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PUBLIC EMPLOYEES'
RETIREMENT SYSTEM
OF NEW JERSEY



1976

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

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CONSULTING ACTUARIES, INC.

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To His Excellency
Brendan T. Byrne
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-second Annual Report in compliance with the provisions of N.J.S.A. 43:15A-21.

Respectfully submitted,

ANTHONY M. ORECCHIO,
Chairman

As a result of the annual election Mr. Anthony M. Orecchio and Mr. Charles E. Wagner were elected to three-year terms commencing July 1, 1976.

MEMBERSHIP

A summary of the membership activity for the fiscal year ended June 30, 1976, follows:

28,730—enrollments
 3,496—retirements
 13,477—active accounts terminated through
 separation from employment
 852—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
1968	93,257	11,662	104,919
1969	101,703	12,420	114,123
1970	113,866	13,298	127,164
1975	171,518	21,682	193,200
1976	182,423	23,848	206,271

Retirements by Type and Option July 1, 1975—June 30, 1976

<u>Service</u>	<u>Early</u>	<u>Deferred</u>	<u>Ordinary Disability</u>	<u>Accidental Disability</u>	<u>Veteran</u>	<u>Accidental Death</u>
2,457	125	36	188	48	636	6

<u>Maximum</u>	<u>Option I</u>	<u>Option II</u>	<u>Option III</u>	<u>Option IV</u>
1,528	1,028	491	422	27

Retirement Payroll June 30, 1976

Regular Allowances — 23,848 retirants and beneficiaries	\$4,693,726
Pension Adjustment Act —	<u>645,657</u>
Gross Payroll, month of June 1976	\$5,339,383

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*
1976	23,848	62,813,237*

*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>
759	Cash Lump Sum	\$18,875,691
11	Reserve — Monthly Annuities	<u>316,205</u>
770	Total active member death claims	\$19,191,896

RETIRED MEMBERS

926	Regular Retirants (Death after age 60) — Lump Sum	<u>\$ 1,303,796</u>
32	Disability Retirants (Death before age 60) — Lump Sum	<u>429,226</u>
958	Total death claims — retirants	<u>\$ 1,733,022</u>
1,728	Total claims — active and retired members	\$20,924,918

Summary of Claim Charges

NONCONTRIBUTORY PLAN:

Active Members	720	\$10,480,836
Retirants	958	1,733,022
	<u>1,728</u>	<u>\$12,213,857</u>

CONTRIBUTORY PLAN:

Active Members	628	\$ 8,711,061	\$20,924,918
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Return of Contributions:

- | | |
|--|--------------|
| a) 13,477 members withdrew from the System and received a return of the pension contributions totalling | \$ 6,981,667 |
| b) The survivors of 852 members who died before retirement received a return of the member's contributions totalling | \$ 2,313,828 |
| c) Settlement of inactive accounts | \$ 276,762 |

Loans:

19,790 members applied for and received loans on their accounts totalling	\$15,509,470
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UNCLAIMED ACCOUNTS

Unclaimed accounts, June 30, 1975	\$1,010,585
352 Memberships discontinued and not settled during 1975-1976	\$ 73,243
285 Memberships discontinued and settled in 1975-1976	<u>166,200</u>
Added in fiscal year 1975-1976	<u>239,443</u>
	<u>\$1,250,028</u>

Less:

Cash settlements during fiscal year	\$276,758	
Transferred to new accounts	<u>53,429</u>	<u>330,188</u>
BALANCE, JUNE 30, 1976		\$ 919,840

Lists of the new additions during 1975-1976 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

HOLDINGS: June 30, 1976	Par Value	Book Value	Eff. Rate	Percent By Type
U.S. Government	\$ 8,350,000	\$ 8,875,395	5.96	0.7
U.S. Government Agencies	7,255,900	7,190,083	6.87	0.6
Municipal General Obligations	936,000	917,655	2.86	0.1
Municipal Revenues	941,000	936,638	2.84	0.1
Industrials	188,034,919	187,235,258	6.98	15.5
Gas and Electric	206,748,000	207,073,591	5.61	17.0
Telephone	82,921,000	83,063,799	5.20	6.8
Water	1,650,000	1,650,000	4.80	0.1
Railroad Equipment Obligations	3,119,402	3,122,899	6.41	0.3
Commercial Paper	41,700,000	41,693,102	5.46	3.4
Merchant Marine (U.S. Gov't. Insured)	2,360,000	2,360,000	5.61	0.2
Finance Companies— Senior Debt	35,252,000	34,840,933	5.67	2.9
Bank Debentures	3,750,000	3,730,696	5.30	0.3
Time Certificates of Deposit	800,000	800,000	5.63	0.1
Convertible Debentures	2,390,000	2,385,940	4.99	0.2
Inter-American Development Bank	3,250,000	3,232,589	5.30	0.3
International Bank	7,871,000	7,892,118	6.43	0.6
Government of Canada	1,500,000	1,497,274	6.90	0.1
Provinces of Canada	12,580,000	12,510,888	6.77	1.0
Canadian Provincial Guaranteed	15,925,000	15,873,604	7.77	1.3
Farmers Home Administration	5,318,882	5,318,882	6.97	0.4
Preferred Stocks	2,775,744	2,775,744*	5.93	0.2
Common Stocks	18,985,255	18,985,255*	4.94	1.6
Capehart Mortgages (Guar. by U.S.)	12,613,494	12,574,010	4.30	1.0
FHA Mortgages	3,176,421	3,059,964	6.52	0.3
VA Mortgages	4,689,695	4,526,733	6.56	0.4
Real Estate	5,000,485	5,000,485	4.00	0.4
Multi-Family Mortgages	11,844,662	10,224,274	7.12	1.0
Mortgage Backed Certificates	11,540,600	11,208,630	8.01	1.0
Units— Common Pension Fund A	155,932,601	155,932,601	3.35	12.9
Units— Common Pension Fund B	335,481,209	335,481,209	8.29	27.6
Units— Common Pension Fund C	19,615,459	19,615,459	5.62	1.6
TOTALS	\$1,214,308,728	\$1,211,585,708	6.32	100.0

*Market Values on June 30, 1976, were:

Preferred Stocks	\$ 1,934,193
Common Stocks	13,664,985

PURCHASES

<u>TYPE</u>	<u>Par Value</u>	<u>Average Effective Rate</u>
<u>Long-Term</u>		
U.S. Government Agencies	\$ 50,000	7.26
Industrials	3,000,000	9.50
Canadian	7,500,000	10.25
Mortgages	<u>7,240,869</u>	<u>8.56</u>
SUB-TOTAL	<u>\$ 17,790,869</u>	<u>9.43</u>
<u>Short-Term</u>		
U.S. Government	\$ 38,010,000	5.84
U.S. Government Agencies	6,700,000	6.40
Commercial Paper	273,061,000	5.53
Time Certificates of Deposit	101,588,000	6.08
Repurchase Agreements	<u>3,400,000</u>	<u>4.90</u>
SUB-TOTAL	<u>\$422,759,000</u>	<u>5.70</u>
TOTAL PURCHASES	<u><u>\$440,549,869</u></u>	<u><u>5.85</u></u>

SALES

<u>Long-Term</u>	
Corporate	\$ 23,108,000
Mortgages	<u>6,391,838</u>
SUB-TOTAL	<u>\$ 29,499,838</u>
<u>Short-Term</u>	
U.S. Government	\$ 600,000
U.S. Government Agencies	<u>1,000,000</u>
SUB-TOTAL	<u>\$ 1,600,000</u>
<u>Stocks</u>	
Common	\$ 5,321,987*
Rights	<u>3,725*</u>
Convertible Debts	<u>500,000</u>
SUB-TOTAL	<u>\$ 5,825,712</u>
TOTAL SALES	<u><u>\$ 36,925,550</u></u>

*Book Value

REDEMPTIONS AND PREPAYMENTS

U.S. Government Agencies	\$ 83,400
Industrials	1,218,583
Gas and Electric	19,000
Telephone	3,000
Finance Co. — Sr. Debt	32,000
Merchant Marine (U.S. Gov't Insured)	8,000
Farmers Home Administration	476,306
Mortgages	<u>452,430</u>
TOTAL REDEMPTIONS AND PREPAYMENTS	<u>\$ 2,292,719</u>

MATURITIES

U.S. Government	\$ 33,560,000
U.S. Government Agencies	5,700,000
Municipal	201,000
Corporate	1,605,000
Commercial Paper	260,292,000
Time Certificates of Deposit	107,488,000
Capehart Mortgages	1,162,062
Insured Mortgages	887,834
Real Estate	452,951
Repurchase Agreements	3,400,000
Canadian	150,000
Railroad Equipment Obligations	<u>411,217</u>
TOTAL MATURITIES	<u>\$415,310,064</u>

EXCHANGES

During the year ended June 30, 1976, the Fund exchanged the following:

Bonds having a par value of \$3,900,000 for other bonds having a par value of \$3,900,000.

UNITS ACQUIRED IN COMMON PENSION FUND A

	<u>Number of Units</u>	<u>Cost</u>
Units Purchased	53,385	\$55,185,848
TOTAL	<u>53,385</u>	<u>\$55,185,848</u>

UNITS ACQUIRED IN COMMON PENSION FUND B

Units Purchased	<u>101,195</u>	<u>\$86,544,952</u>
TOTAL	<u>101,195</u>	<u>\$86,544,952</u>

UNITS ACQUIRED IN COMMON PENSION FUND C

Units Purchased	<u>19,586</u>	<u>\$19,615,459</u>
TOTAL	<u>19,586</u>	<u>\$19,615,459</u>

STATEMENT OF ASSETS — JUNE 30, 1976

Ledger Assets

Cash in Banks	\$ 6,461,722	
Investment Holdings	1,207,954,385	
Accrued Interest on Investments	17,108,762	
Investment Holdings — Contr. Grp. Ins.		
Prem. Fund	3,668,213	
Employees' Contributions Receivable	6,137,264	
Loans to Members	16,502,761	
Local Employers' Contributions Receivable	26,961,523	
Local Non-CGIPF Receivable	2,139,738	
Local Expense Fund Receivable	786,682	
Receivable from Employers — Delayed		
Enrollments	269,209	
Dividends Receivable	1,399,098	
Total		\$1,289,389,357

Miscellaneous Liabilities

Pension Payroll Payable	\$ 4,693,726	
Pension Adjustment Payroll Payable	645,657	
Non-Contrib. Group Insurance Premium Fund	2,616,354	
Expense Fund	1,700,052	
Contributory Group Insurance Premium Fund	3,871,402	
Unearned Interest on Loans	580,045	
Supplemental Annuity Collective Trust	2,978	
Cancelled Checks	7,450	
Accounts Payable	5,776	14,123,440

Net Ledger Assets

\$1,275,265,917

Distribution of Assets

Funds Derived from Members

Annuity Savings Fund

State Employees — A.S.F.	\$124,043,123	
State Employees —		
Clearing Account	6,736,910	\$130,780,033
Local Employees — A.S.F.	\$199,569,372	
Local Employees —		
Clearing Acct.	13,655,266	213,224,638

Accumulative Interest — A.S.F.

State Employees	\$ 25,436,251	
Local Employees	35,116,982	60,553,233

Unclaimed Accounts

919,840 \$ 405,477,744

Funds Derived from Employers

Contingent Reserve Fund

State Employees	\$109,603,130	
Local Employees	278,313,394	\$ 387,916,524

Pension Adjustment Fund

State Employees	\$ 1,092	
Local Employees	2,799	3,891

Unclaimed Pension Adjustment Fund

11,721 387,932,136

Total Carried Forward

\$ 793,409,880

STATEMENT OF ASSETS — JUNE 30, 1976

Total Brought Forward				\$ 793,409,880
<u>Funds Derived from Members and Employers</u>				
<u>Retirement Reserve Fund</u>				
State Employees	\$217,716,955			
Local Employees	<u>251,971,031</u>	\$ 469,687,986		
<u>Unclaimed Pensions</u>		<u>88,507</u>	469,776,493	
<u>Special Reserve Fund</u>			<u>12,079,544</u>	
<u>Total Assets</u>				<u>\$1,275,265,917</u>

STATEMENT OF REVENUE AND EXPENDITURES
JUNE 30, 1976

Ledger Assets, 6/30/75 — Per Previous Report

\$1,115,555,135

REVENUE

<u>Pension Contributions</u>			
<u>Annuity Savings Fund</u>			
State	\$22,732,413		
Local	43,384,505	\$66,116,918	
<u>Accumulative Interest</u>			
State	\$ 12,539		
Local	34,549	47,088	
		<u>183,006</u>	66,347,012
<u>Unclaimed Accounts</u>			
<u>Employers' Contributions</u>			
<u>Contingent Reserve Fund</u>			
<u>State</u>			
Appropriation	\$30,046,192		
Delayed Enrollments	28,106		
Transfers from Other Systems	7,592		
		<u>\$30,081,890</u>	
<u>Local</u>			
Employers' Contributions	\$58,729,404		
Delayed Enrollments	304,397		
Transfers from Other Systems	53,098		
		<u>\$59,086,899</u>	
<u>Total Employers' Contrib. to C.R.F.</u>		\$89,168,789	
<u>Pension Adjustment Fund</u>			
State	\$ 2,649,604		
Local	3,372,428	<u>6,022,032</u>	95,190,821
<u>Retirement Benefits Redeposited</u>			
<u>Regular Allowances</u>			
State	\$ 100,252		
Local	165,457	\$ 265,709	
<u>Pension Adjustment Allowances</u>			
State	\$ 18,653		
Local	27,341	45,994	
		<u>36,475</u>	
<u>Unclaimed Pensions</u>			
<u>Unclaimed Pension Adjustment Allowances</u>		<u>5,408</u>	353,586
<u>Gains — To Special Reserve Fund</u>			
On Stock Sales		\$ 247,587	
On Prepayment of Mortgages		15,648	
On Bond Redemptions and Sales		<u>613,408</u>	<u>876,643</u>
Total Carried Forward			\$ 162,768,062

STATEMENT OF REVENUE AND EXPENDITURES
JUNE 30, 1976

Total Brought Forward \$ 162,768,062

REVENUE (Cont'd)

Income

Per Schedule 73,844,198

Total Revenue \$ 236,612,260
\$1,352,167,395

EXPENDITURES

Benefits Provided by Members

Accumlated Contributions Withdrawn

Regular Withdrawals

State	\$ 2,637,182	
Local	<u>4,344,485</u>	\$ 6,981,667

Active Deaths

State	\$ 645,679	
Local	<u>1,668,149</u>	2,313,828

Transfers to Other Systems

State	\$ 158,121	
Local	<u>487,953</u>	646,074

Net Overpayments Transferred

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Accumulative Interest Withdrawn

Regular Withdrawals

State	\$ 185,803	
Local	<u>323,402</u>	509,205

Active Deaths

State	\$ 123,423	
Local	<u>304,033</u>	427,456

Transfers to Other Systems

State	\$ 19,936	
Local	<u>71,169</u>	91,105

Unclaimed Accounts

	<u>276,762</u>	\$ 11,246,108
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Benefits Provided by Members and Employers

Retirement Allowances

State	\$25,585,107	
Local	<u>31,162,890</u>	\$ 56,747,997

Unclaimed Pensions

	<u>26,001</u>	56,773,998
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Total Carried Forward		<u>\$ 68,020,106</u>
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STATEMENT OF REVENUE AND EXPENDITURES
JUNE 30, 1976

Total Brought Forward

\$ 68,020,106

EXPENDITURES (Cont'd)

Benefits Provided by Employers

Pension Adjustment Allowances

State	\$ 2,667,277	
Local	<u>3,397,962</u>	\$ 6,065,239

Contingent Reserve Fund

State	\$ 174,779	
Local	<u>1,296,345</u>	1,471,124

Unclaimed Pension Adjustment Allowances

<u>2,988</u>	7,539,351
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Losses — To Special Reserve Fund

On Stock Sales	\$ 742,525	
On Bond Redemptions and Sales	<u>599,496</u>	1,342,021

Total Expenditures

<u>\$ 76,901,478</u>

Ledger Assets, June 30, 1976

<u>\$1,275,265,917</u>

ACTUARIAL EVALUATION

The information given below is taken from the valuation of March 31, 1975, 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	\$384,224,378	
Add accrued interest creditable	10,844,760	
Add reserve transferable from Contingent Reserve Fund	<u>9,187,032</u>	\$404,256,170

Annuity Savings Fund:

Credited to fund	\$335,843,742	
Add accrued interest creditable	<u>8,600,666</u>	344,444,408

Contingent Reserve Fund:

Credited to fund	\$321,954,979	
Add accrued interest creditable	13,280,844	
Add excess interest earnings creditable	14,150,774	
Deduct reserve transferable to Retirement Reserve Fund	<u>9,187,032</u>	340,199,565

Special Reserve Fund

10,271,310

Total Present Assets \$1,099,171,453

Present value of prospective contributions of members to be made to

Annuity Savings Fund \$536,387,734

Present value of prospective contributions payable by the State and local employers to the Contingent Reserve Fund as follows:

Future normal contributions	838,404,682	
Future accrued liability contributions	<u>203,378,792</u>	
Total Prospective Assets		<u>1,578,171,208</u>

TOTAL ASSETS \$2,677,342,661

LIABILITIES

Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund		\$ 404,256,170
Present value of benefits payable from contributions to the Annuity Savings Fund and Contingent Reserve Fund:		
Service retirement allowances including early retirement and vesting benefits	\$1,612,598,287	
Ordinary disability retirement allowances	35,378,765	
Accidental disability retirement allowances	90,150,367	
Ordinary death benefits	370,149,943	
Accidental death benefits	11,495,430	
Return of members' contributions upon withdrawal before retirement	153,313,699	2,273,086,491
<u>TOTAL LIABILITIES</u>		<u>\$2,677,342,661</u>

Public Employees' Retirement System
State of New Jersey
P.O. Box 2058
Trenton, N.J. 08625