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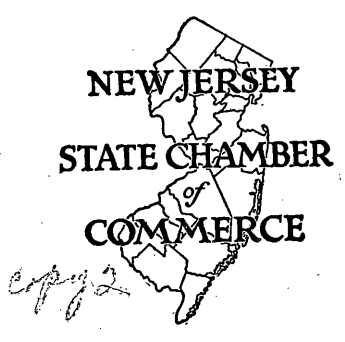
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Police, Firemen's and Other Local Employees' Pension Systems in New Jersey

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PREFACE

Since the year 1887, when the first pension fund for police was established in Jersey City, a number of pension funds for policemen, firemen, and other local employees came into existence. There are at present about 60 pension funds, which cover 3,100 policemen, 2,150 firemen, and about 350 other employees. The majority of the approximately 6,000 policemen and firemen belong to these pension funds.

As has been shown by the recent report of the New Jersey Pension and Retirement Fund Commission, which was based upon the investigation made for the Commission by the Bureau of State Research, each group of employees secured legislation for itself, without any regard to the interest of the employees of another class or locality, or to the interest of the public service. As a result, the existing pension funds are inequitable as between the employees and do not conform with the principles of an efficient public service. The report of the Commission says:

The sponsors of the pension measures frequently had in view this or that particular employee or a few employees whose condition was pitiable: they were too old to perform their duties efficiently, and yet they were kept on the payroll because their superior officers felt that it would be cruel to dismiss them after they had served the state or the city faithfully for many years. A pension measure would have provided a means to retire them humanely.

It was thought that very little expense would be involved in retiring them, as well as the few who might apply for retirement in the future. In some cases, the employees who urgently requested the Legislature to enact a pension measure were willing to contribute a small percentage of their salary, usually 1%, to a special fund, from which these pensions could be paid. Frequently, the advocates of some pension measure asked the Legislature that it permit the cities to add to such fund some miscellaneous revenues, such as fines, rewards, certain licences and permits, or some special tax. In other

¹ *Editor's Note.* The program of the investigation was discussed at a public hearing on police and firemen's pension funds which was held by the Pension and Retirement Fund Commission at the City Hall in Newark on May 2. Mr. Pierson, the Chairman of the Commission, said that the first step in this year's investigation should be the collection of data regarding the ages, lengths of service, salaries, deaths, resignations and dismissals among the policemen and firemen and other local employees having pension funds. This information should be collected on special census cards which can be used for mechanical tabulation. With these data in hand, actuarial tables can be constructed showing the rates of mortality, resignations, dismissals and average salary advancements, and the distribution as to age, length of service, etc., prevailing among the 6,000 policemen and firemen in the state. On the basis of these actuarial tables it will be possible to make actuarial valuations of the pension funds, and to accurately determine the cost of retirement benefits and the rates of contributions which should be made to adequately support the funds.

"Because of lack of appropriation," said Mr. Pierson, "the Commission will not be able to take the census and make an actuarial valuation of the police, firemen's and other local employees' pension funds unless the cities help us." He suggested that the several cities where pension funds are in operation bear part of the expenses involved in taking the census. An official of the police and fire departments may take the census under the direction of the Commission.

"In view of the growing importance and size of the pension obligations," said Mr. Pierson, "every city will find the census record invaluable in future valuations and surveys. Therefore, duplicate cards will be furnished so the records will be kept up to date. After the census is taken, the city may either employ an actuary to ascertain its valuations in connection with its pension funds, or the Commission may have its actuary do the work."

Mayor Gillen of Newark and Mayor Seger of Passaic expressed themselves as favoring Mr. Pierson's proposal. Commissioner Gannon of Jersey City recently stated that Jersey City will financially cooperate with the Commission in this investigation.

cases, the proponents of pensions proposed that the state, the cities, or the counties should pay the pensions by direct appropriation from the tax levy, without providing any special fund for the purpose, and without requesting the employees to contribute anything to the pension. . . .

At no time was any estimate made of the cost of the benefits provided, of the modifications advocated, of the total liabilities involved in a proposed measure, or of the total obligations which the state or the city were asked to assume.

Pension systems were constructed and managed in a haphazard way, and the state and the cities were assuming obligations, without realizing that they amounted to many hundreds of thousands, and even many millions of dollars.

The report of the Commission pointed out that the revenues of these funds are insufficient and that the funds are in an unsound financial condition. In the following report, the Bureau of State Research presents a more detailed analysis of the benefits, revenues, and methods of financing of these funds. The findings here presented are the results of a preliminary investigation. They show that the funds are in a serious condition and that their reorganization is imperative. The problem must be seriously considered by the public officials and the members of the funds.

Further investigations which will be conducted during this year will afford a basis for a more accurate actuarial estimate of the assets and liabilities of these funds and for an equitable adjustment of benefits and reorganization of the funds on a sound economic and financial basis.¹

The report has been prepared under the supervision of Mr. Paul Studensky, who directed the investigation, assisted by Mr. Alexander Gourvitch, who wrote the chapter on the methods of financing and the condition of the funds, and by Mr. R. K. Bissell, who wrote the chapter on the development of legislation and the character of benefits provided.

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CHAPTER I Development of Pension Legislation and Character of Benefits Provided

Beginning with the police pension law of 1885 and continuing on up to the present time, there has been an extremely plentiful output of pension laws in New Jersey. Some were permissive in character, others were mandatory; some established funds and required employees' contributions, others placed the burden entirely upon the city; some set up pensions for length of service and not for disability or death, or vice versa; others provided pensions for both contingencies; and some applied to employees in first class cities, or in other class cities, while others applied to employees of a certain group in any municipality. In short, it is difficult to discover any thread of consistency running through these various laws, unless it be the principle of diversity.

In describing the general situation, it will be convenient to distinguish three broad classes of employees dealt with by legislation. There are, first, the policemen; second, the firemen; and third, the other local employees exclusive of teachers.

*Policemen's Pension Systems*¹

Five systems. While ten separate laws and upwards of five amendments have been enacted, permitting or establishing in one way or another pensions for police, five systems stand out pre-eminent.

Jersey City system. The first is that now in use in Jersey City. This was set up under the law of 1887 and its amendments of 1888 and 1889. It placed a very broad power of making rules and regulations in the hands of the local board of police commissioners or other body or person in charge of the police department.

No fund was necessarily to be established, the law merely stipulating that, upon demand, the city should retire on half-pay those policemen who had attained the age of 50 and had completed a service record of 20 years, and also those who had been disabled by injury received in the service or by disease contracted after 9 years service. The questions as to whether there should be a fund, and whether the employees should contribute to its maintenance, and if so, at what rate, were all left to the discretion of the local board. As a matter of fact, there is a fund in Jersey City, supported by policemen's contributions of 1% of their salary and by the city's annual appropriation of an amount sufficient to cover the deficiency.

¹ Exclusive of county park police, township police, and police on county roads.

Death benefits were not a part of the system until 1915, when a law was passed which permitted the founding of a pension fund for widows and orphans of deceased policemen in cities of the first class. This was obviously made for the special purpose of supplying the want of such benefits and of thus rounding out the Jersey City plan. It imposed a tax of 1% of salary on all members of the police force, but required no appropriation by the city, except indirectly, by turning over to the fund the receipts from several miscellaneous sources, such as dog taxes, permits, and sale of unclaimed goods. A pension of one-half the final salary was designated for legal dependents of deceased policemen, whether or not the cause of such death was the actual performance of duty.

Newark system. The second and third systems are to be found in operation in Newark and Trenton respectively, the only essential difference between the two being that the law governing the former was enacted for first-class cities, and that governing the latter for other than first-class cities.

A law of 1902 automatically set up pension funds in all cities which had adopted the Act of 1885, which separated the police and fire departments from political control. From 1902 until 1914 the Newark and Trenton systems were identical, but in the last mentioned year, the law was superseded, so far as first-class cities were concerned, by a new act, and in the following year, 1915, a corresponding piece of legislation was enacted for other than first-class cities. The Newark system involves compulsory membership with members' dues of at least 2% of salary. The fund is to be the recipient of moneys from several minor miscellaneous sources, such as donations, fines on police, dog taxes, permit fees, and other similar items. The city appropriates annually 2% of the total salaries of the policemen. Three different types of pensions are provided: a superannuation allowance of one-half the final salary for those who had served 20 years and had become 50 years of age; a disability benefit of one-half the final salary to those injured, with the restriction that the candidate must have served at least nine years, unless the injury was incurred in the direct performance of duty, in which case the pension is granted regardless of length of service, and death benefits to legal dependents of one-half the final salary, in case death occurred as the result of performance of duty, or one-fourth salary after at least nine years' service, if death occurred from an ordinary cause.

Trenton system. The third system, which is for cities of other than first class, and finds its lone example in Trenton, also involves compulsory membership with dues of 2% of salary. The same miscellaneous sources of revenue are named, and the city is required to appropriate annually a sum equal to 2% of the aggregate salaries of the police force. The same types of pensions are here provided as in the Newark plan, namely, the superannuation allowance, the disability benefit, and the death benefit.

Law of 1906. A fourth system may be found operating in several cities and towns which have adopted the provisions of the law of 1906. This law may be accepted by any city or town in New Jersey. Here, too, membership is compulsory, but it only involves dues of 1% of salary. The city appropriates at least 4% of the total salaries of the police force, and in case of deficiency in the fund, an additional amount sufficient to cover it. The conditions requisite for a service pension are a trifle stricter than in the systems previously described. Any policeman who has served 20 years and has become 60 years of age, or has served 25 years and has become 55 years of age, is entitled to a pension of one-half his final salary. No benefits accrue for dependents of deceased policemen. A disability pension of one-half salary will be paid to any member who is permanently disabled in the direct performance of duty.

Law of 1911. The fifth and last system is probably the most popular, or, at least, the most widely prevalent. As set forth in the law of 1911, it is applicable to municipalities, not of the first class, which may adopt it. Membership is compulsory and demands a contribution of 1% of salary on the part of every one on the police force. Fines on policemen, donations, and one-half the rewards paid to employees are turned into the fund, and then, in case of insufficiency, the city covers the deficiency with a lump sum appropriation. The superannuation pension is subject to the same conditions as in the fourth system, and will be paid to any one 60 years of age who has served 20 years, or 55 years of age who has served 25 years. Disability entitles a policeman to a pension of one-half his final salary, although there is the restriction that he must have served 20 years, if his incapacity was not incurred in the performance of duty. A death benefit is provided for legal dependents of policemen who die as the result of performance of duty.

Systems operating to-day. There are today in New Jersey 36 police pension funds covering a total of 3,100 policemen with salaries amounting in the aggregate to \$3,649,000. Only three funds were established before 1906, namely, those of Jersey City, Newark, and Trenton. Several more were set up in cities and towns under the law of 1906, between the years 1906 and 1911. The main extension of the pension move-

ment in New Jersey took place after 1911, however, for during the period 1911-1917, over 20 systems have been founded, most of them under the law of 1911. The funds operate under five different sets of laws as above outlined. They exhibit no one standard type of pension system and present a curious lack of uniformity, which is the result of a haphazard development of legislation during the last 30 years. Scientific principles have not been employed in the enactment of pension laws, and it cannot even be said that the legislation on the subject has advanced steadily on a policy either of growing liberality or of increasing soundness. The laws of 1906 and 1911 were not as liberal as that of 1902, nor were they any more sound, except that they required the city to appropriate a sum sufficient to cover a deficiency. The laws of 1914 and 1915 are the most liberal, it is true, and yet they only apply to the two cities which have already separated their police departments from political control. There has not been sufficient care taken to correlate the various systems, or to improve upon past legislation by making use of the actual experience in the different municipalities.

Firemen's Pension Systems

Relief associations. Firemen's pension funds must be distinguished from firemen's relief associations. The latter are supported almost solely by the 2% tax on the premium of foreign fire insurance effected in New Jersey, and their aim is not so much insurance as it is relief for cases of urgent need among retired firemen or families of firemen. Whereas they are administered by their own private associations, pension funds are managed by a board of trustees composed of both firemen and city officials. Firemen's relief associations apply in the main to volunteer firemen, while pensions are for paid firemen.

Two pension systems. While there were three laws enacted before 1902 dealing with firemen's pensions, the two main pension systems for firemen are those of 1902 and of 1905 with their amendments, for first-class cities and for other class cities respectively. They are almost exactly similar in their provisions. The firemen in any city may associate themselves into a corporation under the auspices of the city administration and establish a fund. Membership is compulsory and obliges every member to contribute between 1% and 2% of his salary, such amounts to be combined with the income from various miscellaneous sources for the support of the fund. One-half of the 2% of the premiums on foreign insurance effected in that city, fines on members, permits, licenses and fees, and donations are exemplary of this type of income. The city is also given the power to appropriate a small amount for the benefit of the fund, this sum being limited to cities not of the first class to 1% of the total

pay-roll of the fire department. In both systems there is a service pension of one-half the final salary, though the requirements for first-class city firemen are 60 years of age and 20 years of service, while those for firemen of cities other than of first class are 55 years of age and 25 years of service. Both systems also support a disability benefit of like amount for those who have been incapacitated through actual performance of duty. In cities of the first class, a half-pay pension is provided upon the death of firemen for their dependents as defined by the law. In cities of other than the first class, this benefit is restricted to cases of firemen who are killed or who die as the result of the performance of duty.

Systems in operation. Nineteen firemen's pension funds are now operating in various cities and towns of New Jersey, and they cover a total of 2,150 employees receiving total salaries of \$2,541,000. Newark and Jersey City created their funds in 1902 and 1903 respectively. Between 1905 and 1911, about 10 funds were added, and during the last six years the remainder have started up. There is not so much confusion and lack of uniformity in the firemen's pension laws as there is in those governing police. There are only two active laws, and their provisions are almost identical.

Other Local Employees' Pension Systems

Pensions for Board of Health employees in cities. During the last decade the Legislature has enacted several pension laws in the interest of various groups of employees, counties, and townships. There are two laws which may be adopted in cities, one (1913) concerning Board of Health employees in any city, and the other (1910) Street and Water Commission employees in cities of the first class. In either case there is to be established a fund, participation in which is left to the option of the employees. Under the former system, for Board of Health employees, members are to be taxed a sum not over 2% of salary, unless the fund itself exceeds \$20,000, in which case no tax whatever is to be laid. The Board annually designates for the fund certain fines and fees connected with the department, the total amount not to be above \$2,500 in any year. The city itself may appropriate whatever it may desire. Allowances are provided for length of service and for disability, but not for death. A pension of one-half the final salary will be paid upon demand to any member who has served 25 years, or who has been incapacitated by the actual performance of duty.

Pensions for Street and Water Commission employees in cities. The other system, which applies to Street and Water Commission employees in first-class cities, is similar in its main elements to the one above outlined. Membership is optional and requires a contri-

bution of not over 2% of salary in any year the board of trustees of the fund may so desire. Donations, rewards and fines, and fees designated by the board are also to be paid into the fund, together with any appropriation the city may care to make for the purpose. This plan deviates from that for Board of Health employees in the conditions under which service and disability pensions will be granted. Any employee who serves 25 years, or who is disabled by injury received at any time in the performance of duty, is entitled to a pension of from 20% to 50% of salary, according to the number of years he has contributed, ranging from 5 to 20. The only restriction is that such an employee must have paid in at least 5 annual assessments. This system, as amended in 1917, is the only one in New Jersey in which employees' contributions are refunded at resignation or dismissal before retirement.

Park police and road police. Two other laws contemplate the establishment of funds in counties and are also quite similar in their benefits. One deals with park police, and the other with police on county roads in counties of the first class. Both have compulsory membership, joint support by county and employees, and a three-fold pension, for length of service, disability, and death. Park police contribute between 1% and 3% of salary, while road police contribute 1%. Miscellaneous fines and donations accrue for both funds, but whereas the county must pay 5% of the park police payroll into that fund, in the road police fund it is required to appropriate annually a variable amount sufficient to cover any deficiency. The effect of this difference is that the park police pensions are subject to proportional abatement in case of insufficiency of the fund. In both systems, a pension of one-half the final salary is paid, first, to any employee 60 years of age (50 years for road police) who shall have served 20 years; second, to any employee permanently disabled by injury incurred in the performance of duty; and third, to the dependents of any employees killed by injury received in the performance of duty.

Other laws. There are three other laws, for township police officers, for chief health officers in cities of the first class, and for 'any county employee', but because of the paucity of the first kind of employees, and because of the rigorous requirements for pensioning the third group, they are insignificant. They do not provide for establishing funds, but merely for an appropriation by local authorities in case a certain employee has fulfilled certain conditions. Township police officers 65 years of age who have served 20 years may be pensioned on one-half their final salary. A disability benefit of like amount is permitted, but death benefits are excluded. The other two laws only provide superannuation allowances: an amount not over one-half

the final salary for chief health officers 60 years of age who have served 25 years, and one-half the final salary for any county employee who is 70 years of age and, in addition, has served 45 years continuously.

It is obvious that the number of individuals who derive any advantage from the last three acts described must be negligible. The total number of employees covered by the pension funds for park police, county road police, board of health employees, and street and water commission employees is about 350, and their salaries aggregate about \$400,000.

Inequity of Benefits and Inefficiency of Systems

New Jersey legislation has produced a multiplicity of pension laws with a multiplicity of varying provisions. There are five different laws concerning police pensions, two for firemen, and seven for other local employees, not to speak of eight other police and firemen's laws which, though still on the statute books, are not in actual operation in any cities. No two of these legislative enactments are exactly alike, and the reason for this fact is not far to seek. New Jersey pensions are the creation of a series of unrelated, isolated laws which have not developed according to any well-defined plan. No attempts were ever made to standardize them. The result is that they are inequitable as between the different employees.

Aim of pensions. An equitable and effective pension system should have a double aim. It should endeavor, in the first place, to increase the efficiency of the public service by retiring those employees who have reached a time of declining effectiveness, and by replacing them with younger and abler workers. The second object should be to provide for the support of the employees in their old age, or in case of premature disability, or sometimes also for financial assistance to their dependents in case of their death. Success in attaining both these ends should add greatly to the attractiveness of government service and gain a higher type of public servant.

Inequities of benefits as between employees under different systems. The collective legislation already described does not measure up to the demand of equitable standards, either as between employees of different systems, or as between employees of the same system.

No principle has been evolved governing the ratio of employees' contributions to contributions by the city or county. Nor has there been moulded any principle as to the requisites for service, disability, or death pensions. In some of the funds, membership may not necessarily demand any contribution at all, though the benefits of which the employee may in time avail himself are just as great as in another system, where a 2% or 3% contribution is required. Furthermore, it will be noticed that under some systems an employee may contribute 1% of his salary and become

entitled to a service pension of half-pay at age 50 after 20 years of service, and to a disability or death benefit of like amount in the case of such an emergency, while in others, the same contribution will entitle one to the same pension only in case of death. A county road policeman need serve only 20 years and reach the age of 50 for a service pension, while policemen in some cities must serve 25 years and be 55 years of age, or serve 20 years and be 60 years old, the same rate of contribution existing in all cases.

Inequities between employees under same system. Other inequities appear among employees under the same system. For instance, a policeman in Newark or in Trenton may demand and obtain a pension at the age of 50, if he has served 20 years. Another policeman may not complete his 20 years period of service until he becomes 65 years of age. Still another may be entitled to a pension at the age of 50, but, because he is still in the prime of life, continues for 15 years more in active employment. All three of these policemen will receive the same allowance—one-half of the final salary, in spite of the difference in their length of service, total amount contributed, and cost of their pension. A man may well be in the prime of life when he completes the minimum requirements. As the pension does not increase with further service, he gains no advantage in keeping his position. In fact, such a policeman is encouraged to stop at the age of 50 and go into private business, for there he can earn a full salary, in addition to his pension of half-pay, while by staying on active police service he can draw only the salary. Or, take a policeman or fireman in a system where disability or death incurred not in the performance of duty does not qualify for a pension. Under such a system it may happen that the employee will lose all his contributions and the accompanying claim to a pension, even though the accident occurs within the year of the completion of his requirements for a pension.

Such legislation obviously does not operate with strict fairness to the employees who are compelled to contribute towards the maintenance of the funds. Nor is it conducive to a betterment of the grade of public service, for it may encourage the retirement of some before their period of usefulness is exhausted, and it may result in the retention of others who wish to fill out the necessary service record in spite of their declining capacity. This failure to base legislation upon standard pension principles has thus produced a mass of haphazard laws with a multiplicity of provisions which, in turn, have resulted in a two-fold situation. First, the New Jersey pensions do not deal out benefits in strict fairness as between employees of different systems; and second, this lack of basic principle, and the accompanying inequity, constitute a hindrance rather than a help to a consistent improvement of municipal and county service.

CHAPTER II

Methods of Financing and the Condition of the Funds¹

Principles of sound financing. The creation of a pension fund means the assumption of very definite obligations towards the members of the fund. Every member represents an obligation, and every additional member means an additional liability for the fund. The fact that these obligations will mature but gradually and will, for the largest part, require an actual disbursement on the part of the fund only in a more or less remote future, does not make them any less real. It is precisely of the essence of a fund to provide for the future, however distant; it has to meet all its obligations in the measure as they mature, and whenever they do. This can only be attained if, during the service of every member, there is being set aside every year a certain sum, which by the time of his retirement or death will constitute an amount sufficient to pay to him or to his dependents the annual benefits to which he is or they are entitled.

In other words, a pension fund, like any business undertaking, must have its assets equal to its liabilities. But as its liabilities are not, at any given time, represented only by the benefits it has to pay to the retired members, but by the aggregate of all the future claims of all its members, so it can only be considered as financially sound, if its assets insure the building up of an adequate reserve to meet these future claims. A pension fund has, therefore, at its very start to be provided with sources of revenue such as would in any given year in the future yield a sufficient sum to cover the disbursements of the year and to leave a surplus for the building up of an adequate reserve.

Necessity of reserve not realized. The development of the pension funds of policemen and firemen in this state shows that the need for operating a pension fund on a reserve basis was not realized. No provisions were made beyond the very near, sometimes the very immediate future. No attempt was ever made to ascertain by means of actuarial calculations the total liabilities of a fund. The several funds have been financed in a purely haphazard way.

Cost of Benefits

As the Pension and Retirement Fund Commission stated in its report, no attempt had ever been made in this state to determine the cost of the benefits which the pension funds promise to pay to their members. The Commission has undertaken the work of pre-

¹ Only the police and firemen's pension funds are described in this chapter, because other local funds are of recent date and have had no pensioners thus far. The methods of financing in nearly all the latter funds are more or less similar to those used in the police and firemen's funds. The principles stated in this chapter, therefore, fully apply to nearly all the local funds.

paring accurate estimates of the cost of benefits, and has in the meanwhile submitted in its report the following general estimates, which were based upon the experience of the policemen and firemen of New York City:

Assuming the following typical benefits of police pension systems in New Jersey, we find that the following annual contributions are necessary to cover the cost of these benefits in the case of the *average entrant*² who begins to contribute from the time of his appointment.

	Percent of Salary
<i>Superannuation Benefits:</i> On demand of the policemen, at 60 years of age and after 20 years of service, or at 55 and after 25 years of service, a pension of one-half of the final salary	2.18
<i>Ordinary Disability Benefits:</i> In case of injury or sickness not caused by the performance of duty, after 20 years of service, a pension of one-half of the final salary	5.26
<i>Disability in Performance of Duty Benefits:</i> Irrespective of length of service, a pension of one-half of the final salary	0.71
<i>Death in Performance of Duty Benefits:</i> Irrespective of length of service, the widow and the children under 16 years of age are entitled to one-half of the final salary	0.19
<i>Total</i>	8.34

Assuming the following typical benefits of firemen's pension systems in New Jersey, we find that the contributions required to cover the cost of these benefits in the case of an average entrant² are somewhat lower than in the police pension systems, because firemen's systems do not provide benefits for ordinary disability, as the policemen's systems do.

<i>Superannuation Benefits:</i> On demand of the fireman at age 55 and after 25 years of service, a pension of one-half of the final salary	6.68
<i>Disability in Performance of Duty Benefits:</i> Irrespective of the length of service, a pension of one-half of the final salary	0.24

<i>Death Benefits:</i> In case of death after retirement, or in case of death resulting from the performance of duty, a pension of one-half of the final salary to the widow and children under 16 years of age, or, in the absence of widow and children, to parents	0.85
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<i>Total</i>	7.77
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² The employee who enters the service at the average entrance age.

These contributions would be sufficient in the case of new entrants by whom or on whose account they would be made since the time of their appointment. They would not be sufficient in the case of employees already in the service, because in their case no contribution would be made since the time of their appointment. Each of these employees has some period of prior service to his credit during which no contributions were made, and which represents an 'accrued liability'.

The aggregate of these 'accrued liabilities', or deficiencies of the past, amounts to hundreds of thousands and even millions of dollars, according to the number of members of a pension fund, their aggregate salaries, and the kind of benefits provided. It may be estimated at \$1.988740 per one dollar of payroll, in the case of policemen, and at \$1.228844 per one dollar of payroll, in the case of firemen. This means that in a pension fund which starts with a membership of 500 or 600 men drawing annually \$500,000 in salaries, the deficiency on account of accrued liabilities would amount to almost one million dollars, if it is a police fund, and to about \$615,000, if it is a firemen's fund; in a small police or fire fund with a membership of 50 or 60 men, drawing annually \$50,000, the accrued liabilities would amount to almost \$100,000 and \$61,000 respectively.

Various methods have been suggested in recently established scientific systems by which the deficiency on account of accrued liabilities could be liquidated in the course of a certain period of years. The City of Liverpool, in England, in establishing in 1913 a pension fund for all municipal employees and teachers, adopted a method by which the burden of accrued liabilities is distributed equally over a period of 60 years. Each year an instalment is paid to a special reserve which is set for the purpose of liquidating this deficiency. If a similar method of funding the accrued liabilities of the New Jersey systems in 60 annual payments would be adopted, then in addition to the normal contributions specified above, an 'accrued liability contribution' of 8.79% of salary would be necessary in the police funds, and of 5.43% in the firemen's fund.

This means that in order to be financially solvent, a typical police pension fund must start with a total annual contribution of 17.13% of salary, which would gradually decrease to a normal contribution of 8.34% in the course of 60 years, and a typical fireman's fund must start with a contribution of 13.20% of salary, which would gradually decrease during the same period of 60 years to 7.77%.

If a police or fire fund would begin with a contribution below 8.34% and 7.77%, which were calculated for average new entrants, then these funds would begin with a deficiency not only on account of accrued liabilities, but also on account of future services.

The total liabilities including the accrued liabilities, of the typical police and firemen's systems, at the time of their establishment, may be estimated at \$2.870190 per one dollar of payroll in the police system, and at \$2.178494 per one dollar of payroll in the firemen's systems, on the assumption that the liabilities of a police or fireman's pension fund at the time of its establishment bear the same ratio to the liabilities of the New York City Policemen's and Firemen's Pension Funds, as the rate of contributions for the entrant under the New Jersey system bear to the corresponding rate under the New York

City systems. The total liabilities of a police pension fund which begins with a membership drawing annually about \$500,000 in salaries would amount to \$1,435,000 or almost three times the amount of the payroll; and the total liabilities of a firemen's fund of about the same size would amount to about \$1,089,000, or about twice the amount of the payroll.

If a fund would be provided with annual contributions payable throughout the life of present members of 17.13% of their salary in the police systems and 13.20% in the firemen's system, decreasing in the course of 60 years to 8.34% and 7.77%, respectively, it would have total assets equal in value to the above estimated total liabilities and would be financially sound.

Insufficient Revenues

The existing police and firemen's pension funds started with receipts that represented much smaller percentages of salary than those shown in the above quoted estimates to be necessary.

Out of 38 funds, for which data are available, 20 had, in the first year of their operation, total receipts which amounted to less than 5% of the salaries of their members (of these, the receipts formed less than 2% of the salaries in at least 13 funds). In only 4 funds did the ratio of receipts to salaries exceed 10%.

As a result of these inadequacies of revenues, we find that, although the pension funds in this state are of very recent origin,³ at least 15, out of 47 funds that have been investigated, have already at some time developed a deficiency, the annual disbursements exceeding the annual receipts; that in at least 8 cases the deficiency occurred before the fifth year of the operation of the fund; that some funds have for several years been in a state of chronic deficit, with a rapid and sometimes alarming decrease of their assets; that some others, while not having yet actually developed a deficit, show a constant decrease of the annual surplus, which means the menace of a deficit in the more or less near future. It appears that in no fund are the assets equal to or even approaching the total liabilities. In no case do the financial provisions appear adequate to guarantee the stability of the fund. The measures taken by these funds to meet an actual or menacing deficiency are but simple expedients, procuring at best but temporary relief.

The pension funds now in existence show a great diversity as to the ways in which they are financed. On the whole, their sources of revenue can be divided in three groups: (1) Contributions by the employees; (2) Direct appropriation by the municipality; (3) Miscellaneous revenues.

Contributions by Employees

Pension funds were usually created at the persistent demand of the interested employees. This probably

³ Out of a total of about 60 funds now existing in this state, only one has been in operation for more than 15 years; only 8, for more than 10 years; and at least 17, for less than 5 years.

accounts for the fact that in nearly all funds, with perhaps two or three exceptions, some contribution was required from the members, since the beginning. This contribution generally amounts to 1% of the salary, with the exception of the Police Pension Funds in Newark and in Trenton, where the members contribute 2% of their salary.⁴

Of course, this 1% or 2% contribution is quite insignificant as compared with the 13% or 17%, which, as shown above, represent the approximate cost of the benefits which the funds promise.

Direct Appropriations by Municipality

With regard to the direct appropriation by the municipalities there is a great diversity both in the legislative provisions governing the different funds and in their practice. Sometimes no direct appropriation is provided. Sometimes it is fixed at a definite percentage of the payroll, amounting in some cases to 1% of the salaries, in other cases to 2%, in still others to 'at least 4%'.⁵ But a contribution by the municipality of 1%, 2%, or even 4% of the salary, combined with a 1% or 2% contribution by the employees, covers but a small part of the actual cost of the system.

In many instances, however, the contribution by the municipality is not fixed at any definite ratio to the salaries; the municipality contributes whatever sum is necessary to meet the obligations of the fund, when the latter is unable to do it itself, that sum being "raised by tax levy no longer than is necessary to meet the requirements of such pension fund" (P. L., 1911, ch. 72); this support is withdrawn as soon as the fund exceeds an amount determined by the municipality as adequate.

In this provision of the law of 1911, which requires municipalities to meet the deficiencies of their pension funds, the very idea of a reserve, as the necessary basis of any pension system, is absent. The contribution by the municipality is conceived as a simple emergency measure, which is to last no longer than the emergency itself. However, as in a fund without sufficient revenues, and without an adequate reserve, a deficiency is not an accidental emergency, but an inevitable and permanent result, which can sometimes be delayed, but never avoided, and as in the course of years the deficiency must increase with the growth of the pension roll, so the intended emergency measure must necessarily some time become a permanent and increasing obligation, if the payment of benefits is to go on. There is bound eventually to develop a situation where the fund as such gradually comes to a purely nominal existence, and the payment of the

⁴ The contribution of the employees is 3% of the salary in the Park Police Fund in Essex County. The members of the Board of Health Fund of Newark contribute 2% of salary.

⁵ The county of Essex contributes 5% of the salaries to the Park Police Fund.

benefits is assumed, to an ever increasing extent, directly by the taxpayers.

Hoboken Police. The history of the Hoboken Police Pension Fund can illustrate this. This fund was established in 1912, and was supported originally only by a 1% contribution of the members and some small miscellaneous revenues. The ratio of the receipts to the salaries was, during the first three years, slightly over 1%. The first deficit occurred in the fiscal year 1916 and amounted to \$669. The next year the city appropriated for the fund \$1,130. The ratio of the receipts to the salaries increased to 2%. However, as several additional pensions were granted, the year closed with a deficit of \$821. In the fiscal year 1917, the city contributed \$4,705, or over 2.5% of the salaries, out of the total receipts of \$6,526, which equalled 4% of the salaries. The year's operations left a surplus of \$640. At the present time, the Fund has 8 pensioners with a pension roll of \$6,405. Its capital on May 1, 1917, amounted to \$923, or slightly less than it was 4 years before. If we consider that the Fund has 130 members with an annual payroll of over \$170,000, we may say that there is practically no capital left. The contribution from the city will necessarily have to be increased from year to year.

It should be added that this is not the only contribution of the City of Hoboken for the benefit of the retired members of the Police Department. According to a statement by the secretary of the fund, there is, besides the Pension Fund, another branch of the pension system, "conducted by the City of Hoboken, irrespective of any particular fund, the amount being included in the tax budget." There are at present 8 persons receiving their pensions directly from the city and drawing annuities to the aggregate amount of \$4,700.

West Hoboken Police. The Police Pension Fund of West Hoboken was created under the law of 1906; originally it was supported by a 1% deduction from the members' salaries and a 4% contribution by the municipality. After the enactment of the law of 1911, the town decided to operate the fund under that law and discontinued the 4% contribution, preferring evidently to help the fund only when it is in actual need and exactly to the extent of the need. At that time the capital of the fund was on the increase, and nothing has since been contributed by the town. The total receipts of the fund, during the last 3 years amounted to 2% of the salaries. In 1916, two pensions were granted, and as a result, the surplus at the end of that year amounted only to \$441, against \$1,099, for the year before. At the present time, the fund has 4 pensioners with an aggregate pension roll of \$2,400 or nearly 4% of the salaries. Out of the sources of revenue it has had up to now the fund will be able to pay only about one-half of this year's pen-

sions, and will develop a deficiency of about \$1,000. Whether the municipal authorities choose to cover by appropriations every annual deficit, as it occurs, or whether they prefer to wait until the fund will have exhausted the capital it has accumulated in former years (\$13,700 by June 30, 1917), the ultimate result is bound to be the same: the fund would be gradually extinguished, all the contributions of the younger members, those in active service, would be used for the payment of benefits to the older members, and the taxpayers would assume an ever-increasing part of the obligations of the fund.

Atlantic City Police. The Police Pension Fund of Atlantic City was established in 1913. It is supported almost entirely by a 1% deduction from the salaries and by fines. The only appropriation made by the city was in the first year, to help the fund start, and amounted to \$1,519. In 1916, the first pension was granted, and the fiscal year 1916-1917, the fourth of the operation of the fund, closed with a small deficit. At the present time, the fund has 7 pensioners, drawing annually \$3,861, an amount that has never been attained by the ordinary receipts of the fund. Yet all the pensions were granted in 1916 and 1917. The real growth of the pension roll is just beginning. It can be foreseen that the capital of the fund (about \$12,000) will be exhausted in a few years.

Jersey City Police. The Police Pension Fund of Jersey City, the oldest in the state, is operating under the old law of 1887. It is supported by a 1% contribution of the members, the city making up the deficiency. In 1916 the disbursements for pensions amounted already to about 9% of the salaries, and as the number of pensioners will increase, the city will practically pay directly all the pensions at a tremendous cost to future taxpayers.

Miscellaneous Revenues

Under this head can be grouped all the various revenues of pension funds other than those contributed by the employees and directly by the municipalities. They include fines and rewards; donations and bequests; proceeds of different undertakings, such as balls, bazaars, etc.; proceeds of different classes of taxes assigned to a fund, such as a certain percentage of the tax on foreign insurance, theatre, licenses, dog tax, etc.

This great variety of 'miscellaneous' revenues form a very important item in the total receipts of many funds, the most important, indeed, in most of the firemen's funds and in some policemen's funds, frequently amounting to more than 50% of the total receipts, and in some instances exceeding 80% or even 90%. A considerable number of funds, the largest part of the firemen's funds, for instance, were started with no other resources than the 1% deduction from the salaries and,

in addition, some kind of 'miscellaneous' revenues. This was considered a sufficient financial basis. These sources of revenue are also the favorite ones to which a fund in distress looks for relief. To cover a deficiency or to prevent its occurrence, a pension fund arranges some entertainment or tries to have some additional tax or license assigned to it. The proceeds may sometimes represent an imposing amount, when expressed in absolute figures; they may bring considerable temporary relief and largely increase the capital of the fund. But, however important they may seem, they never can secure the stability of a fund; reliance upon these sources as a financial basis is a dangerous fallacy.

There can, of course, be no objection to a fund's adding something to its resources by receiving donations, by arranging a ball, or by selling souvenir books. It is evident, however, that since revenues of this kind are incidental, not recurring regularly, and of an uncertain amount, they cannot to any extent be relied upon for the building of a fund.

When, however, the 'miscellaneous' sources are intended to be permanent, namely, in the case of certain taxes or licenses being assigned to a fund, we have to deal with nothing else than an indirect contribution by the municipality. And to this a direct appropriation of a definite percentage of the payroll must decidedly be preferred.

Among the many reasons for this, we may note, in passing, that in some cases the municipal authorities that have assigned a given source of revenue to the fund may later withdraw it, if they prefer to use the proceeds for different purposes, with the result that the Fund suddenly has its resources diminished and may eventually be ruined.

Passaic Police. Thus, the Police Pension Fund of Passaic, established in 1911, was created with proceeds of dance-hall permits. Besides this, there was a contribution by the officers of 1% of their salaries; no direct contribution was made by the city. The receipts in the fiscal years 1912 and 1913 amounted to \$3,123 and \$3,179 respectively, or to 7.5% and 7% of the salaries; of these, \$2,690 and \$2,587.50 respectively, or 6.5% and 5.5% of the salaries, came from dance-hall permits. In 1913 the City of Passaic decided that the proceeds from this source should go directly to the city. The receipts of the fund immediately dropped, in the fiscal year 1914, to \$1,182, or 2.5% of the salaries; in the succeeding years, the ratio of the receipts of the fund to the salaries has varied between 1.5% and 2%. In the fiscal year 1917, the fund, with two pensioners and a pension roll of \$1,050, had a deficit of \$242.

Hoboken Firemen. The Firemen's Pension Fund of Hoboken, established in 1907, originally relied only upon 'miscellaneous' revenues, no contribution being

made by the members before 1912. The principal sources of revenue were the foreign insurance tax and theatre and moving picture licenses. In 1915, the latter, which yielded sometimes as much as 40% of the total receipts of the fund, were withdrawn from it, and this caused a drop in the total receipts from \$10,200 in 1914 to \$5,900 in 1915. The ratio of the receipts to the salaries decreased from 8.5% to 4.5%.

But more generally, and above all, the reason why all 'miscellaneous' revenues should be discarded as a basis for financing a pension fund is that they bear no relation whatever to the liabilities of the fund. There is nothing in their nature to insure their increase in proportion to the growth of the pension roll. Had not the City of Passaic deprived its Police Pension Fund of the proceeds of dance-halls permits, the condition of the fund would, by this time, undoubtedly be better

a period of some length, appear prosperous. But, no matter how important these revenues may appear, whenever they form the only, or even the most important part of the total revenues of a fund, an ultimate collapse is inevitable.

Jersey City Firemen. The Firemen's Pension Fund of Jersey City was created in 1902, and in the first fiscal year its total receipts, obtained from the employees' contribution and from 'miscellaneous' sources, amounted to \$23,600. After this, the contributions of the employees were discontinued and were not resumed until 1908. The 'miscellaneous' revenues amounted in the first year to \$22,500, or 95% of the total, and as they remained the principal, and for some years even the only, source of revenue, the receipts have shown violent fluctuations, while their ratio to the salaries has, on the whole, tended to decrease, being of 9.5%

CAMDEN POLICE PENSION FUND

Year Ending September 15	Annual Receipts		Annual Disbursements		Annual Surplus (Excess of Receipts over Disbursements)	Annual Deficit
	Amount	Per Cent. of Salaries	Amount	Per Cent. of Salaries		
1912	\$1,200	1	\$600	.5	\$600	
1913	4,500	3	2,400	1.5	2,100	
1914	4,400	3	3,000	2	1,400	
1915	2,500	1.5	3,500	2		\$1,000
1916	3,400	2	4,200	2.5		800
1917	3,000	2	4,700	2.5		1,700

than it actually is. Yet it would be on an utterly unsound basis, and its collapse would only be delayed for a few years, for there is evidently no relation between the number of dances held in Passaic and the amounts required to pay pensions. The same is true with regard to any and all of the 'miscellaneous' revenues. All of them are either stationary, or extremely fluctuating. Instead of a steady growth of their total receipts, funds that rely to a considerable extent for their revenues upon 'miscellaneous' sources usually show fluctuations from year to year, both in the absolute figures of their receipts and in the ratio of the latter to the salaries. As one or another of the 'miscellaneous' revenues increases or decreases, this is immediately reflected on the total receipts of the fund.

Camden Police. Thus, the Police Pension Fund of Camden, established in 1911, is supported by a 1% deduction from the salaries and by 'miscellaneous' revenues. The latter are extremely fluctuating. As a result, while the disbursements of the fund are steadily growing, the revenues, besides being insufficient, are extremely irregular, as can be seen from the table shown on this page.

A fund abundantly provided with a number of 'miscellaneous' revenues may, in a given year, or even for

in the fiscal year 1909 and of 7% only in 1917, after having attained 11% in 1910 and 10.5% in 1912. The disbursements of the fiscal year 1917 attained 9.5% of the salaries. The year 1913 brought the first deficit of \$3,500; 1914 closed with a surplus of \$300; beginning with 1915 every year left a deficit, the amount of which fluctuated with the 'miscellaneous' revenues. The capital declined from \$99,700 in 1912, to \$62,800 in 1917.

And yet this fund does not support all the persons entitled to benefits. In addition to its 66 pensioners, having a pension roll of \$46,000, there are in Jersey City 22 dependents of deceased firemen, who are paid an aggregate of \$13,500 a year by the Relief Fund, and 8 widows of firemen paid directly by the City and drawing \$4,150 annually.

It may even happen that the yield from 'miscellaneous' sources in a given year is very considerable, not only in absolute amount, but also in relation to the payroll. That this, however, is not more than an accident in the life of the fund is usually proven very soon.

Passaic Firemen. Thus, the Firemen's Pension Fund of Passaic, which is relying mainly upon 'miscellaneous' revenues, had its total receipts equal to 14%

of the salaries in 1911, the first year of its existence. This ratio presently declined, and, after some fluctuations, reached 10.5% in 1916.

Plainfield Firemen. In the Firemen's Pension Fund of Plainfield we see a sudden rise of the receipts from 10% of the salaries in 1910 to 36% in 1911 (the respective amounts were \$1,800 and \$7,600), owing to an exceptionally large amount of donations and bequests. In 1912, however, the ratio dropped to 11.5% (\$2,400).

The Pierson Commission has expressly condemned the use of 'miscellaneous' sources of revenue in financing pension funds. It stated "that the practice of obtaining public moneys for the support of pension funds from fines, fees, or licenses, etc., is unwise and often detrimental to public policy and should be abandoned, and that the city's contribution to pension funds be made by definite appropriations from the city's treasury."

Funds are Financed by Combination of Inadequate Revenues

The several laws relating to pensions usually assign, for the support of the funds, one or another combination of several sources of revenue, these combinations varying from one law to another. The municipal authorities and the leaders of the funds, in their attempts to cover or to prevent a deficiency, or more generally to strengthen the fund, work in the same direction. And thus we find in the several funds, and in the same fund at different periods of its existence, a variety of combinations of the different sources of revenue which we have analyzed above under the three general heads.

That a combination of inadequate resource does not insure adequate revenues to a fund, has been shown by the fact that the revenues of the funds, as expressed in their relation to the salaries of the members, are generally so much below the actual costs of the benefits. Nor can the revenues of a fund, under the present system of financing, be considered adequate, even if, at a given time, all the sources combined yield an amount representing a high percentage of the salaries. For, in such a case, those revenues that may be relied upon to increase with the disbursements of the fund, namely, the contributions of a definite percentage of the salaries by the employees and by the municipality, can form but a small portion of the total receipts, owing to the low rates of these contributions, while the great bulk of the revenues can only be supplied either by an appropriation, the amount of which is left to the discretion of the municipality, and can be expected at best to meet only the current needs of the fund, and never to build up a reserve, or from 'miscellaneous' sources, which are fluctuating, uncertain, limited in the long run, and bear no relation to the liabilities of the fund. The

most, therefore, that is being achieved by abundantly providing a fund with a combination of various sources of revenue, is that it is enabled for some time to cash in every year amounts which may seem considerable and be more than sufficient to meet the current pension disbursements. As the necessity of a reserve, as a basis for the operations, is not realized, the fund appears prosperous. This, however, is necessarily only a seeming and precarious prosperity. After a period of annual surpluses and increasing capital, there inevitably comes a time of deficiencies and depletion of capital.

Precarious Condition of Small Funds

Particularly precarious is the condition of small funds, of which there are a considerable number in this state. Their ability for any length of time to meet their obligations and their very existence are practically matters of chance. The average rates of resignations, dismissals, and deaths, and the average benefits, can be and are the only secure basis for a sound estimate of the future liabilities of a pension fund; but this is true only provided the effects of exceptions and extreme cases are eliminated by offsetting each other. This elimination of the extremes, however, can only take place in the case of sufficiently large groups. Small funds are constantly exposed to the action of accidental and disturbing factors; and while they never can be expected to build up a capital of a very considerable volume, they always face the danger, even if financed in a rational way, of seeing that capital greatly reduced or absorbed by a sudden emergency. The granting of a single pension sometimes has the effect of a catastrophe. A few illustrations will show this.

Long Branch Police. The Police Pension Fund of Long Branch was established as recently as 1914. It has 19 members with an aggregate salary of \$18,960. It is supported by a deduction of 1% from the members' salaries and by some small miscellaneous revenues. The total receipts for the year 1916 amounted to \$329. In 1916 the first pension was granted, amounting to \$450 a year. The disbursements in 1916 were \$337.50, thus leaving a small deficit. The capital of the fund at the end of 1916 amounted to \$657. The fund is thus bound to become insolvent very shortly. Should the fund have to grant one more pension this year, all its capital would be immediately wiped out.

Irvington Firemen. The Irvington Firemen's Pension Fund, established in 1912, now has 12 permanent members with an aggregate salary of \$13,700. The total receipts in 1916 were \$1,811, of which \$111 were supplied by the 1% deduction from the members' salaries, and \$1,700 came from miscellaneous sources. In 1914 the fund had to grant a pension that should have amounted to \$525. At that time the annual re-

ceipts of the fund amounted to \$705. The managers took up the matter with the beneficiary and "explained to her that if she insisted on the full amount which she was entitled to . . . she would have the fund drained in a very short time, and she would get nothing." An agreement was reached whereby the beneficiary was to receive \$20 a month, instead of \$43.75.⁶ Thus the first obligation the Fund had to meet put its existence in jeopardy. To save itself, it had to start with pro-rating benefits.

The great majority of the small police funds are operated under the law of 1911, which leaves the amount of the contribution of the municipalities to the discretion of the municipal authorities. How rapidly and easily a stroke of bad fortune can, in the case of small funds, bring about the extinction of a fund, and how heavy and rapidly increasing may be the resulting burden upon the taxpayers of the small municipalities, can be seen from the following instances.

Kearny Police. The Police Pension Fund of Kearny, established in 1911, has a membership of 21, with aggregate salaries of \$25,150. The total receipts of the fund in 1911 amounted to \$282, \$72 having been contributed by the members and \$200 by the municipality; the disbursements amounted to \$175, thus leaving a surplus of \$107. In 1912, the receipts amounted to \$537, of which the municipality contributed \$300; the disbursements amounted to \$635, leaving a deficit of \$98. The total assets of the fund at the end of that year amounted to \$8. Beginning with 1913, while the contributions of the members have been slightly increasing from year to year (\$232 in 1913 and \$259 in 1916), the amounts appropriated by the municipality have been fluctuating, increasing whenever there was an annual deficiency to meet, and decreasing as soon as this immediate object was achieved. This, together with the fluctuations of the miscellaneous revenues, caused a fluctuation in the total receipts. Years of small deficits have been regularly alternating with years of small surpluses. The capital has been unstable and quite negligible, amounting to \$50 at the end of 1916, after more than five years of operations. This year, two new pensions were granted, bringing the total pension roll up to \$1,750. The total receipts amounted in 1916 to \$600, including the appropriation of \$300 by the municipality. It is obvious that it is the taxpayers that will hereafter have to support the retired policemen of the town, with the slight assistance of the officers in active service, the fund as such being virtually non-existent.

It should be observed that during the five years of the existence of the fund, the ratio of its total receipts to the aggregate salaries of its members fluctuated between 2% and 3%. At the present time, however,

⁶ Statement by the Secretary of the Fund.

it has already a pension roll of \$1,750, or nearly 7% of the salaries, of which the taxpayers will have to contribute directly nearly 6%. And yet the fund has been in operation for five years only.

Town of Union Police. An analogous situation has developed in the Police Pension Fund of the Town of Union (established in 1912). This Fund, which has 25 members with aggregate salaries of \$29,800, was supported during the first years by the contributions of the members and some miscellaneous revenues, without any appropriation by the town. The capital, at the end of 1913, amounted to \$702. In 1914, the first pension was granted, amounting to \$700. This caused a deficit of \$265; the next year gave a deficit of \$393. The capital at the beginning of 1916 amounted to \$45. In 1915, two more pensions were granted, bringing the pension roll of 1916 to \$2,150, of which the municipality supplied almost 80%. The capital at the end of 1916 was \$32. At the present time, there are 4 pensioners with a pension roll of \$2,750. As the receipts from all sources other than the municipal appropriation (members' contributions, donations, etc.), amounted in 1916 to \$431 only, it is evident that the town will probably have to contribute this year about \$2,200.

In this fund, the ratio of the total receipts to the salaries varied, during the first four years, from 1% to 1.5%. In the fifth year, as the town was compelled to make an appropriation, the ratio increased to 7%, and still there was a small deficit at the end of the year. Now, after five years of operation of the fund, the ratio of the pension roll to the salaries is over 9%, of which over 7% will have to be contributed directly by the taxpayers.

Plainfield Police. The Police Pension Fund of Plainfield, established in 1914, has 26 members with an aggregate salary of \$26,500. It has been supported mainly by the city appropriation. This has been irregular; \$1,133 in the fiscal year 1915, \$1,225 in 1916; no appropriation in 1917. The ratio of the total receipts to the salaries was 5% in 1915, 7.5% in 1916, and 2% in 1917. The fiscal year 1917 left a deficit of \$1,471. The fund now has five pensioners with a pension roll of \$2,925, which represents about 11% of the salaries. Of these, the city will probably have to supply about \$2,300, or 9% of the salaries. The capital of the fund now amounts to \$604.50 only.

Perth Amboy Police. Quite similar is the situation in the Police Pension Fund of Perth Amboy (39 members with aggregate salary of \$51,100) where the receipts also depend almost entirely upon the appropriation of the city, the amount of which is left to the judgment of the municipal authorities. In 1916, the fourth year of the operation of the fund, the city for some reason made no appropriation, and this resulted in a deficit of \$896. The capital of the fund, at the

beginning of 1917, amounted to \$127, while the pension roll now amounts to \$1,700.

Other small funds. In the case of other small funds, which have so far been more lucky and have had no pensioners and no disbursements, a similar situation may arise at any moment. Should it, by some misfortune, always possible, become necessary for them to grant one or several pensions within the next years, this would mean disaster.

This is obvious in the case of such funds, for instance, as the Police Pension Funds of Clifton (membership, 14; receipts in 1916, \$129; capital, \$131); Harrison (membership, 20; receipts, \$243; capital, \$1090; Garfield (membership, 11; receipts, \$400; capital, \$1,925); Englewood (membership 16; receipts, \$424; capital, \$2,474); Irvington (membership, 18; receipts, \$254; capital, \$1,045).

All these funds are supported exclusively by the 1% deduction from the salaries and some miscellaneous revenues. But the very few small funds that have had more reliable sources of revenue are exposed to the same dangers.

Thus, for instance, the Police Pension Fund of Morristown (established in 1911; membership, 16, with aggregate salary of \$18,180) has been supported by a 1% deduction from the salaries, an appropriation by the town of 4% of the salaries, and a few miscellaneous revenues. It has not had any pensioners or any disbursements whatever. Yet its total receipts in 1916 amounted only to \$844, and its capital at the end of that year to \$3,680. It is evident that only good fortune has thus far preserved it from developing a deficit, that this may happen at any time, and that should this happen, the small capital of the fund may be rapidly exhausted.

Haphazard Financing in Larger Funds

The larger funds are generally less unstable. Although the sources of revenue that support them are inadequate to cover their actual liabilities, this fact is masked for some time, if the revenues represent large absolute amounts. They may have for some time at their disposition large sums of money, and they are not exposed to the risk of being destroyed at one stroke by some bad fortune. The death or retirement of one or two members does not affect them as a sudden emergency, and does not bring immediate disaster. Usually they are able for a few years to make a show of prosperity, to meet their obligations, to cash in a surplus at the end of each year, and to increase their capital. However, as the number of pensioners and the pension roll increase, and as there is nothing in the financial provisions to insure a corresponding increase of revenues, there comes a time when the annual surplus begins to decrease, then a deficiency occurs, and the capital has to be drawn upon to meet the current obligations.

Some of the largest funds have already reached this stage and have had to devise means to prevent the exhaustion of their capital. But no one fund has thus far made an attempt to permanently improve its condition, by making an estimate of its total liabilities and by providing adequate revenues to meet them. Just as the original financing, so have also all the ulterior measures for strengthening the funds been of a purely empirical nature. Through legislative amendments, or through the assistance of the municipal authorities, or through the initiative of the members, a fund would obtain additional revenues. But this would bring only temporary relief. After a few years, a new deficiency would occur, larger than the preceding, and new measures of relief would have to be devised. Some of the oldest and largest funds may serve as an illustration of empirical methods of financing and of their effects.

Paterson Firemen. The Firemen's Pension Fund of Paterson was established in 1905. It was originally supported by a 1% deduction from the salaries and by 'miscellaneous' revenues, of which the most important are 1% of the tax on foreign insurance premiums and theatre licenses. Owing to the increasing yield from these two sources, the total receipts gradually rose from \$5,700 (4% of the salaries), in the fiscal year 1906, to \$9,500 (6.5% of the salaries) in 1909, not without some slight fluctuations from year to year. In 1910, the receipts amounted to \$14,500, or 9.5% of the salaries. This sudden increase was obtained by arranging a ball, which yielded \$3,800. Next year, the receipts dropped to \$10,900, or 7% of the salaries, to rise again, in 1912, to \$13,500 (9% of the salaries), of which again \$2,300 were obtained from a ball. Up to that time the fund was able to cover its ever increasing disbursements (\$450 in 1906 and \$10,200 in 1912), and to cash in at the end of each year a surplus, the amount of which fluctuated with that of the 'miscellaneous' revenues. The capital of the fund, on June 19, 1912, amounted to \$41,800. In 1913, however, the disbursements increased to \$15,500, or about 10.5% of the salaries (against 7% in the preceding year). At the same time the ratio of receipts to salaries decreased from 9% to 7.5%. This caused a deficit of \$4,100, and every year has since closed with a deficit. The capital of the fund decreased from \$41,800, in 1912, to \$25,600 in 1917.

Beginning with 1914, the city has been contributing to the fund a fixed sum of \$1,500 a year. But as the 'miscellaneous' sources of revenue have remained the most important, and as the amount contributed by the city is stationary, the amount, both absolute and relative, to the total receipts has continued to fluctuate, representing in the last four years, respectively, 9%, 9.5%, 8.5%, 10.5% of the salaries. The receipts have been insufficient to cover the disbursements

(11.5% of the salaries in 1917); their fluctuations only could cause the deficit to fluctuate. The yield from the two main sources, the foreign insurance tax and theatre licenses, had rapidly increased in the first years of the existence of the fund, but during the last years it has tended to become stationary. It cannot be reasonably expected that the revenues from these sources will ever be sufficient to put a stop to the decline of the fund. The fund is compelled to look to other sources. Thus, in 1917, it succeeded in increasing its receipts to \$19,900, against \$14,700 in the preceding year. This was obtained by selling souvenir books, which yielded \$5,250. The result was to reduce the deficit to \$2,100, against \$5,700 in the preceding year. Even this, however, cannot be repeated every year. No amount of ingenuity in devising new sources

Bureau of Combustibles, fines, donations, sale of old material, etc.

The revenues of this fund have been considerable, exceeding \$20,000 since the first year. By the end of 1914, the fund had a capital of over \$140,000. The receipts have been, however, extremely fluctuating, increasing from \$21,100 in 1906 to \$33,300 in 1908, mainly by the addition of Nickeldrome licenses and fees of the Bureau of Combustibles, and of the proceeds from sale of old material; to \$42,100 and \$55,800 in 1910 and 1911 respectively, by a sudden enormous increase in the yield of Nickeldrome and Show licenses; dropping to \$50,000 in 1912, owing mainly to a decrease in the yield from the same sources; increasing again and attaining the maximum of \$57,900 in 1914, and then decreasing to \$46,800 in 1916. The

CAMDEN FIREMEN'S PENSION FUND

Year	Deduction from Salaries	Miscellaneous Revenues	Appropriation by City	Total Annual Receipts	Annual Disbursements	Annual Surplus (Excess of Receipts over Disbursements)	Annual Deficit
1912 (ended March 31)		\$5,157	\$2,400	\$7,557	\$6,747	\$810	
1913 (ended March 31)		10,428	2,000	12,428	10,167	2,261	
1914 (ended March 31)	\$834	6,914	2,000	9,748	10,295		\$547
9 months ended Dec. 31, 1914	851	11,758	1,500	14,109	12,258	1,851	
1915 (ended Dec. 31)	1,186	6,789	3,000	10,975	14,543		3,568
1916 (ended Dec. 31)	1,213	10,024	3,000	14,238	13,459	779	

of revenue can offset the effects of the original inadequacies of the financial provisions.

Newark Firemen. The Firemen's Pension Fund of Newark was established in 1903. It is supported by a 1% deduction from the salaries and by a number of 'miscellaneous' sources. The 'miscellaneous' revenues are by far the most important, forming in some years over 80% of the total revenues. Among the 'miscellaneous' sources, the most important was originally the foreign insurance tax, which yielded \$11,600 in 1915 and \$15,600 in 1916; the increase, however, has not been constant; the yield has been fluctuating from year to year, reaching, for instance, \$16,100 in 1913, only to decrease in the following years. The second source in importance was originally theatre licenses. Their yield amounted to \$2,100 in 1905, and to exactly the same sum in 1916. In the interval, however, it has also fluctuated, reaching as high as \$5,600 in 1913. In 1908, the fund had added to its resources the Nickeldrome licenses, which yielded in that year \$3,600, increased by 1911 to \$20,200, then, after a temporary decrease, reached the amount of \$20,600 in 1914, and dropped to \$18,700 in 1915, and to \$11,600 in 1916. Similar fluctuations can be observed with regard to the minor 'miscellaneous' sources, such as fees of the

ratio of the receipts to the salaries amounted to 7% in 1905 and to 7.5% in 1916. In the interval, however, it reached as high as 11% in 1911, and fell as low as 6% in 1909.

In the meantime, the disbursements have been steadily increasing, from \$10,600 in 1905 to \$60,900 in 1916, which represented, respectively, 3.6% and 10% of the salaries. The year 1915 ended with a deficit of \$400, and the year of 1916 with one of \$14,100. The capital decreased from \$140,400 in 1914 to \$125,800 in 1916.

Camden Firemen. The Firemen's Pension Fund of Camden was originally supported by an appropriation by the city, the amount of which was not fixed, and by a number of 'miscellaneous' revenues, such as the tax on foreign insurance, sale of old material, donations, and different undertakings by the fund. Beginning with the fiscal year 1913-1914, there was added a contribution by the members of 1% of their salaries. The movement of receipts and disbursements since 1912⁷ is shown in the table on this page.

The fluctuations of the receipts are striking. The rise in 1912-1913 was due mainly to the proceeds from

⁷ No data are available for the preceding years. The Fund seems to have been established in 1906.

advertisements in a book published by the fund; it was insufficient, however, to check the deficiency of the following year. The high revenues of the last 9 months of 1914 came mainly from two undertakings by the fund, a circus and a ring contest; but the surplus left at the end of that year, combined with an increased appropriation by the city, were insufficient to cover the new pensions granted in 1915, to the amount of \$4,000. Finally, in 1916, the revenues rose again, which was due mainly to the large amount of donations (over \$2,000) and to proceeds from the sale of horses (about \$1,100); however, the surplus at the end of the year was very small. The disbursements in 1916 amounted to 11% of the salaries; the receipts, to

receipts kept at that ratio in the following years. But they did not. While the disbursements were steadily increasing (from \$5,200 in the fiscal year 1904, to \$15,100 in 1909), the receipts, in spite of slight fluctuations, were declining, both absolutely (from \$18,300 in 1903, to \$13,100 in 1909), and in relation to the salaries (from 4.5% in 1903, to 1.5% in 1909). This is explained by the fact that the principal item of revenues, during that period, was deductions for absences; they were exceptionally high in the first year (\$13,500 of the total receipts of \$18,300); then they declined and fell in 1908-1909 as low as to \$2,800, causing a decline in the total revenues. The surplus was decreasing every year, until in 1907-1908 the

NEWARK POLICE PENSION FUND

Year Ending April 30	Deduction from Salaries	Miscellaneous Revenues	Appropriation by City	Total Annual Receipts	Annual Disbursements	Annual Surplus (Excess of Receipts over Disbursements)	Annual Deficit
1903	\$4,240	\$14,058		\$18,298	\$332	\$17,996	
1904	4,511	10,943		15,454	5,202	10,252	
1905	4,593	12,258		16,851	6,708	10,143	
1906	4,698	12,509		17,207	12,122	5,084.50	
1907	5,159	10,439		15,598	13,531	2,067	
1908	6,045	6,976		13,022	14,068		\$1,046
1909	7,145	5,991		13,136	15,108		1,972
1910	7,635	7,235		14,870	17,234		2,464
1911	7,854	8,136	\$8,335	24,325	20,760	3,525	
1912	8,463	8,691	8,525	25,679	23,825	1,854	
1913	8,710	10,064	8,767	27,541	27,037	504	
1914	8,984	11,436	9,053	29,473	30,525		1,052
1915	18,933	24,075	19,127	62,135	32,960	29,175	
1916	19,551	12,734	19,704	51,989	36,278	15,711	
1917	20,009	22,453	20,229	62,691	40,503	22,188	

slightly more than 11.5%. But as the receipts in that year were high owing to accidental revenues, so there is nothing to insure the perpetuation of even this slight surplus. It is rather more than probable that the current year, or the next, will see a new considerable deficiency.

Newark Police. The Newark Police Pension Fund, which is the largest local fund existing in the state, had already gone through two periods of decline and readjustment. The movement of receipts and disbursements since 1902, the year of the establishment of the fund, is shown in the table on this page.

The fund started with a 1% deduction from salaries and with miscellaneous revenues. The total receipts of the first year (\$18,300) must have appeared very considerable, especially as there were no pensioners and almost no disbursements in that year. However, the receipts amounted to but 4.5% of the salaries, and an eventual deficiency was inevitable, even if the

first deficiency occurred, amounting to over \$1,000. The deficiency increased in the two following years.

In 1910, the City of Newark began to contribute to the fund 1% of the salaries. About the same time, the fund had added to its resources some new 'miscellaneous' revenues, such as proceeds from revolver and parade permits and from the sale of special police badges. As a result, the receipts in 1910-1911 (\$24,300) were about \$9,500 higher than in the preceding year; the year left a surplus of \$3,500. However, the ratio of the receipts to the salaries was of 3% only. The surplus immediately began to decline again and in 1913-1914 a new deficiency occurred, amounting to \$1,052. This time, energetic measures were taken in all directions to save the fund from a rapid collapse. Availing itself of the law of 1914, the City of Newark increased the contribution both of the policemen and of the city to 2%; the proceeds of the dog tax were assigned to the fund, and, in addition,

the fund received \$8,340 from an athletic carnival. The total receipts jumped from \$29,474 to \$62,135; the surplus in the fiscal year 1915 amounted to \$29,174.

But here again, as in the first years of the existence of the fund, the high absolute figures were deceiving. In 1914-1915 the ratio of the receipts to the salaries, though considerably higher than in 1913-1914 (6.5% against 3.5%), was nevertheless much below the level required to meet the actual costs. And the very next year the receipts again dropped, both absolutely (from \$62,135 to \$51,989), and relatively (from 6.5% to 5.5%), as the yield from the dog tax was considerably less, and the carnival was not repeated. The surplus amounted to \$15,710 only. It is true that in 1916-1917 the receipts were again increased to 6.5% of the salaries, by the addition to the resources of the fund

The table below shows in the fourth and fifth columns the decreasing surplus and final deficit which would have resulted without the subsidy.

It can be seen that the fund has succeeded in preserving its stability only by shifting the largest part of the new pensions to the Relief Association. This, however, is nothing but a temporary expedient, as the resources of the Relief Association are far from being unlimited.

Conclusion: Urgent Necessity of Reorganization On Reserve Basis

We thus see that all the measures taken to remedy a critical situation were always simple expedients destined to relieve the immediate stress and to permit a fund to meet its obligations maturing in the nearest future. After a few years a new crisis is bound to

TRENTON FIREMEN'S PENSION FUND

Year	Receipts from Regular Sources	Total Pension Disbursements	Surplus of Regular Receipts over Disbursements	Deficit (Excess of Disbursements over Regular Receipts)	Subsidy from Relief Association	Total Surplus from Regular Receipts Plus Subsidy
1912	\$6,215	\$5,443	\$772		\$1,643	\$2,415
1913	6,823	6,054	769		3,062	3,830
1914	7,294	7,101	193		4,022	4,210
1915	8,521	8,288	233		4,829	5,036
1916	8,121	9,568		\$1,447	5,092	3,651

of the proceeds of dance hall licenses, which yielded \$5,300 that year. But it is evident that, in spite of all the efforts made during the last crisis, nothing has been created that would insure to the fund a regular recurrence of annual receipts amounting even to 6.5% of the salaries. And this ratio, the highest ever attained by this fund, would be insufficient, as we have seen, even to cover the actual costs of the benefits that will have to be paid in the future to the members of the fund who are now in active service; still more inadequate would it be for a fund that is, in addition, burdened already with obligations towards its retired members to the amount of almost \$40,000 a year.

Trenton Firemen. The Firemen's Pension Fund of Trenton is supported by a 1% deduction from the salaries, a 1% contribution by the city and 'miscellaneous' revenues; tax on foreign insurance, rewards, and sales. Though the receipts have been fluctuating, they have, on the whole, kept at the ratio of about 6% to 6.5% of the salaries. The fund, which was established in 1905, would have developed a deficiency, had not since 1912 an increasing annual subsidy been obtained from the Firemen's Relief Association of Trenton for the payment of pensions.

occur, and new expedients will have to be looked for. As the pension roll, however, will continue to grow, from year to year, increasingly large amounts will have to be procured through these expedients at every new crisis. But there is a limit both to the number and to the possible yield of 'miscellaneous' taxes that can be added to those supporting the fund; there is a limit, also, to the possible yield from balls, carnivals, and other undertakings that can be arranged by the members of the fund. And so eventually there will be but one recourse left, namely, an increased contribution from the employees, or from the municipality, or from both. This will entail upon the employees, or the taxpayers, or both, a burden incomparably heavier than if, since the creation of the fund, a sufficient contribution had been demanded for the building up of a reserve. This will mean also a flagrant inequity in the distribution of the burden between the older and younger employees and between the present and future taxpayers. And the longer the reconstruction of a fund on a rational financial basis is postponed, the more tremendous will be the eventual burden, and the more flagrantly inequitable the distribution.

The pension funds of this state are already breaking down under the increasing burden of annual require-

ments for pensions. Yet this increase is only starting. The pension roll of the Police Funds of Newark and Paterson and of the Firemen's Fund of Atlantic City has increased from about 1% of the salaries to about 4 or 5%. In the Firemen's Fund of Jersey City, the Police Fund of the same city, the Firemen's Funds of Newark and Paterson, the ratio of the disbursements to the salaries already amounts to 9 or 10%. In the Police Pension Fund of Kearny, the disbursements have reached 7% of the salaries after 6 years of operation, in that of the town of Union, 9%, after 5 years; in that of Plainfield, 11% in the fourth year. This, however, gives but a faint idea of the eventual burden of pensions. Eventually, the annual requirements will amount to more than 20 and even 25% of the payroll.

As pointed out in the report of the Pension and Retirement Fund Commission, no pension fund in this state, or, indeed, in this country, has yet developed disbursements of such proportions, because all the existing funds are comparatively very recent. There is no pension fund in this country that has been operated for more than 60 years. "Abroad, where pension systems have been more than 50 and even 100 years in operation, many systems have developed pension disbursements exceeding 20%, 25%, and even 30% of the payroll. Thus . . . in the Police Pension Fund of Paris the annual pension roll amounted in 1909 to 26.4% of salaries and is now nearing 30%. The London Metropolitan Police Pension Fund, which started

in 1844 with annual disbursements of about 0.8% of salaries, required in 1915 an outlay of 29.3% for pensions. . . . In Austria, the ratio of pension roll to payroll [in the Civil Service] is 33%, according to the figures for 1910."

It is thus seen how tremendous is the burden that is shifted upon future generations, whenever the present generation fails to contribute its full and just share and to bear from the outset the necessary sacrifices for the gradual building up of a sufficient reserve.

The necessity of adopting a reserve basis for pension funds has already found official recognition in the report of the Pension and Retirement Fund Commission, which recommends:

That cities before establishing further pension funds should have careful investigations made as to the financial provisions of the funds to determine whether the contributions and revenues provided will be sufficient to pay the benefits granted by the fund.

That a reserve basis be adopted as the policy for all future legislation in connection with pension and retirement funds; that contributions be based on definite actuarial calculations, and that no bills for the creation of pensions be considered by the Legislature without actuarial valuations of the liabilities entailed by the bill accompanying same; and

That cities having pension funds have an actuarial investigation made of their funds to ascertain their true financial condition, and that a plan be worked out to place the present funds on a reserve basis by adopting a schedule of fixed contributions for future payments, and means provided for accumulating the accrued liabilities.

TABLE I
EMPLOYEES COVERED BY PENSION LEGISLATION
Appendix A

Classes of Employees	MEN			WOMEN			TOTAL		
	Number	Payroll	Average Salary				Number	Payroll	Average Salary
County Employees . . .	35	\$44,000	\$1,257				35	\$44,000	\$1,257
Policemen	3,080	3,649,000	1,185				3,080	3,649,000	1,185
Firemen	2,140	2,541,000	1,187				2,140	2,541,000	1,187
Other Municipal Employees	300 (a)	398,000	1,327				300	398,000	1,327
Total	5,555	\$6,632,000	\$1,194				5,555	\$6,632,000	\$1,194

(a) Includes a small number of women that could not be exactly ascertained.

TABLE II
EMPLOYEES NOT COVERED BY PENSION LEGISLATION (a)

Classes of Employees	MEN			WOMEN			TOTAL		
	Number	Payroll	Average Salary	Number	Payroll	Average Salary	Number	Payroll	Average Salary
County Employees (b)	1,877	\$2,076,000	\$1,107	615	\$410,000	\$667	2,490	\$2,486,000	\$998
Policemen (c)	571	560,000	981				571	560,000	981
Firemen (c)	137	118,000	861				137	118,000	861
Other Municipal Employees (c)	4,284	3,803,000	888	1,081	623,000	576	5,365	4,426,000	825
Total	6,869	\$6,557,000	\$953	1,696	\$1,033,000	\$609	8,563	\$7,590,000	\$886

(a) Are not included in this table: elective officials; employees paid by the day or by the hour; employees receiving fees; employees earning less than \$120 a year; janitors hiring help out of their salaries; teamsters hired with the team.
(b) Includes employees of all counties, except four (Hunterdon, Middlesex, Monmouth and Salem).
(c) Includes employees of 376 municipalities, with aggregate population of 2,578,000, out of the total of 494 municipalities, with aggregate population of 2,844,000.

TABLE III
PENSION FUNDS IN OPERATION

State, County or Municipality	Year of Establishment	Membership of the Fund	Annual Payroll of Members	State, County or Municipality	Year of Establishment	Membership of the Fund	Annual Payroll of Members
I. Policemen:				II. Firemen:			
Asbury Park	1908	17	\$20,000	Atlantic City	1907	173	\$205,900
Atlantic City	1913	111	132,000	Bayonne	1908	77	54,100
Bayonne	?	106	62,600	Camden	1906?	114	121,300
Bloomfield	1912	24	26,500	East Orange	1905	56	57,000
Camden	1911	165	179,400	Elizabeth	1905	74	93,600
Clifton	1916	14	15,400	Hoboken	1907	111	146,200
East Orange	?	66	78,500	Irvington	1912	12	13,700
East Rutherford	1917	8	7,800	Jersey City	1902	348	459,700
Edgewater	?	14	11,900	Montclair	?	40	41,000
Elizabeth	1908	114	130,400	Newark	1902	568	742,000
Englewood	1912	16	17,000	New Brunswick	1914	42	41,500
Garfield	1912	11	13,400	Orange	1909	34	40,100
Harrison	1912	20	25,900	Passaic	1911?	51	58,200
Hoboken	1912	130	172,300	Paterson	1905	183	200,800
Irvington	1913	18	21,300	Plainfield	1905	37	43,100
Jersey City	1887	664	798,000	Trenton	1905	131	133,000
Kearny	1911	21	25,200	West Hoboken	1914	30	31,700
Lodi	?	6	5,000	West New York	1915	40	42,200
Long Branch	1914	19	19,000	West Orange	1915	19	16,300
Lyndhurst	?	7	7,600				
Montclair	1908	33	39,000	Total in 19 Funds		2,140	\$2,541,400
Morristown	1911	16	18,200				
Newark	1902	788	1,025,000	III. Other Local Employees:			
New Brunswick	1912	32	32,000	Park Police, Essex County	1910	35	\$43,600
North Bergen	1917	33	37,400	Board of Health, Newark	1914	74	110,000
Orange	1907?	39	47,700	Street and Water Dept., Newark	1915	226	288,200
Passaic	1911	55	59,600				
Paterson	1907	180	202,300	Total in 3 Funds		335	\$441,800
Perth Amboy	1912	39	51,100				
Plainfield	1914	26	26,500	Grand Total for 58 Police, Firemen, and Other Local Employees' Funds			
Rutherford	1917	11	12,900			5,555	\$6,632,100
South Orange	1916	17	16,900				
Trenton	1902	159	176,000				
Town of Union	1912	25	29,800				
West Hoboken	1906?	49	61,300				
West New York	?	27	44,000				
Total in 36 Funds		3,080	\$3,648,900				

POLICE PENSION LAWS IN CITIES

Employees Affected Date of Legislation Compulsory or Optional Membership	CONTRIBUTIONS			SUPERANNUATION OR SERVICE PENSIONS				ARE OTHER BENEFITS PAID?				References Laws of N. J.
	By Employees	By Government		Minimum Retire- ment Age	Minimum Length of Service (Years)	Amount of Pension	At Disability		Upon Death		At Resignation or Dismissal Before Retirement	
		By Direct Appropriation or Tax Levy	Miscellaneous Sources				From Ordinary Cause	From Performance of Duty	From Ordinary Cause	From Performance of Duty		
Police in any city Law, 1885 No fund established Police in any city Law, 1887 Am., 1888, 1889 Local police board in certain cities Establishment of fund or not Police in any first-class city adopting act Law, 1915 Compulsory	Nothing.	Nothing.	Nothing.	60	20	Discretionary amount.	Yes, for injury or sickness after 20 years of service; a discretionary amount.	No.	No.	No.	No.	1885, Ch. 147. 1887, Ch. 70. 1888, Ch. 62. 1889, Ch. 147.
Police in all cities of first class, which have, or shall adopt, Act of 1887, separating police and fire departments from political control Laws, 1902, 1914 Am., 1910; re-estab- lished, 1914 Am., 1916, 1917 Compulsory	At least 2% of sal- ary.	Nothing.	(1) Permits and dog- taxes to spe- cial officers. (2) Fines for petty offenses. (3) Sale of unclaimed goods and ab- sence deductions on police. (4) Donations. (5) Fines and ab- sence deductions on police. (6) Badges to spe- cial officers. (7) 2% of prem- iums of foreign insur- ance effected in that city.	50	20	½ final salary if fund is sufficient; otherwise it is prorated.	Yes, ½ final sal- ary after 9 years; if fund is suffi- cient; otherwise prorated.	Yes, ½ final sal- ary after 9 years; if fund is suffi- cient; otherwise prorated.	Yes, ½ final sal- ary after 9 years; if fund is suffi- cient; otherwise prorated.	Yes, ½ final sal- ary after 9 years; if fund is suffi- cient; otherwise prorated.	No.	1902, Ch. 165. 1910, Ch. 246-7. 1914, Ch. 282. 1916, Ch. 282. 1917, Ch. 69.
Police in any city or town Law, 1906 Compulsory	At least 1% of sal- ary.	Nothing.	Nothing.	60	20	½ final salary.	Yes, ½ final sal- ary after 9 years.	No.	No.	No.	No.	1906, Ch. 299.
Police in any municipal- ity not of first class Law, 1911 Compulsory	1% of salary.	Sum sufficient to cover any deficiency	(1) Fines on police. (2) Donations. (3) ½ rewards.	60	25	½ pay.	Yes, ½ final sal- ary after 20 years.	Yes, ½ final sal- ary after 20 years.	Yes, ½ final sal- ary after 20 years.	Yes, ½ final sal- ary after 20 years.	No.	1911, Ch. 72.
Chiefs of police in any city Law, 1891 No fund established Families of policemen who die or are disabled —in any city Law, 1899 No pension fund estab- lished	Nothing.	Entire amount.	Nothing.	None.*	20	Not over ½ pay.	No.	No.	No.	No.	No.	1891, Ch. 244. 1899, Ch. 199.

* Until such chief attain the age of 60, he may be called upon by the board to perform certain special services even though retired.

FIREMEN'S PENSION LAWS

Employees Affected Date of Legislation Compulsory or Optional Membership	CONTRIBUTIONS			SUPERANNUATION OR SERVICE PENSIONS				ARE OTHER BENEFITS PAID?				References Laws of N. J.
	By Employees	By Government		Minimum Retire- ment Age	Minimum Length of Service (Years)	Amount of Pension	At Disability		Upon Death		At Resignation or Dismissal Before Retirement	
		By Direct Appropriation or Tax Levy	Miscellaneous Sources				From Ordinary Cause	From Performance of Duty	From Ordinary Cause	From Performance of Duty		
Firemen in first-class cities Law, 1902 Am., 1908, 1912 Adoption optional with association of firemen; after adoption, com- pulsory	Between 1% and 2% of salary	Any appropriation which may be made.	(1) ½ of 2% of pre- miums of fire insurance effec- ted in that city. (2) Fines on mem- bers. (3) Donations. (4) Permits. (5) Fines for fires. (6) License fees. (7) Sale of unclaimed goods. (8) Rewards not ex- cepted.	60	20	½ final salary.	Yes, after 20 years of service, ½ final salary.	Yes, ½ final sal- ary any time, to legal dependents	Yes, ½ final sal- ary any time, to legal dependents	Yes, ½ final sal- ary any time, to legal dependents	No.	1902, Ch. 270. 1908, Ch. 147. 1912, Ch. 240.
Firemen in municipal- class cities Law, 1905 Am., 1913 Adoption optional with association of firemen; after adoption, com- pulsory	Between 1% and 2% of salary.	Any appropriation which may be made.	(1) ½ of 2% of pre- miums of fire insurance effec- ted in that city. (2) Fines on mem- bers. (3) Donations. (4) Permits. (5) Fines for fires. (6) License fees. (7) Sale of unclaimed goods. (8) Rewards not ex- cepted.	55	25	¾ final salary.	No.	Yes, ½ final sal- ary any time, to legal dependents.	Yes, ½ final sal- ary any time, to legal dependents.	Yes, ½ final sal- ary any time, to legal dependents.	No.	1905, Ch. 65. 1913, Ch. 287.
Firemen in any cities Law, 1888 Am., 1889, 1893 No fund established; board of fire commis- sioners to make rules	Nothing.	Entire amount.	Nothing.				For incapacity from performance of duty, or old age. For paid firemen who have served 20 years: For those whose salary is \$600 or more: a pension not to exceed ½ final salary. For those whose salary is \$300 to \$600: a pension not to exceed \$300. For those whose salary is under \$300: a pension not less than \$300. For volunteer firemen with 20 years service: a pension not to exceed \$300.	No.	No.	Pension to legal dependents not to exceed ½ of salary.	No.	1888, Ch. 184. 1889, Ch. 254. 1893, Ch. 265.
Paid firemen in any city Law, 1893 No fund established; local board to make rules	Nothing.	Entire amount.	Nothing.				No.	Yes, ½ pay for No. permanent dis- ability incurred at any time in ser- vice.	No.	No.	No.	1893, Ch. 248.
Paid firemen in any city Law, 1897 No fund established; local board to make rules	Nothing.	Entire amount.	Nothing.				Yes, after 20 years of service, ½ final salary.	Yes, ½ final sal- ary any time.	Yes, ½ final sal- ary any time.	Yes, ½ final sal- ary any time.	No.	1897, Ch. 148.

OTHER LOCAL EMPLOYEES' PENSION LAWS

Appendix D

Employees Affected Date of Legislation	CONTRIBUTIONS			SUPERANNUATION OR SERVICE PENSIONS				ARE OTHER BENEFITS PAID?			References Laws of N. J.	
	By Employees	By Government		Minimum Retirement Age	Minimum Length of Service (Years)	Amount of Pension	At Disability		From Ordinary Cause	From Performance of Duty		Upon Death
		By Direct Appropriation or Tax Levy	Miscellaneous Sources				From Ordinary Cause	From Performance of Duty				
Cities: Street and water companies in first-class cities in which associations have adopted this pension system. Law, 1915 Law, 1917 Optional	A sum not to exceed 2% of the salary, if the board of trustees so desires.	All rewards not specifically excepted.	None.	25	Between 20% and 50% of salary, depending on the number of years of service and assessments.	Yes, between 20% and 50% according to the number of years of service and assessments made according to the number of years of service, if number of years of service is less than 10; otherwise, by number of years of service.	No.	No.	No.	Yes, after year of contributing, refund of contribution.	1915, Ch. 344 1917, Ch. 91.	
Board of Health: Employees in any city adopting this pension system. Law, 1913 Optional	If pension fund is below \$20,000, a sum not to exceed 2% of annual salary.	Fines and fees not to exceed \$2,500, designated by the board. Donations.	None.	25 "Honorable"	½ final salary.	Yes, ½ final salary, in case of old age or sickness causing incapacity.	No.	No.	No.	No.	1913, Ch. 215.	
Health officers or other chief officers of local boards or commissions of public health in cities of first-class. Law, 1915 Optional with government	None.	None.	60	25	Discretionary with board, not over ½ final salary.	No.	No.	No.	No.	No.	1915, Ch. 236.	
Townships: Police officers in townships. Law, 1908 Optional with government	None.	None.	65	20	½ final salary.	Yes, if 65 years of age, and if service amounts to 20 years, ½ final salary.	Yes, if 65 years of age, and if service amounts to 20 years, ½ final salary.	No.	No.	No.	1908, Ch. 74.	
Countries: Park police Law, 1910 Compulsory	Between 1% and 3% of salary, at the discretion of the board of park commissioners.	Fines on police force. Absence deductions from pay. Sale of unclaimed goods. Fines on policemen. Donations.	60	20	½ final salary if fund is sufficient, otherwise it abates proportionally.	No.	Yes, ½ salary any time if fund is sufficient, if not, it abates proportionally.	No.	No.	Yes, to legal dependents, ½ salary any time if fund is sufficient, if not, it abates proportionally.	1910, Ch. 48.	
Police on county roads in counties of first-class which shall adopt this pension system. Est., 1914 Compulsory	1% of salary.	A sum to cover any deficiency.	50 Compulsory retirement at 60.	20	½ final salary.	No.	No.	No.	No.	Yes, to legal dependents, ½ salary any time.	1914, Ch. 36.	
Any county employee. Law, 1915 Optional with government	None.	None.	70	45 "Continuously"	½ final salary.	No.	No.	No.	No.	No.	1915, Ch. 38.	

Appendix E
Firemen's Relief Associations. A Historical Sketch

Ever since 1826, the state has required all foreign fire insurance companies doing a business in New Jersey to pay a license fee or tax for the privilege of doing the business. The amount of this fee or tax has varied from 5% of the premiums received by them, in 1826, to 2% in 1850. The latter rate has been maintained to the present date. Previous to 1850 the insurance companies paid the tax to the state as a part of its general revenues, but in that year the Legislature passed an act turning over the moneys so received to the charitable funds of such fire departments, fire associations, or fire companies as might exist in any cities, towns, boroughs, or districts of the state. Associations were formed among the firemen for the administration of the funds thus created and gradually they came to be known as Firemen's Relief Associations.

In 1885, the Legislature recognized these associations and enacted a law which has in the main governed them to the present day. This Act (Chapter 122, Laws of 1885) required the incorporation of all local Firemen's Relief Associations except such as were governed by special acts. It further provided that there should be no more than one organization of the kind in each city, town, borough, or district. The objects of these associations, as stated in the law, were:

to establish, provide for, and maintain a fund for the relief, support, or burial of indigent exempt firemen and their families, and of such persons as may be injured or killed while doing public fire duty, or may become indigent or may die as the result of doing such duty or may be prevented by such injury or by sickness arising from their doing such duty, from attending to their usual occupation or calling.

With the introduction of paid fire departments, there arose the question as to how to apply the restriction of each city or town to one Relief Association. The Associations of Exempt Volunteers were regarded as not included in the above restriction, for they received none of the 2% on the premiums. But when a paid fire department was installed, it resulted in the dismissal of the volunteer service, and it was not clear as to whether the paid firemen would have to join the Volunteer Relief Association, or whether they should remain separate. By a Law of 1894, the Volunteer organizations were permitted to convey their property and funds to an exempt association in which three-fourths of their number were members. By so doing they retained themselves the benefit of the 2% income from the insurance companies, this going to the paid department Relief Associations. In 1915, the Act of 1894 was repealed, and it was made mandatory upon the Volunteers that they join the paid department Relief Association and convey their property and funds thereto.

The Relief Associations have no direct relation to the Pension Funds established for firemen. Perhaps the only point of contact is the provision that, in cities where there are Pension Funds, such funds shall receive one-half of the 2% tax on the insurance premiums, thus depriving the Relief Associations of half their revenues from this source. Aside from this point, however, no real connection is to be found. One is a Pension Fund administered under detailed provision set forth in state laws; the other is a charity fund distributed in cases of great need to infirm firemen or their dependents.

SERIES OF PENSION REPORTS AND BULLETINS

PUBLISHED BY THE
BUREAU OF STATE RESEARCH
OF THE

NEW JERSEY STATE CHAMBER OF COMMERCE

Preliminary Report of the Pension and Retirement Fund Commission

State Research. Consecutive number 9, 1918. 20 p. Covers the retirement systems for teachers, police, firemen, and other local employees.

Supplementary Report of the Pension and Retirement Fund Commission

State Research. Consecutive number 8, 1918. 16 p. Contains a digest of the bill for the retirement of employees of the State of New Jersey and an estimate of cost of the proposed system.

Introducing Order into Chaos

Legislative Index, Vol. 15, No. 8, March 25, 1918. A review of what has been accomplished by six months of investigation of Pension and Retirement Funds and what must be done in the future.

Teachers' Retirement Systems in New Jersey, Their Fallacies and Evolution

Introduction and Part I. Evolution of the Systems. State Research. Consecutive number 10, 1918. 48 p. A monograph prepared by Mr. Paul Studensky, Supervisor of the Pension Staff of the Bureau of State Research.

Introduction to the Monograph on the Teachers' Retirement Systems in New Jersey, Their Fallacies and Evolution

A reprint. 16 p. pamphlet.

Police, Firemen's and Other Local Employees' Pension Systems in New Jersey

State Research. Consecutive number 11, 1918. 24 p. Prepared under supervision of Mr. Paul Studensky. Chapter on methods of financing and condition of the funds, by Mr. Alexander Gouroitch. Chapter on development of legislation and character of benefits provided, by Mr. R. K. Bissell.