

DEPARTMENT
OF THE TREASURY

DIVISION OF
PENSIONS

11th

ANNUAL REPORT

1965

PUBLIC EMPLOYEES'
RETIREMENT SYSTEM OF
NEW JERSEY

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IN MEMORIAM

JOHN J. MC MAHON

Secretary of the Public Employees' Retirement System of New Jersey from February 1, 1962 to July 18, 1965.

Member of the Board of Trustees of the Retirement System from July 1, 1952 to June 30, 1964.

July 18, 1965

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

John T. Cox, *Vice-Chairman*

Alan W. Bowers

William F. Haeker

Charles I. Levine

Frederick W. Miller

Harry V. Osborne, Jr.

Charles E. Wagner

JOHN J. McMAHON, *Secretary*
CHRISTOPHER F. CARSON, *Assistant Secretary*

GEORGE B. BUCK, *Consulting Actuary*

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF

NEW JERSEY

TRENTON, NEW JERSEY

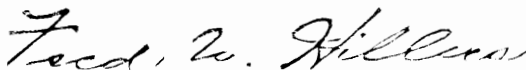
To His Excellency, Richard J. Hughes, Governor of the State of New Jersey:

Sir:

The Board of Trustees has the honor to submit herewith the Eleventh Annual Report of the Public Employees' Retirement System of New Jersey, in compliance with the provisions of Section 21 Chapter 15A, Title 43 of the Revised Statutes.

Respectfully submitted,

THE BOARD OF TRUSTEES

A handwritten signature in cursive script that reads "Fred U. Hillers".

Fred U. Hillers
Chairman

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 Eleventh Report for the fiscal year ending June 30, 1965 shows the true condition of the various funds created by Section 22 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 June, 1966.

Fred U. Hillers
John T. Cox
John A. Kervick
Alan W. Bowers

William F. Haeker
Charles I. Levine
Frederick W. Miller
Harry V. Osborne, Jr.

Charles E. Wagner

BOARD OF TRUSTEES

AS OF JULY 1, 1965

Fred U. Hillers, *Chairman* – Term Expires June 30, 1966
John T. Cox, *Vice-Chairman* – Term Expires June 30, 1966
John A. Kervick, *State Treasurer-Custodian*
Alan W. Bowers
William F. Haeker – Term Expires June 30, 1967
Charles I. Levine – Term Expires June 30, 1968
Fred Christiansen – Term Expires June 30, 1968
Harry V. Osborne, Jr.
Charles E. Wagner – Term Expires June 30, 1967

COMMITTEES

Finance – Mr. Bowers, *Chairman*
Mr. Kervick
Mr. Levine
Mr. Christiansen
Mr. Wagner
Mr. Hillers, *ex-officio*

Retirement – Mr. Cox, *Chairman*
Mr. Osborne
Mr. Christiansen
Mr. Haeker
Mr. Wagner
Mr. Levine
Mr. Hillers, *ex-officio*

Executive – Mr. Osborne, *Chairman*
Mr. Haeker
Mr. Cox
Mr. Levine
Mr. Bowers
Mr. Hillers, *ex-officio*

New Legislation in 1965 Affecting the
Public Employees' Retirement System of New Jersey

Chapter 229, P. L. 1964, which provides for an annual revaluation and amortization of the liability for veterans where additional service can now be credited while permitting veterans to purchase prior service credit. The legislation also establishes a single account for each member regardless of the multiple positions he may hold. It changes the due date for local employer contributions and provides that interest shall begin to run against the unpaid balance of the employer obligation if payment is not made within 30 days following the July 1st due date. This legislation was approved December 17, 1964.

Chapter 231, P.L. 1964, established the New Jersey College of Medicine and Dentistry and provides for the enrollment of the employees of the College in the Public Employees' Retirement System. This legislation was approved December 22, 1964.

Senate No. 330, Chapter 64, P.L. 1965, provides that the following titles be included in the definition of "Law Enforcement Officer": Conservation Officer, Assistant District Conservation Officer in the Division of Fish and Game, and Senior Marine Patrolman in the Division of Resource Development, and Inspector Officer, Senior Inspector, and Principal Inspector in the Division of Shell Fisheries.

Assembly No. 380, Chapter 16, P.L. 1965, provided that the compensation Rating and Inspection Bureau (R.S. 34:15-89) be subject to the provisions of Chapter 3 and Chapter 15A of Title 43 of the Revised Statutes. It further provided for past service credits up to June 30, 1965 for members enrolling within one year.

TRUSTEES ELECTED

Mr. Fred Christiansen was elected on July 1, 1965 to serve on the Board of Trustees as a Municipal representative.

Mr. Charles I. Levine was re-elected on July 1, 1965 to serve on the Board of Trustees as a State employee representative.

MEMBERSHIP

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

Effective October 7, 1964

Passaic County Vocational School

Effective January 1, 1965

Atlantic County Junior College
Trenton Junior College and School of Industrial Arts

Effective July 1, 1965

The Pompton Lakes Borough Municipal Utilities Authority
The Township of Bernards Sewerage Authority
Fire Commissioners District #7 Hamilton Township, Mercer County
New Jersey College of Medicine and Dentistry
Gloucester Township Municipal Utilities Authority
Metuchen Borough
Middlesex County College

Effective January 1, 1966

City of Passaic Redevelopment Agency
The Madison Township Sewerage Authority
The Guttenberg Housing Authority

COMPARISON OF MEMBERSHIP – MARCH 31

GROUP	1960		1964		1965	
	Number	Payroll	Number	Payroll	Number	Payroll
Non-Veterans						
State Employees	15,106	\$ 64,615,775	18,239	\$ 92,281,150	19,065	\$ 98,313,024
County Employees	5,487	20,897,313	6,927	30,117,698	7,252	32,872,464
Municipal Employees	10,633	43,769,611	13,785	61,834,311	14,458	65,565,371
Employees of Public Agencies	1,668	8,014,912	2,140	11,488,212	2,224	12,342,212
Employees of Consolidated School Districts	97	324,484	146	544,468	176	659,558
Non-Participating Locals	-	-	5	23,188	6	34,500
State Employees Paid by Local Employers	152	942,340	736	3,822,801	1,105	5,658,172
Employees of Local Participating under Chapter 169 P.L. 1956	-	-	212	986,986	209	1,006,597
Veterans						
State Employees	7,543	\$ 40,048,746	8,314	\$ 53,975,926	8,653	\$ 57,665,841
County Employees	2,026	9,591,202	2,499	13,911,099	2,522	14,934,962
Municipal Employees	4,742	21,768,333	5,714	29,806,641	6,094	32,988,358
Employees of Public Agencies	1,282	6,717,994	1,626	9,544,713	1,714	10,598,360
Employees of Consolidated School Districts	4	18,522	9	51,797	18	116,986
Non-Participating Locals	690	2,689,790	918	3,910,516	792	3,624,376
State Employees Paid by Local Employers	151	942,104	325	2,271,636	393	2,732,208
Employees of Locals Participating under Chapter 169, P.L. 1956	-	-	58	288,648	53	291,216
TOTAL	49,581	\$220,341,126	61,653	\$314,859,790	64,734	\$339,404,205

COMPARISON OF NUMBER OF BENEFICIARIES AND RETIREMENT ALLOWANCES – MARCH 31

	1960		1964		1965	
	Retirements		Retirements		Retirements	
	Number	Allowances	Number	Allowances	Number	Allowances
	6,645	\$ 8,362,980	8,764	\$ 12,909,756	10,184	\$ 16,354,956

INVESTMENT

The average yield of securities purchased during the year with maturities over a twelve month period was 4.51%. The average yield on our entire holdings for the year ending June 30, 1965 was 4.10%.

RECAPITULATION

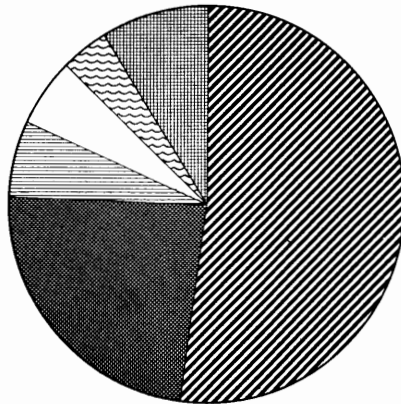
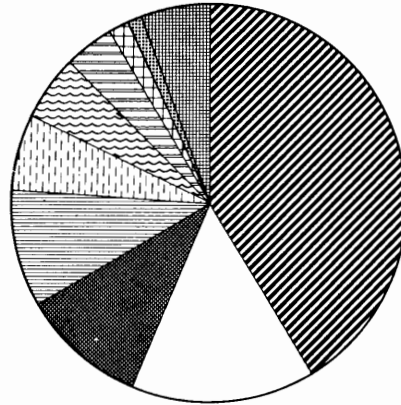
United States Government	\$ 27,280,000.00
United States Government Agencies	2,800,000.00
Municipal – Counties & Cities	5,068,000.00
Municipal – School Districts	2,953,000.00
Municipal – Revenues	3,724,000.00
Industrials	29,546,000.00
Gas & Electric	119,331,000.00
Telephone	43,605,000.00
Water	950,000.00
Railroad Equipment Trust Certificates	5,311,000.00
Commercial Paper	1,350,000.00
Merchant Marine	1,788,000.00
Finance Companies – Senior Debt	14,900,000.00
Bank Debentures	1,500,000.00
Inter-American Development Bank	1,750,000.00
International Bank	1,826,000.00
Government of Canada	450,000.00
Provinces of Canada	2,060,000.00
Canadian Provincial Guaranteed	2,591,000.00
TOTAL	\$268,783,000.00*
Common Stocks – Banks	764,141.58**
Common Stocks – Public Utilities	1,379,932.56**
Capchart Mortgages	17,133,765.03*
TOTAL	\$288,060,839.17

*Par Value

**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.



HOLDINGS AT JUNE 30, 1965

Type	Book Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$120,000,104	4.13%	41.4
Telephone	43,990,032	4.18	15.1
Industrials	29,468,216	4.34	10.3
U. S. Government	27,446,110	3.44	9.5
Capehart Mtgs. (Guar. by U. S.)	17,060,384	4.33	6.0
Finance Co. — Sr. Debt	14,827,190	4.80	5.2
Municipals	11,860,002	2.98	4.1
R.R. Equip. Tr. Ctfs.	5,297,812	3.48	1.8
U. S. Government Agencies	2,800,529	4.16	1.0
Other			
Canadian	\$5,004,867		
Common Stock	2,144,074		
International Bank	1,816,941		
Merchant Marine (U.S. Gov't Insured)	1,788,000		
Inter-Amer. Dev. Bk.	1,740,212		
Bank Debentures	1,499,695		
Commercial Paper	1,347,928		
Water	945,275		
Totals	\$289,037,371	4.10%	100.0

LONG-TERM PURCHASES

During Fiscal Year Ending June 30, 1965

Type	Par Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$ 16,500,000	4.52%	51.9
Industrials	7,535,000	4.51	23.7
U. S. Government	2,000,000	4.15	6.3
Telephone	1,750,000	4.58	5.5
Finance Co. — Sr. Debt	1,250,000	4.66	3.9
Other			
Bank Debentures	\$1,000,000		
Inter-Amer. Dev. Bk.	1,000,000		
International Bank	500,000		
Water	250,000		
Totals	\$ 31,785,000	4.51%	100.0

Temporary Short-Term purchases during the year amounted to \$57,300,000.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1965

Ledger Assets, June 30, 1964 per previous report	\$272,463,342.13
Loans to Members	<u>2,539,264.62</u>
Ledger Assets June 30, 1964 as adjusted	\$275,002,606.75

INCOME

Members' Contributions

State Employees	\$7,596,798.44	
Local "	<u>8,793,420.69</u>	\$16,390,219.13

Appropriations for Contingent Reserve Fund

State-Members Serv.	\$9,200,395.00	
" -Vet Accrued Liab.	<u>1,311,273.00</u>	\$10,511,668.00
Local-Members Serv.	\$9,991,062.17	
" -Accrued Liab.	3,635,609.00	
" -S-44 Liability	<u>2,166,109.00</u>	<u>15,792,780.17</u>
		\$26,304,448.17

Members' Contributory Group Insurance Premium Fund

State Employees	\$ 829,279.56	
Local "	<u>1,046,290.71</u>	\$ 1,875,570.27

Non Contributory Group Insurance Premium Fund

Local Employees		2,154,187.04
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Appropriations to Increased Pension Fund

State of N. J.	\$ 48,608.91	
Local Employers	<u>64,045.32</u>	112,654.23

County, Municipality, Public Agency Fund	334,628.00
Unclaimed Pensions	65,739.30
Increased Unclaimed Pensions	1,402.61
Increased Pension Fund-Redeposits	1,265.70
Canceled Checks	16,370.02
Hospitalization Exchange Account	15,786.65
Accumulative Interest-Annuity Savings Fund	
Transfer from Teachers Pension & Annuity Fund	5,148.17
Unclaimed Accounts-Redeposits	14,263.25
CRF-Transfer from Cons. Police & Fire System	\$ 16,019.81
" " " Police & Fire Retire. System	<u>15,239.18</u>
Contingent Reserve Fund-Accidental Death Benefit	9,000.00
Interest Income on Investments	10,847,463.26
Dividends on Stock	84,059.53
Accrued Interest on Real Estate Construction	270,892.48
FHA Mortgage Insurance	27,918.29
Federal Tax Levies Payable	1,127.00
Supplemental Annuity Collective Trust	911,190.15
Net Accumulation of Discount and Premium	149,026.50
Gain on Sale on Stock - Credited to Special Reserve	4,647.78
Net Profit on Bond Redemption and Sales-Credited to Sp. Reserve	<u>6,127.61</u>

TOTAL INCOME	\$ 59,634,394.13
	<u>\$334,637,000.88</u>

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1965

<u>DISBURSEMENTS</u>		
<u>Accumulated Contributions Withdrawn</u>		
<u>Regular Withdrawals</u>		
State Employees	\$ 975,952.25	
Local "	1,263,137.74	\$2,239,089.99
<u>Active Death Withdrawals</u>		
State Employees	\$ 322,743.78	
Local "	507,994.67	830,738.45
<u>Loans to Active Members</u>		
State Employees	\$1,759,100.00	
Local "	1,132,960.00	
Less: Net Increase in Loans to Members	\$2,892,060.00	2,503,506.99
Settlement of Inactive Accounts		27,812.45
<u>BENEFITS PROVIDED BY MEMBERS</u>		\$5,601,147.88
<u>Pensions Paid to Retired Members</u>		
State Employees	\$7,126,101.81	
Local "	9,611,317.25	\$16,737,419.06
Settlement of Unclaimed Pensions		42,715.16
Hospitalization Exchange Account		15,577.13
<u>BENEFITS PROVIDED BY MEMBERS AND EMPLOYERS</u>		\$16,795,711.35
<u>Increased Pensions—members who retired prior to 12/31/54</u>		
State Employees	\$ 48,958.84	
Local "	64,707.78	\$ 113,666.62
Settlement of Increased Unclaimed Pensions		693.76
<u>Monthly Allowances to Beneficiaries of Deceased Active Members — IRRF</u>		
State Employees	\$ 36,279.42	
Local "	37,345.10	73,624.52
<u>BENEFITS PROVIDED BY EMPLOYERS</u>		\$ 187,984.90
<u>Increased Pension Fund — Redeposits and Unused Allowances</u>		
State Employees	\$ 553.82	
Local "	924.43	1,478.25
Prudential Insurance Co. — Member's Contributory Insurance Premiums		1,744,565.35
Canceled Check Settlements		14,240.27
County, Municipality, Public Agency Fund		331,193.37
State of N. J. — Non Contributory Group Insurance Premium Fund Payments from Local Employers		2,068,584.04
<u>Contingent Reserve Fund</u>		
Transfer to Police & Firemen's Fund	\$ 9,166.07	
Refund to CMPA	6,992.00	16,158.07
Accrued Interest on Investments Purchased		79,089.82
FHA Mortgage Insurance		35,437.36
Federal Tax Levies Payable		1,127.00
Supplemental Annuity Collective Trust		902,508.92
<u>TOTAL DISBURSEMENTS</u>		<u>\$27,779,226.58</u>
<u>Ledger Assets, June 30, 1965</u>		<u>\$306,857,774.30</u>

"Local" Denotes County, Municipality, Public Agency Participants

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1965

Trenton Trust Company Bank Accounts	\$ 6,673,141.04
FHA - Mortgages	17,133,765.03
Bonds (par)	268,783,000.00
Premium and Discount	976,531.83
Stocks and Commissions	2,144,074.14
Loans Receivable	2,927,817.63
Advances - Construction Health and Agri. Bldg.	8,219,444.63
<u>TOTAL ASSETS, JUNE 30, 1965</u>	<u>\$306,857,774.30</u>

COMPARISON STATEMENTS

ASSETS	<u>June 30, 1960</u>	<u>June 30, 1964</u>	<u>June 30, 1965</u>
Cash	\$ 5,306,885.74	\$ 7,828,325.85	\$ 6,673,141.04
Cash in Escrow	6,330.43	-	-
Investments	169,368,399.96	256,318,464.92	285,916,765.03
Premium & Discount	689,984.91	904,661.35	976,531.83
Hudson Co. Mortg.	84,473.17	-	-
Stocks & Commissions	-	1,969,017.83	2,144,074.14
Advances - Construction Health & Agric. Bldg.	-	5,442,872.18	8,219,444.63
	<u>\$175,456,074.21</u>	<u>\$272,463,342.13</u>	<u>\$303,929,956.67</u>
Loans Receivable	-	-	2,927,817.63
	<u>\$175,456,074.21</u>	<u>\$272,463,342.13</u>	<u>\$306,857,774.30</u>

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF ASSETS
JUNE 30, 1965

Bank Balances		\$ 6,673,141.04	
Book Value of Bonds and FHA Mortgages Held		286,893,296.86	
Book Value of Stocks and Commissions		2,144,074.14	
Loans Receivable		2,927,817.63	
Advances - Construction on State Projects		8,219,444.63	
LEDGER ASSETS			\$306,857,774.30
Members' Contributions Receivable		\$ 1,072,723.61	
Local Employers Contributions Receivable	\$2,958,906.00		
Local Expense Fund Receivable	60,410.00		
Local Non-CGIPF Receivable	356,527.00		
Local Employers Contrib. Receiv. S-44	431,228.00		
		\$3,807,071.00	
Less: Refund Payable	1,093.00		
Interest Accrued		3,805,978.00	
			3,069,381.04
NON LEDGER ASSETS			\$ 7,948,082.65
<u>TOTAL ASSETS</u>			\$314,805,856.95

DISTRIBUTION OF ASSETS

Annuity Savings Fund		\$ 80,411,177.54	
Accumulative Interest, Annuity Savings Fund		14,330,920.08	
Clearing Account (Undistributed ASF)		2,625,226.38	
Clearing Account - State Centralized Payroll (Undistributed ASF)		1,493,597.17	
Supplemental Annuity Collective Trust		8,602.21	
Unclaimed Accounts		127,005.55	
		\$ 98,996,528.93	
Less: Overages and Shortages on Transmittals		.12	
			\$ 98,996,528.81*
FUNDS DERIVED FROM MEMBERS' CONTRIBUTIONS			
Contingent Reserve Fund		\$ 47,065,435.99	
Local Non-CGIPF		816,896.00	
Increased Pension Fund		26.00	
Increased Pension Payable 7/1/65		8,864.85	
Increased Unclaimed Pensions		628.20	
			\$ 47,891,851.04
FUNDS DERIVED FROM EMPLOYER'S CONTRIBUTIONS			
Retirement Reserve Fund		\$159,372,973.57	
Insurance Retirement Reserve Fund		578,525.68	
Pensions Payable 7/1/65		1,379,284.89	
Hosp. Exchange Payable 7/1/65	\$ 1,348.02		
Less: Debit Balance 6/30/65	462.71		
Unclaimed Pensions		885.31	
FUNDS DERIVED FROM MEMBERS' & EMPLOYERS' CONTRIBUTIONS			\$161,354,722.19
County, Municipality, Public Agency Expense Fund			140,518.11
Unearned Interest on Loans			143,257.77
Canceled Checks Redeposited			8,600.40
Contributory Group Insurance Premium Fund			209,857.49
Special Reserve Fund			2,972,568.16
FHA Mortgage Insurance			18,571.94
Income From Investments			3,069,381.04
<u>TOTAL ASSETS</u>			\$314,805,856.95

*These amounts exclude arrearages.

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

GEORGE B. BUCK
CONSULTING ACTUARY

60 WORTH STREET
NEW YORK 13, NEW YORK

June 13, 1966

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 eleventh annual valuation of the assets and liabilities of the Public Employees' Retirement System of New Jersey. The valuation represents the forty-fourth 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, 1965 and gives the basis for determining the appropriation payable by the employers during the fiscal year beginning July 1, 1966.

Respectfully submitted,

(Signed) GEORGE B. BUCK

Actuary

REPORT OF THE ELEVENTH 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, 1965, presents the results of the eleventh actuarial valuation of the system.

Chapter 229, P.L. 1964, which became effective December 17, 1964, amends the retirement law in several respects. The act allows certain veterans to claim credit for service not previously allowed and provides that the accrued liability payments for veterans shall be adjusted annually on account of additional service credits established by veteran members. It also provides that a single account be established in the Annuity Savings Fund for each member regardless of the number of positions he might hold or employers he might have. In addition, the date on which employers' appropriations must be paid is changed by the Act from December 27 to July 31, after which 4 per cent interest runs against the unpaid balance.

This year the experience under Chapter 171, P.L. 1962, which became effective November 29, 1962, is known. The actual liabilities incurred under the Act were determined in connection with this valuation, and the amounts certified for payment for the year beginning July 1, 1965 are the amounts required to liquidate the unfunded balances of these liabilities over the remainder of the period specified in Act, 30 years beginning July 1, 1963.

TABLE I
MEMBERSHIP OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF MARCH 31, 1965

GROUP	TOTAL		4% MEMBERS		3% MEMBERS	
	Number	Payroll	Number	Payroll	Number	Payroll
Class A:						
Men	392	\$ 2,746,859	305	\$ 2,292,849	87	\$ 454,010
Women	458	2,486,457	291	1,650,088	167	836,369
Class B:						
Men	39,807	231,911,762	2,140	16,569,120	37,667	215,342,642
Women	23,868	100,999,158	1,783	10,774,282	22,085	90,224,876
Law Enforcement Officers:						
Men	209	1,259,969	10	68,525	199	1,191,444
Women	-	-	-	-	-	-
Total	64,734	\$339,404,205	4,529	\$31,354,864	60,205	\$308,049,341
Sub-totals for:						
Non-Veterans						
State Employees	19,065	\$ 98,313,024	2,607	\$18,861,170	16,458	\$ 79,451,854
County Employees	7,252	32,872,464	613	3,918,796	6,639	28,953,668
Municipal Employees	14,458	65,565,371	1,170	7,497,602	13,288	58,067,769
Employees of Public Agencies	2,224	12,342,212	131	1,004,796	2,093	11,337,416
Employees of Consolidated						
School Districts	176	659,558	1	7,252	175	652,306
Non-Participating Locals	6	34,500	1	12,504	5	21,996
State Employees Paid by						
Local Employers	1,105	5,658,172	6	52,744	1,099	5,605,428
Employees of Locals Participating under Chapter 169, P.L. 1956	209	1,006,597	-	-	209	1,006,597
Veterans						
State Employees	8,653	57,665,841			8,653	57,665,841
County Employees	2,522	14,934,962			2,522	14,934,962
Municipal Employees	6,094	32,988,358			6,094	32,988,358
Employees of Public Agencies	1,714	10,598,360			1,714	10,598,360
Employees of Consolidated						
School Districts	18	116,986			18	116,986
Non-Participating Locals	792	3,624,376			792	3,624,376
State Employees Paid by						
Local Employers	393	2,732,208			393	2,732,208
Employees of Locals Participating under Chapter 169, P.L. 1956	53	291,216			53	291,216

- 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 27 County Court Judges with annual payroll of \$594,000.
 (c) There are 130 members who have selected vesting benefits not included in the membership shown by the table.

TABLE II

THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES
OF BENEFICIARIES ON THE ROLL AS OF MARCH 31, 1965

GROUP	Number	Retirement Allowances
<u>Service Retirements and Early Retirement Benefits</u>		
Men	6,118	\$10,783,464
Women	2,816	4,157,340
Total	8,934	\$14,940,804
<u>Ordinary Disability Retirements</u>		
Men	235	\$ 307,140
Women	126	142,092
Total	361	\$ 449,232
<u>Accident Disability Retirements</u>		
Men	84	\$ 224,220
Women	28	70,680
Total	112	\$ 294,900
<u>Ordinary Death Benefits</u>		
Men	7	\$ 1,464
Women	234	92,280
Total	241	\$ 93,744
<u>Accidental Death Benefits</u>		
Men	1	\$ 1,632
Women	69	142,380
Total	70	\$ 144,012
<u>Dependents of Deceased Beneficiaries</u>		
Men	11	\$ 7,440
Women	455	424,824
Total	466	\$ 432,264
Grand Total	10,184	\$16,354,956

Note: In addition to the above, there are 308 beneficiaries who elected to receive death benefits, otherwise payable in a lump sum, as annuities certain, amounting to \$340,872 per annum.

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, 1965

<u>ASSETS</u>	
Present assets of system creditable to:	
Annuity Savings Fund:	
Credited to fund	\$ 91,164,061
Add miscellaneous income creditable	185,325
Add accrued interest creditable	<u>1,998,115</u>
	\$ 93,347,501
Supplemental Annuity Collective Trust	2,731
Contributory Group Insurance Premium Fund	211,724
Retirement Reserve Fund including	
Insurance Retirement Reserve Fund:	
Credited to fund	\$160,341,680
Add accrued interest	<u>2,820,479</u>
	163,162,159
Contingent Reserve Fund:	
Credited to fund	\$ 43,499,348
Add accrued interest creditable	1,283,927
Add excess interest earnings creditable	1,927,477
Add interest accrued on investments and unpaid	<u>3,192,222</u>
	49,902,974
Special Reserve Fund:	
Credited to fund	\$ 2,650,489
Add excess interest earnings creditable	<u>247,114</u>
	2,897,603
Total	<u>\$309,524,692</u>
Present value of prospective contributions payable by the State and local employers to the Contingent Reserve Fund as follows:	
Future normal contributions	\$254,451,223
Future accrued liability contributions	<u>112,047,557</u>
Total	<u>366,498,780</u>
Total Assets	<u>\$676,023,472</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, 1965

LIABILITIES		
Members' contributions which have been accumulated to date in the Annuity Savings Fund	\$ 93,347,501	
Supplemental Annuity Collective Trust	2,731	
Members' contributions which have been accumulated to date in the Contributory Group Insurance Premium Fund		211,724
Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund		165,920,069
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	\$278,444,350	
Ordinary disability retirement pensions	10,905,573	
Accident disability retirement pensions	8,636,246	
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		104,026,811
Accidental death benefits on account of active members dying in the performance of duty		5,261,480
Death benefits payable on account of beneficiaries dying after retirement	6,369,384	413,643,844
Special Reserve Fund		2,897,603
Total Liabilities		\$676,023,472

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 \$93,347,501 on March 31, 1965; after interest accrued from June 30, 1964 has been added. The liabilities of the fund are also shown as \$93,347,501. 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) Supplemental Annuity Collective Trust

Members who choose to do so may make contributions to the Supplemental Annuity Collective Trust through the Public Employees' Retirement System. The amount of these contributions held by the fund as of the valuation date is shown on the balance sheet as an asset of \$2,731. This amount is also shown as a liability. It is expected that these monies will be paid over the Supplemental Annuity Collective Trust.

(3) Contributory Group Insurance Premium Fund

The valuation balance sheet shows the assets of the Contributory Group Insurance Premium Fund, the fund in which the deductions from the compensation of members to provide for additional death benefits are accumulated to be \$211,724. The liabilities of the fund are also shown as \$211,724. It is expected that these monies will be paid over to The Prudential Insurance Company of America.

(4) Special Reserve Fund

The Special Reserve Fund is the fund to which all profits on the sale of securities and any excess earnings are transferred and against which any losses from the sale of securities are charged. The maximum limit on the accumulations in this fund is set at one per cent of the book value of the investments of the retirement system; any amounts in excess of this limit are creditable to the Contingent Reserve Fund. As of the valuation date this fund has reached the maximum limit and has assets amounting to \$2,897,603. This figure is also shown as the liability of the fund.

(5) Retirement Reserve Fund Including Insurance
Retirement Reserve Fund

The Retirement Reserve Fund has present assets including accrued interest of \$163,162,159, while its liabilities have a present value of \$165,920,069. There is therefore a deficit of \$2,757,910 in this fund as of the valuation date.

(6) Contingent Reserve Fund

The liabilities of the Contingent Reserve Fund are \$413,643,844, of which \$407,274,460 is on account of present active members and \$6,369,384 is on account of death benefits payable to beneficiaries of present retired members. The present assets of the fund including accrued interest, excess interest earnings creditable and interest accrued on investments and unpaid amount to \$49,902,974. The balance increased by the amount of the deficit in the Retirement Reserve Fund, or \$366,498,780, is to be met by the future contributions of the State and local employers. Of this amount \$112,047,557, which includes \$44,562,886 on account of the liability incurred by the passage of Chapter 171, P.L. 1962, and \$8,747,196 on account of the liability incurred by the passage of Chapter 229, P.L. 1964, will be met by future accrued liability contributions, leaving \$254,451,223 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. This accrued liability contribution is adjusted annually on account of additional service credits allowed veteran members during the valuation year in accordance with the provisions of Chapter 229, P.L. 1964.

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. Each local employer

who has veteran members with creditable service rendered prior to January 2, 1955 must also pay an accrued liability contribution in the same manner as provided in the case of the State for its veteran members. This contribution is subject to adjustment annually in accordance with the provisions of Chapter 229, P.L. 1964.

In addition, the State and each local employer are required to make contributions over a period of 30 years beginning July 1, 1963 to liquidate the liability created by the passage of Chapter 171, P.L. 1962. The actual liabilities incurred under this Act were determined in connection with this valuation, and the amounts certified for payment for the year beginning July 1, 1965 are the amounts required to liquidate the unfunded balances of these liabilities over the remainder of the period specified in the Act.

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 effects 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, 1965 are as follows:

<u>PAYABLE BY:</u>	<u>NORMAL RATE</u>
State on account of 4% members:	
Non-Veterans	8.07%
State on account of 3% members:	
Non-Veterans	6.81%
Veterans	7.02%
Local employers on account of 4% members:	
Non-Veterans	6.87%
Local employers on account of 3% members:	
Non-Veterans	6.38%
Veterans	6.55%

On the basis of the normal rates applicable to State employees and the payroll as of March 31, 1965, the contributions for the fiscal year beginning July 1, 1965 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 1966-1967 has been deducted from the recommended normal contribution to the retirement system and is shown as payable to the Group Life 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.

TABLE IV
CONTRIBUTIONS PAYABLE BY THE STATE FOR THE YEAR BEGINNING JULY 1, 1965

DIVISION	NUMBER	PAYROLL	CONTRIBUTIONS TO CONTINGENT RESERVE FUND			Contribution To Group Insurance Premium Fund	Total Contribution
			Normal	Accrued Liability	Liability a/c Ch. 171, PL 1962		
State (including State University)							
Non-Veterans 4%	2,128	\$ 15,656,568	\$1,067,349		\$ 728,917	\$ 196,136	\$ 1,992,402
Non-Veterans 3%	14,250	69,737,650	3,875,502		52,303	873,632	4,801,437
Veterans 3%	7,918	53,041,620	3,059,048	\$1,452,550	191,145	664,474	5,367,217
Total	24,297	\$138,435,838	\$8,001,899	\$1,452,550	\$ 972,365	\$1,734,242	\$12,161,056
Disability Insurance Service:							
Non-Veterans 4%	39	\$ 243,237	\$ 16,582		\$ 8,507	\$ 3,047	\$ 28,136
Non-Veterans 3%	89	340,745	18,937		41	4,268	23,246
Veterans 3%	18	137,360	7,922	\$ 5,128	2,847	1,721	17,618
Total	146	\$ 721,342	\$ 43,441	\$ 5,128	\$ 11,395	\$ 9,036	\$ 69,000
All other units of Division of Employment Security:							
Non-Veterans 4%	419	\$ 2,832,807	\$ 193,120		\$ 53,099	\$ 35,488	\$ 281,707
Non-Veterans 3%	1,291	6,020,507	334,575		2,713	75,421	412,709
Veterans 3%	468	3,169,837	182,812	\$ 106,192	15,155	39,710	343,869
Total	2,178	\$ 12,023,151	\$ 710,507	\$ 106,192	\$ 70,967	\$ 150,619	\$ 1,038,285
Grand Total	26,621	\$151,180,331	\$8,755,847	\$ 1,563,870	\$ 1,054,727	\$ 1,893,897	\$13,268,341

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