

DEPARTMENT
OF THE TREASURY

DIVISION OF
PENSIONS

PUBLIC EMPLOYEES'
RETIREMENT SYSTEM
OF
NEW JERSEY

SEVENTH ANNUAL REPORT
OF THE
BOARD OF TRUSTEES

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June 30, 1961



PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OF
NEW JERSEY
137 EAST STATE STREET
TRENTON, NEW JERSEY

BOARD OF TRUSTEES

Fred U. Hillers, *Chairman*

Mrs. Katharine Elkus White,
Acting State Treasurer
C. Harrison Hultman, *Vice-Chairman*

John T. Cox

Charles I. Levine

Alan W. Bowers

John J. McMahon

John L. Brown

Harry V. Osborne, Jr.

GEORGE M. BORDEN, *Secretary*
GLADYS H. CLEARY, *Assistant Secretary*

GEORGE B. BUCK, *Consulting Actuary*

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF

NEW JERSEY

TRENTON, NEW JERSEY

To His Excellency, Robert B. Meyner, Governor of the State of New Jersey:

Sir:

In compliance with the provisions of Section 11, Chapter 14, Title 43 of the Revised Statutes and Chapter 84, P.L. 1954, the Board of Trustees has the honor to transmit herewith the 7th Annual Report of the Public Employees' Retirement System of New Jersey, covering the period from July 1, 1960 to June 30, 1961.

TRUSTEES

Fred U. Hillers, *Chairman*

C. Harrison Hultman, *Vice-Chairman*

Mrs. Katharine E. White, *Acting State Treasurer*

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 in 1961 affecting the Public Employees' Retirement System.

TRUSTEES ELECTED

Mr. John L. Brown, trustee representing state employees and Mr. John J. McMahon, trustee representing municipal employees, were re-elected as members of the Board of Trustees. Both terms of office are for a three-year period ending June 30, 1964.

Mr. John A. Kervick, who was appointed State Treasurer on August 18, 1958, has been on leave of absence since June 5, 1961. Mrs. Katharine E. White was designated Acting State Treasurer on June 6, 1961.

INVESTMENT

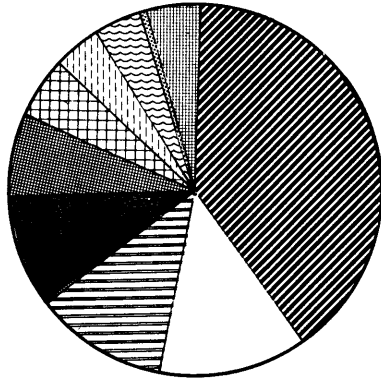
The average yield of securities purchased during the year with maturities over a twelve month period was 4.65%. The average yield on our entire holdings for the year ending June 30, 1961 was 3.74%.

RECAPITULATION

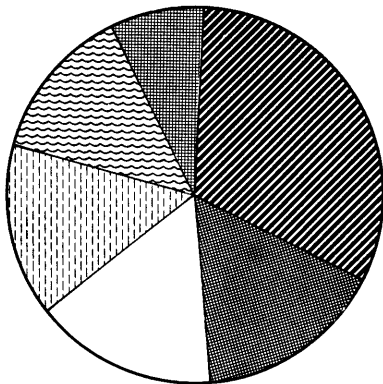
The actual amount of each type of investment is as follows:

United States Government.....	\$ 17,995,000.00
United States Government Agencies.....	1,400,000.00
Municipal-Counties & Cities.....	10,538,900.00
Municipal-School Districts.....	4,291,000.00
Municipal-Revenues.....	6,988,000.00
Industrials.....	13,741,000.00
Gas & Electric.....	74,399,000.00
Telephone.....	23,780,000.00
Water.....	600,000.00
Railroad Equipment Trust Certificates....	10,189,000.00
Merchant Marine.....	1,175,000.00
Finance Companies.....	7,800,000.00
International Bank.....	1,349,000.00
Government of Canada.....	450,000.00
Provinces of Canada.....	2,060,000.00
Canadian Provincial Guaranteed.....	<u>2,700,000.00</u>
Sub-Totals.....	\$ 179,455,900.00
Capehart Mortgages.....	8,082,157.00
Common Stock.....	<u>974,300.00</u>
TOTALS.....	<u>\$ 188,512,357.00</u>

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.



TYPE	Book Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$ 74,814,625	3.95%	39.6
Telephone	23,981,875	4.04	12.7
Municipals	22,188,001	2.76	11.7
U. S. Government	18,056,142	2.52	9.6
Industrials	13,667,299	4.17	7.2
R. R. Equip. Tr. Cfts.	10,135,400	3.43	5.4
Capehart Mtgs. (Guar. by U. S.)	7,944,886	4.22	4.2
Finance Cos. — Sr. Debt	7,735,026	4.99	4.1
U. S. Government Agencies	1,400,697	3.95	.7
Other			
Canadian	\$5,090,239		
International Bank	1,329,525		
Merchant Marine (U.S. Gov't. Insured)	1,175,000		
Common Stock	974,300		
Water	593,872		
Totals	\$189,086,887	3.74%	100.0



TYPE	Par Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$ 7,035,000	4.69%	31.7
Industrials	3,650,000	4.61	16.4
Telephone	3,450,000	4.57	15.5
Capehart Mtgs. (Guar. by U.S.)	3,291,951	4.54	14.8
Finance Cos. — Sr. Debt	3,050,000	4.84	13.7
Other			
Common Stock	\$974,300*		
Merchant Marine (U.S. Gov't. Insured)	775,000	4.13	7.9
Totals	\$22,226,251	4.61%	100.0

* Book Value

Temporary Short-Term purchases during the year amounted to \$9,450,000.

HOLDINGS AT JUNE 30, 1961

TYPE	Book Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$ 74,814,625	3.95%	39.6
Telephone	23,981,875	4.04	12.7
Municipals	22,188,001	2.76	11.7
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Common Stock	974,300		
Water	593,872		
Totals	\$189,086,887	3.74%	100.0

LONG-TERM PURCHASES During Fiscal Year Ending June 30, 1961

TYPE	Par Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$ 7,035,000	4.69%	31.7
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Totals	\$22,226,251	4.61%	100.0

* Book Value

Temporary Short-Term purchases during the year amounted to \$9,450,000.

MEMBERSHIP

The following municipalities adopted the Retirement System to become effective on the dates indicated:

Effective January 1, 1961

Joint Free Public Library of the
Borough and Township of Princeton
New Jersey

Effective April 1, 1961

Camden County Welfare Board
Camden County Park Commission

Effective May 1, 1961

Union County Vocational School

Effective July 1, 1961

Allendale Borough
Bordentown City
Cresskill Borough
Fanwood Borough
Flemington Borough
Franklin Township
Kingwood Township
Middletown Township
Pequannock Township
Somers Point City
Wall Township
Watchung Borough

Neptune Township Housing Authority

The total membership as of June 30, 1961, is recapitulated as follows:

State.....	23,831
Counties.....	8,428
Municipalities.....	17,956
Public Agencies.....	<u>3,234</u>
	<u>53,449</u>

BOARD OF TRUSTEES

AS OF JULY 1, 1961

Fred U. Hillers, *Chairman* - Term expires June 30, 1963
C. Harrison Hultman, *Vice-Chairman* - Term expires June 30, 1962
Alan W. Bowers
John L. Brown - Term expires June 30, 1964
John T. Cox - Term expires June 30, 1963
Charles I. Levine - Term expires June 30, 1962
John J. McMahon - Term expires June 30, 1964
Harry V. Osborne, Jr.

COMMITTEES

Finance - Mr. Brown, Chairman
Mrs. Katharine E. White, *Acting State Treasurer*
Mr. Bowers
Mr. Cox
Mr. Hultman

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

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

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 7th Annual Report for the fiscal year ending June 30, 1961, 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 21st day of November, 1961.

Fred U. Hillers
C. Harrison Hultman
Mrs. Katharine E. White
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, 1961

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1961

Ledger Assets, June 30, 1960		\$175,456,074.21
<u>INCOME</u>		
<u>Members' Contributions</u>		
State Employees	\$ 4,933,759.04	
Local "	<u>5,881,832.97</u>	\$10,815,592.01
<u>Appropriations for Contingent Reserve Fund</u>		
State-Memb. Service	\$2,838,882.00	
" -Accrued Liab.	<u>1,311,273.00</u>	\$ 4,150,155.00
Local-Memb. Service	7,235,764.00	
" -Accrued Liab.	<u>3,963,651.64</u>	<u>11,199,415.64</u> \$15,349,570.64
<u>Members' Contributory Group Insurance Premium Fund</u>		
State Employees	\$ 311,683.36	
Local "	<u>358,375.84</u>	\$ 670,059.20
<u>Non Contributory Group Insurance Premium Fund</u>		
Local Employers		\$ 1,293,986.25
<u>Increased Pension Fund</u>		
State of N.J.	37,861.70	
Local Employers	<u>48,723.89</u>	\$ 86,585.59
County, Municipality, Public Agency Fund		248,774.50
Unclaimed Pensions		41,839.94
Increased Unclaimed Pensions		796.86
Increased Pension Fund Redeposits		422.32
Canceled Checks		14,343.10
IRRF - Prud. Ins. Co. Reserves for Mo. Allowances		17,995.43
CRF - Prud. Ins. Co. - Accidental Death Reserves		90,154.36
Prud. Ins. Co. Non Contributory Group Dividend		80,942.21
Accumulative Interest ASF - Transfer from TPAF		1,528.47
" " " - Redeposit of Withdrawals		2,237.48
Unclaimed Account - Redeposit of Withdrawal		<u>7.79</u>
Totals carried forward	<u>\$28,714,836.15</u>	<u>\$175,456,074.21</u>

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1961

Totals brought forward.....	\$28,714,836.15	\$175,456,074.21
<u>INCOME - continued</u>		
CRF - Transfer from Police & Firemen's Fund.....	\$ 13,611.97	
Overage on Payroll Transmittal.....	.10	
Hospitalization Exchange Account.....	969.69	
Interest Income on Investments (net).....	6,527,654.48	
Interest on Advances of State Construction Projects.....	856.25	
Dividends on Stocks Owned.....	19,413.75	
FHA - Mortgage Insurance.....	21,915.23	
Profit on Bond Redemptions (net).....	<u>25,420.73</u>	
TOTAL INCOME.....		<u>\$ 35,324,678.35</u>
		\$210,780,752.56

DISBURSEMENTS

Accumulated Contributions Withdrawn

Regular Withdrawals

State Employees	\$ 772,460.15		
Local "	<u>818,080.05</u>		\$1,590,540.20

Active Death Withdrawals

State Employees	233,077.54		
Local "	<u>372,428.63</u>		605,506.17

Loans to Active Members

State Employees	976,100.00		
Local "	<u>593,550.00</u>		1,569,650.00

Settlement of Inactive Accounts	<u>6,844.24</u>	
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BENEFITS PROVIDED BY MEMBERS.....	\$ 3,772,540.61	
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Pensions Paid to Retired Members

State Employees	\$4,268,878.96		
Local "	<u>5,634,712.45</u>		\$9,903,591.41

Settlement of Unclaimed Accounts	<u>29,645.78</u>	
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BENEFITS PROVIDED BY MEMBERS AND EMPLOYERS.....	<u>\$ 9,933,237.19</u>	
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TOTALS CARRIED FORWARD.....	\$13,705,777.80	\$210,780,752.56
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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1961

Totals brought forward.....\$13,705,777.80 \$210,780,752.56

DISBURSEMENTS - continued

Increased Pensions - Members who Retired
Prior to 12-31-1951

State Employees	\$38,231.64	
Local "	<u>49,129.24</u>	\$ 87,360.88
Settlement of Increased Unclaimed Pensions		355.40

Monthly Allowances to Beneficiaries
of Deceased Active Members

State Employees	\$57,227.52	
Local "	<u>61,822.64</u>	\$119,050.16

Payments from Contingent Reserve
Fund for Deaths prior to 12-1-1956
or prior to the Prudential Ins. Co.
as Carrier

Deceased Active Member

Local Employee	\$ 5,544.00	
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Deceased Retirants

Local Retirants	1,814.45	
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Deceased Alcoholic Bev.
Law Enforcement Officers
Chapter 423 PL 1953

State Retirants	<u>4,000.00</u>	\$ 11,358.45
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State of New Jersey
Non Contributory Group Insurance
premiums from Local Employers \$684,568.50

BENEFITS PROVIDED BY EMPLOYERS..... \$ 902,693.39

Increased Pension Fund - Redeposits
and Unused Allowances

State Employees	\$ 329.14	
Local "	<u>314.03</u>	643.17

Members' Contributory Group Insurance
Premiums to Prudential Insurance Company 650,611.97

TOTALS CARRIED FORWARD.....\$15,259,726.33 \$210,780,752.56

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1961

Totals brought forward.....	\$ 15,259,726.33	\$210,780,752.56
<u>DISBURSEMENTS - continued</u>		
Canceled Check Settlements.....	\$ 18,134.11	
Hospitalization Exchange Account.....	859.88	
County, Municipality, Public Agency Fund.....	172,927.37	
CRF - Transfer to Police & Firemen's Fund.....	2,430.91	
FHA - Mortgage Insurance.....	16,101.90	
Amortizations (net).....	<u>68,455.19</u>	
TOTAL DISBURSEMENTS.....		<u>\$ 15,538,635.69</u>
LEDGER ASSETS, JUNE 30, 1961.....		<u>\$195,242,116.87</u>
Trenton Trust Company Bank Accounts.....		
FHA - Mortgages.....		
Bonds (par).....		
Premium and Discount.....		
Stocks and Commissions.....		
Advances-Construction Health & Agri. Bldg.....		
<u>TOTAL ASSETS, JUNE 30, 1961.....</u>		

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

Comparative Statement of Income and Disbursements

1. The Annuity Reserve Fund and the Pension Reserve Fund were combined as of 7/1/53 into the Retirement Reserve Fund and for comparative purposes have been combined in the 6/30/51 figures shown herewith.
2. The word "Local" where used, denotes either County, Municipal or Public Agency members or employers.
3. The amount of \$2,904,112.00 advanced by the State for non-contributory insurance was added to the 6/30/61 figure for its normal contributions. The resultant total of \$7,092,118.70 is the figure used for purposes of comparison.
4. Commencing 1/1/57 insurance claims due to death were paid by the Prudential Insurance Company.

Comparative Statement of Assets

1. In accordance with the practice of the System, loans and arrears due from members are not recorded in the balance of the Annuity Savings Fund.

COMPARATIVE STATEMENT OF INCOME & DISBURSEMENTS

<u>INCOME</u>	Year Ended <u>6-30-51</u>	Year Ended <u>6-30-56</u>	Year Ended <u>6-30-61</u>
<u>Members Con. Including Contrib. Ins.</u>			
State Members	\$ 2,943,989.83	\$ 3,531,573.40	\$ 5,245,442.40
Local Members	2,513,585.25	3,898,607.54	6,240,208.81
<u>Total</u>	<u>\$ 5,457,575.08</u>	<u>\$ 7,430,180.94</u>	<u>\$11,485,651.21</u>
<u>Employers Con. Incl. Non-Contrib. Ins.</u>			
State of New Jersey	\$ 2,162,288.00	\$ 2,500,000.00	\$ 7,092,128.70 *1
Local Employers	3,377,195.60	6,673,494.00	12,542,125.78
<u>Total</u>	<u>\$ 5,539,483.60</u>	<u>\$ 9,173,494.00</u>	<u>\$19,634,254.48</u>
<u>Reserves from Prudential Ins. Co.</u>	-0-	-0-	\$ 108,149.79
<u>Other Receipts</u>			
Co. Mun. & Public Agency Exp. Fund	\$ 110,046.00	\$ 128,413.00	\$ 248,774.50
Income from Investments	1,306,190.16	2,687,479.14	6,547,924.48
Profit on Redeemed Bonds	-0-	1,643.08	25,420.73
Miscellaneous Receipts	-0-	1,097.60	178,615.16
<u>Total</u>	<u>\$ 1,416,236.16</u>	<u>\$ 2,818,632.82</u>	<u>\$ 7,000,734.87</u>
<u>Total of All Receipts</u>	<u>\$12,413,294.84</u>	<u>\$19,422,307.76</u>	<u>\$38,228,790.35</u>
<u>DISBURSEMENTS</u>			
<u>Retirement Allowances Paid</u>			
State Employees	\$ 719,171.36	\$ 1,503,519.68	\$ 4,307,110.60
Local Employees	879,715.41	2,299,382.77	5,683,841.69
<u>Total</u>	<u>\$ 1,598,886.77</u>	<u>\$ 3,802,902.45</u>	<u>\$ 9,990,952.29</u>
<u>Death Claims Paid</u>			
Members Con. Returned	\$ 221,498.40	\$ 420,241.31	\$ 605,506.17
Ins. Claims Paid - Lump Sum Settle.	6,504.64	1,556,809.19	119,050.16 *2
Ins. Claims Paid - Monthly Install.	-0-	18,956.02	11,358.45
<u>Total</u>	<u>\$ 228,003.04</u>	<u>\$ 1,996,006.52</u>	<u>\$ 735,914.78</u>
<u>Withdrawal of Contributions</u>	<u>\$ 817,723.49</u>	<u>\$ 1,412,603.52</u>	<u>\$ 1,590,540.20</u>

COMPARATIVE STATEMENT OF ASSETS

<u>ASSETS</u>	<u>As of</u> <u>6-30-51</u>	<u>As of</u> <u>6-30-56</u>	<u>As of</u> <u>6-30-61</u>
<u>Ledger Assets</u>			
Bank Balances	\$ 1,056,426.38	\$ 3,394,491.96	\$ 6,063,948.69
Book Value of Investments	53,861,644.21	100,579,863.95	189,178,168.18
<u>Total Ledger Assets</u>	<u>\$54,918,070.59</u>	<u>\$103,974,355.91</u>	<u>\$195,242,116.87</u>
<u>Non-Ledger Assets</u>			
Contributions & Exp. Receivable	\$ 367,809.80	\$ 769,223.60	\$ 3,289,452.02
Accrued Interest on Investments	294,071.33	706,951.35	1,849,297.21
<u>Total Non-Ledger Assets</u>	<u>\$ 661,881.13</u>	<u>\$ 1,476,174.95</u>	<u>\$ 5,138,749.23</u>
 <u>Total Assets</u>	 <u>\$55,579,951.72</u>	 <u>\$105,450,530.86</u>	 <u>\$200,380,866.10</u>
 <u>DISTRIBUTIONS OF ASSETS</u>			
Annuity Savings Fund (Members Contrib.)	\$26,942,725.90	\$ 37,024,563.77	\$ 68,822,031.03
Contingent Reserve Fund (Emp. Contrib.)	17,626,433.64	16,480,596.92	33,132,541.20
Retirement & Reserves Fund	10,464,401.21	50,438,746.47	95,968,214.94
Deferred Interest Income	294,071.33	706,951.35	1,849,297.21
Miscellaneous	252,319.64	799,672.35	608,781.72
 <u>Total Assets</u>	 <u>\$55,579,951.72</u>	 <u>\$105,450,530.86</u>	 <u>\$200,380,866.10</u>

NOTE: This Statement does not include amounts due from members for loans or arrears.

COMPARATIVE STATEMENT OF INCOME & DISBURSEMENTS

	<u>Year Ended</u> <u>6-30-51</u>	<u>Year Ended</u> <u>6-30-56</u>	<u>Year Ended</u> <u>6-30-61</u>
<u>Other Disbursements</u>			
Contrib. & Non-Contrib. Ins. Prem.	\$ -0-	\$ -0-	\$ 4,239,292.47 *1
Loans to Active Members	534,950.00	541,540.00	1,569,650.00
Paid to State from Emp. Exp. Fund	12,507.50	69,095.90	172,927.37
Amortization of Bond Premium	167,260.07	133,070.70	68,455.19
Miscellaneous Disbursements	28,191.79	1,798.39	75,015.39
<u>Total</u>	<u>\$ 742,909.36</u>	<u>\$ 745,504.99</u>	<u>\$ 6,125,340.42</u>
 <u>Total of All Disbursements</u>	 <u>\$ 3,387,522.66</u>	 <u>\$ 7,957,017.48</u>	 <u>\$ 18,442,747.69</u>
 Excess of Income over Disbursements	 \$ 9,025,772.18	 \$ 11,465,290.28	 \$ 19,786,042.66
Ledger Assets at beginning of the year	<u>45,892,298.41</u>	<u>92,509,065.63</u>	<u>17,545,607.21</u>
Ledger Assets at close of the year	<u>\$54,918,070.59</u>	<u>\$103,974,355.91</u>	<u>\$195,242,116.87</u>

*1 The State advance of \$2,904,112.00 for non-contributory insurance premiums has been included in these figures in order to make them comparable with "Local" contributions.

*2 Commencing with January 1957, insured death claims were paid by Prudential Insurance Company.

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TRENTON, NJ 08625-0520

COMPARATIVE STATEMENT OF MEMBERSHIP

	<u>As of</u> <u>6-30-51</u>	<u>As of</u> <u>6-30-56</u>	<u>As of</u> <u>6-30-61</u>
State.....	13,259	17,530	23,831
Counties.....	3,737	5,535	8,428
Municipalities.....	8,160	12,483	17,956
Public Agencies.....	<u>605</u>	<u>2,349</u>	<u>3,234</u>
	<u>25,761</u>	<u>37,897</u>	<u>53,449</u>

COMPARISON STATEMENTS

		<u>June 30, 1956</u>	<u>June 30, 1960</u>	<u>June 30, 1961</u>
ASSETS	Cash.....	\$ 3,394,491.96	\$ 5,313,216.17	\$ 6,063,948.69
	Investments.....	99,082,900.00	169,462,817.92	188,512,357.44
	Premium & Discount.....	1,496,963.95	680,040.12	574,529.49
	Realty.....	-	-	91,281.25
		<u>\$103,974,355.91</u>	<u>\$175,456,074.21</u>	<u>\$195,242,116.87</u>

		<u>June 30, 1956</u>	<u>June 30, 1960</u>	<u>June 30, 1961</u>
MEMBERSHIP	State	17,530	22,867	23,831
	Counties.....	5,535	7,831	8,428
	Municipalities.....	12,483	16,867	17,956
	Public Agencies.....	2,349	3,011	3,234
		<u>37,897</u>	<u>50,576</u>	<u>53,449</u>

		<u>1956</u>	<u>1960</u>	<u>1961</u>
PENSION PAYROLL	Net Pension Payroll, May 31st.....	3,848	7,063	7,504
	Retirements in June.....	<u>1,144</u>	<u>66</u>	<u>37</u>
	Less Terminations.....	<u>4,992</u>	<u>7,129</u>	<u>7,541</u>
	Net Pension Payroll, June 30th.....	<u>4,958</u>	<u>7,116</u>	<u>7,506</u>

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY

STATEMENT OF ASSETS

JUNE 30, 1961

Bank Balances	\$ 6,063,948.69	
Book Value of Bonds and FHA Mortgages Held	188,112,586.50	
" " " Stocks and Commissions	974,300.43	
" " " Advances on State Construction Projects	<u>91,281.25</u>	
LEDGER ASSETS		\$195,242,116.87
Members' Contributions Receivable	\$ 644,856.27	
Local Employers' Contributions Receivable	2,274,410.00	
County, Municipality, Public Agency Expense Fund Receivable	46,958.00	
Local Non Contributory Group Insurance Premium Fund Receivable ..	323,227.75	
Interest Accrued on Bonds	<u>1,849,297.21</u>	
NON LEDGER ASSETS		\$ 5,138,749.23
TOTAL ASSETS		<u>\$200,380,866.10*</u>

DISTRIBUTION OF ASSETS

Annuity Savings Fund	\$ 57,070,501.00	
Accumulative Interest, Annuity Savings Fund	8,960,265.15	
Clearing Account (Undistributed ASF)	1,756,119.54	
Clearing Account - State Centralized Payrolls (Undistributed ASF) ..	984,484.20	
Unclaimed Accounts	<u>50,661.14</u>	
FUNDS DERIVED FROM MEMBERS' CONTRIBUTIONS		\$ 68,822,031.03*
Contingent Reserve Fund	\$ 32,192,570.00	
Local Non Contributory Group Insurance Premium Fund	932,645.50	
Increased Pension Fund	77.66	
Increased Pensions Payable 7/1/61	6,851.08	
Increased Unclaimed Pensions	396.96	
FUNDS DERIVED FROM EMPLOYERS' CONTRIBUTIONS		\$ 33,132,541.20
Retirement Reserve Fund	\$ 94,324,153.25	
Insurance Retirement Reserve Fund	835,030.34	
Pension Payroll Payable 7/1/61	799,995.23	
Hospitalization Exchange Payable 7/1/61 \$147.75		
Less Debit Balance 6/30/61 37.94		109.81
Unclaimed Pensions		<u>8,926.31</u>
FUNDS DERIVED FROM MEMBERS AND EMPLOYERS' CONTRIBUTIONS		\$ 95,968,214.94
County, Municipality, Public Agency Expense Fund		348,319.93
Unearned Interest on Loans		75,664.90
Canceled Checks Redeposited		2,615.48
Contributory Group Insurance Premium Fund		63,208.91
Reserve for Adverse Experience		107,608.46
FHA - Mortgage Insurance		11,364.35
Income from Investments		<u>1,849,297.21</u>
Total carried forward		\$200,380,866.41

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF ASSETS

JUNE 30, 1961

Total Brought Forward.....	\$200,380,866.41
Less:	
Overpayments and Underpayments on Transmittals.....	<u>.31</u>
TOTAL ASSETS.....	<u>\$200,380,866.10</u>

*These amounts exclude loans and arrearages.

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

SENIOR ASSOCIATES

ROBERT H. ARMSTRONG
DOUGLAS C. BORTON
L. J. BRADEN
GARLAND S. BROWN
GEORGE B. BUCK, JR.
H. A. BURT
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HARRY GERBHENSON
HUGH GILLESPIE
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MARY A. HARDIMAN
DOROTHY I. NIENITZ
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DONALD H. OVERHOLSER
KARL BAARDT
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JOHN H. WILLIAMS
ROBERT A. WISHART

GEORGE B. BUCK
CONSULTING ACTUARY

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

October 30, 1961.

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 seventh annual valuation of the assets and liabilities of the Public Employees' Retirement System of New Jersey. The valuation represents the fortieth 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, 1961 and gives the basis for determining the appropriation payable by the employers during the fiscal year beginning July 1, 1962.

Respectfully submitted,

(Signed) GEORGE B. BUCK

Actuary.

REPORT ON THE SEVENTH 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, 1961, presents the results of the seventh actuarial valuation of the system. In preparing the valuation account was taken of the fact that men can now elect to have their Social Security benefits begin at age 62 and receive 80 per cent of the full benefit and of the reduction in the number of quarters required for attainment of a fully insured status.

While the passage of Chapter 79, P.L. 1960, which became effective July 1, 1960, did not affect the valuation of the liabilities of the Public Employees' Retirement System, it did affect the way in which the total contributions payable by the State and local employers should be handled. The effect of Chapter 79 was to transfer the ministerial task of purchasing a policy or policies for non-contributory insurance coverage from the Board of Trustees to the State Treasurer for the purpose of administrative efficiency.

Chapter 124, P.L. 1960, which became effective September 27, 1960, supplements Chapter 84 of the Laws of 1954, as amended. It provides that the reduction on account of Social Security benefits shall not be made in the case of retired members who retired after August 1, 1956 and before October 1, 1960, who at the time of retirement had not attained a fully insured status under the provisions of the Social Security Act as those provisions obtained on December 31, 1959, provided application for retirement was made prior to September 1, 1960 and further provided that such retired members do not earn additional quarters of coverage from public employment in New Jersey after retirement and prior to age 65.

TABLE 1
MEMBERSHIP OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF MARCH 31, 1961

GROUP	TOTAL		4% MEMBERS		3% MEMBERS	
	Number	Payroll	Number	Payroll	Number	Payroll
Class A:						
Men	632	\$ 3,564,838	512	\$ 3,048,401	120	\$ 516,437
Women	587	2,644,097	470	2,166,974	117	477,123
Class B:						
Men	33,066	165,911,045	3,399	20,944,004	29,667	144,967,041
Women	17,789	66,325,290	2,661	13,202,464	15,128	53,122,826
Law Enforcement Officers:						
Men	202	995,461	13	72,018	189	923,443
Women						
Total	52,276	\$239,440,731	7,055	\$ 39,433,861	45,221	\$200,006,870
Sub-totals for:						
Non-veterans						
State Employees	15,823	\$ 69,188,852	3,874	\$ 22,342,168	11,949	\$ 46,846,684
County Employees	5,810	23,320,916	1,026	5,387,934	4,784	17,932,982
Municipal Employees	11,461	48,239,603	1,942	10,354,839	9,519	37,884,764
Employees of Public						
Agencies	1,759	8,758,680	202	1,272,562	1,557	7,486,118
Employees of Consolidated						
School Districts	114	366,136	2	12,299	112	353,837
Non-Participating Locals	6	28,690			6	28,690
State Employees Paid by						
Local Employers	155	1,002,154	9	64,059	146	938,095
Employees of Locals Participating						
Under Chapter 169, P.L. 1956	185	806,660			185	806,660
Veterans						
State Employees	7,590	41,975,874			7,590	41,975,874
County Employees	2,133	10,662,138			2,133	10,662,138
Municipal Employees	5,005	23,799,372			5,005	23,799,372
Employees of Public						
Agencies	1,357	7,323,611			1,357	7,323,611
Employees of Consolidated						
School Districts	4	22,650			4	22,650
Non-Participating Locals	679	2,708,501			679	2,708,501
State Employees Paid by						
Local Employers	157	1,067,830			157	1,067,830
Employees of Locals Participating						
Under Chapter 169, P.L. 1956	38	169,064			38	169,064

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 47 County Court judges with annual payroll of \$934,238.

(c) There are 77 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, 1961

GROUP	NUMBER	RETIREMENT ALLOWANCES
<u>Service Retirements and Early Retirement Benefits</u>		
Men	4,432	\$ 6,342,804
Women	1,833	2,028,240
Total	6,265	\$ 8,371,044
<u>Ordinary Disability Retirements</u>		
Men	182	\$ 227,304
Women	102	94,380
Total	284	\$ 321,684
<u>Accident Disability Retirements</u>		
Men	69	\$ 164,076
Women	23	46,632
Total	92	\$ 210,708
<u>Ordinary Death Benefits</u>		
Men	5	\$ 924
Women	211	89,604
Total	216	\$ 90,528
<u>Accidental Death Benefits</u>		
Men	1	\$ 1,632
Women	51	85,020
Total	52	\$ 86,652
<u>Dependents of Deceased Beneficiaries</u>		
Men	10	\$ 8,316
Women	271	228,096
Total	281	\$ 236,412
Grand Total	7,190	\$ 9,317,028

Note: In addition to the above there are 220 beneficiaries who elected to receive death benefits, otherwise payable in a lump sum, as annuities certain, amounting to \$278,052 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, 1961

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, 1961

ASSETS		
Present assets of system creditable to:		
Annuity Savings Fund:		
Credited to Fund.....	\$ 65,663,540	
Add miscellaneous income creditable.....	137,773	
Add accrued interest creditable.....	<u>1,534,714</u>	\$ 67,336,027
Contributory Group Insurance Premium Fund.....		39,371
Retirement Reserve Fund including		
Insurance Retirement Reserve Fund:		
Credited to Fund.....	\$ 94,190,858	
Add accrued interest.....	1,955,099	
Deduct reserve transferable to		
Contingent Reserve Fund.....	<u>3,482,462</u>	92,663,495
Contingent Reserve Fund:		
Credited to Fund including interest income		
exclusive of interest accrued on investments.....	\$ 36,345,965	
Deduct interest creditable to other funds.....	,3,489,813	
Add reserve transferable from		
Retirement Reserve Fund.....	<u>3,482,462</u>	36,338,614
Accrued Interest on Investments.....		<u>1,940,906</u>
Total.....		\$198,318,413
Present value of prospective contributions payable		
by the State and local employers to the		
Contingent Reserve Fund as follows:		
Future normal contributions.....	\$188,458,318	
Future accrued liability contributions to be paid		
in annual instalments over a period of years.....	<u>71,799,701</u>	
Total.....		<u>260,258,019</u>
Total Assets.....		\$458,576,432

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, 1961

LIABILITIES	
Members' contributions which have been accumulated to date in the Annuity Savings Fund.....	\$ 67,336,027
Members' contributions which have been accumulated to date in the Contributory Group Insurance Premium Fund.....	39,371
Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund.....	92,663,495
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.....	\$203,822,004
Ordinary disability retirement pensions.....	7,359,719
Accident disability retirement pensions.....	5,828,025
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.....	72,540,408
Accidental death benefits on account of active members dying in the performance of duty.....	3,579,131
Death benefits payable on account of beneficiaries dying after retirement.....	<u>3,467,346</u>
Accrued Interest on Investments.....	<u>1,940,906</u>
Total Liabilities.....	<u>\$458,576,432</u>

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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 \$67,336,027 on March 31, 1961, after interest accrued from June 30, 1960 has been added. The liabilities of the fund are also shown as \$67,336,027. 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 \$39,371. The liabilities of the fund are also shown as \$39,371. 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 \$96,145,957, while its liabilities have a present value of \$92,663,495. Therefore the assets exceed the liabilities by \$3,482,462. This is not a true surplus but an amount that has accumulated through the transfer of certain excess reserves. It is recommended that the fund be put in balance as of March 31, 1961 by a transfer to the Contingent Reserve Fund, and this transfer is shown in the balance sheet.

(4) Contingent Reserve Fund

The liabilities of the Contingent Reserve Fund are \$296,596,633 of which \$293,129,287 is on account of present active members and \$3,467,346 is on account of death benefits payable to beneficiaries of present retired

members. The present assets of the fund amount to \$36,338,614 after deducting interest accrued on the other funds and adding the amount transferable from the Retirement Reserve Fund. The balance, which is \$260,258,019, is to be met by the future contributions of the State and local employers. Of this amount \$71,799,701 will be met by future accrued liability contributions, leaving \$188,458,318 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, 1961 are as follows:

<u>PAYABLE BY:</u>	<u>NORMAL RATE</u>
State on account of 4% members:	
Non-Veterans.....	8.55%
State on account of 3% members:	
Non-Veterans.....	6.97%
Veterans.....	7.19%
Local employers on account of 4% members:	
Non-Veterans.....	7.03%
Local employers on account of 3% members:	
Non-Veterans.....	6.90%
Veterans.....	7.09%

On the basis of the normal rates applicable to State employees and the payroll as of March 31, 1961, the contributions for the fiscal year beginning July 1, 1961 payable by the State and the agencies which pay the same normal rate as the State are shown in Table IV. In accordance with the Board's instructions, a line item amounting to \$1,060,900 is included in the appropriation recommended for payment, representing the amount required to recover the \$1,000,000 deducted from the appropriation certified for payment on July 1, 1960. The certifications of the appropriations required of the local employers are submitted separately.

TABLE 4
CONTRIBUTIONS PAYABLE BY THE STATE
FOR THE YEAR BEGINNING JULY 1, 1961

DIVISION	PAYROLL	CONTRIBUTIONS TO CONTINGENT RESERVE FUND		CONTRIBUTION TO GROUP INSURANCE	TOTAL CONTRIBUTION
		Normal	Accrued Liability	PREMIUM FUND	
State (including State University):					
Non-Veterans 4%	\$ 18,868,400	\$1,345,786		\$ 267,462	\$ 1,613,248
Non-Veterans 3%	41,618,503	2,310,862		589,948	2,900,810
Veterans 3%	38,871,206	2,243,836	\$1,216,296	551,004	4,011,136
Total	\$ 99,358,109	\$5,900,484	\$1,216,296	\$1,408,414	\$ 8,525,194
Disability Insurance Service:					
Non-Veterans 4%	\$ 276,091	\$ 19,693		\$ 3,913	\$ 23,606
Non-Veterans 3%	164,423	9,129		2,331	11,460
Veterans 3%	133,088	7,682	\$ 5,068	1,887	14,637
Total	\$ 573,602	\$ 36,504	\$ 5,068	\$ 8,131	\$ 49,703
All Other Units of Division of Employment Security:					
Non-Veterans 4%	\$ 2,983,889	\$ 212,826		\$ 42,297	\$ 255,123
Non-Veterans 3%	3,072,410	170,595		43,552	214,147
Veterans 3%	2,288,331	132,094	\$ 89,909	32,437	254,440
Total	\$ 8,344,630	\$ 515,515	\$ 89,909	\$ 118,286	\$ 723,710
Total	\$108,276,341	\$6,452,503	\$1,311,273	\$1,534,831	\$ 9,298,607
Additional appropriation to recover \$1,000,000 deducted from appropriation certified for payment on July 1, 1960					1,060,900
Grand Total					\$10,359,507



