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PUBLIC EMPLOYEES'  
RETIREMENT SYSTEM  
OF NEW JERSEY



1979  
*Annual Report*



DEPARTMENT OF  
THE TREASURY

DIVISION OF  
PENSIONS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
OF NEW JERSEY

20 West Front Street  
Trenton, New Jersey 08625

BOARD

GENEVIEVE F. McMENAMEN, Chairperson  
CLIFFORD A. GOLDMAN, State Treasurer, Custodian  
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GEORGE B. BUCK  
CONSULTING ACTUARIES, INC.

MEDICAL BOARD

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

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-fifth Annual Report in compliance with the provisions of N.J.S.A. 43:15A-21.

Respectfully submitted,

GENEVIEVE F. McMENAMEN,  
Chairperson

**As a result of the annual election Mr. Vincent T. McKenna and Mr. Charles Wagner were elected to 3-year terms commencing July 1, 1979.**

## MEMBERSHIP

A summary of the membership activity for the fiscal year ended June 30, 1979, follows:

29,554—enrollments  
 3,731—retirements  
 18,395—active accounts terminated through  
           separation from employment  
 870—deaths before retirement

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

<u>June 30</u>	<u>Active</u>	<u>Retirants and Beneficiaries</u>	<u>Total</u>
1955	34,087	2,649	36,736
1960	50,576	7,116	57,692
1965	68,086	10,445	78,531
1970	113,866	13,298	127,164
1975	171,518	21,682	193,200
1979	200,397	32,025	232,422

### **Retirements by Type and Option July 1, 1978—June 30, 1979**

<u>Service</u>	<u>Early</u>	<u>Deferred</u>	<u>Ordinary Disability</u>	<u>Accidental Disability</u>	<u>Veteran</u>	<u>Accidental Death</u>	<u>Active Death</u>
2,552	36	34	189	44	867	6	3
	<u>Maximum</u>	<u>Option I</u>	<u>Option II</u>	<u>Option III</u>	<u>Option IV</u>		
	1,854	1,009	491	364	13		

**Retirement Payroll June 30, 1979**

Regular Allowances—32,025 retirants and beneficiaries	\$6,892,298
Pension Adjustment Act—	1,430,329
Gross Payroll, month of June 1979	<u>\$8,322,627</u>

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

<u>June 30</u>	<u>Number</u>	<u>Payroll</u>
1955	2,649	\$ 2,848,923
1960	7,116	8,876,808*
1965	10,445	16,737,419*
1970	13,298	24,036,226*
1975	21,682	53,518,488*
1979	32,025	99,220,252*

\*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>
736	Cash Lump Sum	\$23,292,550
9	Reserve—Monthly Annuities	<u>296,510</u>
745	Total active member death claims	\$23,589,060

**RETIRED MEMBERS**

1,138	Regular Retirants (Death after age 60)—Lump Sum	\$ 1,784,391
39	Disability Retirants (Death before age 60)—Lump Sum	<u>603,595</u>
1,177	Total death claims—retirants	<u>\$ 2,387,986</u>
<u>1,922</u>	Total claims—active and retired members	<u>\$25,977,046</u>

### Summary of Claim Charges

#### NONCONTRIBUTORY PLAN:

Active Members	745	\$12,513,094
Retirants	1,177	\$ 2,387,986
	<u>1,922</u>	<u>\$14,901,080</u>

#### CONTRIBUTORY PLAN:

Active Members	<u>11,075,966</u>	<u>\$25,977,046</u>
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#### Return of Contributions:

a) 1,395 members withdrew from the system and received a return of the pension contributions totaling	\$12,203,989
b) The survivors of 870 members who died before retirement received a return of the member's contributions totaling	\$ 3,640,608
c) Settlement of inactive accounts	\$ 309,024

#### Loans:

24,316 members applied for and received loans on their accounts totaling	\$24,321,090
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### UNCLAIMED ACCOUNTS

Unclaimed accounts, June 30, 1978.....	\$ 1,064,109
Memberships discontinued and not settled during 1978-79.....	\$241,688
Memberships discontinued and settled in 1978-79.....	<u>228,283</u>
Added in fiscal year 1978-79.....	<u>469,971</u>
	<u>\$ 1,534,080</u>

#### Less:

Cash settlements during fiscal year.....	\$308,186
Transferred to new accounts.....	<u>13,788</u>
	<u>321,974</u>
<u>BALANCE, JUNE 30, 1979.....</u>	<u>\$ 1,212,106</u>

Lists of the new additions during 1978-79 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

<b>HOLDINGS: June 30, 1979</b>	<b>Par Value</b>	<b>Book Value</b>	<b>Eff. Rate</b>	<b>Percent by Type</b>
U.S. Government	\$ 9,750,000	\$ 10,216,006	6.86	0.6
U.S. Government Agencies	7,291,700	7,223,395	6.87	0.4
Municipal General Obligations	514,000	503,712	2.94	Nil
Municipal Revenues	519,000	515,715	2.90	Nil
Industrials	144,694,169	143,582,644	7.09	8.0
Gas and Electric	223,595,000	223,359,809	5.71	12.4
Telephone	92,902,000	92,785,965	5.28	5.2
Water	1,650,000	1,650,000	4.80	0.1
Railroad Equipment Obligations	2,037,752	2,040,578	6.77	0.1
Commercial Paper	16,000,000	16,000,000	10.20	0.9
Merchant Marine (U.S. Gov't. Insured)	1,535,000	1,535,000	6.12	0.1
Finance Companies—Senior Debt	35,296,000	34,943,538	5.54	2.0
Time Certificates of Deposit	1,700,000	1,700,000	10.91	0.1
Convertible Debentures	350,000	350,000	6.25	Nil
Inter-American Development Bank	2,000,000	1,987,845	5.61	0.1
International Bank	6,868,000	6,890,635	6.67	0.4
Government of Canada	1,500,000	1,497,795	6.90	0.1
Provinces of Canada	11,590,000	11,525,991	6.98	0.7
Canadian Provincial Guaranteed	16,425,000	16,371,869	7.92	0.9
Farmers Home Administration	3,019,135	3,019,135	7.06	0.2
Preferred Stocks	2,392,912	2,392,912	6.21	0.1
Common Stocks	11,352,076	11,352,076	6.33	0.6
Capehart Mortgages (Guar. by U.S.)	8,821,812	8,808,682	4.29	0.5
FHA Mortgages	2,224,998	2,138,103	6.41	0.1
VA Mortgages	3,576,117	3,443,003	6.50	0.2
Real Estate	3,528,264	3,528,264	4.00	0.2
Multi-Family Mortgages	11,156,246	9,643,947	7.12	0.6
Mortgage-Backed Certificates	117,006,229	113,881,896	8.67	6.5
Mortgage-Backed Construction Loan Cfts.	4,170,000	4,170,000	8.71	0.2
Units-Common Pension Fund A	316,099,708	316,099,708	4.93	17.5
Units-Common Pension Fund B	623,857,227	623,857,227	8.44	34.6
Units-Common Pension Fund C	54,537,709	54,537,709	9.22	3.0
CMF-Units @ 1.00	65,268,633	65,268,633	10.06	3.6
<b>TOTALS</b>	<b>\$1,803,228,687</b>	<b>\$1,796,821,792</b>	<b>7.17</b>	<b>100.0</b>

\*Market Values on June 30, 1979, were:

Preferred Stocks	\$ 1,707,793
Common Stocks	7,741,628
Common Pension Fund A	316,099,708

**PURCHASES**

	<u>Type</u>	<u>Par Value</u>	<u>Average Effective Rate</u>
<b><u>Long-Term</u></b>			
	U.S. Government Agencies	\$ 50,000	6.56
	Mortgages	52,558,938	9.28
	SUBTOTAL	<u>\$52,608,938</u>	<u>9.28</u>
<b><u>Short-Term</u></b>			
	U.S. Government	\$ 20,000,000	7.55
	Commercial Paper	372,165,000	8.83
	Time Certificates of Deposit	48,470,000	8.86
	SUBTOTAL	<u>\$440,635,000</u>	<u>8.78</u>
	TOTAL PURCHASES	<u><u>\$493,243,938</u></u>	<u><u>8.83</u></u>

**SALES**

<b><u>Long-Term</u></b>		
	Industrials	\$ 31,000
	SUBTOTAL	<u>\$ 31,000</u>
<b><u>Short-Term</u></b>		
	U.S. Government	\$ 10,000,000
	SUBTOTAL	<u>\$ 10,000,000</u>
<b><u>Stocks and Convertible Debs</u></b>		
	Common Stock*	\$ 6,155,364
	Convertible Debs	40,000
	SUBTOTAL	<u>\$ 6,195,364</u>
	TOTAL SALES	<u><u>\$ 16,226,364</u></u>

\*Book Value

**REDEMPTIONS AND PREPAYMENTS**

<u>Type</u>	<u>Par Value</u>
U.S. Government Agencies	\$ 74,100
Industrials	863,584
Gas and Electric	18,000
Telephone	3,000
Finance Companies—Senior Debt	32,000
Provinces of Canada	74,000
Farmers' Home Administration	1,134,390
Prepaid Mortgages	409,168
<b>TOTAL REDEMPTIONS AND PREPAYMENTS</b>	<b>\$2,608,242</b>
<b><u>MATURITIES</u></b>	<b><u>\$463,670,045</u></b>

**EXCHANGES**

For the year ended June 30, 1979, the fund exchanged the following:

Bonds having a par value of \$21,451,000 for other bonds having a par value of \$21,451,000.

**UNITS ACQUIRED IN COMMON PENSION FUND A**

	<u>Number of units</u>	<u>Cost</u>
Purchased	<u>34,192</u>	<u>\$34,946,276</u>

**UNITS ACQUIRED IN COMMON PENSION FUND B**

Purchased	<u>109,257</u>	<u>\$91,360,776</u>
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**UNITS ACQUIRED IN COMMON PENSION FUND C**

Purchased	25,400	\$24,886,831
Received by Distribution of Income	<u>3,603</u>	<u>3,517,807</u>
<b>TOTAL</b>	<b><u>29,003</u></b>	<b><u>\$28,404,638</u></b>

**CASH MANAGEMENT FUND**

Purchased	\$91,793,000
Received by Distribution of Income	1,035,633
Withdrawn	<u>27,560,000</u>
<b>TOTAL</b>	<b><u>\$65,268,633</u></b>

# STATEMENT OF ASSETS—JUNE 30, 1979

## Ledger Assets

Cash in Banks	\$ 3,268,708	
Investment Holdings	1,792,541,425	
Accrued Interest on Investments	24,434,941	
Investment Holdings—Contr. Grp.		
Ins. Prem. Fund	3,913,259	
Employees' Contributions Receivable	8,694,969	
Loans to Members	26,980,714	
Local Employers' Contributions		
Receivable	50,226,020	
Local Non-CGIPF Receivable	6,159,530	
Local Expense Fund Receivable	1,496,343	
Receivable from Employers—		
Delayed Enrollments	471,553	
Dividend Receivable	4,029,880	
Pension Adjustment Receivable	1,430,329	
Total		\$1,923,647,671

## Miscellaneous Liabilities

Pension Payroll Payable	\$ 6,892,298	
Pension Adjustment Payroll Payable	1,430,329	
Noncontrib. Group Insurance		
Premium Fund	5,852,587	
Expense Fund	2,178,466	
Contributory Group Insurance		
Premium Fund	4,090,557	
Unearned Interest on Loans	933,767	
Supplemental Annuity Collective		
Trust	28,873	
Premium Payable—N.C.G.I.P.F.	893,762	
Canceled Checks	4,155	22,304,794

## Net Ledger Assets

\$1,901,342,877

## DISTRIBUTION OF ASSETS

### Funds Derived from Members:

#### Annuity Savings Fund

State Employees—A.S.F.	\$170,793,362	
State Employees—		
Clearing Account	8,081,618	\$178,874,980
Local Employees—A.S.F.	\$280,323,821	
Local Employees—		
Clearing Acct.	17,843,545	298,167,366

#### Accumulative Interest—A.S.F.

State Employees	\$ 37,012,180	
Local Employees	54,290,362	91,302,542

#### Unclaimed Accounts

1,212,106      \$ 569,556,994

### Funds Derived from Employers:

#### Contingent Reserve Funds

State Employees	\$178,599,685	
Local Employees	460,930,170	\$639,529,855

#### Pension Adjustment Fund

State Employees	\$ 4,078	
Local Employees	4,031	8,109

### Total Carried Forward

\$639,537,964

**STATEMENT OF ASSETS—JUNE 30, 1979**

Total Brought Forward		\$634,537,964	
Unclaimed Pension Adjustment			
Fund		<u>24,731</u>	<u>639,562,695</u>
Funds Derived from Members and Employers:			
Retirement Reserve Fund			
State Employees	\$300,779,960		
Local Employees	<u>373,407,443</u>	\$674,187,403	
Unclaimed Pension		<u>110,371</u>	<u>674,297,774</u>
Special Reserve Fund			<u>17,925,414</u>
<u>Total Assets</u>			<u>\$1,901,342,877</u>

**STATEMENT OF REVENUE AND EXPENDITURES**  
**JUNE 30, 1979**

Ledger Assets, 6/30/78—Per Previous Report

\$1,668,724,876

**REVENUE**

**Pension Contributions:**

**Annuity Savings Fund**

State	\$30,540,305		
Local	<u>53,969,113</u>	\$ 84,509,418	

**Accumulative Interest**

State	\$ 22,809		
Local	<u>35,802</u>	58,611	

**Unclaimed Accounts**

**Employers' Contributions:**

**Contingent Reserve Fund:**

**State**

Appropriation	\$51,654,375		
Delayed Enrollments	61,494		
Transfers from Other			
Systems	<u>25,023</u>		
	<u>\$51,740,892</u>		

**Local**

Employers' Contributions	\$76,845,488		
Delayed Enrollments	391,687		
Transfers from Other			
Systems	<u>54,358</u>		
	<u>\$77,291,533</u>		

**Total Employers' Contrib.  
to C.R.F.**

\$129,032,425

**Pension Adjustment Fund**

State	\$ 7,166,316		
Local	<u>8,609,643</u>	<u>15,775,959</u>	<u>144,808,384</u>

**Retirement Benefits Redeposited**

**Regular Allowances**

State	\$ 157,539		
Local	<u>245,441</u>	\$ 402,980	

**Pension Adjustment Allowances**

State	\$ 48,380		
Local	<u>61,102</u>	109,482	

**Unclaimed Pensions**

**Unclaimed Pension Adjustment  
Allowances**

	<u>14,897</u>	564,628	
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**Gains—To Special Reserve Fund**

On Prepayment of Mortgages	\$ 12,453		
On Bond Redemptions and Sales	<u>12,162</u>		

**Total Carried Forward**

		<u>24,615</u>	
			<u>\$230,191,995</u>

**STATEMENT OF REVENUE AND EXPENDITURES**  
**JUNE 30, 1979**

**REVENUE (Continued)**

Total Brought Forward	\$230,191,995
<u>Income</u>	\$ 121,418,774
<u>Total Revenue</u>	\$ 351,610,769
	<u>\$2,020,335,645</u>

**EXPENDITURES**

**Benefits Provided by Members**

**Accumulated Contributions Withdrawn**

**Regular Withdrawals**

State	\$ 3,844,794	
Local	<u>7,304,748</u>	\$11,149,542

**Active Deaths**

State	\$ 937,260	
Local	<u>2,068,466</u>	3,005,726

**Transfer to Other Systems**

State	\$ 128,322	
Local	<u>535,350</u>	663,672

**Net Overpayments Transferred**

1

**Accumulative Interest Withdrawn:**

**Regular Withdrawals**

State	\$ 355,350	
Local	<u>696,097</u>	1,054,447

**Active Deaths**

State	\$ 214,732	
Local	<u>420,150</u>	634,882

**Transfers to Other Systems**

State	\$ 9,217	
Local	<u>60,273</u>	69,490

**Unclaimed Accounts**

309,024

\$ 16,886,784

**Benefits Provided by Members and Employers:**

**Retirement Allowances**

State	\$36,460,950	
Local	<u>46,879,413</u>	\$ 83,340,363

**Unclaimed Pensions**

22,236

83,363,599

**Total Carried Forward**

\$100,250,383

**STATEMENT OF REVENUE AND EXPENDITURES**  
**JUNE 30, 1979**

**EXPENDITURES (Continued)**

Total Brought Forward			\$ 100,250,383
<b>Benefits Provided by Employers:</b>			
<b>Pension Adjustment Allowances</b>			
State	\$7,210,126		
Local	<u>8,669,763</u>	15,879,889	
<b>Contingent Reserve Fund</b>			
State	\$ 135,770		
Local	<u>817,402</u>	953,172	
<b>Unclaimed Pension Adjustment Allowances</b>		<u>8,425</u>	16,841,486
<b>Losses—To Special Reserve Fund</b>			<u>1,900,899</u>
<b>Total Expenditures</b>			<u>\$ 118,992,768</u>
<b>Ledger Assets, June 30, 1979</b>			<u><u>\$1,901,342,877</u></u>



## ACTUARIAL EVALUATION

The information given below is taken from the valuation of March 31, 1978, 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	\$ 562,176,322	
Add accrued interest creditable	24,363,587	
Less reserve transferable to		
Contingent Reserve Fund	5,241,484	\$ 581,298,425
Annuity Savings Fund:		
Credited to fund	\$ 486,959,561	
Add accrued interest creditable	12,344,886	499,304,447
Contingent Reserve Fund:		
Credited to fund	\$ 511,968,886	
Add accrued interest creditable	20,044,250	
Add excess interest earnings creditable	14,492,950	
Add reserve transferable from		
Retirement Reserve Fund	5,241,484	551,747,570
Special Reserve Fund		15,243,307
Total Present Assets		\$1,647,593,749
Present value of prospective contributions of members to be made to		
Annuity Savings Fund	\$ 700,535,108	
Present value of prospective contributions payable by the State and local employers to the Contingent Reserve Fund as follows:		
Future normal contributions	1,270,972,514	
Future accrued liability contributions	197,327,619	
Total Prospective Assets		2,168,835,241
<u>TOTAL ASSETS</u>		<u>\$3,816,428,990</u>

# LIABILITIES

Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund		\$ 581,298,425
Present value of benefits payable from contributions to the Annuity Savings Fund and Contingent Reserve Funds:		
Service retirement allowances including early retirement and vesting benefits	\$2,435,667,092	
Ordinary disability retirement allowances	128,627,801	
Accidental disability retirement allowances	49,017,417	
Ordinary death benefits	414,256,757	
Accidental death benefits	10,882,868	
Return of members' contributions upon withdrawal before retirement	196,678,630	3,235,130,565
<u>TOTAL LIABILITIES</u>		<u>\$3,816,428,990</u>

### LEVEL OF FUNDING

With respect to the funding of the system, the following is an excerpt from page 15 of the actuarial valuation as of March 31, 1978.

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

	<u>State</u>	<u>Local Employers</u>
A. Projected Accrued Liabilities	\$868,322,357	\$1,274,449,855
B. Adjusted Value of Assets	667,390,546	1,041,464,820
C. Funding Level = B ÷ A	76.9%	81.7%

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

## CONTRIBUTORY INSURANCE

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

In the administration of the program certain amounts derived from employee contributions have been left on deposit with the carrier for specific reasons. Though they are not assets of the system, a brief description of each deposit account, the opening balance at 7/1/77 and closing balance at 6/30/78 is noted below:

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

Each of the above accounts, except the Special Reserve, earned interest at the rate of 7.375 percent per annum during the policy year, while the Special Reserve earned interest at 7.25 percent.

### FUNDS ON DEPOSIT

	Balance <u>6/30/78</u>	Balance <u>6/30/77</u>
Dividend Accumulation	\$5,350,454	\$4,928,413
Advance Premium	51,193	-0-
Special Reserve	659,289	679,680







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