2, 1955.

Each local employer is required to make a contribution for its employees, which consists of a normal contribution and, until the accrued liability on account of its employees has been liquidated, an accrued liability contribution. The accrued liability contribution of each employer is based on a special valuation of the liabilities of the employer made at the end of the first year of participation. In addition, each local employer who has veteran members with creditable service rendered prior to January 2, 1955 must pay an accrued liability contribution in the same manner as provided in the case of the State for its veteran members.

In accordance with the law, the normal rate is determined each year on the basis of the annual valuation as the percentage rate of contribution

required with the funds in hand and prospective accrued liability contributions, if any, to meet the benefit payments for which the employers are responsible. Separate rates are determined for non-veteran and veteran members. The calculations are also made separately for the State and for the local employers taken as a group, and since the regular interest rate as it affects new members on or after July 1, 1949 is 3 per cent, the rates are determined separately for members on a 3 per cent interest basis and those on a 4 per cent interest basis.

The normal rates recommended for the year beginning July 1, 1962 are as follows:

<u>PAYABLE BY:</u>	<u>NORMAL RATE</u>
State on account of 4% members:	
Non-Veterans.....	9.20%
State on account of 3% members:	
Non-Veterans.....	6.99%
Veterans.....	7.21%
Local employers on account of 4% members:	
Non-Veterans.....	8.38%
Local employers on account of 3% members:	
Non-Veterans.....	6.93%
Veterans.....	7.12%

On the basis of the normal rates applicable to State employees and the payroll as of March 31, 1962, the contributions for the fiscal year beginning July 1, 1962 payable by the State and the agencies which pay the same normal rate as the State are shown in Table IV. The amount required to pay the premium for the non-contributory life insurance coverage for the policy year 1963-1964 has been deducted from the recommended normal contribution to the retirement system and is shown as payable to the Group Insurance Premium Fund in accordance with the provisions of Chapter 79, P.L. 1960. The certifications of the appropriations required of the local employers are submitted separately.

INVESTIGATION OF EXPERIENCE

An investigation of the service and mortality experience of members and beneficiaries of the retirement system was made this year in accordance with Section 19 of Chapter 84 of the Laws of 1954, as amended, which provides that once in every five-year period after January 2, 1955 the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members and beneficiaries of the retirement system.

The investigation made this year covers the period from July 1, 1957 to March 31, 1962. The experience among active members and beneficiaries has been compared with the experience expected according to the basic tables adopted by the Board of Trustees for use by the Public Employees' Retirement System. Although special basic tables were adopted for Law Enforcement Officers, their experience is not shown separately. This group has been combined with other members in view of the fact that their number represents such a small percentage of the total membership.

In the case of withdrawals, the Board adopted select rates of withdrawal for employees with less than three years of service. However, since the withdrawal experience during one of the years covered by the investigation was combined for all years, the withdrawal experience during the select years has not been summarized separately.

The expected number of separations from service on account of withdrawal, death, disability, and service retirement were calculated by multiplying the rates of separation used as a basis for the active service tables by the number of those exposed to risk. The actual number of those who had separated from service were then compared with the expected number. The following tables give the results of these comparisons.

TABLE 13

COMPARISON OF ACTUAL AND EXPECTED SEPARATIONS
FROM ACTIVE SERVICE

AGE GROUP	NUMBER OF SEPARATIONS		
	Actual	Expected	Difference
<u>Withdrawals Prior to Age 60</u>			
20	1,559	1,339.8	- 219.2
25	2,837	2,368.6	- 468.4
30	2,161	1,731.8	- 429.2
35	1,721	1,566.3	- 154.7
40	1,541	1,491.2	- 49.8
45	1,297	1,012.9	- 284.1
50	1,167	711.1	- 455.9
55	856	347.5	- 508.5
59	416	76.6	- 339.4
Total Withdrawals	13,555	10,645.8	- 2,909.2
<u>Deaths</u>			
(due to ordinary causes)			
20	8	9.4	+ 1.4
25	8	22.3	+ 14.3
30	14	34.4	+ 20.4
35	34	57.7	+ 23.7
40	66	91.5	+ 25.5
45	113	145.6	+ 32.6
50	215	226.3	+ 11.3
55	328	311.2	- 16.8
60	376	484.8	+ 108.8
65	329	471.2	+ 142.2
70	203	332.8	+ 129.8
and over			
Total for Ordinary Deaths	1,694	2,187.2	+ 493.2
(due to accidental causes)			
20		1.3	+ 1.3
25	1	4.0	+ 3.0
30	6	5.1	- .9
35	2	6.5	+ 4.5
40	3	5.5	+ 2.5
45	1	5.6	+ 4.6
50	3	5.9	+ 2.9

TABLE 13

COMPARISON OF ACTUAL AND EXPECTED SEPARATIONS
FROM ACTIVE SERVICE

(Continued)

AGE GROUP	NUMBER OF SEPARATIONS		
	Actual	Expected	Difference
(due to accidental causes) (Continued)			
55	3	5.5	+ 2.5
60	3	1.8	- 1.2
65	3		- 3.0
70	2		- 2.0
and over			
Total for Accidental Deaths	27	41.2	+ 14.2
(due to all causes)			
Total Deaths	1,721	2,228.4	+ 507.4
<u>Disability Retirements</u> (due to ordinary causes)			
30	1	1.3	+ .3
35	2	5.3	+ 3.3
40	7	12.4	+ 5.4
45	12	22.5	+ 10.5
50	27	38.3	+ 11.3
55	66	48.8	- 17.2
60	40	23.2	- 16.8
Total for Ordinary Disa- bility Retirements	155	151.8	- 3.2
(due to accidental causes)			
20		.6	+ .6
25		1.4	+ 1.4
30		1.6	+ 1.6
35	2	4.6	+ 2.6

TABLE 13

COMPARISON OF ACTUAL AND EXPECTED SEPARATIONS
FROM ACTIVE SERVICE
(Continued)

AGE GROUP	NUMBER OF SEPARATIONS		
	Actual	Expected	Difference
(due to accidental causes) (Continued)			
40	2	7.3	+ 5.3
45	3	8.3	+ 5.3
50	4	14.9	+ 10.9
55	8	14.0	+ 6.0
60	9	6.5	- 2.5
65	7		- 7.0
70	8		- 8.0
and over			
Total for Accidental Disability Retirements	43	59.2	+ 16.2
(due to all causes)			
Total Disability Retirements	198	211.0	+ 13.0
<u>Service Retirements</u>			
60	759	816.6	+ 57.6
65	1,398	1,579.4	+ 181.4
70	997	997.0	
and over			
Total	3,154	3,393.0	+ 239.0

By means of the salary scale which was adopted by the Board, the expected salaries of those members who remain in service from year to year were obtained, and these expected salaries were compared with the actual salaries. This comparison is summarized in the following table.

TABLE 14

COMPARISON OF ACTUAL AND EXPECTED SALARIES OF MEMBERS

CENTRAL AGE OF GROUP	SALARIES AT END OF YEAR		
	Actual	Expected	Difference
20	\$ 18,381,961	\$ 17,213,501	\$- 1,168,460
25	47,300,800	45,349,756	- 1,951,044
30	71,718,695	69,147,006	- 2,571,689
35	101,786,685	98,272,653	- 3,514,032
40	120,356,087	116,680,083	- 3,676,004
45	134,395,941	130,842,071	- 3,553,870
50	148,022,798	143,030,339	- 4,992,459
55	138,108,858	134,295,678	- 3,813,180
60	114,894,737	111,638,021	- 3,256,716
65	66,382,037	64,797,627	- 1,584,410
70 and over	22,922,874	21,940,940	- 981,934
Total	\$984,271,473	\$953,207,675	\$-31,063,798

The following table gives a comparison of the actual and expected deaths among retired members and their beneficiaries. In obtaining the expected deaths, the rates of mortality employed as a basis for the mortality tables last adopted by the Board for pensioners and their beneficiaries were used.

TABLE 15

SUMMARY OF MORTALITY EXPERIENCE OF BENEFICIARIES

GROUP	NUMBER OF DEATHS			LIABILITIES RELEASED BY DEATH		
	Actual	Expected	Difference	Actual	Expected	Difference
<u>Service Retirements, Early Retirements and Vesting Benefits Payable</u>						
Men	1,430	1,288.4	-141.6	\$10,656,787	\$ 9,832,761	\$-824,026
Women	279	322.5	+ 43.5	2,219,844	2,739,207	+519,363
Total	1,709	1,610.9	- 98.1	\$12,876,631	\$12,571,968	\$-304,663
<u>Ordinary and Accident Disability Retirements</u>						
Men	74	60.4	- 13.6	\$ 809,646	\$ 728,668	\$- 80,978
Women	27	23.0	- 4.0	245,407	249,420	+ 4,013
Total	101	83.4	- 17.6	\$ 1,055,053	\$ 978,088	\$- 76,965
<u>Ordinary Death Benefits</u>						
Men	1	.2	- .8	\$ 3,873	\$ 1,212	\$- 2,661
Women	27	20.8	- 6.2	141,238	107,256	- 33,982
Total	28	21.0	- 7.0	\$ 145,111	\$ 108,468	\$- 36,643
<u>Dependents of Deceased Beneficiaries and Accidental Death Benefits</u>						
Men	2	1.5	- .5	\$ 16,045	\$ 8,193	\$- 7,852
Women	50	57.2	+ 7.2	181,795	347,692	+165,897
Total	52	58.7	+ 6.7	\$ 197,840	\$ 355,885	\$+158,045
Grand Total	1,890	1,774.0	-116.0	\$14,274,635	\$14,014,409	\$-260,226

RATES OF WITHDRAWAL

The preceding table shows that the actual number of withdrawals was greater than the number expected to withdraw. This means that fewer members are remaining in service to receive retirement benefits than were expected to do so, so that the cost of these benefits to the retirement system is less than expected on this account. This indicates the rates of withdrawal now being used are producing conservative results in that the actual number of withdrawals from service exceeds the expected number.

RATES OF DEATH AMONG ACTIVE MEMBERS

Since the retirement system pays different benefits upon ordinary and accidental death, the mortality experience with respect to these two causes of death was investigated separately. The preceding table shows that with respect to both ordinary and accidental death, the actual number of deaths was less than the number expected. This result is favorable to the retirement system since it means that there have been fewer claims than expected for the benefits paid by the retirement system in event of death.

RATES OF DISABILITY RETIREMENT

With respect to disability retirement, also, the cases resulting from ordinary and accidental causes were investigated separately. The table shows that with respect to ordinary disability retirement, while the actual number of disability retirements was slightly higher than expected, the experience was quite close to that expected. However, there were fewer accident disability retirements than expected, and in total the number of expected disability retirements exceeded the actual number of such cases. This result was favorable to the retirement system since it means that in total there were fewer claims for disability retirement than were expected on the basis of the active service table adopted by the Board.

RATES OF SERVICE RETIREMENT

If the actual number of service retirements is less than the number expected, then the expected rates of service retirement used in the actuarial calculations are considered conservative. This condition was found to obtain among members of the system. The retirement table in effect assumes an average age at retirement of 65.9 and the actual experience covered by the present investigation indicated an average age at retirement of 65.8.

RATES OF SALARY INCREASE

The preceding table indicates that the actual salaries during the past five years were greater than the expected salaries. This experience operates adversely since pensions are based on the average compensation of the ultimate years of service and every abnormal increase in compensation increases the cost to the employer.

RATES OF MORTALITY AMONG BENEFICIARIES

The last of the preceding tables summarizes the results of the mortality experience with respect to beneficiaries. The table shows that there were fewer deaths than expected among women retired on account of service and women beneficiaries and, although there were more deaths than expected among women retired on account of disability, the actual liabilities released were slightly less than expected. However, for all classes of beneficiaries combined, the actual number of deaths and the actual liabilities released by death were greater than the expected number of deaths and liabilities expected to be released. Thus, the mortality experience was favorable to the retirement system from a financial viewpoint since it indicates that beneficiaries are not living as long as expected on the basis of the mortality tables now in use. It is recommended that the present mortality tables be continued in use for all beneficiaries.

CONCLUSION

The investigation of the experience during the period covered by this investigation indicates that, with the exception of the salary experience, the experience among both active members and beneficiaries was favorable. It is therefore recommended that no change be made in the tables presently in use.



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