

STATE OF NEW JERSEY  
PENSION SURVEY COMMISSION

REPORT No. 3

ANALYSIS  
OF EXISTING PENSION SYSTEMS  
FOR PUBLIC EMPLOYEES  
IN NEW JERSEY

January, 1932

LETTER OF TRANSMITTAL

*To the Governor and Governor-Elect, Senate and General Assembly of the State of New Jersey:*

Under the joint resolutions of the New Jersey Legislature creating and continuing the Pension Survey Commission, its major assignment was to conduct a comprehensive inquiry into the public employee pension situation in New Jersey and to make recommendations.

The Commission presents herewith a report of its findings, entitled "Analysis of Existing Pension Systems for Public Employees in New Jersey." Recommendations based on these findings are now in preparation and will be submitted for enactment at the 1932 session of the Legislature.

Available for reference in the Commission office, but not included in this condensed report, are details of the actuarial studies, a compilation of all pension laws and a series of charts showing the chronological development of pension legislation for various groups of public employees in New Jersey.

The compilation and analyses of pension laws were based on an extensive review of New Jersey statutes made by the Commission's counsel, Henry A. Williams.

All data on pension systems now in operation were secured by the research staff of the Commission under the direction of Dr. Emma A. Winslow, with Albert H. Camwell, Arthur Cornelius, Jr., Douglas H. MacNeil and Frances R. Rice, members of the Commission staff, devoting all or part of their time to the task.

In the development of plans for its actuarial studies, the Commission was fortunate in having James F. Little of the Prudential Insurance Company of America serve as honorary consultant. Mr. Little has also provided much cooperative assistance to the Commission in connection with the summary of the data collected.

Under an arrangement made by the Commission in May, 1931, George B. Buck, consulting actuary, assumed responsibility for the evaluation of existing pension systems. Mr. Buck also is advising the Commission in the drafting of its recommendations.

Respectfully,

CHARLES BASILE

*Acting Chairman*

WILLIAM J. ELLIS

*Secretary*

DONALD R. BELCHER

ANDREW K. BRADY

FLORENCE HALSEY

FREDERICK J. LEUPER

*Members of the State*

*Pension Survey Commission*

1060 Broad Street,  
Newark, New Jersey,  
January 12, 1932

# ANALYSIS OF EXISTING PENSION SYSTEMS FOR PUBLIC EMPLOYEES IN NEW JERSEY

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## CHAPTER I

### SUMMARY FOR ALL GROUPS OF PUBLIC EMPLOYEES

The general course of pension legislation in New Jersey has been very similar to that in the country as a whole. The earliest laws were passed to provide pensions for policemen and firemen, usually to protect their dependents in the event of death in the performance of duty. As a whole the laws have not expressed a uniform policy; but have been passed as the need to provide pensions for one group and then another has been brought to public attention.

Pension laws may be divided conveniently into two classes. The first class consists of laws which have resulted in the establishment of pension or retirement funds to which contributions are made and from which the benefits are paid. Since ordinarily both employees and the public contribute to the funds, they are termed jointly contributory funds. The tendency of present legislation seems to be toward the establishment of such funds, but the majority of the funds so far established are not on a reserve basis. The employee makes a small contribution and the responsibility for the balance of the income needed rests with the public. If any reserves develop, they are accidental and due solely to the fact that the arbitrary contributions adopted happen to exceed the immediate disbursements.

In contrast to jointly contributory funds of this kind there are two large jointly contributory funds in operation in the State for teachers and State employees respectively, which operate on a full reserve basis. The probable cost of the benefits provided by these funds has been determined actuarially and the contributions have been set so that they will exactly balance the cost of benefits. These two funds are operating under the supervision of the Department of Banking and Insurance of the State and appear to be the best type of fund in the State.

In addition to the laws which provide for jointly contributory funds, we have the second class of pension laws which usually simply authorize the employing body to grant in its discretion pensions under certain conditions to members of designated classes of employees. Laws of this class do not result in the creation of pension funds since

there is no provision for reserves to be created under them. No contributions are made in advance and the pensions are met from taxes raised from year to year as the benefits become due. The liabilities under such laws are very indefinite although the laws may be generally considered as leading to relatively greater costs to the taxpayers than the laws which have produced organized funds.

#### NUMBER AND ANNUAL PAYROLL OF PUBLIC EMPLOYEES BY TYPE OF PENSION PROVISION

The number and annual payroll of public employees reported to the Commission as included or not included in the present membership of jointly contributory pension funds are given in the following table.

Information on the age, sex, salary rate, year of entering service, and year of joining fund, was secured for each employee member of a county or municipal pension fund through the cooperation of the secretaries.

Similar information for county and municipal employees not included in the membership of a pension fund was secured for each employee in a large proportion of all counties and of municipalities with a population of 15,000 and over, through the cooperation of local public officials. For other counties and municipalities, estimates based on population and other available statistics were prepared.

While the totals for county and municipal employee groups not included in funds are not based on a complete survey, they are believed to be accurate for practical purposes and reliable for use in the present actuarial studies.

Data on teachers and other school employees and on State employees covered and not covered by their respective funds were secured through the fund secretaries.



TABLE 1

NUMBER AND ANNUAL PAYROLL OF PUBLIC EMPLOYEES BY TYPE OF PENSION PROVISION

<i>Employee Group</i>	<i>Number of Employees</i>	<i>Payroll</i>
<i>Under Jointly Contributory Plans</i>		
Municipal Police and Firemen.....	11,159	\$ 27,721,644
Other Municipal Employees.....	2,283	5,303,863
County Employees .....	2,224	5,347,459
Teachers and Other School Employees.....	26,691	56,192,245
State Employees .....	5,744	9,179,262
Total.....	48,101	\$103,744,473
<i>Under Non-Contributory Plans or Not Covered</i>		
Municipal Policemen and Firemen.....	4,254	\$ 10,015,477
Other Municipal Employees.....	10,614	18,222,970
County Employees .....	5,016	8,682,174
Teachers and Other School Employees.....	928	1,566,872
State Employees .....	1,561	3,337,729
Total .....	22,373	\$ 41,825,222
Grand Total .....	70,474	\$145,569,695

NUMBER AND ANNUAL PENSION ROLL OF PENSIONERS BY TYPE OF PENSION PROVISION

The number of persons receiving pensions in relation to former public employment and the annual amount of such pensions being paid under jointly contributory and non-contributory pension plans are shown in the following table.

Data on pensioners under jointly contributory plans were secured from the secretaries of the pension funds, and for pensioners under non-contributory plans from municipal, county and State officials.

TABLE 2

NUMBER AND ANNUAL PENSION ROLL OF PENSIONERS BY TYPE OF  
PENSION PROVISION

<i>Employee Group</i>	<i>Number of Pensioners</i>	<i>Pension Roll</i>
<i>Under Jointly Contributory Plans</i>		
Municipal Policemen and Firemen.....	2,114	\$ 2,120,748
Other Municipal Employees.....	66	60,291
County Employees .....	45	59,190
Teachers and Other School Employees.....	1,414	1,398,230
State Employees .....	144	91,441
Total .....	3,783	\$ 3,729,900
<i>Under Non-Contributory Plans</i>		
Municipal Policemen and Firemen.....	2	\$ 960
Other Municipal Employees .....	29	34,933
County Employees .....	37	41,932
Teachers and Other School Employees.....	...	...
State Employees .....	75	82,934
Total .....	143	\$ 160,759
Grand Total .....	3,926	\$ 3,890,659

NUMBER AND ANNUAL COST OF JOINTLY CONTRIBUTORY PENSION  
PLANS NOW IN OPERATION

The Commission inquiry revealed 152 jointly contributory pension funds in operation in New Jersey at the present time. For each of these funds the secretary provided the Commission with a comprehensive report on local administrative policies under the law authorizing the establishment of the fund, and detailed financial statements covering the last five fiscal years, in addition to the data on employee members and pensioners, to which reference has already been made.

As described in later sections of the report, the Commission has had valuations of the present and prospective assets and liabilities prepared for the more important of these funds and has had estimates made of the cost of the others.

The following table shows in summary form the annual contributions required to cover the cost of benefits under existing jointly contributory plans, as indicated by the cost figures prepared by the Commission. The first columns in the table give the percentage and

amounts of the present payroll of employee members which is computed to be adequate to cover the total requirements of the funds including the current annually accruing liability of the fund and the interest requirements on the present accrued liabilities. If the payroll of employees continues indefinitely at the present aggregate amount, the percentage shown would meet the cost without increase or decrease for an indefinite period in the future. This figure is therefore the minimum annual percentage which will finance the funds without need for an increase so long as the present annual payroll continues.

The next two columns show the income of the funds at the present fixed rates of revenue, expressed as percentage and amount of present payroll. Then is shown the part of the total cost which present revenues do not provide for, or, in other words, the deficit in present revenues, expressed as a percentage of the annual payroll and as the amount obtained by applying that percentage to the present payroll.

These calculations show deficits ranging from about 10 per cent. of payroll for county and general municipal funds to over 18 per cent. of payroll for firemen and policemen. The two State funds for teachers and State employees are operating without deficits.

TABLE 3

ANNUAL COST OF BENEFITS TO PRESENT MEMBERS OF JOINTLY CONTRIBUTORY PENSION FUNDS, COMPARED WITH  
INCOME OF FUNDS AT PRESENT FIXED RATES OF REVENUE

<i>Employee Group</i>	<i>Cost of Benefits</i>		<i>Income of Funds</i>		<i>Deficit</i>	
	<i>As</i> <i>Percentage</i> <i>of Payroll</i>	<i>Amount Based</i> <i>on Present</i> <i>Payroll</i>	<i>As</i> <i>Percentage</i> <i>of Payroll</i>	<i>Amount Based</i> <i>on Present</i> <i>Payroll</i>	<i>As</i> <i>Percentage</i> <i>of Payroll</i>	<i>Amount Based</i> <i>on Present</i> <i>Payroll</i>
Municipal Policemen and Firemen.....	25.94%	\$ 7,190,995	7.17%	\$1,987,642	18.77%	\$5,203,353
Other Municipal Employees.....	17.21	912,795	7.17	380,288	10.04	532,507
County Employees.....	15.97	853,989	6.03	322,452	9.94	531,537
Teachers and Other School Employees.....	11.40	6,405,916	11.40	6,405,916	.....	.....
State Employees.....	8.57	786,257	8.57	786,257	.....	.....
Total.....	15.57%	\$16,149,952	9.53%	\$9,882,555	6.04%	\$6,267,397

COST OF PENSION POLICY OF STATE IF JOINTLY CONTRIBUTORY  
PLANS ARE EXTENDED TO INCLUDE ALL PUBLIC EMPLOYEES

The Commission estimates that there are approximately 22,373 employees in the State who are not included within the membership of the jointly contributory funds. Some of these employees are in municipalities which could by election cover the employees under jointly contributory provisions. Others are in municipalities or counties to which no general law applies but which may find precedents for jointly contributory pension funds among the laws adopted in behalf of other counties or municipalities.

The tendency will probably be for communities without pension funds to pay no attention to their retirement problems until they have on the active payrolls employees at advanced ages who must be retired from service. They will then adopt the plan for which the existing laws make provision or follow existing precedents for similar groups. At such a time they will have heavy accrued liabilities because they will undertake to pay as large pensions as they would have paid had pension funds been in existence, and they will not have the contributions which the employees would previously have made for use as an offset. The result is that communities without funds may be expected to lose rather than to gain by the delay in the establishment of funds so far as payments to be met from taxes are concerned.

We may assume, therefore, that if no change is made in existing pension legislation in the State of New Jersey, gradually all employees not now covered by jointly contributory retirement provisions will be included in funds of the type now applying to the greatest number of members in the same general classifications. If this assumption is fair, then it follows that the taxpayers in the State are incurring obligations not only equal to the deficits now developing in the existing jointly contributory funds but also including the liability accruing on account of other employees in the State who are making no contributions themselves against the ultimate pensions which they will draw.

The following table has been prepared to show the total obligations on account of pension provisions for public employees of the State on the basis discussed above, that is, that these obligations include not only the liabilities that are accruing from employees under jointly contributory plans but also the liabilities on account of the employees not now under such provisions. The table, therefore, may be used as a basis for expressing the probable cost of existing pension legislation

TABLE 4

## ANNUAL COST OF BENEFITS UNDER EXISTING JOINTLY CONTRIBUTORY PENSION FUNDS IF EXTENDED TO COVER ALL PRESENT EMPLOYEES, COMPARED WITH PRESENT INCOME OF FUNDS

Employee Group	Cost of Benefits to All Employees		Income of Funds		Deficit	
	As Percentage of Payroll	Amount Based on Present Payroll	As Percentage of Payroll	Amount Based on Present Payroll	As Percentage of Payroll	Amount Based on Present Payroll
Municipal Policemen and Firemen.....	25.94%	\$ 9,789,010	5.27%	\$1,987,642	20.67%	\$ 7,801,368
Other Municipal Employees.....	17.21	4,048,968	1.62	380,288	15.59	3,668,680
County Employees.....	15.97	2,240,532	2.30	322,452	13.67	1,918,080
Teachers and Other School Employees.....	11.40	6,584,539	11.09	6,405,916	.31	178,623
State Employees.....	8.57	950,090*	7.09	786,257	1.48	163,833
Total.....	16.38%	\$23,613,139	6.86%	\$9,882,555	9.52%	\$13,730,584

\* State employees who are members of closed groups covered by non-contributory provisions excluded.

if extended to cover the entire present group of 70,474 municipal, county, school and State employees.

This table shows that of all the pension plans the cost of those covering general State employees and teachers are the lowest and that the present fixed income for these funds comes most nearly to covering their current obligations. In contrast to these plans we find that the benefits for municipal policemen and firemen represent the most costly provisions in the State and that the uncovered liability is accruing at the rate of over 20 per cent. of the payroll of the total number of these employees and at an aggregate amount of nearly \$8,000,000 per annum. Benefit provisions for the other groups represent liabilities of intermediate cost of which those for general municipal employees other than policemen and firemen are the next most costly.

#### CONCLUSION AS TO EXISTING CONDITIONS IN NEW JERSEY

The preceding statements, together with the detailed supporting figures hereinafter presented, indicate that the State of New Jersey has embarked on a very costly policy in its pension provisions for public employees and their families.

The findings show that the funds operating in accordance with sound actuarial principles are the most conservative, due no doubt to the fact that these funds bring to the attention of the public the cost of the benefits because they require annual appropriations determined by the cost. The laws have evidently been held to more reasonable pension benefits when the cost is known and currently covered than when the cost is unknown and is left for a future generation to meet.

The Commission found that the State Teachers' Pension and Annuity Fund and the State Employees' Retirement System are among the better funds existing in the country, and that their liabilities are being completely covered by current contributions.

The other funds of the State appear to be operating without taking into account their currently accruing liabilities. They are building up liabilities which are going to become an increasing drain upon the public. Not only are the funds in existence promising benefits of value far in excess of the contributions now being made by the public, but the laws on the statute books invite further extension of these funds to those employees not covered so that the situation will probably become very much worse as time goes on.

The Commission hopes to find some way by which the growth of the uncovered liabilities of the municipalities and counties of the State may be checked and the pension provisions applying to their employees arranged so that they can be soundly financed within appropriations which are reasonable and acceptable to the public.

The reorganization of the former teachers' funds accomplished by the State is valuable to the political subdivisions of the State as a precedent. The fact that sound retirement systems have been established by the State which now meet with the favor of both the members and the public indicates that a solution for the unsound existing plans may be found in precedents established within the borders of the State.



## CHAPTER II

### PENSIONS FOR MUNICIPAL POLICEMEN AND FIREMEN

There are more pension funds in the State covering municipal policemen and firemen than there are for any other group of municipal employees. The development of pension provisions for this class of employees is illustrated by a chart on file in the Commission office, which shows chronologically the main acts which have been passed by the legislature for the pensioning of these employees.

The chart shows all the pension laws now in force for municipal policemen and firemen. In addition, if any of the beneficiaries of the laws which have been repealed were reported to the Commission as drawing benefits to-day, the laws under which they retired have been included. The first law covering municipal policemen was passed in 1885, while the first law covering municipal firemen was passed in 1888. These laws and several others that followed have been repealed and were not included in the compilation of laws made by the counsel of the Commission.

The first law shown on the chart is Chapter 148, P. L. 1897, covering firemen. The chart next shows Chapter 199, P. L. 1899, which is the earliest act for the retirement of municipal policemen which is still in force. The act simply provides that all municipalities may pay pensions to dependents in the event of death, due to accident in the performance of duty, of their police officers. No contributions are required of the police officers.

Various acts expanding the benefit provisions and calling for contributions from members were subsequently adopted until in 1920 the existing uniform act (Chapter 160) was passed which placed all the existing funds under uniform provisions. Under this law a majority of voters of any municipality of the State may approve the organization of a retirement fund for its policemen and firemen. Also, any existing fund for municipal policemen and firemen would thereafter have to operate under its provisions. The effect of this law was to bring all existing policemen's and firemen's funds under the operation of a uniform law and to provide that all municipal policemen's

and firemen's funds, to be established thereafter by acceptance of this law, would operate under a uniform plan.

Since 1920 most of the legislation has been either in the nature of amendments to the act passed in 1920, or in the nature of general acts permitting the payment of special benefits to policemen or firemen or their dependents on a non-contributory basis. Of these latter acts, Chapter 97, P. L. 1921 permits a first class city to retire any member of the police force who has been on such force for at least twenty years, who has attained age 50, and has lost either his hands or feet. The member may continue his membership in the pension fund operating under Chapter 160, P. L. 1920. This act, therefore, appears to have been passed to provide supplementary benefits in a very limited number of cases. There are no pensioners now drawing pensions under this act. Chapter 172, P. L. 1922 gives the authority to incorporated towns to provide benefits to dependents of deceased police officers in the case of death in the performance of duty. This authority is given apparently even when the town has established a fund under Chapter 160, P. L. 1920, although the need for such a law in such cases is not apparent unless the benefit under Chapter 160, P. L. 1920 has been believed insufficient in some cases. Similar benefits to dependents of deceased firemen are provided under Chapter 122, P. L. 1925 and Chapter 267, P. L. 1927.

In 1923 (Chapter 103) a general act was passed permitting cities to pay pensions to any employee attaining age 70 after rendering 25 years of service. This act covers policemen and firemen of cities who are not now participating under Chapter 160, P. L. 1920 as amended.

To summarize, in 1931 we find that throughout the State all municipalities which had established retirement funds for their policemen and firemen are operating their funds under Chapter 160, P. L. 1920 as amended, with apparently only one exception, namely, the town of Boonton which adopted Chapter 72, P. L. 1911 in 1925 and now has about six members under the latter law. For all other municipalities which have not adopted the provisions of Chapter 160, P. L. 1920, the policemen and firemen do not participate in any retirement fund, but the municipalities are authorized to pay benefits in the event of accidental death or, under certain conditions, in the event of disability or upon the completion of fixed terms of service.

PENSION FUNDS OPERATING UNDER CHAPTER 160, P. L. 1920  
AS AMENDED

Since Chapter 160, P. L. 1920 is now effective throughout the State for all municipalities, towns and villages which desire to operate retirement funds for their policemen and firemen, the Commission has made a detailed study of the operation of this law. Data have been collected showing the number and payroll of policemen and firemen covered and not covered by existing funds, and the number of retired employees or dependents receiving benefits under its provisions, or under some one of the acts which were discontinued in 1920 by its enactment.

Detailed financial statements have been filed by the secretaries of most of these funds and the Commission has had its actuary prepare an analysis of the financial operation of the act. Before presenting the results of the findings of the actuary, it may be well to summarize the main benefit and contribution provisions of the law, as they were interpreted by the actuary in making his analysis.

*Summary of Benefit and Contribution Provisions of Chapter 160,  
P. L. 1920, Chapter 120, P. L. 1927, Chapter 185, P. L. 1928  
and Chapter 116, P. L. 1931 Providing Benefits for  
Members of the Police and Fire Departments in  
All Municipalities of the State*

BENEFITS

SERVICE BENEFIT

*Condition for Allowance*—A service pension is payable to any employee upon his own application who attains age 50 and has had at least 20 years of service. Retirement is compulsory after completion of 20 years' service and attainment of age 65.

*Amount of Benefit*—The benefit consists of a pension of one-half of the full annual salary of the member at the time of retirement.

DISABILITY BENEFIT

*Condition for Allowance*—A disability benefit is payable to any employee who shall have received permanent disability due to accident in the performance of duty at any time or shall be suffering from permanent injury or disease incurred while in active service.

*Amount of Benefit*—The benefit consists of a pension equal to one-half of the full annual salary of the member at the time of retirement.

#### DEATH BENEFIT UPON DEATH IN ACTIVE SERVICE

*Condition for Allowance*—A death benefit is payable upon the death of a member in active service whether incurred in the performance of duty or otherwise. The benefit is payable to the widow or if no widow to the dependent children under age 16 or if neither widow nor dependent children, to the sole dependent parent. Benefits to widows are discontinued at remarriage but at death are continued to dependent children under age 16; benefits to children are terminated at death or the attainment of age 16.

*Amount of Benefit*—The death benefit shall be a pension of one-half of the annual salary of the member at the time of death but not exceeding \$1,000 per annum, except that if the benefit is paid to dependent children and there are three or more children the benefit shall be divided equally among the children; if there are only two children, the share of each child shall be \$20 per month; if there is only one child the benefit shall be \$25 per month. Each child's share shall expire upon the attainment of age 16.

#### BENEFIT PAYABLE UPON DEATH AFTER RETIREMENT

*Condition for Allowance*—Upon the death of an employee after retirement, the employee's benefit is continued to the widow or if no widow to the dependent children under age 16 or if no children to the sole dependent parent. Benefits to widows are terminated at remarriage but are continued at death to dependent children under age 16. Benefits to children are terminated at death or attainment of age 16.

*Amount of Benefit*—The amount of benefit shall be that received by the employee not exceeding \$1,000 per annum. If benefit is paid to children and there are three or more dependent children the benefit shall be divided equally among the children; if there are only two children, the share of each child shall be \$20 per month; if there is only one child the benefit shall be \$25 per month. Each child's share shall expire upon the attainment of age 16.

#### CONTRIBUTIONS

##### BY MEMBERS

Members contribute 2 per cent. of salary during active service. Contributions are continued after retirement if member wishes to have benefits paid at his death. The total contribution of the average new member who so elects, when expressed as a contribution from active salary alone, is found to be the equivalent of about 2.17 per cent. of his active salary.

##### BY MUNICIPALITY

The municipality pays from taxes an amount equal to 4 per cent. of the total salaries of employees. If insufficient money is available in the fund at any time, the governing body shall include in any tax levy a sum sufficient to meet the requirements of the fund for the time being.

##### ADDITIONAL INCOME

Fines imposed on members, donations, absence deductions, one-half of rewards, and one-half of the 2 per cent. tax paid by foreign insurance companies, are paid into fund.

NUMBER AND ANNUAL PAYROLL OF EMPLOYEES COVERED AND NOT  
COVERED BY EXISTING FUNDS

The following table gives the number and payroll of municipal policemen and firemen throughout the State, subdivided to show those who are covered by Chapter 160, P. L. 1920 and those who are not covered by that law. The figures are those obtained by the Commission through the courtesy of pension fund and municipal officials, supplemented by approximate figures on employees in certain municipalities without pension funds, prepared by the Commission on the basis of population and other data. While the results are not necessarily accurate in the division shown, the figures are believed to be sufficiently accurate to give a reliable picture of the State as a whole. There are shown in the table 15,413 policemen and firemen, drawing annual salaries of \$37,737,121, of whom there are 72.40 per cent. now included within the membership of the funds organized under Chapter 160, P. L. 1920.

TABLE 5

NUMBER AND ANNUAL PAYROLL OF MUNICIPAL POLICEMEN AND  
FIREMEN COVERED AND NOT COVERED BY FUND ORGANIZED  
UNDER CHAPTER 160, P. L. 1920

<i>Municipality</i>	<i>Covered by Fund</i>		<i>Not Covered by Fund</i>	
	<i>Number</i>	<i>Payroll</i>	<i>Number</i>	<i>Payroll</i>
<i>First Class Cities</i>				
Jersey City .....	1,669	\$ 4,326,500	.....	.....
Newark .....	2,255	5,723,050	.....	.....
<i>Second Class Cities</i>				
Bayonne .....	384	\$ 1,011,550	.....	.....
Bridgeton .....	.....	.....	37	\$ 89,560
Camden .....	451	921,376	.....	.....
Clifton .....	107	264,100	.....	.....
East Orange .....	204	525,520	.....	.....
Elizabeth .....	344	817,504	.....	.....
Englewood .....	58	144,700	.....	.....
Garfield .....	37	98,000	.....	.....
Gloucester City .....	.....	.....	49	117,718
Hackensack .....	79	196,200	.....	.....
Hoboken .....	344	820,250	.....	.....
Linden .....	72	173,850	.....	.....
Millville .....	.....	.....	52	124,925
New Brunswick .....	108	264,800	.....	.....
Orange .....	110	266,272	.....	.....
Passaic .....	213	541,650	.....	.....
Paterson .....	547	1,272,913	.....	.....
Perth Amboy .....	92	225,200	.....	.....
Plainfield .....	119	288,150	.....	.....
Rahway .....	52	120,550	.....	.....
Summit .....	27	65,200	.....	.....
Trenton .....	490	1,172,968	.....	.....
Union City .....	224	567,800	.....	.....
<i>Third and Fourth Class Cities</i>				
South Amboy .....	13	\$ 27,100	.....	.....
Asbury Park .....	66	159,450	.....	.....
Atlantic City .....	545	1,415,700	.....	.....
Cape May .....	18	29,700	.....	.....
Long Branch .....	41	93,200	.....	.....
Ocean City .....	62	116,945	.....	.....
Ventnor .....	43	80,200	.....	.....
Wildwood .....	25	49,600	.....	.....
North Wildwood .....	9	15,140	.....	.....
All other Cities—Third and Fourth Class .....	.....	.....	271	\$ 496,746
<i>First Class Towns, Townships, Villages and Boroughs</i>				
Belleville .....	54	\$ 137,650	.....	.....
Bergenfield .....	14	33,430	.....	.....
Bloomfield .....	100	260,400	.....	.....

TABLE 5 (Continued)

Municipality	Covered by Fund		Not Covered by Fund	
	Number	Payroll	Number	Payroll
Bogota .....	8	19,600	.....	.....
Boonton .....	6	13,000*	.....	.....
Bound Brook .....	7	14,700	.....	.....
Caldwell .....	9	22,300	.....	.....
Carlstadt .....	6	14,200	.....	.....
Carteret .....	20	51,700	.....	.....
Cedar Grove .....	3	6,200	.....	.....
Cliffside Park .....	32	74,650	.....	.....
Cranford .....	25	66,700	.....	.....
Dumont .....	8	17,600	.....	.....
Dunellen .....	5	10,000	.....	.....
Edgewater .....	43	129,696	.....	.....
Fairview .....	10	25,650	.....	.....
Fort Lee .....	26	78,100	.....	.....
Glen Ridge .....	23	59,038	.....	.....
Glen Rock .....	7	16,600	.....	.....
Guttenberg .....	11	24,400	.....	.....
Hamilton .....	27	51,650	.....	.....
Harrison .....	82	256,200	.....	.....
Hasbrouck Heights .....	9	21,400	.....	.....
Highland Park .....	14	26,300	.....	.....
Hillside .....	48	109,500	.....	.....
Irvington .....	127	319,700	.....	.....
Kearny .....	171	442,900	.....	.....
Leonia .....	11	27,400	.....	.....
Lodi .....	15	38,600	.....	.....
Lyndhurst .....	21	51,050	.....	.....
Madison .....	8	18,000	.....	.....
Maplewood .....	56	147,000	.....	.....
Maywood .....	6	12,450	.....	.....
Metuchen .....	8	16,675	.....	.....
Millburn .....	25	61,100	.....	.....
Montclair .....	129	352,849	.....	.....
Morristown .....	34	81,100	.....	.....
Neptune .....	18	46,300	.....	.....
North Arlington .....	10	25,600	.....	.....
North Bergen .....	133	351,350	.....	.....
North Plainfield .....	64	150,970	.....	.....
Nutley .....	39	91,800	.....	.....
Phillipsburg .....	14	26,292	.....	.....
Princeton .....	10	20,900	.....	.....
Raritan .....	19	42,300	.....	.....
Red Bank .....	20	44,900	.....	.....
Ridgefield .....	9	20,799	.....	.....
Ridgefield Park .....	15	37,857	.....	.....
Ridgewood .....	33	79,800	.....	.....
Roselle .....	21	53,924	.....	.....
Roselle Park .....	11	26,400	.....	.....
Rutherford .....	24	60,400	.....	.....
East Rutherford .....	15	36,500	.....	.....
Sayreville .....	6	13,900	.....	.....
Scotch Plains .....	2	4,900	.....	.....
Secaucus .....	19	47,150	.....	.....
Somerville .....	8	16,700	.....	.....
South Orange .....	51	128,700	.....	.....
Springfield .....	7	16,140	.....	.....
Teaneck .....	40	88,200	.....	.....



TABLE 5 (Continued)

Municipality	Covered by Fund		Not Covered by Fund	
	Number	Payroll	Number	Payroll
Tenafly .....	9	21,800	.....	.....
Union .....	22	54,800	.....	.....
Wallington .....	12	23,600	.....	.....
Weehawken .....	114	297,900	.....	.....
Westfield .....	38	100,250	.....	.....
West New York.....	168	428,400	.....	.....
West Orange .....	78	199,300	.....	.....
Woodbridge .....	41	100,450	.....	.....
Verona .....	11	26,100	.....	.....
All other First Class Towns, Townships, Villages and Boroughs .....	.....	.....	1,236	\$ 3,131,730
<i>Second Class Towns, Town- ships, Villages and Bor- oughs</i> .....	.....	.....	.....	.....
Cresskill .....	3	\$ 6,800	.....	.....
East Newark .....	4	10,300	.....	.....
Kenilworth .....	3	7,100	.....	.....
All other Second Class Towns, Townships, Vil- lages and Boroughs .....	.....	.....	350	\$ 847,000
<i>Third and Fourth Class Towns, Townships, Villages and Boroughs</i> .....	.....	.....	.....	.....
Allenhurst .....	6	\$ 14,000	.....	.....
Atlantic Highlands .....	4	7,500	.....	.....
Belmar .....	12	21,500	.....	.....
Bradley Beach .....	10	22,256	.....	.....
Deal .....	11	25,300	.....	.....
Ocean .....	9	17,880	.....	.....
All other Third and Fourth Class Towns, Townships, Villages and Boroughs.....	.....	.....	2,259	\$ 5,207,798
Total.....	11,159	\$27,721,644	4,254	\$10,015,477

\* Operates under Chapter 72, P. L. 1911 as amended.

#### NUMBER OF PENSIONERS AND ANNUAL PENSION ROLL

The pensioners who are now drawing benefits either under Chapter 160, P. L. 1920 or some law previously passed for the retirement of municipal policemen and firemen, as reported to the Commission, number 2,116 and the annual pension roll amounts to \$2,121,708. The distribution among the various municipalities is shown in Table 6:



TABLE 6

## NUMBER OF PENSIONERS AND ANNUAL PENSION ROLL

<i>Municipality</i>	<i>Number of Pensioners</i>	<i>Pension Roll</i>
<i>First Class Cities</i>		
Jersey City .....	450	\$ 450,887
Newark .....	458	459,154
<i>Second Class Cities</i>		
Bayonne .....	87	\$ 101,550
Bridgeton .....	.....	.....
Camden .....	108	94,519
Clifton .....	2	2,000
East Orange .....	42	44,614
Elizabeth .....	89	92,806
Englewood .....	10	10,500
Garfield .....	4	3,080
Gloucester City .....	.....	.....
Hackensack .....	10	12,104
Hoboken .....	106	107,689
Linden .....	3	3,000
Millville .....	.....	.....
New Brunswick .....	16	15,438
Orange .....	23	22,260
Passaic .....	32	31,000
Paterson .....	119	109,739
Perth Amboy .....	17	15,750
Plainfield .....	18	18,257
Rahway .....	6	6,200
Summit .....	5	4,850
Trenton .....	98	88,464
Union City .....	58	59,160
<i>Third and Fourth Class Cities</i>		
South Amboy .....	1	\$ 1,050
Asbury Park .....	9	9,705
Atlantic City .....	114	115,130
Cape May .....	3	2,392
Long Branch .....	14	12,260
Ocean City .....	3	2,753
Ventnor .....	1	1,100
Wildwood .....	.....	.....
North Wildwood .....	.....	.....
All other Cities—Third and Fourth Class.....	.....	.....
<i>First Class Towns, Townships, Villages and Boroughs</i>		
Belleville .....	6	\$ 6,250
Bergenfield .....	1	800
Bloomfield .....	9	9,310
Bogota .....	.....	.....
Boonton .....	.....	.....
Bound Brook .....	.....	.....
Caldwell .....	.....	.....
Carlstadt .....	1	1,000

<i>Municipality</i>	<i>Number of Pensioners</i>	<i>Pension Roll</i>
Carteret .....	1	1,000
Cedar Grove .....	1	1,000
Cliffside Park .....	.....	.....
Cranford .....	1	1,000
Dumont .....	.....	.....
Dunellen .....	1	1,250
Edgewater .....	4	4,023
Fairview .....	1	1,000
Fort Lee .....	1	1,050
Glen Ridge .....	3	3,700
Glen Rock .....	.....	.....
Guttenberg .....	.....	.....
Hamilton .....	.....	.....
Harrison .....	13	14,450
Hasbrouck Heights .....	1	1,500
Highland Park .....	.....	.....
Hillside .....	.....	.....
Irvington .....	8	8,125
Kearny .....	15	15,710
Leonia .....	.....	.....
Lodi .....	3	3,250
Lyndhurst .....	4	3,910
Madison .....	3	3,000
Maplewood .....	5	5,508
Maywood .....	1	1,000
Metuchen .....	1	1,000
Millburn .....	4	4,650
Montclair .....	16	17,897
Morristown .....	2	2,000
Neptune .....	2	2,050
North Arlington .....	.....	.....
North Bergen .....	16	19,250
North Plainfield .....	.....	.....
Nutley .....	4	4,000
Phillipsburg .....	4	3,450
Princeton .....	.....	.....
Raritan .....	.....	.....
Red Bank .....	.....	.....
Ridgefield .....	.....	.....
Ridgefield Park .....	.....	.....
Ridgewood .....	2	2,548
Roselle .....	2	2,413
Roselle Park .....	.....	.....
Rutherford .....	3	3,250
East Rutherford .....	1	1,000
Sayreville .....	.....	.....
Scotch Plains .....	.....	.....
Secaucus .....	.....	.....
Somerville .....	.....	.....
South Orange .....	8	7,650
Springfield .....	.....	.....
Teaneck .....	.....	.....
Tenafly .....	4	4,950
Union .....	.....	.....
Wallington .....	.....	.....
Weehawken .....	7	7,900
Westfield .....	1	1,250

TABLE 6 (Continued)

<i>Municipality</i>	<i>Number of Pensioners</i>	<i>Pension Roll</i>
West New York.....	17	16,750
West Orange .....	16	18,038
Woodbridge .....	7	7,305
Verona .....		
All other First Class Towns, Townships, Villages and Boroughs .....	2	960
<i>Second Class Towns, Townships, Villages and Boroughs</i>		
Cresskill .....		
East Newark .....	1	\$ 1,150
Kenilworth .....		
All other Second Class Towns, Townships, Villages and Boroughs .....		
<i>Third and Fourth Class Towns, Townships, Villages and Boroughs</i>		
Allenhurst .....	2	\$ 2,050
Atlantic Highlands .....	2	1,750
Belmar .....		
Bradley Beach .....	1	1,000
Deal .....	2	2,200
Ocean .....		
All other Third and Fourth Class Towns, Townships, Vil- lages and Boroughs.....		
Total.....	2,116	\$2,121,708

*Cost Statements*

Under the provisions of Chapter 160, P. L. 1920, funds established for members of the police and fire departments are supported by contributions averaging 2.17\* per cent. of payroll by the members, (a little higher in case of late entrants), by contributions equivalent to 4 per cent. of payroll payable by the municipality from taxes, and by certain miscellaneous sources of income, the most important of which is one-half of the 2 per cent. tax paid by foreign insurance companies. The miscellaneous sources of income average for the majority of funds less than 1 per cent. of the payroll of active members. In only a very few funds have they exceeded this percentage.

The task first undertaken by the Commission was to ascertain what the promised benefits are going to cost and then to compare this cost with the existing income. At first glance it might appear that the financial reports of the secretaries of the funds would show whether the existing income for the funds is adequate to cover the benefits. But a pension fund is unlike most financial institutions in that its

\* Contributions which may be made after retirement make the average member's rate a little over 2 per cent.

financial condition. You are viewing an Archived Copy from the New Jersey State Library. Present assets and immediate or matured liabilities. Under the police and fire funds, members are making contributions toward benefits which will not be granted them for many years hence. These contributions which they are now making are not being held in reserve to cover these benefits but are being disbursed to pay maturing pensions to other policemen and firemen. The municipalities are also making contributions for future benefits but their contributions are not definitely related to any set of benefits for any group of members.

To determine the financial condition of a pension fund we must measure the liabilities of the fund on account of the benefits which will be paid in the future and these liabilities must be compared with the assets that are being accumulated to meet them. The accumulation of a balance or reserve in the early years of the fund can not in itself be taken as an indication of its financial soundness, unless it can be shown to be as great as, or greater than, the accrued liability against which it is being accumulated. In fact, the ordinary financial statement may be misleading because the number of pensioners is usually small at the outset in comparison to the number of active members and consequently the disbursements are slight compared with the income. A fund with entirely inadequate income often accumulates a surplus of receipts over disbursements in its early history and therefore appears on first consideration to be in good condition, with the result that no steps are taken to put it on a sound basis until an immediate deficit is pending and a heavy pension roll has accumulated.

To ascertain the cost of providing benefits to policemen and firemen under Chapter 160, P. L. 1920, the Commission undertook first to compute the total cost, expressed as a level percentage of payroll, of providing the promised benefits for the average new member and then to ascertain the liability for present members and pensioners. The cost per new member may be designated the "normal" cost of the benefits. If the necessary percentage to support the benefits should be contributed on account of each new entrant, from the date of his entrance until the date of his retirement, the liability would be covered each year and no increase in contributions would be required. This would be the level or "normal" cost of the plan. This is the percentage which should now be paid on account of present members if contributions at the same rate had been made on account of present employees and pensioners from the time they entered service. The normal cost is not the only cost that has to be considered, because

when the funds were established there was a liability assumed on account of policemen and firemen in service at that time, due to the fact that they were given credit for past service during which no contributions were made. This accrued liability, and the contributions needed to provide for it, was also determined and is given after the figures as to the normal cost of benefits.

### *Normal Cost of Benefits*

The normal cost of the benefits provided under the terms of Chapter 160, P. L. 1920 depends upon the ages of employees at entrance into the service of the departments. If, in the future, new employees are assumed to enter at approximately the same ages as those at which present employees entered, the rates required to support the benefits for new employees would be as follows:

TABLE 7  
PERCENTAGES OF SALARY REQUIRED TO PROVIDE PENSION BENEFITS  
FOR AVERAGE NEW MEMBERS UNDER CHAPTER 160,  
P. L. 1920 AS AMENDED

<i>Benefits</i>	<i>Police Department</i>	<i>Fire Department</i>
Service Benefit .....	5.90%	6.51%
Disability Benefit .....	3.55	1.57
Benefits to Dependents upon Death in Active Service	4.09	3.32
Benefits to Dependents upon Death after Retirement	3.34	2.37
Total.....	16.88%	13.77%
Average for Combined Groups 15.67%		

The preceding table shows that if new employees enter at approximately the same ages at which present employees entered, contributions of approximately 16.88 per cent. of the payroll of the police department would be required to support the plan, while in the case of the fire department approximately 13.77 per cent. would be required. The cost of benefits for individual employees varies according to ages at entrance. In the detailed actuarial report the rates of contribution under Chapter 160, P. L. 1920 as amended for new entrants entering at ages ranging from 20 to 35 inclusive are shown.

The reason that the rates for policemen are higher than those for firemen, although the benefits bear the same relation to salaries, lies in the fact that the service experience for policemen differs somewhat from from that for firemen. An explanation of the differences will be

found in a comparison of the rates of separation from active service and a comparison of the active service tables presented in the actuarial report.

With the miscellaneous sources of revenue averaging about 1 per cent. of the payroll, the members contributing about 2.17 per cent. and the municipality 4 per cent., we have approximately 7.17 per cent. as the present source of income for the funds organized under Chapter 160, P. L. 1920. The normal cost for police is 16.88 per cent. of the payroll and for firemen is 13.77 per cent., according to the calculations made by the actuary and previously shown. A comparison of the income with the normal cost shows that present contributions are not adequate to cover the normal cost, and in fact, only 42.48 per cent. of the normal cost is being covered in the case of police and 52.07 per cent. in the case of firemen.

Therefore, if contributions continue at the rates averaged in the past, the liabilities of the funds are being increased by the admission of new members so that the more new members added to the funds the greater will be the amount of the deficiency if the funds are to pay the promised benefits.

#### *Cost of Benefits to Present Employees and Pensioners*

Had contributions been made at the normal rate by or in behalf of every present member from the time he entered the service, the funds in hand to-day together with the future contributions at the normal rates would be adequate to provide all benefits payable to present active and retired members in the funds. But contributions in the past have amounted to less than the normal cost and therefore in each fund there is an accrued liability. Consequently future contributions at the normal rate alone will not be sufficient to provide the benefits for present members.

In order to obtain knowledge of the contributions required to provide benefits for the active and retired members of the funds, valuations of the total liabilities on account of the benefits payable to present pensioners and employees have been made for the funds in certain cities. All of the funds were combined in a single valuation and the present value of the pensions and other benefits payable on account of the combined totals of present active employees and pensioners were determined and set forth in a single balance sheet. As an offset against these total liabilities, there are available the funds in hand and the prospective contributions of employees and municipalities and the



income from miscellaneous sources. A value has been assigned each of these assets for the purposes of the valuation. The assets have been those reported to the Commission by the officers of the funds in the latter half of 1930. The prospective contributions of members have been figured uniformly at 2 per cent. of salary (during active service and after retirement) although some of the older employees in certain of the municipalities pay higher rates. The employees who enter before age 35 who represent the majority of employees pay 2 per cent. of salary to the fund. The contributions of the municipalities have been figured at 4 per cent. although the municipalities are required to meet deficits and in some instances have already made contributions in excess of 4 per cent. The miscellaneous sources of income, that is, amounts paid from foreign insurance company taxes, fines, donations and other items have been taken as equivalent to 1 per cent. of the active payroll. Although during the past five years in some instances they have exceeded 1 per cent., as a whole 1 per cent. probably overestimates the value of future income from miscellaneous sources.

The results of the calculations are shown in the following valuation balance sheet :

TABLE 8

VALUATION BALANCE SHEET SHOWING PRESENT AND PROSPECTIVE  
ASSETS AND LIABILITIES UNDER THE FUNDS\* ESTABLISHED IN  
ACCORDANCE WITH CHAPTER 160, P. L. 1920 AS AMENDED  
COVERING POLICEMEN AND FIREMEN

<i>Assets</i>	<i>Present Value of Payments to Be Received</i>
Funds in hand.....	\$ 3,269,450
Future contribution of 2% of salaries of members, before and after retirement .....	8,168,045
Future contributions of city of 4% of payroll.....	13,762,276
Value of future indirect sources of income which may be creditable to present active force.....	3,440,569
Deficit in funds on basis of fixed revenues.....	99,544,870
Total Assets .....	\$128,185,210
<i>Liabilities</i>	<i>Present Value of Payments to Be Made</i>
Pensions to pensioners now on pension roll.....	\$ 21,481,777
Prospective pensions to dependents of present pensioners.....	4,263,784
Prospective pensions to present members after making allowance for those who will resign or die without pensions:	
Service Pensioners .....	\$49,871,224
Disability Pensioners .....	14,575,516
	64,446,740
Prospective pensions to dependents of members now in service who will die in active service.....	18,166,114
Prospective pensions to dependents of members now in service who will die when on the pension roll.....	19,826,795
Total Liabilities .....	\$128,185,210

\* Includes Town of Boonton, which operates under Chapter 72, P. L. 1911.

The preceding balance sheet shows that the liabilities of the funds throughout the State have a value to-day of \$128,185,210. This means that to pay the benefits entered upon by present pensioners and to pay the promised benefits to present active members, or their dependents, will require contributions having a value to-day of \$128,185,210. The present assets of the funds have a value of \$3,269,450. The contributions of members have a value of \$8,168,045. The future contributions of the municipalities at 4 per cent. of payroll



have a value of \$13,762,276. The value of miscellaneous contributions is \$3,440,569. The present assets and prospective contributions at the present rates therefore have a value of \$28,640,340, which if subtracted from the total liabilities of \$128,185,210, gives \$99,544,870 as the present value of the funds to be provided in addition to the existing income.

This amount represents the deficit in the funds on the basis of the present fixed revenues. As the prospective contributions of municipalities at 4 per cent. of the payroll have a value of \$13,762,276 and the deficit is \$99,544,870, it is evident that the average city is going to pay many times its present rate of payment in order to finance the benefits for present members and pensioners. Several of the cities have already been required to increase their rates of payment and further increases will be necessary if the promised benefits are to be paid.

The time and facilities available to the Commission did not make it practicable to make an individual valuation of each existing police and fire fund. The difference in age and service conditions of the forces and the variations of other factors would have made such a task very large. For the Commission's use in determining the proper policies to recommend for the future a single valuation seemed better. However, as an indication only of the liabilities of the various municipalities, the liabilities have been roughly distributed among the funds on the basis of certain figures prepared and supplied to the Commission through the courtesy of the Prudential Insurance Company of America. The following table shows the result. In the table present and prospective assets include funds in hand, prospective contributions of members, contributions from the public funds amounting to 4 per cent. of payroll, and contributions from miscellaneous sources. The last column shows the liabilities not covered by the present assets and the fixed revenues of the funds and indicates the deficits which will have to be made up by the taxpayers if the funds continue without change.

By use of the table any municipality may judge roughly as to its liabilities in respect to its policemen and firemen. Should it have occasion in the future to make any financial adjustments in its fund, an independent valuation of the individual fund is recommended, either on the basis of the tables used by the Commission or on its own tables developed from the experience in the particular city.

TABLE 9

PRESENT AND PROSPECTIVE LIABILITIES UNDER FUNDS ESTABLISHED  
UNDER CHAPTER 160, P. L. 1920 COVERING POLICEMEN  
AND FIREMEN

<i>Municipality</i>	<i>Total Liabilities</i>	<i>Present and Prospective Assets</i>	<i>Liabilities Unprovided For</i>
<i>First Class Cities</i>			
Jersey City .....	\$ 21,706,513	\$ 3,930,343	\$17,776,170
Newark .....	27,031,586	5,661,672	21,369,914
<i>Second Class Cities</i>			
Bayonne .....	\$ 5,069,798	\$ 797,716	\$ 4,272,082
Camden .....	5,214,870	931,598	4,283,272
Clifton .....	936,896	318,965	617,931
East Orange .....	2,149,466	566,000	1,583,466
Elizabeth .....	4,188,070	1,094,617	3,093,453
Englewood .....	596,171	133,823	462,348
Garfield .....	299,801	89,307	210,494
Hackensack .....	837,396	241,349	596,047
Hoboken .....	4,896,617	579,454	4,317,163
Linden .....	619,016	197,636	421,380
New Brunswick .....	1,310,404	333,981	976,423
Orange .....	1,358,432	301,732	1,056,700
Passaic .....	2,433,503	755,310	1,678,193
Paterson .....	6,070,114	1,399,377	4,670,737
Perth Amboy .....	1,099,291	236,362	862,929
Plainfield .....	1,114,920	341,544	773,376
Rahway .....	503,091	151,906	351,185
Summit .....	280,588	80,468	200,120
Trenton .....	5,270,413	1,207,759	4,062,654
Union City .....	2,953,879	597,385	2,356,494
<i>Third and Fourth Class Cities</i>			
South Amboy .....	\$ 149,526	\$ 25,775	\$ 123,751
Asbury Park .....	675,738	148,317	527,421
Atlantic City .....	6,948,327	1,883,069	5,065,258
Cape May .....	170,286	20,810	149,476
Long Branch .....	512,029	105,395	406,634
Ocean City .....	417,216	124,144	293,072
Ventnor .....	294,570	72,304	222,266
Wildwood .....	225,494	44,596	180,898
North Wildwood .....	80,575	15,850	64,725
<i>First Class Towns, Townships, Vil- lages and Boroughs</i>			
Belleville .....	\$ 600,254	\$ 146,564	\$ 453,690
Bergenfield .....	125,365	42,595	82,770
Bloomfield .....	951,576	254,292	697,284
Bogota .....	69,479	14,903	54,576
Boonton .....	54,000	9,595	44,405
Bound Brook .....	55,139	16,363	38,776
Caldwell .....	77,930	24,762	53,168

TABLE 9 (Continued)

<i>Municipality</i>	<i>Total Liabilities</i>	<i>Present and Prospective Assets</i>	<i>Liabilities Unprovided For</i>
Carlstadt .....	72,102	17,679	54,423
Carteret .....	222,946	83,264	139,682
Cedar Grove .....	35,068	6,504	28,564
Cliffside Park .....	248,008	85,039	162,969
Cranford .....	269,198	79,028	190,170
Dumont .....	52,889	20,805	32,084
Dunellen .....	57,835	12,511	45,324
Edgewater .....	482,871	178,561	304,310
Fairview .....	116,606	27,048	89,558
Fort Lee .....	269,110	97,101	172,009
Glen Ridge .....	234,619	69,946	164,673
Glen Rock .....	56,830	15,042	41,788
Guttenberg .....	104,209	28,854	75,355
Hamilton .....	194,198	53,933	140,265
Harrison .....	1,140,015	212,700	927,315
Hasbrouck Heights .....	88,307	25,758	62,549
Highland Park .....	94,508	24,001	70,507
Hillside .....	344,061	127,870	216,191
Irvington .....	1,060,263	334,552	725,711
Kearny .....	1,074,969	232,001	842,968
Leonia .....	108,770	26,012	82,758
Lodi .....	180,856	48,906	131,950
Lyndhurst .....	243,027	45,892	197,135
Madison .....	102,858	17,483	85,375
Maplewood .....	509,591	154,894	354,697
Maywood .....	62,322	11,991	50,331
Metuchen .....	70,661	20,234	50,427
Millburn .....	247,740	66,196	181,544
Montclair .....	1,439,849	388,805	1,051,044
Morristown .....	335,170	77,735	257,435
Neptune .....	157,610	46,398	111,212
North Arlington .....	75,957	30,370	45,587
North Bergen .....	1,769,434	673,798	1,095,636
North Plainfield .....	98,317	37,502	60,815
Nutley .....	371,293	97,662	273,631
Phillipsburg .....	172,912	21,063	151,849
Princeton .....	91,280	31,962	59,318
Raritan .....	142,262	48,260	94,002
Red Bank .....	166,553	44,663	121,890
Ridgefield .....	68,534	23,342	45,192
Ridgefield Park .....	133,047	46,290	86,757
Ridgewood .....	314,334	106,126	208,208
Roselle .....	213,681	56,659	157,022
Roselle Park .....	107,366	39,531	67,835
Rutherford .....	277,377	49,067	228,310
East Rutherford .....	158,868	51,410	107,458
Sayreville .....	57,517	12,406	45,111
Scotch Plains .....	15,173	4,995	10,178
Secaucus .....	176,694	50,275	126,419
Somerville .....	64,527	19,766	44,761
South Orange .....	470,854	128,615	342,239
Springfield .....	53,532	17,201	36,331
Teaneck .....	274,661	97,075	177,586
Tenafly .....	121,181	27,117	94,064
Union .....	184,703	59,491	125,212
Wallington .....	93,904	33,344	60,560

TABLE 9 (Continued)

<i>Municipality</i>	<i>Total Liabilities</i>	<i>Present and Prospective Assets</i>	<i>Liabilities Unprovided For</i>
Weehawken .....	1,185,091	288,045	897,046
Westfield .....	322,045	119,081	202,964
West New York .....	1,819,702	408,924	1,410,778
West Orange .....	969,672	225,898	743,774
Woodbridge .....	452,084	101,240	350,844
Verona .....	100,036	22,744	77,292
All other First Class Towns, Townships, Villages and Bor- oughs .....	10,390	.....	10,390
<i>Second Class Towns, Townships, Villages and Boroughs</i>			
Cresskill .....	\$ 20,135	\$ 6,909	\$ 13,226
East Newark .....	61,137	9,570	51,567
Kenilworth .....	22,919	8,101	14,818
<i>Third and Fourth Class Towns, Townships, Villages and Bor- oughs</i>			
Allenhurst .....	\$ 76,462	\$ 12,906	\$ 63,556
Atlantic Highlands .....	53,822	7,432	46,390
Belmar .....	88,659	17,505	71,154
Bradley Beach .....	107,525	18,557	88,968
Deal .....	131,065	34,702	96,363
Ocean .....	65,100	16,355	48,745
Total .....	\$128,185,210	\$28,640,340	\$99,544,870

### *Future Requirements of Funds*

The figures given in the valuation balance sheet on page 33 and the subsequent tables indicate that the income of the funds established under Chapter 160, P. L. 1920 will have to be materially increased if the existing benefits are to be continued. In the majority of public pension systems which are operating on a sound basis, the income from miscellaneous sources has been discontinued and contributions have been set which are definitely related to the liabilities of the fund and are computed to be adequate to provide the benefits allowable. Because the amounts received from indirect sources vary from year to year and consequently can not be depended upon to provide a definite proportion of the cost of the benefits, they have usually proved unsatisfactory.

In the case of the police and fire funds established under Chapter 160, P. L. 1920, in order to continue the existing scale of benefits a combined contribution of 15.67 per cent. of payroll would be required to cover the normal cost, or the cost for future members. If this contribution were also available for present members, the contribu-

tions at this rate in the future on account of such present members would have a value of \$53,913,713. Adding this amount to the funds in hand, we have \$57,183,163, which subtracted from the total liabilities of all funds of \$128,185,210 would leave \$71,002,047. This figure represents the accrued liabilities under the various funds, or the amount which would have to be covered by contributions in addition to the normal contributions.

There are various methods which might be followed in providing for the accrued liability. Ordinarily, it is not practical to make a lump sum payment of the entire amount and some method of distributing the payment over a period of years is followed. A method which has been followed by the State under the Teachers' Pension and Annuity Fund and which has been followed in a number of sound funds outside the State, is to pay annually a percentage of the payroll which at the outset is sufficient only to cover interest on the accrued liability. This basis has been adopted because it results in the minimum payment at the outset which will cover the accruing interest on the accrued liability and will under ordinary circumstances, without any increase in rate, liquidate the accrued liability. A calculation indicates that under this plan a deficiency contribution of 10.27 per cent. of the payroll would, on the average, be required to liquidate the accrued liability under the various funds throughout the State. The percentage would be larger in some of the funds and smaller in other funds. It is given as the figure based on the total liabilities of all funds considered together.

An individual city would need to have its own rate computed on the basis of its own liabilities and assets if it desired to have accurate figures for local use. However, the individual cities may be guided by the fact that the average for the whole State is 10.27 per cent.

The following table is based on the total liabilities for the entire State and indicates the total annual contributions required if the benefits be continued as at present and if the normal and deficiency contributions be provided as described above. The table is believed to give the best indication of what the liabilities are for the average city as a percentage of the payroll.

TABLE 10

ANNUAL CONTRIBUTIONS REQUIRED TO SUPPORT THE PENSION FUNDS ESTABLISHED UNDER CHAPTER 160, P. L. 1920 AS AMENDED COVERING POLICEMEN AND FIREMEN

<i>Payment</i>	<i>Annual Contributions</i>	
	<i>As Percentage of Payroll</i>	<i>Amount Based on Present Payroll</i>
Normal Contributions .....	15.67%	\$4,343,982
Accrued Liability Contributions.....	10.27	2,847,013
Total Required to Support Funds.....	25.94%	\$7,190,995
Members' Contributions at Present Rate.....	2.17%	\$ 601,560
Contributions of Municipalities.....	4.00	1,108,866
Present Revenues from Other Sources.....	1.00	277,216
Additional Revenues Needed.....	18.77	5,203,353
Total .....	25.94%	\$7,190,995

The preceding table indicates that annual contributions of approximately 18.77 per cent. of the payroll are needed, on the average, for funds established under Chapter 160, P. L. 1920 as amended, in addition to their present sources of revenue. Funds which have been in operation some time and those which have a large proportion of employees in the older age and service groups will be found to require heavier accrued liability contributions.

PENSION PROVISIONS FOR POLICEMEN AND FIREMEN NOT NOW COVERED BY FUNDS ESTABLISHED UNDER CHAPTER 160, P. L. 1920

The data collected by the Commission indicates that there are approximately 4,254 municipal policemen and firemen throughout the State who are not now covered by Chapter 160, P. L. 1920 as amended.

The Commission's review of pension laws shows that benefits may be granted on the accidental death of any fireman throughout the State under Chapter 122, P. L. 1925, and Chapter 267, P. L. 1927. In addition it is permissive for cities to pay disability benefits to firemen under Chapter 148, P. L. 1897 and old age benefits under Chapter 103, P. L. 1923.



Death benefits for dependents of policemen who are killed in the performance of duty are provided under Chapter 199, P. L. 1899, and Chapter 172, P. L. 1922. Chapter 222, P. L. 1906 permits villages to retire their policemen on account of age or disability while cities are permitted to retire policemen who have attained age 70 and have completed twenty-five years of service under Chapter 103, P. L. 1923.

Aside from these acts, there appear to be no benefit provisions for policemen and firemen who are not covered by Chapter 160, P. L. 1920.

Municipalities throughout the State are entitled upon the vote of a majority of the voters, to establish funds under Chapter 160, P. L. 1920. Therefore, so long as this act is continued, the probable course of the various municipalities will be to establish funds as provided under Chapter 160, P. L. 1920. Otherwise, under existing laws, the municipalities will have no adequate means of dealing with policemen and firemen who should be retired for the good of the service. This course will mean that the towns and cities will eventually be forced to adopt the law and assume liabilities which will require contributions of over 23.77 per cent. of the payroll in excess of the contributions of members.

#### CONCLUSIONS REGARDING PENSION PROVISIONS FOR POLICEMEN AND FIREMEN THROUGHOUT THE STATE

The present income for the funds already established for municipal policemen and firemen is insufficient and is causing the municipalities to undertake a debt which is growing at the rate of 18.77 per cent. of the payroll of their policemen and firemen or at the rate of \$5,203,353 per annum.

If municipalities which have not yet adopted Chapter 160, P. L. 1920 adopt its provisions in the future, they also will inadvertently undertake the heavy liabilities which the law entails. Since they have not begun to pay anything and employees are not now making any payments the municipalities may be considered at the present time as accruing a liability of the entire cost of the plan or 25.94 per cent. of the payroll or 25.94 per cent. of \$10,015,477 per annum or \$2,598,015 per annum, if we assume that they will eventually adopt the law. Municipalities which have funds are incurring a liability for which no provision is being made, of 18.77 per cent. of their payroll, or \$5,203,353. On this basis in the State as a whole a debt of about

\$7,801,368 per year is accumulating at interest to be paid by the taxpayers at some future date, if the present policy as to policemen's and firemen's pensions is continued.

If the municipalities are willing to assume the cost of the funds the contribution rates should now be adjusted so that they will not hereafter increase and so that the liabilities will be covered as they accrue. If the municipalities are not willing to have the contributions adjusted to those which are necessary to support the existing benefits, then the present policemen and firemen, as well as those hereafter to be employed, should know the situation in order that adequate steps may be taken to handle the condition in a way which will mean the minimum of embarrassment to the members and to the public.



### CHAPTER III

#### PENSIONS FOR MUNICIPAL EMPLOYEES OTHER THAN POLICEMEN, FIREMEN AND TEACHERS

The development of pension provisions for municipal employees other than policemen, firemen and teachers has been more recent than for the others, and the provisions have not yet become as broad in their scope. The progress that has actually been made is illustrated by the chart on file in the Commission office, which lists chronologically the more important laws which have been passed and the groups affected.

The chart shows the laws now in force as compiled by the Counsel to the Commission and includes also all laws under which the pensions reported to the Commission are now being paid. The earliest retirement laws for municipal employees shown on the chart is Chapter 215, P. L. 1913. This law permits employees of local boards of health of any city to vote to form a retirement fund which is supported by the joint contributions of employees and city. Two funds have been established under this act, one in the City of Newark and one in the City of Paterson.

The next group to be covered were employees of the water departments of first class cities under Chapter 324, P. L. 1915. Only one fund has been established under this law, that of Newark. A similar act was passed, Chapter 198, P. L. 1921, for employees of the water department of any municipality, the fund to be established upon the majority vote of the voters of any municipality. No funds have been established under this act.

No jointly contributory system was established thereafter until Chapter 190, P. L. 1927 was passed which established jointly contributory retirement systems for general employees not otherwise covered, in the first class cities. In accordance with this act funds were immediately established in Newark and Jersey City. A similar act was passed for general employees of villages in the first class counties, by Chapter 98, P. L. 1929. One fund has been established under this act by the village of South Orange. Under Chapter 272, P. L. 1928 and the amendment of 1929 fourth class cities were per-

mitted to establish funds for their life guard force but no funds have been established under this act to date.

Retirement legislation other than under the laws noted above has followed rather generally one type, namely, enabling acts permitting a municipality to retire its employees on the attainment of a certain age and completion of a certain fixed period of service without requiring contributions from employees. Under Chapter 103, P. L. 1923 any city of the State is permitted to pay pensions of half pay to employees who have attained age 70 and completed twenty-five years of service. A number of laws have been passed providing for special groups of employees under slightly different provisions but with the same type of legislation. The following laws are of this type:

<i>Reference</i>	<i>Class Covered</i>	<i>Condition for Retirement</i>
C. 236, P. L. 1915	Any Health Officer of 1st Class Cities .....	Age 60 and 25 years service
C. 109, P. L. 1919	Overseers of Poor of 1st Class Cities .....	" 70 " 25 " "
C. 282, P. L. 1920	Recorders of any Municipality	" 60 " 25 " "
C. 198, P. L. 1923	Clerks of District Court of 1st Class Cities .....	" 65 " 30 " "
C. 107, P. L. 1926	Employees of Department of Finance of any City.....	" 72 " 20 " "
C. 291, P. L. 1926	Deputy Clerks of District Court of 1st Class Cities.....	" 65 " 30 " "
C. 234, P. L. 1929	Librarians of 1st Class Cities....	" 70 " 25 " "

In addition to the laws listed above Chapter 261, P. L. 1924 should be mentioned. This law gave to the various municipalities the right to have their employees covered under the terms of the New Jersey State Employees' Retirement System, but this required a referendum to the voters of the municipalities and has never been used. There have also been certain special acts passed to benefit particular individuals. These laws are not discussed in this report. Laws providing retirement benefits for veterans which apply alike to all governmental employees throughout the State are discussed on page 93 of this report.

#### NUMBER AND ANNUAL PAYROLL OF GENERAL MUNICIPAL EMPLOYEES BY TYPE OF PENSION PROVISION

The Commission endeavored to secure a record for every general municipal employee who is a participant in one of the jointly contributory plans. Somewhat similar records were obtained for em-

ployees not now covered by such provisions in municipalities having a population of 15,000 or more. The following summary gives the number and payroll of municipal employees classified according to the type of retirement provision by which they are covered. For the municipalities for which no data were submitted on employees not in pension funds, the number and payroll has been estimated on the basis of the data for the municipalities for which complete records were secured.

The following table shows the classification of the number and payroll of general municipal employees in respect to pension provision as prepared by the Commission for its use.

TABLE II

NUMBER AND ANNUAL PAYROLL OF GENERAL MUNICIPAL EMPLOYEES BY TYPE OF PENSION PROVISION

<i>Reference to Law by Which Covered</i>	<i>Groups Covered</i>	<i>Municipality Covered</i>	<i>Number of Employees</i>	<i>Payroll of Employees</i>
<i>Under Jointly Contributory Plans*</i>				
C. 215, P. L. 1913 as amended	Employees of local Boards of Health of any City	Newark .....	188	\$ 439,691
		Paterson .....	30	58,620
C. 324, P. L. 1915 as amended	Employees of Water Departments of 1st Class Cities	Newark .....	319	819,004
C. 190, P. L. 1927 as amended	All Employees of 1st Class Cities not otherwise covered	Newark .....	396	1,039,245
		Jersey City .....	1,336	2,904,931
C. 98, P. L. 1929	All General Employees of Villages of 1st Class Counties	South Orange .....	14	42,372
<i>Under Non-Contributory Plans or Not Covered</i>				
C. 103, P. L. 1923 or Special Acts†	General Employees of any City not otherwise covered	All Cities .....	5,644	9,383,474
Not covered	General Employees of any Towns or Villages not otherwise covered	All Towns and Villages	4,970	8,839,496
Total .....			12,897	\$23,526,833

\* Chapter 272, P. L. 1928 which provides jointly contributory funds for life guards in fourth-class cities and Chapter 198, P. L. 1921 which provides jointly contributory funds for employees of water departments of any municipality are not listed hereunder since according to the records of the Commission no funds to date have been established under their provisions.

† These acts are listed on page 43. These acts are so similar to the general acts that employees have not been segregated for these special acts.

NUMBER OF PENSIONERS AND ANNUAL PENSION ROLL BY TYPE OF  
PENSION PROVISION

The following table gives the number and pensions of pensioners retired under the laws for general municipal employees as shown by the records collected by the Commission:

TABLE 12

NUMBER OF PENSIONERS AND ANNUAL PENSION ROLL BY TYPE OF PENSION PROVISION

<i>Reference to Law by Which Covered</i>	<i>Group Covered by Law</i>	<i>Municipality From Which Pensioned</i>	<i>Number of Pensioners</i>	<i>Pension Roll</i>
<i>Under Jointly Contributory Plans*</i>				
C. 215, P. L. 1913 as amended	Employees of Local Boards of Health	Newark .....	17	\$15,701
C. 324, P. L. 1915 as amended	Employees of Water Departments of 1st Class Cities	Paterson .....	....	.....
		Newark .....	49	44,590
<i>Under Non-Contributory Plans</i>				
C. 236, P. L. 1915	Health Officers 1st Class Cities	Newark .....	1	\$ 2,500
C. 103, P. L. 1923	Any Employee of any City of the State	Atlantic City .....	1	1,500
		Burlington .....	1	728
		Camden .....	3	2,400
		East Orange .....	1	930
		Jersey City .....	3	3,250
		Newark .....	3	5,500
C. 107, P. L. 1926	Any Employee of Department of Finance of any City	Atlantic City .....	1	1,920
C. 84, P. L. 1912	Veterans of War of Rebellion	Jersey City .....	2	2,450
		Newark .....	5	5,670
		Rutherford Boro. ....	1	1,125
C. 249, P. L. 1919	Veterans of any War of United States	Camden .....	3	2,700
C. 224, P. L. 1924		Jersey City .....	1	1,200
		Newark .....	1	810
C. 225, P. L. 1930	Special Act for Individual Employees	Englewood .....	1	1,000
C. 252, P. L. 1930	Special Act for Individual Employees	Deal .....	1	1,250
		Total .....	95	\$95,224

\* Under Chapter 190, P. L. 1927\* and Chapter 98, P. L. 1929 no pensions will be granted by funds operating thereunder during first 5 years of operation. Therefore, no pensioners are drawing benefits under these laws at the present time.

PENSION FUNDS OPERATING UNDER CHAPTER 190, P. L. 1927  
AS AMENDED

The most important jointly contributory act for general municipal employees is Chapter 190, P. L. 1927. This covers 52 per cent. of the general employees of the first class cities. The Commission has made a special study of its operation not only because of the number of employees now included under it but also because it would seem to be the law which would most likely be followed as a precedent by the smaller municipalities of the State as their retirement problem becomes more urgent.

The following summary gives the main benefit and contribution provisions of the law as interpreted for use in the preparation of cost figures:

*Summary of Benefit and Contribution Provisions of Chapter 190,  
P. L. 1927 and Chapters 95 and 96, P. L. 1929 Providing  
Benefits for Certain Employees of First Class Cities*

BENEFITS

SERVICE BENEFIT

*Condition for Allowance*—A service pension is payable to any employee upon his own application who attains age 60 and has had at least 20 years of service.

*Amount of Benefit*—The benefit consists of a pension of one-half of the full annual salary of the member at the time of retirement.

DISABILITY BENEFIT

*Condition for Allowance*—A disability benefit is payable to any employee who shall have received permanent disability in the performance of duty, or shall be suffering from permanent injury or disease.

*Amount of Benefit*—The benefit consists of a pension equal to one-half of the full annual salary of the member at the time of retirement.

BENEFIT UPON DEATH IN PERFORMANCE OF DUTY

*Condition for Allowance*—A death benefit is payable upon the death of a member in active service on account of injuries or illness incurred in the performance of duties. The benefit is payable to the widow or dependent husband or if neither widow nor dependent husband to the dependent children under age 16 or if neither widow nor dependent husband, nor dependent children, to the dependent parents. Benefits to widows or dependent husbands are continued at death to dependent children under age 16; benefits to children are terminated at death or the attainment of age 16.



*Amount of Benefit*—The benefit payable upon death in the performance of duty shall be a pension upon an annuity to be paid from the date of death to the time of death but not exceeding \$1,000 per annum, except that if the benefit is paid to dependent children only, the share of each child shall not exceed \$25 per month and shall terminate at attainment of age 16.

#### ORDINARY DEATH BENEFIT

*Condition for Allowance*—An ordinary death benefit is payable upon the death of a member after 5 years of service. The benefit is payable to the widow or dependent husband or if neither widow nor dependent husband to the dependent children under age 16, or if neither widow nor dependent husband nor dependent children, to the dependent parents. Benefits to widows or dependent husbands are continued at death to dependent children under age 16; benefits to children are terminated at death or attainment of age 16.

*Amount of Benefit*—The ordinary death benefit shall be a pension of  $2\frac{1}{2}$  per cent. of salary (not exceeding \$2,000) for each year of service not exceeding 20 years. If benefit is paid to dependent children the share of each child shall not exceed \$25 per month and shall terminate at age 16.

#### BENEFIT PAYABLE UPON DEATH AFTER RETIREMENT

*Condition for Allowance*—Upon the death of an employee after retirement, the employee's benefit is continued to the widow or dependent husband or if neither widow nor dependent husband then to the dependent children under age 16 or if no children to the dependent parents. Benefits to widows or dependent husbands are continued at death to dependent children under age 16. Benefits to children are terminated at death or attainment of age 16.

*Amount of Benefit*—The amount of benefit shall be that received by the employee (maximum \$1,000) but if benefit is paid to dependent children the share of each child shall not exceed \$25 per month, and shall terminate at age 16.

#### RETURN OF CONTRIBUTIONS

*Condition for Allowance*—Any member dropped from service or suspended for a cause which would not disqualify him for reappointment is entitled to a refund of contributions.

*Amount of Benefit*—The total amount of contributions paid by employee without interest is refunded.

#### CONTRIBUTIONS

##### BY MEMBERS

Members contribute 3 per cent. of salary if they enter before age 35. If age at entrance 35 or after the percentage shall be increased to such an amount as shall be determined by the Pension Commission to correspond to the risk arising by the additional age of the member. Contributions are continued after retirement so that the contributions of the average new entrant is equivalent to 3.13 per cent. of his salary.

At the present time members in Jersey City pay according to the following scale:

<i>Age at Entry</i>	<i>Rate</i>
Before 35	3 %
35—39	3½
40—43	4
44—45	4½
46—50	5
Over 50	5½

Members in Newark pay from 3 per cent. to 4½ per cent. according to age at entry.

#### BY MUNICIPALITY

The city pays from taxes an amount equal to 4 per cent. of the total salaries of employees. If insufficient money at any time, governing body shall include in any tax levy a sum sufficient to meet the requirements of the fund for the time being.

#### ADDITIONAL INCOME

Fines imposed on members, donations, absence deductions, one-half of rewards are paid into fund.

#### COST STATEMENTS

Chapter 190, P. L. 1927 as amended provides that the average new employees contribute the equivalent of 3.13 per cent. of their salaries during active service, that the cities contribute 4 per cent. of the payroll of members and that certain miscellaneous sources of income be added to the fund. No income from miscellaneous sources has been received by the two funds established under this law during the past two years, so that the present income may be assumed to be equivalent to 7.13 per cent. of the active payroll.

#### *Normal Cost of Benefits*

Following the same methods as were used in determining the cost under Chapter 160, P. L. 1920 the Commission first had the actual cost per new employee determined, which may be termed the "normal cost". If in the future new employees enter at the same average ages as present employees the normal cost of providing the benefits under Chapter 190, P. L. 1927 will be approximately 11.54 per cent. of payroll. The cost of the individual benefits would be approximately as follows:

TABLE 13

PERCENTAGES OF SALARY REQUIRED TO PROVIDE PENSION BENEFITS  
FOR AVERAGE NEW MEMBERS UNDER CHAPTER  
190, P. L. 1927 AS AMENDED

<i>Benefits</i>	<i>Clerical Employees</i>	<i>Laborers</i>
Service Benefit .....	2.15%	2.59%
Disability Benefit .....	1.09	2.40
Benefits to Dependents upon Death in Active Service....	4.40	7.08
Benefits to Dependents upon Death after Retirement.....	1.70	4.41
Return of Contributions.....	.14	.10
Total.....	9.48%	16.58%
Average for Combined Groups 11.54%		

The preceding table shows that if new employees enter at approximately the same ages at which present employees entered, contributions of approximately 11.54 per cent. of the payroll will be required to support the plan. The cost of benefits for individual employees varies according to ages at entrance. In the actuarial report the rates of contribution under Chapter 190, P. L. 1927 as amended for new entrants entering at ages ranging from 20 to 40 inclusive are shown.

As stated above the present income of the funds averages approximately 7.13 per cent. of payroll for new employees. Since the cost of benefits for the average new employee is 11.54 per cent. of payroll the present income is covering only about 62 per cent. of the total cost for new members. Therefore, if contributions continue at the rates averaged in the past the liabilities of the funds are being increased by the admission of new members, so that the more new members are added to the funds the greater will be the amount of the deficiency, if the funds are to pay the promised benefits.

#### *Cost of Benefits to Present Employees*

Had contributions been made at the normal rate by or in behalf of every present member from the time he entered the service, the funds in hand today, together with the future contributions of the normal rates would be adequate to provide all benefits payable to present members. But contributions in the past have amounted to less than the normal cost and therefore in both the fund in Newark and the fund in Jersey City there is an accrued liability. Because of the accrued liability, future contributions at the normal rate alone would not be sufficient to provide the benefits for present members.

In order to obtain knowledge of the additional contributions required to provide benefits for the present members of the fund, valuations of the total liabilities of the funds now in existence on account of the benefits which will be payable to present employees have been made.

The results of the valuation are summarized in the following valuation balance sheet. As an offset against the liabilities of the funds there are available the funds in hand and the prospective contributions of employees and municipalities.

TABLE 14  
VALUATION BALANCE SHEET SHOWING PRESENT AND PROSPECTIVE  
ASSETS AND LIABILITIES UNDER THE FUNDS ESTABLISHED IN  
ACCORDANCE WITH CHAPTER 190, P. L. 1927 AS AMENDED  
COVERING GENERAL MUNICIPAL EMPLOYEES

<i>Assets</i>	<i>Present Value of Payments to Be Received</i>
Funds in hand.....	\$ 834,000
Future contributions of members.....	1,188,873
Future contributions of city at 4% of payroll.....	1,180,556
Indirect sources of income which may be creditable to present active force (none being received).....	<u>7,912,058</u>
Deficits in funds on basis of fixed revenues.....	<u>\$11,115,487</u>
Total Assets.....	
<i>Liabilities</i>	<i>Present Value of Payments to Be Made</i>
Pensions to pensioners now on the pension roll (none retired).....	\$ .....
Prospective pensions to dependents of present pensioners (none retired) .....	.....
Prospective pensions to present members after making allowance for those who will resign or die without pensions:	
Service Pensioners .....	\$4,957,001
Disability Pensioners .....	973,804
	<u>5,930,805</u>
Prospective pensions to dependents of members now in service who will die in active service.....	2,783,068
Prospective pensions to dependents of members now in service who will die when on the pension roll.....	2,385,545
Contributions to be returned to employees who will be dropped from service without fault or delinquency.....	<u>16,069</u>
Total Liabilities.....	<u>\$11,115,487</u>

The preceding balance sheet shows that the liabilities of the funds established under Chapter 190, P. L. 1927 as amended have a value today of \$11,115,487. This means that to pay the promised benefits to present active members or their dependents, contributions will be required having a value today of \$11,115,487. The present assets have a value of \$834,000. The future contributions of members

have a present value of \$1,188,873. The contributions of the cities at 4 per cent. have a value of \$1,180,556. Therefore, the present assets combined with future contributions at the rates now being paid together have a present value of \$3,203,429 which if subtracted from the total liabilities of \$11,115,487 gives \$7,912,058 as the additional contributions required or the deficit to be made up by the taxpayers if the present funds are to meet their obligations to present employees.

#### *Future Requirements of Funds*

The figures given in the valuation balance sheet show that the income of the funds established under Chapter 190, P. L. 1927 as amended, will have to be materially increased if the existing funds are to be continued. A contribution of 11.54 per cent. of payroll is required for all future entrants into the funds in order to provide for their benefits. If this contribution were available for present members, the contributions at this rate in the future on account of present members would have a value of \$3,405,905. Adding this amount to the funds in hand we have \$4,239,905, which if subtracted from the total liabilities of the funds or \$11,115,487 would leave \$6,875,582 which represents the accrued liability or the contributions which have to be provided in addition to the normal contributions. If we express the annual contribution for the accrued liability in the same form as that used to express the contributions under the policemen's and firemen's funds, we will have the following annual contributions required to support the pension funds established under Chapter 190, P. L. 1927 as amended:

TABLE 15

ANNUAL CONTRIBUTIONS REQUIRED TO SUPPORT THE PENSION  
FUNDS ESTABLISHED UNDER CHAPTER 190, P. L. 1927 AS  
AMENDED COVERING GENERAL MUNICIPAL EMPLOYEES

<i>Payment</i>	<i>Annual Contributions</i>	
	<i>As Percentage of Payroll</i>	<i>Amount Based on Present Payroll</i>
Normal Contributions .....	11.54%	\$455,158
Accrued Liability Contributions.....	6.97	274,909
Total Required to Support Funds.....	18.51%	\$730,067
Members' Contributions at Present Rate.....	3.13%	\$123,453
Contributions of Municipalities.....	4.00	157,767
Present Revenues from Other Sources.....		
Additional Revenues Needed.....	11.38	448,847
Total .....	18.51%	\$730,067

The preceding table indicates that contributions of 18.51 per cent. of the payroll are needed for funds established under Chapter 190, P. L. 1927 as amended. The table is presented as the best indication available of the cost of the operation of funds under this law.

#### PENSION PROVISIONS FOR GENERAL MUNICIPAL EMPLOYEES UNDER OTHER JOINTLY CONTRIBUTORY PLANS

The table on page 45 indicates that Chapter 190, P. L. 1927 as amended covers the majority of employees who are under jointly contributory plans. In addition we have 218 employees who are contributing under Chapter 215, P. L. 1913, as amended, 319 employees under Chapter 324, P. L. 1915 as amended and 14 employees under Chapter 98, P. L. 1929.

The Commission has not attempted to make complete valuations of the liabilities under the latter three laws in as much as the groups of employees covered are comparatively small. The benefits allowable under these funds are very similar to the benefits allowable under Chapter 190, P. L. 1927 as amended, so that the Commission has estimated the cost for the benefits allowable under these funds for comparison with the cost under Chapter 190, P. L. 1927.

#### *Comparative Summary of Benefit and Contribution Provisions*

The following summary gives in very brief form a comparison of the benefit and contribution provisions of the three jointly contributory retirement laws which in addition to Chapter 190, P. L. 1927 are in operation for general municipal employees. The summary also gives the provisions of Chapter 190, P. L. 1927 as amended so that the benefit and contribution provisions of all four jointly contributory systems may be easily compared.

TABLE 16

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COMPARATIVE SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS OF JOINTLY CONTRIBUTORY PENSION LAWS  
FOR MUNICIPAL EMPLOYEES OTHER THAN POLICEMEN, FIREMEN AND TEACHERS

<i>Provisions</i>	<i>Chapter 190, P. L. 1927 Covering Municipal Em- ployees of 1st Class Cities</i>	<i>Chapter 215, P. L. 1913 Covering Health Board Employees</i>	<i>Chapter 324, P. L. 1915 Covering Street and Water Departments Employees of 1st Class Cities</i>	<i>Chapter 98, P. L. 1929 Covering Employees of Villages in 1st Class Counties</i>
<b>BENEFITS</b>				
<i>Service Retirement</i>				
Conditions for Eligibility	Age 60 and 20 years' service	25 years' service	Age 60 and 20 years' service	Age 60 and 25 years' service
Amount of Benefit	½ final salary	½ final salary	½ final salary	½ final salary
<i>Disability Retirement</i>				
Conditions for Eligibility	Disability at any time	Disability at any time if in performance of duty	Disability in performance of duty at any time. Ordinary disability after 20 years' service	Disability at any time in performance of duty
Amount of Benefit	½ final salary	½ final salary	½ final salary	½ final salary
<i>Death in Performance of Duty</i>				
Conditions for Eligibility	No service requirement	No service requirement	No service requirement	No service requirement
Amount of Benefit	½ salary (not exceeding \$1,000) payable to widow or children under 16 or dependent parent	¼ salary (not exceeding \$1,000) payable to widow or children under age 16	¼ salary (not exceeding \$1,000) payable to widow or children under age 16	½ salary (not exceeding \$1,000) payable to widow or children under age 16 or dependent parent



TABLE 16—Continued

COMPARATIVE SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS OF JOINTLY CONTRIBUTORY PENSION LAWS  
FOR MUNICIPAL EMPLOYEES OTHER THAN POLICEMEN, FIREMEN AND TEACHERS

<i>Provisions</i>	<i>Chapter 190, P. L. 1927 Covering Municipal Em- ployees of 1st Class Cities</i>	<i>Chapter 215, P. L. 1913 Covering Health Board Employees</i>	<i>Chapter 324, P. L. 1915 Covering Street and Water Departments Employees of 1st Class Cities</i>	<i>Chapter 98, P. L. 1929 Covering Employees of Villages in 1st Class Counties</i>
<i>BENEFITS—Continued</i>				
<i>Death due to Ordinary Causes before Retirement</i>				
Conditions for Eligibility	Death after 5 years' service	Death after 5 years' service	Death after 5 years' service	Death after 5 years' service
56 Amount of Benefit	Graded benefit reaching $\frac{1}{2}$ final salary after 20 years (not exceeding \$1,000) payable to widow or children under age 16 or dependent parent	Graded benefit reaching $\frac{1}{4}$ final salary after 20 years (not exceeding \$1,000) payable to widow or children under age 16	Graded benefit reaching $\frac{1}{4}$ final salary after 20 years (not exceeding \$1,000) payable to widow or children under age 16	Graded benefit reaching $\frac{1}{2}$ final salary after 25 years (not exceeding \$1,000) payable to widow or children under age 16 or dependent parent
<i>Death after Retirement</i>				
Conditions for Eligibility	Death after retirement due to any cause	Death after retirement due to any cause	Death after retirement due to any cause	Death after retirement due to any cause
Amount of Benefit	Continuation of employee's pension to widow or children under age 16 or dependent parent (maximum \$1,000)	$\frac{1}{4}$ final salary of employee (not exceeding \$1,000) payable to widow or children under age 16	$\frac{1}{4}$ final salary of employee (not exceeding \$1,000) payable to widow or children under age 16	Continuation of employee's pension (not exceeding \$1,000) to widow or children under age 16 or dependent parent

TABLE 16—Continued

COMPARATIVE SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS OF JOINTLY CONTRIBUTORY PENSION LAWS  
FOR MUNICIPAL EMPLOYEES OTHER THAN POLICEMEN, FIREMEN AND TEACHERS

<i>Provisions</i>		<i>Chapter 190, P. L. 1927 Covering Municipal Em- ployees of 1st Class Cities</i>	<i>Chapter 215, P. L. 1913 Covering Health Board Employees</i>	<i>Chapter 324, P. L. 1915 Covering Street and Water Departments Employees of 1st Class Cities</i>	<i>Chapter 98, P. L. 1929 Covering Employees of Villages in 1st Class Counties</i>
BENEFITS—Continued					
Return of Contributions					
Conditions for Eligibil- ity	Dropped from service without fault or delin- quency	No provision		Dropped from service without fault or delin- quency after 1 year	Dropped from service without fault or delin- quency after 1 year
57 Amount of Benefit	Amount contributed with- out interest			Amount contributed with- out interest	Amount contributed with- out interest
CONTRIBUTIONS					
By Members	3% of salary (increased rate for entrants after age 35). Contributions are continued after re- tirement	3% of salary (increased rate for entrants after age 35)	3% of salary		3% of salary (increased rates for entrants after age 35). Contributions are continued after re- tirement
By Municipality	4% of members' payroll and deficits to be made up from taxes	4% of members' payroll and deficits to be made up from taxes	4% of members' payroll and deficits to be made up from taxes		4% of members' payroll and deficits to be made up from taxes
Additional Income	Fines, donations	Fines, donations	Fees, donations		Fines, donations

The normal cost of benefits allowable under the four plans is given in comparative form in the following table:

TABLE 17

COMPARISON OF THE PERCENTAGES OF SALARY REQUIRED TO PROVIDE  
 PENSION BENEFITS FOR AVERAGE NEW MEMBERS UNDER  
 JOINTLY CONTRIBUTORY PLANS FOR GENERAL  
 MUNICIPAL EMPLOYEES

<i>Retirement Law</i>	<i>Normal Cost</i>
Chapter 215, P. L. 1913, as amended.....	6.74%
Chapter 324, P. L. 1915, as amended.....	6.70
Chapter 190, P. L. 1927, as amended.....	11.54
Chapter 98, P. L. 1929.....	6.79
Average All Laws 10.30%	

The accrued liability has also been estimated under the jointly contributory plans and the approximate total annual payments required to support the funds calculated. The annual payments under all four funds have been combined and the average annual cost of all four funds expressed as a percentage of the combined payroll. Attention is called to the fact that the percentage so determined does not apply to any one fund but is a composite figure of value in judging the cost of the jointly contributory plans as a whole.

The following table shows the results of the calculations and is believed to give the best indication of the cost of the policy followed to date by municipalities in establishing jointly contributory plans for the general municipal employees.

TABLE 18

ANNUAL CONTRIBUTIONS REQUIRED TO SUPPORT THE FOUR JOINTLY  
 CONTRIBUTORY PLANS FOR GENERAL MUNICIPAL EMPLOYEES

<i>Payment</i>	<i>Annual Contributions As Percentage of Payroll</i>	<i>Amount Based on Present Payroll</i>
Normal Contributions .....	10.30%	\$546,298
Accrued Liability Contributions.....	6.91	366,497
Total Required to Support Fund.....	17.21%	\$912,795
New Members' Contributions at Present Rate.....	3.10%	\$164,420
Contributions of Municipalities.....	4.00	212,155
Present Revenues from Other Sources.....	.07	3,713
Additional Revenues Needed.....	10.04	532,507
Total .....	17.21%	\$912,795

The preceding table indicates that annual contributions averaging approximately 10.04 per cent. of the payroll are needed for the support of the jointly contributory municipal funds, in addition to their present sources of revenue. As was pointed out above this figure does not apply to any one fund but is presented as the best indication available of the cost as a whole of the existing laws for general municipal employees.

#### PROVISION FOR GENERAL MUNICIPAL EMPLOYEES NOT NOW COVERED UNDER JOINTLY CONTRIBUTORY PENSION PLANS

The data collected by the Commission indicates that there are approximately 10,614 general employees, excluding firemen, policemen and teachers, who are not now covered by jointly contributory retirement provisions. There is a series of general laws which make it possible for municipalities to retire their employees provided they have attained a certain age and completed a fixed term of service. Age 70 is ordinarily the age set and twenty-five years of service are required, under the law governing the retirement of city employees, but exceptions are made for the specified classes of employees referred to in the special acts listed on page 43.

If the past trend of legislation continues in the future it is likely that municipalities will gradually adopt provisions similar to those governing the jointly contributory funds in the State. This would appear to be the natural course for the municipalities to follow. The general laws permitting the retirement at age 70 after twenty-five years of service will probably not be adequate to take care of the superannuation problem. As the problem becomes more pressing the other municipalities will look to the first class cities to see how the problem has been met by them and the probability is that funds will be set up following closely those established under Chapter 190, P. L. 1927 and the other existing jointly contributory laws. This course will mean that the municipalities will assume liabilities which will require contributions of over 14.11 per cent. of the payroll in excess of the contributions of members.

#### CONCLUSIONS REGARDING PENSION PROVISIONS FOR GENERAL MUNICIPAL EMPLOYEES THROUGHOUT THE STATE

The existing situation in respect to funds for municipal employees other than policemen, firemen and teachers is not encouraging. The

municipalities which have adopted jointly contributory funds are permitting heavy liabilities to accrue under their funds.

If municipalities which have not yet adopted funds for their general employees follow the precedents set by the larger municipal funds, they may inadvertently undertake the heavy liabilities which these funds entail. Since they have not begun to pay anything and employees have not begun to pay anything they may be considered as accruing a liability of the entire cost of the plan or 17.21 per cent. of the payroll of \$18,222,970 or \$3,136,173 per year if we assume that they will eventually adopt similar laws. Municipalities which have funds are accruing a liability for which no provision is being made of 10.04 per cent of the payroll, or \$532,507. On this basis in the State as a whole a debt of about \$3,668,680 per year is accumulating at interest to be paid by the taxpayers at some future date, if the present policy as to general employees' pensions is continued.

If the municipalities which have adopted funds are willing to assume the cost of the funds, the contribution rates should now be adjusted so that they will not hereafter increase and so that the liabilities will be covered as they accrue. If the municipalities are not willing to have the contributions adjusted to those which are necessary to support the existing benefits then the present employees as well as those hereafter to be employed should know the situation so that adequate steps may be taken to handle the condition in a way which will mean the minimum of embarrassment to the members and the public.

## CHAPTER IV

### PENSIONS FOR COUNTY EMPLOYEES

The development of pension provisions for county employees is illustrated by the chart on file in the Commission office, which shows chronologically the more important laws for county employees which have been passed and the groups affected.

The earliest retirement provisions for county employees indicated on the chart are those passed under Chapter 48, P. L. 1910 which established a jointly contributory fund for park police of certain counties. This law was followed by Chapter 36, P. L. 1914 which established a somewhat similar fund for county police officers of first class counties. The first law shown on the chart for county employees other than policemen is Chapter 38, P. L. 1915. This law gave authority to any county to retire on half pay any person employed in any county office for at least forty-five years who had attained the age of 70. No contributions were required of employees. Somewhat more liberal retirement provisions but of the same general type were passed under Chapter 164, P. L. 1918 as amended by Chapter 60, P. L. 1920 and under Chapter 127, P. L. 1922.

In 1921 (Chapter 140), a jointly contributory system was established for county detectives in first and second class counties. In 1926, 1927, 1928 and 1929 a series of laws providing jointly contributory systems for other groups of county employees were passed so that in 1931, the following groups of county employees appear to be covered by jointly contributory plans:

<i>Reference</i>	<i>Class Covered</i>
C. 48, P. L. 1910	Park Police in certain counties
C. 36, P. L. 1914	County Police Officers
C. 160, P. L. 1920 as amended	
C. 140, P. L. 1921	County Detectives 1st and 2nd class counties
C. 292, P. L. 1926	County Probation Officers in counties with population of over 83,000
C. 279, P. L. 1927	
C. 303, P. L. 1927	Sheriff's employees of 1st class counties
C. 264, P. L. 1928	County Police Officers in counties with population more than 200,000 but not more than 400,000
C. 208, P. L. 1929	
C. 93, P. L. 1929	Sergeant-at-Arms* and Court Criers of 1st class counties
C. 99, P. L. 1929	County Clerk's employees of 1st class counties
C. 104, P. L. 1929	County Court Attendants of 2nd class counties
C. 112, P. L. 1929	Employees of Boards of Education of 1st class counties (other than teachers)
C. 122, P. L. 1929	General employees of 1st class counties (exclusive of firemen, policemen and board of health employees)

\* Sergeant-at-Arms of certain courts in counties of the first class are also provided with disability pensions under certain conditions under Chapter 84, P. L. 1929.

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NUMBER AND ANNUAL PAYROLL OF COUNTY EMPLOYEES BY TYPE  
OF PENSION PROVISION

The Commission endeavored to secure a record for every county employee who is a participant under one of the jointly contributory plans and a somewhat similar record for all not now covered by such provisions. The following summary gives the number and payroll of county employees classified according to the retirement provisions by which they are covered. As far as possible the number and payroll were taken from the records of the Commission. The data had to be supplemented in certain instances for employees not in pension funds, by data estimated from population statistics.



TABLE 19

NUMBER AND ANNUAL PAYROLL OF COUNTY EMPLOYEES BY TYPE OF PENSION PROVISION

<i>Reference to Law by Which Covered</i>	<i>Groups Covered</i>	<i>Counties Covered</i>	<i>Number of Employees</i>	<i>Payroll of Employees</i>
<i>Under Jointly Contributory Plans</i>				
C. 48, P. L. 1910	County Park Police	Essex .....	42	\$ 111,200
	Total County Park Police		42	\$ 111,200
C. 36, P. L. 1914 C. 160, P. L. 1920 as amended	County Police 1st class counties	Hudson .....	160	\$ 461,600
	Total County Police 1st class		160	\$ 461,600
C. 140, P. L. 1921	County Detectives	Bergen .....	4	\$ 11,400
		Burlington .....	2	6,600
		Camden .....	3	9,800
		Essex .....	18	63,000
		Hudson .....	6	23,000
		Mercer .....	8	26,400
		Middlesex .....	5	14,700
		Monmouth .....	4	10,000
		Morris .....	5	15,200
		Passaic .....	5	14,500
		Union .....	5	14,400
	Total County Detectives		65	\$ 209,000

TABLE 19—*Continued*  
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 NUMBER AND ANNUAL PAYROLL OF COUNTY EMPLOYEES BY TYPE OF PENSION PROVISION

<i>Reference to Law by Which Covered</i>	<i>Groups Covered</i>	<i>Counties Covered</i>	<i>Number of Employees</i>	<i>Payroll of Employees</i>
	<i>Under Jointly Contributory Plans</i>			
C. 292, P. L. 1926 C. 279, P. L. 1927	County Probation Officers (all counties with a population over 83,000)	Atlantic .....	4	\$ 12,600
		Essex .....	40	123,220
		Hudson .....	34	111,400
		Mercer .....	3	10,700
		Monmouth .....	2	5,200
		Passaic .....	6	19,800
		Union .....	2	8,200
	Total County Probation Officers		91	\$ 291,120
C. 303, P. L. 1927	Sheriff's Employees of 1st class counties	Essex .....	113	\$ 289,450
		Hudson .....	63	190,500
	Total Sheriff's Employees		176	\$ 479,950
C. 264, P. L. 1928 C. 208, P. L. 1929	County Police Officers in counties with population 200,000-400,000	Bergen .....	30	\$ 70,200
	Total County Police Officers		30	\$ 70,200
C. 93, P. L. 1929	Sergeants-at-arms and Court Criers 1st class counties	Essex .....	8	\$ 28,500
		Hudson .....	9	36,000
	Total Sergeants-at-arms and Court Criers		17	\$ 64,500

NUMBER AND ANNUAL PAYROLL OF COUNTY EMPLOYEES BY TYPE OF PENSION PROVISION

<i>Reference to Law by Which Covered</i>	<i>Groups Covered</i>	<i>Counties Covered</i>	<i>Number of Employees</i>	<i>Payroll of Employees</i>
	<i>Under Jointly Contributory Plans</i>			
C. 99, P. L. 1929	County Clerk's Employees of 1st class counties	Essex .....	39	\$ 94,840
		Hudson .....	24	82,700
	Total County Clerk's Employees		63	\$ 177,540
C. 104, P. L. 1929	County Court Attendants 2nd class counties	Middlesex .....	9	\$ 15,800
		Passaic .....	46	110,160
		Union .....	15	35,200
	Total County Court Attendants		70	\$ 161,160
C. 112, P. L. 1929	Certain County Employees (employees of Board of Education other than teachers) 1st class counties	Essex .....	125	\$ 359,640
		Hudson .....	50	130,950
	Total Employees of Board of Education Other than Teachers		175	\$ 490,590
C. 122, P. L. 1929	Certain County Employees of 1st class counties	Essex .....	525	\$ 1,018,863
		Hudson .....	810	1,811,736
	Total covered C. 122, P. L. 1929		1,335	\$ 2,830,599
	<i>Under Non-Contributory Plans</i>			
		All counties .....	5,016	\$ 8,682,174
	GRAND TOTAL		7,240	\$14,029,633

The following table gives the number and pension of pensioners covered under the laws for county employees:

TABLE 20

NUMBER OF PENSIONERS AND ANNUAL PENSION ROLL BY TYPE OF PENSION PROVISION

<i>Reference to Law by Which Covered</i>	<i>Group Covered by Law</i>	<i>County from Which Pensioned</i>	<i>Number of Pensioners</i>	<i>Pension Roll</i>
<i>Under Jointly Contributory Plans*</i>				
C. 48, P. L. 1910	County Park Police	Essex .....	4	\$ 4,875
C. 36, P. L. 1914	County police officials of 1st class counties	Hudson .....	18	17,900
C. 160, P. L. 1920 as amended				
C. 140, P. L. 1921	County detectives 1st and 2nd class counties	Essex .....	4	6,610
		Hudson .....	4	7,450
		Monmouth .....	2	3,500
		Morris .....	1	1,500
		Passaic .....	1	2,000
		Union .....	1	2,000
C. 303, P. L. 1927	Sheriff's employees of 1st class counties	Essex .....	7	9,625
C. 264, P. L. 1928 C. 208, P. L. 1929	County police officers in counties with more than 200,000 but not more than 400,000	Bergen .....	1	480
C. 99, P. L. 1929	County clerk's employees of 1st class counties	Hudson .....	1	2,000
C. 104, P. L. 1929	County Court attendants of 2nd class counties	Union .....	1	1,250

TABLE 20—*Continued*

NUMBER OF PENSIONERS AND ANNUAL PENSION ROLL BY TYPE OF PENSION PROVISION

<i>Reference to Law by Which Covered</i>	<i>Group Covered by Law</i>	<i>County from Which Pensioned</i>	<i>Number of Pensioners</i>	<i>Pension Roll</i>
<i>Under Non-Contributory Plans</i>				
C. 38, P. L. 1915	County employees	Bergen .....	1	\$ 3,000
		Camden .....	1	1,200
		Monmouth .....	1	750
C. 164, P. L. 1918 C. 60, P. L. 1920	County employees	Burlington .....	2	540
19 C. 127, P. L. 1922 C. 256, P. L. 1927	County employees unclassified	Camden .....	1	1,200
		Essex .....	5	5,210
		Hudson .....	13	14,050
		Mercer .....	3	2,850
		Morris .....	2	1,082
		Passaic .....	1	2,500
		Union .....	2	2,500
C. 84, P. L. 1929	County sergeant-at-arms 1st class counties	Essex .....	1	1,750
C. 84, P. L. 1912	Veterans of War of Rebellion	Hudson .....	1	600
C. 249, P. L. 1919 C. 224, P. L. 1924	Veterans of any war of United States	Hudson .....	3	4,700
	Total		82	\$101,122

\*Under Chapter 122, P. L. 1929, no pensions will be granted by funds operating thereunder during first 3 years of operation. Therefore, no pensioners are drawing benefits under this law at the present time.

## PENSION FUNDS OPERATING UNDER CHAPTER 122, P. L. 1929

The most important jointly contributory plan for county employees is Chapter 122, P. L. 1929. This covers 60 per cent. of the general county employees who are under jointly contributory plans. The Commission has made a special study of its operation not only because of the number of employees now included under it, but also because it would seem to be the law which would most likely be followed by other counties as their retirement problem becomes more urgent.

The following summary gives the main benefit and contribution provisions of the law as interpreted for use in the preparation of cost figures:

### *Summary of Benefit and Contribution Provisions of Chapter 122, P. L. 1929 Providing Benefits for Certain Employees of First Class Counties*

#### BENEFITS

##### SERVICE BENEFIT

*Condition for Allowance*—A service pension is payable to any employee upon his own application who attains age 60 and has had at least 20 years of service.

*Amount of Benefit*—The benefit consists of a pension of one-half of the full annual salary of the member at the time of retirement.

##### DISABILITY BENEFIT

*Condition for Allowance*—A disability pension is payable to any employee who shall have received a permanent disability by reason of sickness, injury or accident incurred at any time in the service, which shall permanently incapacitate him or her.

*Amount of Benefit*—The benefit consists of a pension of one-half of the full annual salary of the member at the time of retirement.

##### BENEFIT PAYABLE UPON DEATH AFTER RETIREMENT

*Condition for Allowance*—Upon the death of an employee after retirement the employee's benefit is continued to the widow or dependent husband or if neither widow nor dependent husband to the dependent children under age 16. Benefits to widows or dependent husbands are continued at death or remarriage to dependent children under age 16. Benefits to children are terminated at death or the attainment of age 16.

*Amount of Benefit*—The amount of benefit shall be that received by the employee except that if the benefit is paid to dependent children only, the benefit shall be divided equally among the children and each child's share shall terminate at age 16.

# CONTRIBUTIONS

## BY MEMBERS

Members contribute 3 per cent. of salary.

## BY COUNTY

The county pays from taxes an amount equal to 3 per cent. of the total salaries of employees. If insufficient money at any time, the governing body shall include in any tax levy a sum sufficient to meet requirements of the fund for the time being.

## ADDITIONAL INCOME

Fines imposed on members, donations, absence deductions, rewards are paid into the fund.

## COST STATEMENTS

Chapter 122, P. L. 1929 provides that employees contribute 3 per cent. of salary, that counties also make a contribution equivalent to 3 per cent. of the payroll of members and that certain miscellaneous sources of income be added to the fund. Since the establishment of the funds for Essex and Hudson counties in 1929, no income from miscellaneous sources has been received according to the reports of the secretaries of the funds, submitted to the Commission. Therefore, the present income may be assumed to be equivalent to 6 per cent. of the payroll.

### *Normal Cost of Benefits*

Following the same methods as were used in determining the cost under the funds discussed above for municipal employees, the Commission first had the actual cost per new member determined, which may be termed the normal cost. If in the future new employees enter at the same average ages as those at which present employees entered the normal cost of providing the benefits under Chapter 122, P. L. 1929 will be approximately 6.07 per cent. of payroll. The cost of the individual benefits will be as follows:

TABLE 21

PERCENTAGES OF SALARY REQUIRED TO PROVIDE PENSION BENEFITS  
FOR AVERAGE NEW MEMBERS UNDER CHAPTER 122, P. L. 1929

<i>Benefits</i>	<i>Clerical Employees</i>	<i>Laborers</i>
Service Benefit .....	2.15%	2.59%
Disability Benefit .....	1.09	2.40
Benefits to Dependents upon Death after Retirement.....	1.99	4.41
Total .....	5.23%	9.40%
Average for Combined Groups 6.07%		



The preceding table shows that if new employees enter at approximately the same age at which present members entered contributions of approximately 6.07 per cent. of the payroll are required to support the plan for new employees. The cost of benefits for individual employees varies according to age at entrance. In the detailed report of the actuary the rates of contribution under Chapter 122, P. L. 1929 are given for new entrants entering at ages ranging from 20 to 40 inclusive.

As stated above the present income of the fund is equivalent to 6 per cent. of the payroll of members. Since a contribution of 6.07 per cent. is required, the present income is about adequate to cover the normal cost. Therefore, if contributions continue at 6 per cent. of payroll the contributions on account of new members are about adequate to pay the promised benefits.

#### *Cost of Benefits to Present Employees*

Had contributions been made at the full normal rate by or in behalf of every present member from the time he entered the service, the funds in hand today, together with the future contributions of the normal rates, would be adequate to provide all benefits payable to the present active members of the funds as they retired in the future. But contributions in the past have amounted to less than the normal cost and therefore there is an accrued liability which must be covered in order to enable the funds to pay the benefits for the present members. In order to obtain knowledge of the contributions required to provide benefits for the present members of the funds, valuations of the total liabilities of the funds now in operation under this law on account of the benefits which will be payable to present employees or their dependents have been made. The results of the valuations are summarized in the following valuation balance sheet. As an offset against the total liabilities there are available the funds in hand and the prospective contributions of employees and counties.

TABLE 22

VALUATION BALANCE SHEET SHOWING PRESENT AND PROSPECTIVE  
ASSETS AND LIABILITIES UNDER THE FUNDS ESTABLISHED IN  
ACCORDANCE WITH CHAPTER 122, P. L. 1929 COVERING  
COUNTY EMPLOYEES

<i>Assets</i>	<i>Present Value of Payments to Be Received</i>
Funds in hand.....	\$ 203,452
Future contributions of 3% of salaries of members.....	639,656
Value of future contributions of counties at 3% of payroll.....	639,656
Value of future indirect sources of income which may be creditable to present active force (none being received).....	
Deficit in funds on basis of fixed revenues.....	4,945,127
Total Assets .....	<u>\$6,427,891</u>
<i>Liabilities</i>	<i>Present Value of Payments to Be Made</i>
Pensions to pensioners now on the pension roll (none retired).....	\$.....
Prospective pensions to dependents of present pensioners (none retired) .....	
Prospective pensions to present members after making allowance for those who will resign or die without pensions:	
Service Pensioners .....	\$3,677,089
Disability Pensioners .....	669,789
	<u>4,346,878</u>
Prospective pensions to dependents of members now in service who will die when on pension roll.....	2,081,013
Total Liabilities .....	<u>\$6,427,891</u>

The preceding balance sheet shows that the liabilities of the funds established under Chapter 122, P. L. 1929, have a value today of \$6,427,891. This means that to pay the prospective retirement benefits as they become due to present active members, or their dependents, will require contributions having a value today of \$6,427,891. The present assets of the funds have a value of \$203,452. The contributions of members have a value of \$639,656 and the contributions of the counties at the present rate may be assigned the same value. The present and prospective assets therefore have a value of \$1,482,764 which, if subtracted from the total liabilities of \$6,427,891, gives \$4,945,127 to be provided in addition to the existing income.

*Future Requirements of Funds*

The figures given in the valuation balance sheet show that the income of the funds established under Chapter 122, P. L. 1929, will have to be materially increased if the proposed benefits are to be paid. In order to continue the existing scale of benefits combined contributions of 6.07 per cent. of payroll would be required to cover the normal cost or the cost for future members. If this contribution were also available for present members, the contributions at this rate in the future on account of present members would have a value of \$1,294,238. Adding this amount to the funds in hand of \$203,452 we have \$1,497,690 which, if subtracted from the total liabilities of \$6,427,891, would leave \$4,930,201, which represents the accrued liability or the contributions which would have to be covered by contributions in addition to the normal contributions. Following the same methods as were used to determine the annual payment required under the funds for municipal employees in liquidating their accrued liabilities, a calculation indicates that a deficiency contribution of 6.97 per cent. of the payroll would be required to take care of the accrued liability under the funds established under Chapter 122, P. L. 1929. The following table indicates the total annual contributions required if the benefits be continued as at present and if the normal and deficiency contributions be provided as discussed above.

TABLE 23  
ANNUAL CONTRIBUTIONS REQUIRED TO SUPPORT THE PENSION  
FUNDS ESTABLISHED UNDER CHAPTER 122, P. L. 1929

<i>Payment</i>	<i>Annual Contributions As Percentage of Payroll</i>	<i>Amount Based on Present Payroll</i>
Normal Contributions .....	6.07%	\$171,817
Accrued Liability Contributions.....	6.97	197,293
Total Required to Support Funds.....	13.04%	\$369,110
Members' Contributions at Present Rate.....	3.00%	\$ 84,918
Contributions of Counties.....	3.00	84,918
Present Revenues from Other Sources.....	7.04	199,274
Additional Revenues Needed.....		
Total .....	13.04%	\$369,110

The preceding table indicates that contributions equivalent to 13.04 per cent. of the payroll are needed for funds established under Chapter 122, P. L. 1929. The table is presented as the best indication available of the cost of the operation of the funds under this law.

PENSION PROVISIONS FOR COUNTY EMPLOYEES UNDER OTHER  
JOINTLY CONTRIBUTORY PLANS

The table on page 63 indicates the extent to which county employees participate in jointly contributory systems. While Chapter 122, P. L. 1929, is the law covering the greatest number of employees we find in addition to this law ten other laws under which jointly contributory funds have been established. All together these ten laws cover only 889 employees. The Commission has not attempted to have detailed figures prepared as to the cost of the benefits provided under each of these funds but has estimated the cost as a basis for comparison with the cost of benefits allowable under Chapter 122, P. L. 1929, and as a basis for a general statement of the cost of benefits on account of all county provisions.

*Comparative Summary of Benefit and Contribution Provisions*

The following summary gives in very brief form the main benefit and contribution provisions of the various jointly contributory plans for county employees.

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**TABLE 24**  
**COMPARATIVE SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS OF JOINTLY CONTRIBUTORY**  
**PENSION LAWS FOR COUNTY EMPLOYEES**

PROVISIONS FOR COUNTY EMPLOYEES							
Provisions	Chapter 122, P. L. 1929 Covering General Em- ployees of 1st Class Counties†; Chapter 292, P. L. 1926 As Amended Covering County Pro- bation Officers, Chapter 303, P. L. 1927 Cover- ing Sheriff's Employees; Chapter 99, P. L. 1929 Covering County Clerk's Employees in 1st Class Counties*; Chapter 140, P. L. 1921 Covering County Detectives; Chapter 93, P. L. 1929 Covering Sergeants-at- Arms and Court Criers‡	Chapter 104, P. L. 1929 Covering Court Attendants of 2nd Class Counties	Chapter 112, P. L. 1929 Covering Certain Employees of Boards of Education in 1st Class Counties	Chapter 264, P. L. 1928 As Amended Covering Certain Police Officers	Chapter 160, P. L. 1920 As Amended Covering Police Officers on County Roads	Chapter 48, P. L. 1910 Covering County Park Police	
74 BENEFITS							
Service Retirement							
Conditions for Eligibility	Age 60 and 20 years' service	Age 60 and 25 years' service	Age 60 or completion of 30 years' service	Age 50 and 20 years' service. Compulsory after 20 years and age 65	After 50 and 20 years' service upon application. Compulsory at 65	Age 60 and 20 years	
Amount of Benefit	½ final salary	½ final salary	1/60 of average salary last 5 years for each year of service, not exceeding 30 years	½ final salary	½ final salary	½ final salary	
Disability Retirement							
Conditions for Eligibility	Disability at any time	Disability in performance of duty at any time. Ordinary disability after 25 years' service	Disability after 25 years' service	Disability due to injury or disease incurred in service	Disability at any time due to injury or disease while in service	Disability at any time due to injury or disease while in service	
Amount of Benefit	½ final salary	½ final salary	½ average salary last 5 years	¾ final salary	½ final salary	½ final salary	
Death in Performance of Duty							
Conditions for Eligibility	No service requirement	No service requirement	No provision	10 years' service	No service requirement	No service requirement	

TABLE 24—Continued

# COMPARATIVE SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS OF JOINTLY CONTRIBUTORY PENSION LAWS FOR COUNTY EMPLOYEES

Provisions	Chapter 122, P. L. 1929 Covering General Em- ployees of 1st Class Counties; Chapter 292, P. L. 1926 As Amended Covering County Pro- bation Officers, Chapter 303, P. L. 1927 Cover- ing Sheriff's Employees; Chapter 99, P. L. 1929 Covering County Clerk's Employees in 1st Class Counties*; Chapter 140, P. L. 1921 Covering County Detectives; Chapter 93, P. L. 1929 Covering Sergeants-at- Arms and Court Criers†		Chapter 104, P. L. 1929 Covering Court Attendants of 2nd Class Counties		Chapter 112, P. L. 1929 Covering Certain Employees of Boards of Education in 1st Class Counties		Chapter 264, P. L. 1928 As Amended Covering Certain Police Officers		Chapter 160, P. L. 1920 As Amended Covering Police Officers on County Roads		Chapter 48, P. L. 1910 Covering County Park Police	
75 Amount of Benefit	½ final salary pay- able to widow (see note below)*		½ final salary pay- able to widow				Final salary (not ex- ceeding \$1,000 pay- able to widow or children under age 16 or dependent parent		½ final salary (not exceeding \$1,000) payable to widow or children under age 16 or dependent parent		½ salary to widow or children under 14	
Death due to Ordinary Causes before Retirement												
Conditions for Eligibility	No provision (see note below)‡		No provision		No provision		Same as death in per- formance of duty		Same as death in per- formance of duty		No provision	
Amount of Benefit							Same as death in per- formance of duty		Same as death in per- formance of duty			
Death after Retirement												
Conditions for Eligibility	Death after retire- ment due to any cause		Death after retire- ment due to any cause		No provision		Death after retire- ment due to any cause		Death after retire- ment due to any cause		No provision	
Amount of Benefit	Continuation of em- ployee's benefit to widow†		Continuation of em- ployee's benefit to widow				½ final salary of em- ployee (Not ex- ceeding \$1,000) payable to widow or children under age 16 or depend- ent parent		Employee's benefit continued to wid- ow, children under age 16 or depend- ent parent			

TABLE 24—Continued

COMPARATIVE SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS OF JOINTLY CONTRIBUTORY PENSION LAWS FOR COUNTY EMPLOYEES

Provisions	Chapter 122, P. L. 1929 Covering General Em- ployees of 1st Class Counties†; Chapter 292, P. L. 1926 As Amended Covering County Pro- bation Officers, Chapter 303, P. L. 1927 Cover- ing Sheriff's Employees; Chapter 99, P. L. 1929 Covering County Clerk's Employees in 1st Class Counties*; Chapter 140, P. L. 1921 Covering County Detectives; Chapter 93, P. L. 1929 Covering Sergeants-at- Arms and Court Criers‡	Chapter 104, P. L. 1929 Covering Court Attendants of 2nd Class Counties	Chapter 112, P. L. 1929 Covering Certain Employees of Boards of Education in 1st Class Counties	Chapter 264, P. L. 1928 As Amended Covering Certain Police Officers	Chapter 160, P. L. 1920 As Amended Covering Police Officers on County Roads	Chapter 48, P. L. 1910 Covering County Park Police
CONTRIBUTIONS						
By Members	3% of salary	3% of salary	2% of salary (in- creased rate for entrants after age 35)	2% of salary (in- creased rate for entrants after age 35). Contributions continue after re- tirement	2% of salary. Contri- butions continue after retirement	Set by board at least 1% and not exceed- ing 3% of salary
By Counties	3% of salary and deficits to be made up from taxes	3% of salary and deficits to be made up from taxes	4% of salary and deficits to be made up from school ap- propriations	4% of salary and deficits to be made up from taxes	4% of salary and deficits to be made up from taxes	5% of salary
Additional Income	Donations, rewards and fines	Donations and re- wards	Donations	Fines, donations and rewards	All fines, donations, ½ rewards, tax paid by foreign in- surance companies	Fines, donations and rewards

\* The provision for payment of benefit in the event of death in the actual performance of duty is not found in Chapter 122, P. L. 1929 and in Chapter 99, P. L. 1929.

† Under Chapter 122, P. L. 1929 the pension is paid to dependent children if no widow survives.

‡ Under Chapter 93, P. L. 1929 upon death due to ordinary causes a pension of one-half salary is payable to widow.

The preceding summary indicates a rather close similarity of the provisions for county employees. The principal laws which differ materially from Chapter 122, P. L. 1929, are Chapter 112, P. L. 1929, covering certain employees of Boards of Education in first class counties and Chapter 48, P. L. 1910, Chapter 160, P. L. 1920 as amended, and Chapter 264, P. L. 1928 as amended, covering certain police officers.

### COST STATEMENTS

The normal cost of benefits allowable under the various jointly contributory plans for county employees is given in comparative form in the following table.

TABLE 25

COMPARISON OF THE PERCENTAGES OF SALARY REQUIRED TO PROVIDE PENSION BENEFITS FOR AVERAGE NEW MEMBERS UNDER JOINTLY CONTRIBUTORY PLANS FOR COUNTY EMPLOYEES

<i>Retirement Law</i>	<i>Normal Cost</i>
Chapter 48, P. L. 1910.....	7.64%
Chapter 160, P. L. 1920 as amended .....	16.88
Chapter 140, P. L. 1921.....	15.67
Chapter 292, P. L. 1926 as amended .....	15.67
Chapter 303, P. L. 1927.....	15.67
Chapter 264, P. L. 1928 as amended .....	17.94
Chapter 93, P. L. 1929.....	12.80
Chapter 99, P. L. 1929.....	5.19
Chapter 104, P. L. 1929.....	7.04
Chapter 112, P. L. 1929.....	2.33
Chapter 122, P. L. 1929.....	6.07
Average All Laws.....	8.69%

The accrued liability has also been estimated under the jointly contributory plans and the approximate total annual payment required to support the funds has been calculated. The annual payments under all the jointly contributory plans have been combined and the average annual cost of all eleven funds expressed as a percentage of the combined payroll. Attention is called to the fact that the percentage so determined does not apply to any one fund but is a composite figure of value in judging the cost of the jointly contributory plans as a whole.



TABLE 26

ANNUAL CONTRIBUTIONS REQUIRED TO SUPPORT THE ELEVEN  
JOINTLY CONTRIBUTORY PLANS FOR COUNTY EMPLOYEES

<i>Payment</i>	<i>Annual Contributions</i>	
	<i>As Percentage of Payroll</i>	<i>Amount Based on Present Payroll</i>
Normal Contributions .....	8.69%	\$464,694
Accrued Liability Contributions.....	7.28	389,295
<i>Total Required to Support Funds.....</i>	<i>15.97%</i>	<i>\$853,989</i>
New Member's Contributions at Present Rates.....	2.79%	\$149,194
Contributions of Counties.....	3.23	172,723
Present Revenues from Other Sources.....	.01	535
Additional Revenues Needed.....	9.94	531,537
<i>Total .....</i>	<i>15.97%</i>	<i>\$853,989</i>

The preceding table indicates that annual contributions averaging approximately 9.94 per cent. of the payroll are needed for the support of the jointly contributory county funds in addition to their present sources of income. As was pointed out above, this figure does not apply to any one fund and is presented as the best indication available of the cost as a whole of the existing jointly contributory laws for county employees.

PROVISION FOR COUNTY EMPLOYEES NOT NOW COVERED UNDER  
JOINTLY CONTRIBUTORY PENSION PLANS

The data collected by the Commission indicates that there are approximately 5,016 county employees who are not now covered by jointly contributory retirement provisions. There are two general laws which make it possible for counties to retire their employees provided they have attained age 65 and completed forty years of service or provided they have attained age 60 and are incapacitated for further service after thirty years of service.

If the past trend of legislation continues in the future it is likely that counties will gradually adopt provisions similar to those governing jointly contributory funds in the State. The first class counties

now have a law providing every class of employees except those employed on a temporary basis. It would seem that gradually the other counties would adopt the same course as has been followed by the first class counties. The general laws which do not permit the retirement of employees before age 65 unless they are disabled and then only if they have attained age 60 will probably not adequately take care of the retirement problem permanently. If the counties follow the precedents set by the jointly contributory plans they will assume liabilities which will average over 13.18 per cent. of the annual payroll of the employees covered in excess of the employees' contributions.

#### CONCLUSIONS REGARDING PENSION PROVISIONS FOR COUNTY EMPLOYEES THROUGHOUT THE STATE

As in the case of the municipalities the counties which have jointly contributory funds are permitting heavy liabilities to accrue under their funds. If counties which have not yet adopted jointly contributory plans adopt provisions in the future along the lines of the present plans they also may inadvertently undertake the heavy liabilities which the various laws now entail. Since they have not begun to pay anything and employees have not begun to pay anything they may be considered as accruing a liability of over 15.97 per cent. of the payroll or 15.97 per cent. of \$8,682,174 or \$1,386,543 per year if we assume that they will eventually adopt the law. Counties which have funds are accruing a liability for which no provision is being made of 9.94 per cent. of their payroll or \$531,537. On this basis, in the counties of the State as a whole a debt of about \$1,918,080 per year is accumulating at interest to be paid by the taxpayers at some future date, if the present policy as to pensions is continued.

If the counties are willing to assume the cost of the funds the contribution rates should now be adjusted so that they will not hereafter increase and so that the liabilities will be covered as they accrue. If the counties are not willing to have the contributions adjusted to those which are necessary to support the existing benefits then the present employees as well as those hereafter to be employed should know the situation so that adequate steps may be taken to handle the condition in a way which will mean the minimum of embarrassment to the members and the public.

## CHAPTER V

### PENSION PROVISIONS FOR TEACHERS AND OTHER SCHOOL EMPLOYEES

The development of pension provisions for teachers in New Jersey has been state-wide from the outset. In this respect New Jersey differs from many of the eastern states where individual cities developed pension funds for their teachers and later a state fund was established which absorbed the local systems. A chart on file in the office of the Commission shows chronologically the more important retirement laws for teachers which have been passed and the groups affected.

The earliest retirement provisions for teachers indicated on the chart are those passed under Chapter 32, P. L. 1896. This law, which was passed upon the initiative of the teachers, established a fund to be operated solely from the contributions of teachers, which provided a benefit of one-half salary upon disability after twenty years of service. Between 1896 and 1903 all legislation was in the nature of amendments to this act of 1896. No provisions calling for contributions from the State were passed until 1903. Under Chapter 16, P. L. 1903, pensions of half pay became payable from public funds to any teacher who had served for more than forty years consecutively in the same district. By amendment to this law on April 12, 1906, the requirement of forty years of service was changed to thirty-five years' service of which only twenty years was required in the same district. Between 1903 and 1919, this law, referred to commonly as the 35 Year Service Pension Law, and the law of 1896 as amended, referred to commonly as the Teachers' Retirement Fund Law, operated concurrently and the legislation passed was by way of amendment to these two laws.

In 1919 the future course in respect to retirements under the two funds was not encouraging. The Teachers' Retirement Fund was in difficulty because the cost of benefits was far in excess of the contributions being made by members. Also the State under the 35 Year Service Pension Law was permitting a very heavy liability to accrue. As a solution to the many difficult problems confronting both the teachers and the State, the legislature in 1919 modified the operation

of the two laws and adopted the present retirement law, Chapter 80, P. L. 1919, which took over the pension rolls under both the Teachers' Retirement Fund and the 35 Year Service Pension Act, and provided for the operation of one retirement system to be supported by the joint contributions of the State and teachers.

In 1931, therefore, we find that all teachers of the State are entitled to membership in the New Jersey Teachers' Pension and Annuity Fund as established by Chapter 80, P. L. 1919.

#### ANALYSIS OF CHAPTER 80, P. L. 1919, AS AMENDED

The Commission considers Chapter 80, P. L. 1919, a very important retirement act, both because of the large groups of governmental employees included under its operation and because of the fact that it represents the first retirement law to be passed in the State which has provided for contributions actuarially determined to be sufficient to cover the benefits provided. Through the courtesy of the Board of Trustees of the Teachers' Pension and Annuity Fund, the Commission has secured a statement of the membership of the fund and the last valuation balance sheet showing the present and prospective assets and liabilities of the fund. Before these figures are given, the following summary showing the main benefit and contribution provisions of the law as interpreted for use by the actuary of the system in making his valuation may be of interest.

#### *Summary of Benefit and Contribution Provisions of Chapter 80, P. L. 1919, as Amended Providing Benefits for Teachers Throughout the State*

##### BENEFITS

##### SUPERANNUATION BENEFIT

*Condition for Allowance*—To any member attaining age 62, a superannuation allowance is payable either upon his request or upon the request of his employer. A present entrant\* may retire after 35 years of service regardless of age, provided the last 25 years of service has been performed in the State. Retirement at age 70 is compulsory.

*Total Benefit*—The total benefit payable upon superannuation requirement is equal to approximately 1/70 of the average salary\*\* of the member multiplied by the number of years of service, but in no case is the total allowance less than \$400, if a teacher has had 20 or more years of total service. The total benefit consists of two elements, one provided by the teacher and the other by the State.

*Provided by Teacher*—The teacher provides an annuity which is the actuarial equivalent of his accumulated deductions at the time of retirement.

*Provided by State*—The State provides a pension which is  $\frac{1}{140}$  of the average salary of the member for each year of service rendered as a member, plus an additional pension for each year of service prior to becoming a member for which credit is allowed by the Board of Trustees, equal is the case of present entrants, to  $\frac{1}{70}$  of the average salary for each such year, and in the case of new entrants\* to  $\frac{1}{140}$  of average salary for each such year. In addition, if the total allowance provided by the combined annuity and pension calculated as described above is less than \$400 for a teacher with 20 or more years of service, the State provides the additional pension necessary to make the total allowance equal to \$400. An additional pension is payable to any present entrant who was a member of the old Teachers' Retirement Fund. This pension is equal to the actuarial equivalent of his contributions to the old Teachers' Retirement Fund without interest.

\* "Present entrant" is used to denote a member entitled to pension credit on account of service rendered prior to the establishment of the fund and "new entrant" denotes a member entitled only to credit for service since entrance into membership, plus such other credit as he may have on account of extra contributions.

\*\* "Average salary" is defined by the law as the average salary for the last 5 years preceding retirement.

#### DISABILITY RETIREMENT

*Condition for Allowance*—After 10 years of service as a teacher in New Jersey, which in the case of a new entrant must be rendered as a member of the Teachers' Pension and Annuity Fund, a disability pension is payable to any teacher who is mentally or physically incapacitated for the performance of duty.

*Total Benefit*—The total benefit payable upon disability is equal to  $\frac{1}{70}$  of the average salary multiplied by the number of years of total service, but not less than \$300 per annum or 30 per centum of such average salary with the exception that in no case shall the allowance exceed  $\frac{9}{10}$  of the rate of allowance to which the member might have been entitled had retirement been deferred until age 62.

An additional pension is payable to any present entrant who was a member of the old Teachers' Retirement Fund. This pension is the actuarial equivalent of the contributions, without interest, which the member made to the old Teachers' Retirement Fund

*Provided by Teacher*—Of the total benefit on disability the teacher provides the annuity which is the actuarial equivalent of his accumulated deductions at retirement.

*Provided by State*—The State provides the amount required, in addition to the annuity of the teacher, to provide the total benefit allowable.

#### RETURN OF CONTRIBUTIONS

Teachers' contributions are returned with compound interest at  $3\frac{1}{2}$  per cent. upon resignation or dismissal or to their estates in case of death before retirement.

## SPECIAL PRIVILEGES AT RETIREMENT

Members upon retirement may elect to receive the actuarial equivalent of their pensions and annuities in any one of the following forms:

(a) Total amount payable in monthly instalments throughout life, all payments ending at death.

(b) Reduced payments during life with a provision that in case of death before such payments have equalled the present value of the pension and annuity at the date of retirement, the balance shall be paid to the heirs or assigns.

(c) Reduced payments covering two lives with a provision that at the death of the member the same payments or one-half of such payments shall be continued throughout the life of such other person as the member shall have designated at the time of his retirement.

(d) Such other form of actuarial equivalent as may be certified by the actuary and approved by the retirement board.

## CONTRIBUTIONS

### BY TEACHERS

Teachers contribute on a savings bank basis until eligible for retirement, such amounts as are computed to be sufficient to produce an annuity of 1/140 of the average salary for each year of membership upon retirement at age 62. New entrants desiring credit for prior service are allowed to make additional contributions computed to be adequate to provide an annuity of 1/140 of such average salary for each year of prior service.

Men teachers' contributions now range from 3.62 per cent. to 6.11 per cent.; women's contributions from 3.87 per cent. to 7.42 per cent.

### BY STATE

The State makes all the contributions required in addition to members' contributions in order to support the plan. It makes a normal contribution for all members which averages at present 2.85 per cent. of the payroll of members. In addition it is making an accrued liability contribution which it is expected will liquidate the accrued liability by 1954.

### *Number and Payroll of Members of the Teachers' Pension and Annuity Fund*

The total number of active members of the Teachers' Pension and Annuity Fund on June 30, 1931, the date of the last valuation, was as follows:

TABLE 27

### *Membership and Salaries of Members of the Teachers' Pension and Annuity Fund*

Class	Total		Men Teachers		Women Teachers	
	Number	Salaries	Number	Salaries	Number	Salaries
Present Entrants....	5,137	\$15,754,255	939	\$ 3,864,700	4,198	\$11,889,555
New Entrants .....	21,554	40,437,990	4,393	10,165,242	17,161	30,272,748
Total .....	26,691	\$56,192,245	5,332	\$14,029,942	21,359	\$42,162,303



# *Number and Retirement Allowances of Pensioners Receiving Benefits from the Teachers' Pension and Annuity Fund*

The following table gives the number and retirement allowances of pensioners now receiving benefits from the Teachers' Pension and Annuity Fund.

TABLE 28  
NUMBER AND RETIREMENT ALLOWANCES OF PENSIONERS  
ON THE ROLL

<i>Beneficiaries Drawing Benefits from</i>	<i>No.</i>	<i>Amount of Pension</i>	<i>Amount of Annuity</i>	<i>Amount of Additional Pension*</i>	<i>Total Allowance</i>
Both the Teachers' Retirement Fund and 35 Year Pension Fund .....	318	\$ 183,886.66	\$176,935.36	.....	\$ 360,822.02
Only the Teachers' Retirement Fund..	164	.....	70,587.76	.....	70,587.76
35 Year Pension Fund.....	29	17,795.16	.....	.....	17,795.16
Teachers' Pension and Annuity Fund					
Service Retirements .....	738	738,374.40	83,375.97	\$18,058.91	839,809.28
Disability Retirements .....	165	97,144.43	10,246.70	1,824.65	109,215.78
Total .....	1,414	\$1,037,200.65	\$341,145.79	\$19,883.56	\$1,398,230.00

\*Note:—Pensions payable on account of contributions to the old Teachers' Retirement Fund.

## *Normal Cost of Benefits*

Chapter 80, P. L. 1919 as amended provides that the average new members contribute rates fixed according to their ages at entrance into service. The average new member pays approximately 4.26 per cent. of his salary during active service. The State contributes at a rate adequate to take care of the normal cost of the benefits for new members not provided by members' contributions and to cover the accrued liability assumed by the system on account of service rendered prior to its establishment. Following the same method as was used in determining the cost of the other funds throughout the State, the Commission first undertook to ascertain the "normal cost" of the system to the State. If in the future new members enter at the same average ages as those at which teachers have entered to date, the normal cost of providing the benefits under Chapter 80, P. L. 1919, will be approximately 7.11 per cent. of payroll. Chapter 80, P. L. 1919, divides the benefits into two classes, those provided through contributions of the State and those through contributions of the members. While this somewhat complicates the presentation of the cost in the form used for the other funds, the actuary has prepared an approximate analysis of the normal cost in the same form as previously used. This analysis is shown in the following table.

TABLE 29

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 PERCENTAGES OF SALARY REQUIRED TO PROVIDE PENSION BENEFITS  
 FOR AVERAGE NEW MEMBERS UNDER CHAPTER 80,  
 P. L. 1919 AS AMENDED

<i>Benefits</i>	<i>Men Teachers</i>	<i>Women Teachers</i>
Service Benefit .....	4.50%	3.74%
Disability Benefit .....	.53	1.61
Benefits to Dependents upon Death after Retirement.....	.....	.....
Return of Contributions.....	1.72	1.88
Total .....	6.75%	7.23%
Average for Combined Groups 7.11%		

The preceding table shows that contributions of approximately 7.11 per cent. of the payroll are required to support the plan for new entrant members. The cost of benefits for individual employees varies according to ages at entrance. In the actuarial report both the rates of contribution payable by the State under Chapter 80, P. L. 1919 as amended for new entrants at ages ranging from 20 to 40 inclusive and the rates payable by members are shown. The income of the fund established under Chapter 80, P. L. 1919, provides that the State shall make contributions at the normal rate so that the full cost of the benefits for new entrants are being provided through the joint contributions of State and members. The admission of new members therefore does not involve any liability which is not covered by adequate contributions.

#### *Cost of Benefits to Present Members*

Had contributions been made at the normal rate by or in behalf of every present member at the time he entered the service, the funds in hand today together with the future contributions of the State at the normal rate and the members' contributions would be adequate to provide all benefits payable to present members. But contributions in the past, before the establishment of the fund, amounted to less than the normal cost and therefore there is an accrued liability which requires additional contributions. In order to obtain knowledge of the additional contributions required to provide benefits for the present members of the fund, the Commission was able to secure through the courtesy of the Board of Trustees the last valuation balance sheet prepared by the actuary showing the total liabilities of the fund on account of the benefits which will be payable to present members.



The results of the valuation are summarized in the following valuation balance sheet. As an offset against the liabilities of the funds there are available the funds in hand and the prospective contributions of the State. Attention is called to the fact that in the valuation balance sheet the benefits to be provided by future contributions of members and the future contributions of members are omitted as these items exactly balance each other. The fund is similar to a savings bank fund where members get exactly what their own contributions will provide at the time they retire. Obviously, since there is no liability with the fund or with the public to make any increase in the savings account of any member, the future contributions of members need not be set up in the balance sheet.

TABLE 30  
VALUATION BALANCE SHEET SHOWING PRESENT AND PROSPECTIVE  
ASSETS AND LIABILITIES UNDER THE FUND ESTABLISHED IN  
ACCORDANCE WITH CHAPTER 80, P. L. 1919 COVERING  
TEACHERS

<i>Assets</i>	
Present assets of funds creditable to:	
Annuity Savings Fund.....	\$17,115,501
Annuity Reserve Fund.....	844,311
Pension Reserve Fund.....	29,726
Pension Fund .....	8,550,002
Pension Accumulation Fund.....	6,337,895
Unapportioned Interest .....	235,057
Total Present Assets.....	<u>\$33,112,492</u>
Present value of prospective contributions creditable to:	
Pension Fund	
(1) Value of future normal contributions to be made by State including payment due July 1, 1931.....	\$ 4,527,475
(2) Value of future deficiency payments to be made by State including payment due July 1, 1931.....	35,442,196
Total Pension Fund.....	<u>\$39,969,671</u>
Pension Accumulation Fund:	
Contributions at regular rates on account of new entrants including payment due July 1, 1931.....	18,085,919
Total Prospective Assets.....	<u>58,055,590</u>
Total Assets .....	<u>\$91,168,082</u>

TABLE 30 (Continued)

*Liabilities*

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Present value of benefits payable on account of beneficiaries now drawing allowances from the:

Annuity Reserve Fund:	
Disability Benefits:	
Men .....	\$ 16,345
Women .....	90,982
Superannuation Benefits:	
Men .....	159,136
Women .....	585,141
Total Annuity Reserve Fund.....	\$ 851,604
Pension Reserve Fund:	
Disability Benefits:	
Men .....	\$ 7,725
Women .....	15,085
Superannuation Benefits:	
Men .....	2,544
Women .....	3,656
Total Pension Reserve Fund.....	29,010
Pension Fund:	
Members retired under the 35-Year Service Act:	
Men .....	\$ 140,289
Women .....	1,213,558
Members Retired under the Teachers' Retirement Fund:	
Men .....	118,370
Women .....	1,617,579
Members retired under the Teachers' Pension and Annuity Fund:	
Disability Benefits:	
Men .....	122,083
Women .....	883,924
Superannuation Benefits:	
Men .....	1,194,117
Women .....	5,633,377
Present value of benefits to "present entrants" to be paid by contributions into the Pension Fund:	
Disability pensions payable by State on account of membership in the Teachers' Pension and Annuity Fund:	
Men .....	229,644
Women .....	2,440,739
Additional disability pensions on account of contributions to Teachers' Retirement Fund:	
Men .....	2,640
Women .....	25,020
Superannuation pensions on account of service as members of Pension and Annuity Fund:	
Men .....	2,564,417
Women .....	10,354,720

TABLE 30—Liabilities (Continued)

Superannuation pensions on account of prior service:	
Men .....	3,913,806
Women .....	17,665,894
Additional superannuation pensions on account of contributions to Teachers' Retirement Fund:	
Men .....	68,047
Women .....	331,449
Total Pension Fund.....	48,519,673
Present value of benefits to "new entrants" to be paid by contributions to the Pension Accumulation Fund to be transferred to the Pension Reserve Fund:	
Disability Pensions:	
Men .....	\$ 763,981
Women .....	6,209,134
Superannuation Pensions:	
Men .....	5,220,693
Women .....	12,126,106
Total Pension Accumulation Fund.....	24,319,914
Present value of benefits on account of which contributions have been accumulated to date in the Annuity Savings Fund.....	17,115,501
Net surplus on account of interest earnings and balances of various funds .....	332,380
Total Liabilities .....	\$91,168,082

The preceding balance sheet shows that the liabilities of the Teachers' Pension and Annuity Fund established under Chapter 80, P. L. 1919, as amended have a value today of \$91,168,082. This means that to pay the promised benefits to present active members or their dependents, contributions will be required having a value today of \$91,168,082. The present assets have a value of \$33,112,492. The contributions of the State at the rates now being paid have a value of \$58,055,590. Therefore, the present assets combined with future contributions at the rates now being paid exactly balance the total liabilities of the fund.

*Future Requirements of Fund Established Under Chapter 80, P. L. 1919, as Amended*

The figures given in the valuation balance sheet show that the income of the Teachers' Pension and Annuity Fund, if continued in accordance with the present rates, will be adequate to take care of the benefits payable. For comparison the future requirements of the fund on the basis of the rates now being paid are shown in the same form as the future requirements for funds established for county and municipal employees.

TABLE 31

ANNUAL CONTRIBUTIONS REQUIRED TO SUPPORT THE PENSION  
FUND ESTABLISHED UNDER CHAPTER 80, P. L. 1919,  
COVERING TEACHERS

<i>Payment</i>	<i>Annual Contributions</i>	
	<i>As Percentage of Payroll</i>	<i>Amount Based on Present Payroll</i>
Normal Contributions .....	7.11%	\$3,995,269
Accrued Liability Contributions.....	4.29	2,410,647
Total Required to Support Fund.....	11.40%	\$6,405,916
Members' Contributions at Present Normal Rate....	4.26%	\$2,393,790
Contributions of State.....	7.14	4,012,126
Present Revenues from Other Sources.....	.....	.....
Additional Revenues Needed.....	.....	.....
Total .....	11.40%	\$6,405,916

The preceding table indicates that contributions of 11.40 per cent. of the payroll are needed for the fund established under Chapter 80, P. L. 1919, as amended. The table indicates that contributions at the present rates are adequate to meet the needs of the fund.

PROVISION FOR CERTAIN CLASSES OF SCHOOL EMPLOYEES NOT  
NOW COVERED UNDER CHAPTER 80, P. L. 1919

Chapter 257, P. L. 1930, was brought to the attention of the Commission in connection with the retirement law for teachers. This law permits a municipality to pay pensions to the widows of school principals who die after 32 years of service. Evidently this law was passed to take care of a special case and therefore may be classified with special legislation.

The retirement provisions for school employees other than teachers were considered in connection with the retirement provisions for teachers.

Supervisors of school buildings and janitors are entitled to become members of the Teachers' Pension and Annuity Fund. For clerical and administrative employees of the boards of education throughout the State there is no uniform retirement plan in operation. Under Chapter 255, P. L. 1921, the secretary of any board of education may be retired at age 60 after 25 years of service on half pay. The funds

for payment of pension are to be raised the same way as other funds for the use of the board of education. Under Chapter 147, P. L. 1925, a somewhat similar provision for medical inspectors of the board of education was made except that retirement can not take place before the attainment of age 70. Under Chapter 112, P. L. 1929, employees of boards of education in school districts of counties of the first class are provided with retirement benefits under a jointly-contributory retirement system. These retirement provisions were discussed in relation to the county plans.

With the exception of these three laws the employees of the boards of education are not covered by specific retirement provisions. The Commission estimates that there are approximately 928 employees of the boards of education throughout the State who do not come under any specific retirement provisions. If the past trend of legislation continues in the future it is likely that these employees will be brought under retirement provisions as liberal as those covering teachers, i. e., liabilities will be assumed on their account at least equal to 7.14 per cent. of their payroll in excess of the employees' contributions.

#### CONCLUSIONS REGARDING PENSION PROVISIONS FOR SCHOOL EMPLOYEES THROUGHOUT THE STATE

The existing situation in respect to retirement provisions for these employees is on a much better basis than for the groups of municipal and county employees heretofore considered. At the present time contributions are being made to the Teachers' Pension and Annuity Fund which are computed to be adequate to meet the accruing liabilities under the fund and to liquidate the accrued liability. The fund is under the supervision of the Department of Banking and Insurance and is being administered on a basis to insure its permanency. Compared with the funds for general municipal and county employees, the fund does not seem unreasonable in cost. From the financial viewpoint all teachers in the State are now covered in a fund in which the liability is being cared for, and only the general school employees other than janitors present a pension problem to be solved in the future. If we assume that eventually these employees will be included in a fund at least as liberal as the state teachers' fund these employees are causing a liability to be accrued equal to the total cost of the teachers' fund or equal to 11.40 per cent. of their payroll. Their payroll is \$1,566,872, and therefore the accruing liability on their account is 11.40 per cent. of \$1,566,872 or \$178,623.

## CHAPTER VI

### PENSION PROVISIONS FOR STATE EMPLOYEES OTHER THAN SCHOOL EMPLOYEES

The development of retirement provisions for State employees other than teachers is illustrated by the chart on file in the Commission office, which shows chronologically the more important laws which have been passed and the groups affected.

According to the chart the earliest retirement provisions for State employees were provided by Chapter 149, P. L. 1910. Under this law officers and employees of State penal institutions disabled in the performance of duty were granted pensions. During the period between 1910 and 1921 the benefits for employees of the penal institutions were extended and various acts providing for the retirement of judges and court employees were enacted.

Under Chapter 109, P. L. 1921, the New Jersey State Employees' Retirement System was established. This was the first jointly contributory retirement plan for general State employees and membership was open to all State employees then in service with the exception of employees holding appointments to positions for fixed statutory terms and members of the State police and certain minor groups not under civil service regulations. Since all employees entering positions covered by the law subsequent to the establishment of the State Employees' Retirement System are required to become members of that system, employees of the State penal institutions who entered the service in 1921 or thereafter are included in the State Employees' Retirement System. Therefore, the group covered by the penal institution retirement laws became a closed group in 1921.

In 1921, also, an act was passed for the retirement of employees not having fixed terms of office. This act (Chapter 134) provided a non-contributory plan for employees who did not wish to come under the State Employees' Retirement System as established under Chapter 109, P. L. 1921. The membership under this act was limited to employees in the service in 1921 and therefore represents a closed group like that included under the law for employees of the State penal institutions.

From 1921 to 1931 several amendments to the New Jersey State Employees' Retirement law were passed. Chapter 261, P. L. 1924,



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 should be mentioned in this connection. This law extends the privileges of participation in the New Jersey State Employees' Retirement System to employees of municipalities and counties should the voters elect to permit their employees to be covered and make the contributions required. To date no municipal or county employees have come into the New Jersey State Employees' Retirement System under this law. Another law, Chapter 104, P. L. 1930, amends the State law as well as all municipal and county laws by excluding persons appointed at age 40 or over. This results in relieving these employees from contributions and in producing a group of persons for whom pension legislation will probably be sought at the expense of the public. \*Because of its recent passage the dangers from the law will not be indicated for a number of years. Various laws were also passed during the past ten years as shown by the chart, affecting the judiciary and employees of courts who are not included under the New Jersey State Employees' Retirement System. The only new jointly contributory system established during the period was for the State police, who are also excluded from the State Employees' Retirement System. Chapter 188, P. L. 1925, established a jointly contributory plan for this class of employees with benefits payable in the event of service, disability or death.

To summarize, we find that in 1931 the following four main groups of State employees were covered under separate provisions.

1. General State employees who are members of the New Jersey State Employees' Retirement System under Chapter 109, P. L. 1921, as amended.

In this connection we may note a special act passed to supplement the benefit under the New Jersey State Employees' Retirement System. Chapter 282, P. L. 1929, gives a supplementary benefit to motor vehicle inspectors so as to give them total pensions about equal to half salary at age 65 after 20 years service. The additional benefit is not paid through the retirement system.

2. Members of the Retirement and Benevolent Fund for members of the State police under Chapter 188, P. L. 1925, as amended.

3. Judges and court employees. Under this heading we have the following:

<i>Reference</i>	<i>Class Covered</i>
C. 354, P. L. 1913 }	Sergeant-at-arms Court of Chancery.
C. 153, P. L. 1919 }	
C. 256, P. L. 1918	Judges of Circuit Court.
C. 107, P. L. 1920 }	Chancellor, chief justices, associate justices of the Supreme Court, judges of the Circuit Court, and vice-chancellors and advisory masters.
C. 43, P. L. 1927 }	
C. 3, P. L. 1929	Former associate judges of Supreme Court.
C. 15, P. L. 1922 }	Stenographic reporters.
C. 129, P. L. 1923 }	
C. 67, P. L. 1927 }	

4. Employees in service in 1921 who did not elect to enter the New Jersey State Employees' Retirement System are covered under either:

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Chapter 149, P. L. 1910, or Chapter 323, P. L. 1912, as amended by Chapter 329, P. L. 1926, or by Chapter 134, P. L. 1921.

In addition to the laws listed above there have been certain special acts passed to benefit particular individuals. Of this nature is Chapter 285, P. L. 1929, which provides a pension for the widow of any person who has served for 35 years as a chief engineer at Greystone Park and who was not a member of the New Jersey State Employees' Retirement System. This law may become inoperative in the future because eventually the chief engineers will be included in the membership of the New Jersey State Employees' Retirement System. Similarly, Chapter 86, P. L. 1923, which provides pensions for widows of employees of the State Board of Shell Fisheries who died in the performance of duty prior to its passage, is not a continuing law.

There are a number of laws now on the statute books which grant special pensions to all public employees who are war veterans. These laws do not give pensions to all citizens of the State who have rendered military or naval service but they do afford a way by which a veteran who obtains a governmental position may receive a special pension by reason of his war service. The laws are as follows:

<i>Reference</i>	<i>Group Covered</i>
P. L. 1877, P. 815 } P. L. 1878, P. 337 } P. L. 1886, C. 136 }	Soldiers and sailors of War of 1812 and widows
P. L. 1907, C. 16	Widow of veteran of War of Rebellion after 25 years service
P. L. 1912, C. 84	Soldier, sailor or marine, honorably discharged who served in War of Rebellion
P. L. 1919, C. 249 } P. L. 1924, C. 224 }	Ex-war service employee—honorably discharged from or serving in any war of United States
P. L. 1921, C. 200	Honorably discharged soldier, sailor or marine who served in War of Rebellion after serving 20 years as proxy, assistant or substitute stenographic reporter under an official court stenographer
P. L. 1921, C. 207	Blind veteran of World War, line of duty

These laws generally provide for payment of about half pay after a fixed term of service in the State.

A supplement to the New Jersey State Employees' Retirement System was passed last year (Chapter 369, P. L. 1931) which made it possible for veterans who are members of the New Jersey State Em-



ployees' Retirement Law to withdraw all of the contributions they had made to the State Employees' Retirement System, discontinue their participation and be covered by larger pensions at the expense of the State than if they had continued to contribute. Approximately 200 of such members have already withdrawn their contributions under the State system and are not now contributing toward any old age benefits.

Similar conditions may follow in other municipal and county systems.

#### NUMBER AND ANNUAL PAYROLL OF STATE EMPLOYEES BY TYPE OF PENSION PROVISION

The Commission was able to secure through the courtesy of the Board of Trustees of the New Jersey State Employees' Retirement System a record of the members of that fund. While no detailed records regarding the groups of other State employees were available it secured the approximate number of employees covered through the courtesy of the secretary of the State employees' retirement system and other State officers. The following table indicates the approximate number of employees included under the various retirement provisions.

TABLE 32

NUMBER AND PAYROLL OF STATE EMPLOYEES BY TYPE OF PENSION PROVISION

<i>Reference to Law by Which Covered</i>	<i>Groups Covered</i>	<i>Number of Employees</i>	<i>Payroll of Employees</i>
	<i>Under Jointly Contributory Plans</i>		
C. 109, P. L. 1921 as amended	All State employees with exception of employees holding appointments or position for fixed statutory terms, State police and certain minor groups	5,154	\$ 8,677,362
C. 188, P. L. 1925 as amended	State police .....	590	501,900
	<i>Under Non-Contributory Plans</i>		
C. 149, P. L. 1910 as amended	Officers and employees of State Penal Institutions (appointed prior to 1921)	121	262,857
C. 134, P. L. 1921	Any State employee not holding office for fixed term (appointed prior to 1921) .....	520	1,167,907
C. 256, P. L. 1918	Chancellors, Chief Justices, Associate Justices, Judges of Circuit Court		
C. 107, P. L. 1920	and Advisory Masters .....	28	412,500
C. 43, P. L. 1927			
C. 3, P. L. 1929			
C. 354, P. L. 1913	Sergeants-at-arms .....	1	1,000
C. 153, P. L. 1919			
C. 15, P. L. 1922	Stenographic reporters .....	2	7,500
C. 129, P. L. 1923			
C. 67, P. L. 1927			
Laws providing benefits to veterans	Estimated number of veterans in State employ not covered by jointly contributory funds .....	626	1,147,680
	<i>Excluded from Participation under Any Pension Plan under C. 104, P. L. 1930, Excluding Entrants Age 40 and Over from State Service.....</i>	263	338,285
	Total .....	7,305	\$12,516,991

The following table gives the number and pensions of pensioners covered by the laws for State employees as shown by such data as were available to the Commission.

TABLE 33

NUMBER OF PENSIONERS AND PENSION ROLL BY TYPE OF PENSION PROVISION

<i>Reference to Law by Which Covered</i>	<i>Group Covered by Law</i>	<i>Number of Pensioners</i>	<i>Pension Roll</i>
<i>Under Jointly Contributory Plans</i>			
C. 109, P. L. 1921 as amended	All state employees with exception of employees holding appointments or positions for fixed statutory terms, state police and certain minor groups	138	\$ 82,836
C. 188, P. L. 1925 as amended	State Police .....	8	8,605
<i>Under Non-Contributory Plans</i>			
C. 149, P. L. 1910 as amended	Officers and employees of State Penal Institutions (appointment prior to 1921) .....	23	21,361
C. 134, P. L. 1921	Any state employee not holding office for fixed term (appointment prior to 1921) .....	4	3,087
96 C. 256, P. L. 1918	Chancellors, Chief Justices, Associate Justices, Judges of Circuit Court, and Advisory Masters .....	3	25,000
C. 107, P. L. 1920			
C. 43, P. L. 1927			
C. 3, P. L. 1929			
C. 354, P. L. 1913	Sergeants-at-arms .....	2	2,400
C. 153, P. L. 1919			
C. 15, P. L. 1922	Stenographic Reporters .....	1	250
C. 129, P. L. 1923			
C. 67, P. L. 1927			
C. 146, P. L. 1912	Widow of Governor.....	1	2,500
C. 178, P. L. 1920			
C. 285, P. L. 1929	Widows of engineers of Greystone Park.....	1	996
C. 84, P. L. 1912	Soldiers of War of Rebellion.....	3	2,800
C. 249, P. L. 1919	Ex-War Service in any War.....	1	1,290
C. 224, P. L. 1924			
C. 207, P. L. 1921	Blind Veterans of World War.....	15	7,500
Miscellaneous	Special Acts for individual employees.....	19	15,750
	Total .....	219	\$174,375

The most important retirement act for State employees is Chapter 109, P. L. 1921 as amended, governing the operation of the New Jersey State Employees' Retirement System. Ultimately this system will cover all State employees with the exception of employees holding appointments or positions for fixed statutory terms, State police and certain minor groups. Through the courtesy of the Board of Trustees of the New Jersey State Employees' Retirement System, the Commission has secured a statement of the membership of the fund and the last valuation balance sheet showing its present and prospective assets and liabilities. Before these figures are given the following summary showing the main benefit and contribution provisions of the law as interpreted for use by the actuary of the system in making his valuation may be of interest.

*Summary of Benefit and Contribution Provisions of Chapter 109,  
P. L. 1921 as Amended Providing Benefits for State Employees*

BENEFITS

SERVICE RETIREMENT

*Condition for Allowance*—A member who has attained age 60 receives a service retirement allowance upon his own request. Retirement at age 70 is compulsory unless the employee is continued in service by request of the head of his department.

*Scale of Allowance*

*Total Benefit*—The total benefit payable upon service retirement is equal to approximately 1/70 of the average salary of the last five years of service multiplied by the total number of years of service. The benefit consists of two elements, one provided by the member and the other by the State.

*Provided by Member*—An annuity which is the actuarial equivalent of his accumulated deductions at the time of his retirement; and

*Provided by State*—A pension of one one-hundred fortieth (1/140) of final compensation\* for each year of total service; and

If such employee received a prior service certificate which is in full force and effect, a further pension of one one-hundred fortieth (1/140) of his final compensation for each year of service certified therein.

ORDINARY DISABILITY RETIREMENT

*Condition for Allowance*—After service for the State in each of the 10 years immediately preceding disability any member may be retired for disa-

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\*Note—"Final Compensation" is used to denote the average annual salary for the last five years of service. Salaries in excess of \$4,500 are used as \$4,500.

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ability upon his own request or upon the request of the head of the department employing him, if he is under the age of 60.

#### *Scale of Allowance*

*Total Benefit*—The total benefit ranges from about 22 per cent. of salary to about 45 per cent. of salary depending on the years of service, and consists of two elements, one provided by the member and the other by the State.

*Provided by Member*—An annuity which is the actuarial equivalent of his accumulated deductions at the time of his retirement; and

*Provided by State*—A pension of one-fifth ( $1/5$ ) of his final compensation, but not to exceed eight-tenths ( $8/10$ ) of the pension which would have been payable to him had he remained in service to age 60; and

If such employee received a prior service certificate which is in full force and effect, a further pension of one one-hundred fortieth ( $1/140$ ) of his final compensation for each year of service certified therein.

#### ACCIDENT DISABILITY RETIREMENT

*Condition for Allowance*—A member may be retired upon accidental disability occurring in the performance of duty regardless of age or length of service.

#### *Scale of Allowance*

*Provided by Member*—An annuity which is the actuarial equivalent of his accumulated deductions at the time of his retirement; and

*Provided by State*—A pension of two-thirds ( $2/3$ ) of his final compensation.

#### ACCIDENTAL DEATH BENEFIT

*Condition for Allowance*—An accidental death benefit is payable upon the death of a member in active service in the actual performance of duty regardless of age or length of service.

#### *Scale of Allowance*

*Provided by Member*—A payment of the accumulated deductions standing to his credit in the Annuity Savings Fund.

*Provided by State*—If the member leaves a widow or children under the age of 18, a pension to the widow until her remarriage or death, or to the children of the member under 18, until the attainment of age 18, of one-half of the final compensation of the member. If the member does not leave a widow or children under the age of 18 a payment of a cash sum equal to the amount of his final compensation to the estate or designated beneficiary of the member.

#### RETURN OF CONTRIBUTIONS

A member who withdraws from the service of the State prior to eligibility for retirement receives all or such part as he may demand of the accumulated deductions standing to his credit in the Annuity Savings Fund. If a member dies before retirement, his accumulated deductions are paid to his estate or beneficiary.

## SPECIAL PRIVILEGES AT RETIREMENT

Members upon retirement may elect to receive the actuarial equivalent of their pensions and annuities in any one of the following forms:

(a) Total amount payable in monthly instalments throughout life, all payments ending at death.

(b) Reduced payments during life with a provision that in case of death before such payments have equalled the present value of the pension and annuity at the date of retirement, the balance shall be paid to the heirs or assigns.

(c) Reduced payments covering two lives with a provision that at the death of the member the same payments or one-half of such payments shall be continued throughout the life of such other person as the member shall have designated at the time of his retirement.

(d) Such other form of actuarial equivalent as may be certified by the actuary and approved by the retirement board.

## CONTRIBUTIONS

### BY MEMBERS

Members contribute on a savings bank basis such amounts as are computed to be sufficient to produce an annuity of 1/140 of their final compensation for each year of membership upon retirement at age 60.

Clerical and administrative employees' contributions range from 4.20 per cent. to 8.15 per cent. of salary, according to their age at membership, and laborers' contributions range from 3.53 per cent. to 7.41 per cent.

### BY STATE

The State makes all the contributions required in addition to members' contributions in order to support the plan. It makes a normal contribution for all members which averages at present 2.64 per cent. of the payroll of members. In addition it is making an accrued liability contribution which it is expected will liquidate the accrued liability by the year 1946.

## COST STATEMENTS

Chapter 109, P. L. 1921 as amended provides that new members contribute rates fixed according to their age at entrance into service. The average new member pays approximately 4.71 per cent. of his salary during active service. The State contributes at a rate adequate to take care of the normal cost of the benefits for new employees not provided by members' contributions and to cover the accrued liability assumed by the system on account of service rendered prior to its establishment. Following the same method as was used in determining the cost of the other funds throughout the State the Commission first undertook to ascertain the "normal cost" of the system to the State. If in the future new members enter at the same average ages as those at which members entered to date, the normal cost of providing the

benefits under Chapter 109, P. L. 1921 as amended will be approximately 7.35 per cent. of the payroll. Chapter 109, P. L. 1921 divides the benefits into two classes, those provided through contributions of the State and those through contributions of the members. While this somewhat complicates the presentation of the cost in the form used for the municipal and county funds, the actuary prepared an approximate analysis of the normal cost in the same form as previously used. This analysis is shown in the following table.

TABLE 34

PERCENTAGES OF SALARY REQUIRED TO PROVIDE RETIREMENT BENEFITS FOR AVERAGE NEW MEMBERS, CHAPTER 109, P. L. 1921

<i>Benefits</i>	<i>Clerical Employees</i>	<i>Laborers</i>
Service Benefit .....	2.98%	2.34%
Disability Benefit .....	.22	.51
Benefits to Dependents upon Death in Active Service.....	.36	2.79
Benefits to Dependents upon Death after Retirement.....		
Return of Contributions.....	3.33	3.20
Total .....	6.89%	8.84%
Average for Combined Groups 7.35%		

The preceding table shows that contributions of approximately 7.35 per cent. of the payroll will be required to support the plan for new entrant members. The cost of benefits for individual employees varies according to age at entrance. In the actuarial report both the rates of contribution payable by the State under Chapter 109, P. L. 1921 as amended, for new entrants for ages ranging from 20 to 40 inclusive and rates payable by members are shown. The income of the fund established under Chapter 109, P. L. 1921 provides that the State and members together shall make contributions at the normal rate so that the full cost of the benefits for new entrants are being provided through the joint contributions of State and members. The admission of new members therefore does not involve any liability which is not covered by adequate contributions.

Had contributions been made at the normal rate by or in behalf of every present member at the time he entered the service, the funds in hand today together with the future contributions of the State at the normal rate and the members' contributions would be adequate to provide all benefits payable to present members. But no contributions were made before the establishment of the fund and therefore there is an accrued liability which requires additional contributions.

In order to obtain knowledge of the additional contributions required to provide benefits for the present members of the fund, the Commission was able to secure through the courtesy of the Board of Trustees the last valuation balance sheet prepared by the actuary showing the total liabilities of the fund on account of the benefits which will be payable to present members.

The results of the valuation are summarized in the following valuation balance sheet. As an offset against the liabilities of the funds there are available the funds in hand and the prospective contributions of the State. Attention is called to the fact that in the valuation balance sheet the benefits to be provided by future contributions of members and the future contributions of members are omitted as these items exactly balance each other. The fund is similar to a savings bank fund from which members get exactly what their own contributions will provide at the time they retire. Obviously, since there is no liability with the fund or with the public to make any increase in the savings account of any member, the future contributions of members need not be set up in the balance sheet.

TABLE 35

VALUATION BALANCE SHEET SHOWING PRESENT AND PROSPECTIVE  
ASSETS AND LIABILITIES UNDER THE FUNDS ESTABLISHED IN  
ACCORDANCE WITH CHAPTER 109, P. L. 1921 AS  
AMENDED COVERING STATE EMPLOYEES

<i>Assets</i>	<i>Present Value of Payments to Be Received</i>
Present assets of the system creditable to:	
Annuity Reserve Fund.....	\$ 70,947
Pension Reserve Fund.....	549,365
Annuity Savings Fund.....	2,033,116
Contingent Reserve Fund.....	1,007,914
Income from investments subject to apportionment....	62,250
	<u>\$3,723,592</u>
Present value of prospective contributions payable by the State of New Jersey to the Contingent Reserve Fund as follows:	
Contributions on account of membership service.....	\$1,920,601
Contributions on account of service rendered prior to the establishment of the system to be paid in annual instalments ending in the year 1946, including balance overdue on account of 1925 appropriation deficit .....	<u>1,013,474</u>
Total regular prospective contributions.....	<u>2,934,075</u>
Total Assets .....	<u>\$6,657,667</u>



TABLE 35 (Continued)

<i>Liabilities</i>	<i>Present Value of Payments to Be Made</i>
Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Annuity Reserve Fund .....	\$ 73,018
Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Pension Reserve Fund .....	567,938
Present value of pensions and benefits payable on account of members entitled to credit for service rendered prior to the establishment of the system:	
Regular service pensions allowable on account of total service .....	\$1,217,911
Additional service pensions allowable on account of prior service .....	507,777
Ordinary disability pensions provided by State.....	134,068
Accident disability pensions provided by State.....	5,849
Accidental death benefits allowable to dependents of employees killed in the actual performance of duty .....	54,330
Accidental death benefits allowable to estates of employees killed in the actual performance of duty and not leaving dependents.....	1,005
Total benefits payable by State on account of members with prior service credit.....	1,920,940
Present value of pensions payable on account of employees who receive credit only for service rendered while members of the system:	
Service pensions approximately equal to total annuities provided by members who remain in service to claim pensions.....	\$1,257,359
Ordinary disability pensions.....	257,035
Accident disability pensions.....	30,943
Accidental death benefits allowable to dependents of employees killed in the actual performance of duty .....	464,333
Accidental death benefits allowable to estates of employees killed in the actual performance of duty and not leaving dependents.....	11,379
Total benefits payable by State on account of members without prior service credit.....	2,021,049
Present value of benefits on account of members' contributions which have been accumulated to date in the Annuity Savings Fund .....	2,033,116
Surplus including profit from sale of investments available to cover future requirements assuming that deficit in appropriation of 1925 will be paid with interest.....	41,606
Total Liabilities .....	<u>\$6,657,667</u>

The preceding balance sheet shows that the liabilities of the New Jersey State Employees' Retirement System as established under Chapter 109, P. L. 1921 as amended have a value today of \$6,657,667.

This means that to pay the promised benefits to present State officers and retired members or their dependents, contributions will be required having a value of \$6,657,667. The present assets have a value of \$3,723,592. The contributions of the State at the rates now being paid have a value of \$2,934,075. Therefore the present assets combined with future contributions at the rates now being paid exactly balance the total liabilities of the fund.

*Future Requirements of Fund Established Under Chapter 109, P. L. 1921 as Amended*

The figures given in the valuation balance sheet show that the income of the New Jersey State Employees' Retirement System established under Chapter 109, P. L. 1921 as amended, if continued in accordance with the present rates will be adequate to take care of the benefits payable. For comparison the future requirements of the fund on the basis of the rates now being paid are shown in the same form as the future requirements for funds established for county and municipal employees.

TABLE 36

ANNUAL CONTRIBUTIONS REQUIRED TO SUPPORT BENEFITS  
UNDER CHAPTER 109, P. L. 1921

<i>Payment</i>	<i>Annual Contributions</i>	
	<i>As Percentage of Payroll</i>	<i>Amount Based on Present Payroll</i>
Normal Contributions .....	7.35%	\$637,786
Accrued Liability Contributions.....	1.01	87,641
Total Required to Support Fund.....	8.36%	\$725,427
Members' Contributions at Present Normal Rate.....	4.71%	\$408,703
Contributions of State.....	3.65	316,724
Present Revenues from Other Sources.....	.....	.....
Additional Revenues Needed.....	.....	.....
Total .....	8.36%	\$725,427

The preceding table indicates that contributions of 8.36 per cent. of the payroll are needed for the fund established under Chapter 109, P. L. 1921 as amended. The table indicates that contributions at the present rates are adequate to meet the needs of the fund.

PROVISION FOR STATE EMPLOYEES UNDER OTHER  
JOINTLY CONTRIBUTORY PLANS

The table on page 95 indicates that the only jointly contributory plan for State employees, other than the plan for general State employees, is the plan for the State police which operates under Chapter 188, P. L. 1925 as amended. The Commission has not attempted to make a complete valuation of the liabilities of the State under the latter law, inasmuch as the group of employees covered is comparatively small. However, an estimate has been prepared as to the approximate cost of the plan for the use of the Commission in comparing the costs of the various State plans.

*Summary of Benefit and Contribution Provisions of Chapter 188,  
P. L. 1925 as Amended by Chapter 115, P. L. 1931 Providing  
Benefits for Members of the State Police*

The following summary gives in very brief form the main benefit and contribution provisions of the jointly contributory retirement law for the State police.

BENEFITS

SERVICE BENEFIT

*Condition for Allowance*—A service pension is payable to any member who attains age 50 and has had at least 20 years of service, upon his own application or upon the recommendation of the superintendent of State police.

*Amount of Benefit*—The benefit consists of a pension equal to three-fourths of the salary of the member at the time of retirement but not in excess of one-half of the salary including maintenance allowance of such member at the time of retirement.

BENEFIT UPON DISABILITY IN THE ACTUAL PERFORMANCE OF DUTY

*Condition for Allowance*—An accidental disability benefit is payable to any member who shall have received permanent disability in the performance of duty.

*Amount of Benefit*—The benefit consists of a pension of not less than one-quarter nor more than three-quarters of his salary including maintenance allowance at the time of his retirement.

BENEFIT UPON DEATH IN PERFORMANCE OF DUTY

*Condition for Allowance*—A death benefit is payable upon the death of a member in active service on account of injuries incurred in the performance of duty. The benefit is payable to the widow or if no widow to the dependent children under age 16 or if neither widow nor dependent children to the sole dependent parent. Pensions to widows are discontinued at remarriage but at death are continued to dependent children under age 16. Benefits to children are terminated at death or at age 16.

*Amount of Benefit* You are viewing an Archived Copy from the New Jersey State Library salary including maintenance allowance of the member at the time of death except that if the benefit is paid to the dependent children and there are three or more children the benefit shall be divided equally among the children. If there are only two children the share of each child shall be \$25 per month. If there is only one child the share shall be \$30 per month. Each child's share shall expire upon the attainment of age 16.

#### CONTRIBUTIONS

##### BY MEMBERS

Members contribute 2 per cent. of salary.

##### BY STATE

$\frac{1}{8}$  of the 2 per cent. tax collected by the Commissioners of Banking and Insurance from insurance companies of other states and foreign companies on premiums of insurance against automobile liability, automobile property damage, automobile collision and all fire and theft insurance risks in this State.

#### COST STATEMENTS

The normal cost of benefits allowable under the Police Fund is given in the following table. The normal cost of the State Employees' Retirement System is also given for comparison.

TABLE 37

#### COMPARISON OF THE PERCENTAGES OF SALARY REQUIRED TO PROVIDE PENSION BENEFITS FOR AVERAGE NEW MEMBERS UNDER JOINTLY CONTRIBUTORY PLANS FOR GENERAL STATE EMPLOYEES

<i>Retirement Law</i>	<i>Normal Cost</i>
Chapter 109, P. L. 1921 (State Employees' Retirement System).....	7.35%
Chapter 188, P. L. 1925 (State Police Fund).....	7.12
Average two Laws.....	7.34%

The accrued liability has also been estimated under the State police plan, and the approximate total annual payments required to support it calculated. The annual payments under the two jointly contributory plans have been combined and the average annual cost of the funds expressed as a percentage of the combined payroll. Attention is called to the fact that the percentage so determined does not apply to any one fund, but is a composite figure of value in judging the cost of the jointly contributory plans as a whole.

The following table shows the results of the calculations and is offered to give the best indication of the cost of the policy followed to date by the State in establishing jointly contributory plans for State employees, other than teachers.

TABLE 38

ANNUAL CONTRIBUTIONS REQUIRED TO SUPPORT THE JOINTLY CONTRIBUTORY PLANS FOR GENERAL STATE EMPLOYEES  
OTHER THAN TEACHERS

<i>Payment</i>	<i>General Employees</i>		<i>Contributions Required for Policemen</i>		<i>Combined</i>	
	<i>As Percentage Based on of Present Payroll</i>	<i>Amount Based on Present Payroll</i>	<i>As Percentage Based on of Present Payroll</i>	<i>Amount Based on Present Payroll</i>	<i>As Percentage Based on of Present Payroll</i>	<i>Amount Based on Present Payroll</i>
Normal Contributions .....	7.35%	\$637,786	7.12%	\$35,735	7.34%	\$673,521
Accrued Liability Contributions.....	1.01	87,641	5.00	25,095	1.23	112,736
Total Required to Support Fund	8.36%	\$725,427	12.12%	\$60,830	8.57%	\$786,257
New Members' Contributions at Present Rate .....	4.71%	\$408,703	2.00%	\$10,038	4.56%	\$418,741
Contributions of State.....	3.65	316,724	.....	.....	3.45	316,724
Present Revenues from Other Sources .....	.....	.....	10.12	50,792	.56	50,792
Additional Revenues Needed.....	.....	.....	.....	.....	.....	.....
Total .....	8.36%	\$725,427	12.12%	\$60,830	8.57%	\$786,257

The preceding table indicates that annual contributions averaging approximately 8.57 per cent. of the payroll are need for the support of the jointly contributory State funds covering State employees other than teachers. The State Police Benevolent and Retirement Fund is apparently receiving adequate contributions at the present time but a large part of its revenues comes through the taxes received from foreign fire insurance companies. The Commission has found that generally income of this kind which is not definitely related to the cost of benefits is subject to wide variation and is not looked upon as as a good a means of financing a pension fund as appropriations directly related to the liabilities of the system such as the State makes to the New Jersey State Employees' Retirement System. If the service covered by the State' police grows the liabilities of their fund will grow correspondingly but the income from taxes might not be increased so that a deficit might develop. For this reason the State may wish eventually to change the method of financing under the State Police Retirement and Benevolent Fund to one similar to that used under the State Employees' Retirement System.

The table on page 95 indicates that there are several small groups of State employees who are not now covered under jointly contributory retirement provisions.

The first group shown by the table as under non-contributory plans is the group of officers and employees of State penal institutions, who were in service in 1921 and who preferred to remain under Chapter 149, P. L. 1910 as amended, rather than enter the New Jersey State Employees' Retirement System. This group of 121 employees will retire under the former laws, but after the last retirement among them has taken place, there will be no future retirements under this law. Therefore, the Commission has not considered these retirement provisions as of very great importance, as far as future retirement legislation in the State may be concerned.

The second group shown as not covered by jointly contributory provisions also represents a small group of employees who did not elect to become members of the New Jersey State Employees' Retirement System in 1921. This group of employees is now included under Chapter 134, P. L. 1921 which permits the payment of a pension of 50 per cent. of the average salary of the last two years of service upon disability after completing twenty-five years of service and attaining age 60. However, as in the case of the group of employees of the State penal institutions, there can be no further additions to this group by voluntary election. As each employee leaves the service the appointee to his position enters the State Employees' Retirement System. Therefore, since the group is not a continuing one, the Commission has not considered it important for consideration in this study.

The third group shown as coming under non-contributory provisions are the chancellors, chief justices and judges of the courts. These employees are not entitled to become members of the State Employees' Retirement System and are covered under non-contributory retirement provisions, which are very simple in form, permitting the retirement of the employee at a fixed age after certain terms of service. Chancellors, chief justices and judges, are entitled to retire at age 70 after fourteen years of service, on half salary, or if disabled in office, or if they fail to be re-appointed at age 68 with twenty years of service. Somewhat similar provisions apply to sergeants-at-arms of the Court of Chancery and to stenographic reporters of the



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circuit courts of the State. The retirement provisions for these classes of employees are not very complete and it may be that the State will eventually bring them under retirement provisions more in line with those for the general State employees.

The table shows certain employees as covered by laws affecting veterans only. These laws which apply to all governmental employees throughout the State are discussed on pages 93 to 94. In addition to the State employees shown as covered by retirement provisions on page 95 there are 263 employees who have entered the State service at age 40 or over since the passage of Chapter 104, P. L. 1930 and have thereby been excluded from participation in any retirement fund. While this group of employees is relatively small at the present time it will grow and will ultimately require some provision for retirement which the State is now overlooking. It is probable that for these employees as well as for veterans the State is permitting a liability to accrue at least equal to the cost of the State Employees' Retirement System, as measured in terms of per cent. of payroll.

#### CONCLUSIONS REGARDING PENSION PROVISIONS FOR GENERAL STATE EMPLOYEES

The existing situation in respect to the State funds is more encouraging than in respect to municipal or county funds. The State is taking care of its liabilities on a reserve basis for the majority of State employees. Apparently no deficit is now accumulating on account of the State police, although the method of financing their fund is not altogether a safe one to follow. Of the small groups of employees not included under jointly contributory systems, two groups are closed to future entrants and gradually the retirement laws covering them will become ineffective. The only groups requiring special attention appear to be the group of State employees who may be engaged at ages 40 and over and the justices and judges of the courts and their employees and veterans. For none of these groups is the State making proper financial provision for the future. On the basis of the existing laws there appears to be a liability accruing for them of approximately 8.57 per cent. of their payroll or approximately 8.57 per cent. of \$1,906,965 or \$163,833 per year if we assume that the State will eventually adopt for those not covered, provisions at least as liberal as those for other State employees.

## APPENDIX

### LAWS CREATING AND CONTINUING THE STATE PENSION SURVEY COMMISSION

#### JOINT RESOLUTION NO. 5, LAWS OF 1930

JOINT RESOLUTION for the creation of a commission to study the problems of municipal, county and State Pensions, and public agencies for the relief of dependency, and making an appropriation therefor.

WHEREAS, In the past ten years a large number of pension bills have been made law providing pension benefits for many groups of employees; and

WHEREAS, The financing provisions of many of these pensions are not upon an actuarial basis with proper reserves; and

WHEREAS, The costs of such pensions for employees whose service is to the present taxpayers will fall with its greatest burden upon future taxpayers, without the equitable proportionate contributions being made by those taxpayers who receive the benefits of the service; and

WHEREAS, There seems to be a feeling of uncertainty as to what are the public's real obligations in connection with existing pensions; and

WHEREAS, There is a demand that an old age pension should be established and administered as a State Agency; therefore,

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. There is hereby created a commission of seven members to be appointed as follows: One member of the Senate to be appointed by the President thereof; one member of the Assembly to be appointed by the Speaker thereof; and five members to be appointed



by the Governor. All members shall serve without compensation, but shall be reimbursed for traveling expenses.

2. Such commission shall organize as soon as may be after their appointment, upon the call of the Governor, and shall elect a chairman and vice-chairman, from its members, and appoint a secretary, who may be or may not be a member of said commission.

3. The commission shall be charged with the duty of inquiring into the financing and other provisions of the several pension acts now upon the statute books covering municipal, county, school and State employees, and make a general valuation of same, showing the relation as between the costs and liabilities of the plans of financing of the several funds and for financing same on an actuarial reserve basis.

4. To inquire into the operation of the laws for the relief of dependency and study the social and economic results in the operation of the same.

5. To investigate the subject of relief of dependency of old age.

6. Said commission is authorized to employ necessary legal, clerical and other assistants. It shall have power to issue subpoenas signed by the chairman or vice-chairman and by the secretary of the commission, to compel the attendance of witnesses or the production of books, papers and records. The said commission shall hold such hearings as may be necessary at such places in the State as it may deem advisable.

7. The commission shall have a valuation of the financial obligations of pension funds under present laws. The commission shall report to the Legislature of one thousand nine hundred and thirty-one its findings, together with such recommendations in connection with the several subjects as they may determine shall be for the best interests of those affected as beneficiaries of any of the above acts and of the public, and shall report their findings and recommendations as to the old age dependency problem, and as well make a recommendation as to the future pension policy of the State.

8. For the purpose of carrying into effect this joint resolution, there is hereby appropriated the sum of twenty-five thousand dollars (\$25,000.00).

9. This resolution shall take effect immediately.

Approved April 14, 1930.

JOINT RESOLUTION recreating and continuing the commission heretofore appointed pursuant to Joint Resolution No. 5 of the session of one thousand nine hundred and thirty, entitled "Joint resolution for the creation of a commission to study the problems of municipal, county and State pensions, and public agencies for the relief of dependency, and making an appropriation therefor," approved April fourteenth, one thousand nine hundred and thirty.

WHEREAS, The State-wide inquiries, investigations and surveys being conducted by the commission appointed pursuant to the provisions of Joint Resolution No. 5 of the session of one thousand nine hundred and thirty are still incomplete; and

WHEREAS, Investigations and surveys undertaken by the commission in pursuance of its duties as set forth in said joint resolution are in progress at the present time and their continuation is essential to carry out the purpose of said resolution relative to the problems of dependency relief and of the establishment of the various pension systems now in operation throughout the State on a sound actuarial reserve basis; and

WHEREAS, A State-wide analytical survey as to the scope, uniformity, soundness and economy of operation of the numerous pension systems now on the statute books has been undertaken by the commission and is in progress throughout the State, and a comprehensive analytical survey of the administration and needs of dependency relief has been undertaken in north Jersey by the commission and is being contemplated and planned for in other sections of the State in compliance with popular demand; and

WHEREAS, These inquiries, investigations and surveys of the commission embrace economic, social and political problems of such magnitude and far-reaching import that the interests of the public welfare demand the continuation and completion of the work of the commission in its several phases; therefore,

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. The commission appointed pursuant to the provisions of Joint Resolution No. 5 of the session of one thousand nine hundred and thirty, approved April fourteenth, one thousand nine hundred and

thirty, composed as reconstituted of the same members, that is to say, Senator Roy T. Yates, of Passaic; Assemblyman Charles Basile, of Essex; Honorable William J. Ellis, of Mercer; Honorable Donald R. Belcher, of Union; Honorable Andrew K. Brady, of Essex; Miss Florence Halsey, of Essex, and Honorable Frederick J. Leuper, of Hudson, is hereby recreated and continued for the purpose of proceeding with its inquiries, investigations and surveys, and performing all other duties enjoined by said resolution.

2. Said commission shall continue to have and exercise all the powers and duties provided in said Joint Resolution No. 5 of the session of one thousand nine hundred and thirty, and may sit or act during any recess of the Legislature or after final adjournment thereof, and shall embody its findings and recommendations from time to time in reports to the Governor, and to the Legislature if in session, and if not, then to the next succeeding Legislature, in order that appropriate legislation to carry out the purposes of the said resolutions may be enacted.

3. For the purpose of carrying out the provisions of this joint resolution there is hereby appropriated the sum of fifty thousand dollars (\$50,000).

4. This joint resolution shall take effect immediately.

Approved April 27, 1931.