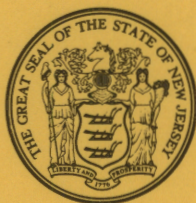


DIVISION OF PENSIONS  
DEPARTMENT OF THE TREASURY  
STATE OF NEW JERSEY

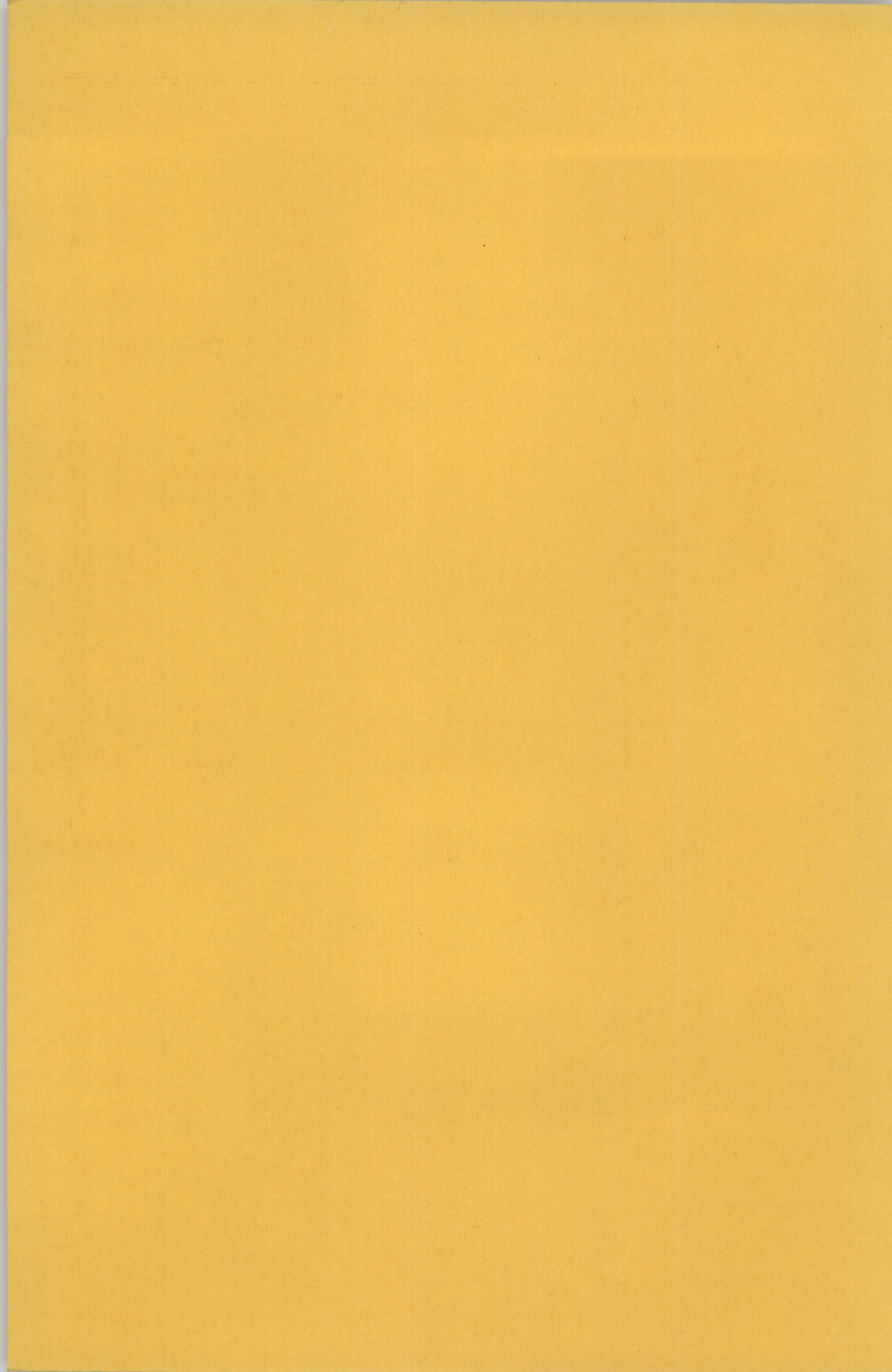


1968

*Annual Report*

New Jersey State Library

New Jersey State Library







**DEPARTMENT OF THE TREASURY**

**DIVISION OF PENSIONS  
STATE OF NEW JERSEY**

137 East State Street

Trenton, New Jersey 08625

---

JOHN A. KERVICK

State Treasurer

---

WILLIAM J. JOSEPH

Director

---

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

and

Members of the One Hundred and Ninety-Third Legislature

Your Excellency and Honorable Ladies and Gentlemen:

The Division of Pensions is pleased to present its  
Annual Report for the year ending June 30, 1968.

Respectfully submitted,

William J. Joseph  
Director

# I

## INTRODUCTION

The Division of Pensions is the successor to the former Bureau of Public Employees' Pensions which was created in June, 1952. In July, 1955, the Division was established under terms of Chapter 70 of that year. To the Division were assigned all administrative functions of the several State pension funds and other public employee benefit programs, except for investment records and proceedings retained by the State Division of Investment.

In addition to the State pension plans, the Division of Pensions has been responsible for the operation of the State Agency for Social Security since its inception in 1951, the Pension Increase program beginning in 1958, the Supplemental Variable Annuity System first established in 1963, the State Health Benefits program with its extension to include local government employers for the first time in 1964, the State Police Retirement System as established in 1965 and the alternate benefit programs of the State Colleges and of the County Colleges in 1968. The State pension plans include the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund, the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System, the Prison Officers' Pension Fund, the Central Pension Fund and the Judicial Pension Fund.

Below is a brief statement concerning the current status of each program, citing the membership and financial posture as of June 30, 1968. The benefit payments reflect the disbursements for the fiscal year ending June 30, 1968, unless otherwise indicated.

## II

### CURRENT HISTORY

The **Public Employees' Retirement System** was established by chapter 84 of the laws of 1954 on January 2, 1955 after the repeal of the statute creating the former State Employees' Retirement System. Under terms of chapter 71 of the laws of 1966 all public employees in New Jersey, who are not required to become members of another contributory retirement system, are normally required to enroll in this program. The membership of the system totaled 93,257 and the system's assets have increased to \$451,728,631. There were 11,662 beneficiaries receiving annual pensions totaling \$21,201,987 while beneficiaries of active and retired members received lump sum death benefits in the amount of \$7,169,901.

The **Teachers' Pension and Annuity Fund** was reorganized under terms of chapter 37 of the laws of 1955, effective January 1, 1956. The membership of the Fund totaled 90,978 and the system's assets had increased to \$831,826,992. There were 13,286 beneficiaries receiving annual pensions totaling \$41,665,719 while beneficiaries of active and retired members received lump sum death benefits in the amount of \$6,294,682.

The **Consolidated Police and Firemen's Pension Fund** was created by chapter 358 of the laws of 1952 to place 212 local police and firemen pension funds on an actuarial reserve basis. The members of this Fund consist of police and firemen appointed prior to July 1, 1944. The membership of the Fund totaled 1,759 and the system's assets had increased to \$68,765,826. There were 8,553 beneficiaries receiving annual pensions totaling \$19,390,752.

The **Police and Firemen's Retirement System** was established by chapter 255 of the laws of 1944. All policemen and firemen appointed after June, 1944 in municipalities in which local police and firemen pension funds existed, or in which this system was subsequently adopted, are required to become members of this system. The membership of the system totaled 16,543 and the system's assets had increased to

\$240,305,720. There were 538 pensioners receiving annual pensions totaling \$1,469,768 while beneficiaries of active and retired members received lump sum death benefits in the amount of \$1,457,562.

The **Prison Officers' Pension Fund** was organized under terms of chapter 220 of the laws of 1941 and was closed to new employees in January, 1960. New employees are enrolled in the Public Employees' Retirement System. The membership of the Fund totaled 362 and the system's assets were \$56,370. There were 205 beneficiaries receiving annual pensions totaling \$460,380.

The **State Police Retirement System** was created in July, 1965, by chapter 89 of the laws of 1965 as the successor to the former State Police Retirement and Benevolent Fund. All uniformed officers and troopers of the State Police are required to be members of this system. The membership of the System totaled 1,287 and the assets had increased to \$15,663,844. There were 330 beneficiaries receiving annual pensions totaling \$1,248,422 while beneficiaries of active and retired members received lump sum death benefits in the amount of \$131,642.

The **Central Pension Fund** consists of the administration of a series of noncontributory pension acts. There were 468 pensioners and beneficiaries receiving total annual pensions in the amount of \$516,858.

The **Judicial Pension Fund** consists of the administration of several noncontributory pension acts providing benefits to retired members or beneficiaries of the State Judiciary. There were 40 pensioners and beneficiaries receiving total annual pensions in the amount of \$442,293.

The **Supplemental Annuity Collective Trust of New Jersey** was organized under terms of chapter 213 of the laws of 1963. This program includes active members of the several State-administered retirement systems, who agree to make voluntary additional contributions through their pension funds to purchase variable retirement annuities, supplementing the benefits provided by their basic systems, or whose employers agree to purchase for certain eligible public employees tax sheltered annuities for the same purpose. The membership of the Trust totaled 13,050 and the program's assets had increased to \$12,370,611. The unit value had increased to \$10.2813 at June 30, 1968 from \$9.6227 at June 30, 1967 for participants so that the net increase for the year

was 6.8% on a purely arithmetical basis; however, inasmuch as the number of units are advanced at the rate of 4% per annum compounded monthly, a unit owned at June 30, 1967 actually had advanced to \$10.6997 or a net increase for the year of 11.2%.

The **State Health Benefits Program** was originally established by chapter 49 of the laws of 1961 and provides basic hospitalization and medical, surgical benefits, including extended coverage, as well as major medical benefits for covered employees. Effective July 1, 1964, chapter 125 of that year extended the program to include employees of local government employers and the plan is now cited as the New Jersey Public and School Employees Health Benefits Plan. The Fund's assets had increased to \$428,889. There were 66,956 covered employees of which there were 38,906 State employees and 28,050 employees of 279 participating employers. The State's contribution was \$3,420,417 while payments made by local employers were \$2,500,696.

The **State Agency for Social Security** was initially created by chapter 253 of the laws of 1951 and became effective with the execution of a Federal-State compact for Social Security coverage in December, 1952. 1462 employers, including the State, forwarded \$112,000,000 for the full payment of Social Security taxes on behalf of 273,000 employees in the calendar year 1968.

The **Pension Increase Program** was established pursuant to chapter 143 of the laws of 1958 and covers all eligible pensioners of State-administered retirement programs. On behalf of 4,615 pensioners the State paid \$1,047,802 while local employers paid \$451,942.

# III

## *Annual Report*

A summary of the legislative enactments and the administrative accomplishments pertaining to such legislation as well as to other operations of the Division is given below.

1. Chapter 71 of the Laws of 1966, and more recently, Chapter 161 of the Laws of 1967, have resulted in a substantial increase in the membership of the Public Employees' Retirement System. Chapter 71 altered the definition of eligible employees, so that any employee in any community in the State who is not a member of another public retirement system and who is expected to earn at least \$500 per annum and is properly covered by Social Security, is required to become a member if employed for the first time on July 1, 1966 or subsequent thereto. Any such employee hired prior to July 1, 1966 has the option to enroll in the system. Prior service for such latter category of employees may be purchased by his employer; this previously required a referendum at a general election in the case of counties and municipalities but this was altered by Chapter 161 to permit the governing body to assume the cost of the prior service by a resolution comparable to a resolution adopted by a public agency. The result is a substantial increase in requests for estimates of the cost of prior service from employers and the mass enrollment of thousands of employees who previously were not covered by any retirement program, other than Federal Social Security.

In the last year more than 50 public employers have adopted prior service for their employees and this is to be compared to the 5 or 6 employers which adopted such credit each year in the past.

Another result is the issue as to whether or not every public employer is properly enrolling all employees who are required to enroll. A recent survey conducted by the Division among State employees determined that there were more than 1,000 who were not enrolled timely and a similar survey will be conducted among local employers where

it is expected that more than 2,000 persons will be enrolled as a result of such survey. This will impose a substantial workload upon the Purchase Section, which must compute the cost to the employee and the employer for the period of the employee's compulsory coverage.

Another effect of Chapter 71 was to provide an option to war veterans in communities where retirement systems have been established but where the veteran had not elected to enroll in the contributory retirement program. Chapter 295 of the Laws of 1967 delineates the options available to such war veterans and clearly continues their opportunity to retire under the noncontributory veteran's retirement act.

Chapter 102 of the Laws of 1968 provided Civil Service status to employees of a village which had contracted to operate a nonprofit community center and permitted the village to purchase prior service credit in the State system for such employees.

2. Chapter 192 of the Laws of 1967 permitted the establishment of an alternate benefit program for members of the faculty at Rutgers University. A similar program had already been established in 1965 at the New Jersey College of Medicine and Dentistry. This was followed by successive enactments pertaining to the other public institutions of higher education in New Jersey, such as Chapter 278 of the Laws of 1967 pertaining to the Newark College of Engineering, Chapter 281 of the Laws of 1967 applicable to the State Colleges, and Chapter 181 of the Laws of 1968 relating to the County Colleges. Each current member of the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund is permitted to waive his rights to benefits in the State system in lieu of such alternate program. Such employee receives a refund of his contributions to the retirement system, which is payable to the alternate program. In addition, the statute provides that when the employee meets the requirement for vesting or service retirement or becomes disabled and would otherwise qualify for disability benefits, that the employer contributions which had been previously paid to such State systems would be transferred to the alternate benefit program.

It soon became apparent that this legislation did not adequately provide for the status of members of the Teachers' Pension and Annuity Fund or the Public Employees' Retirement System who were not currently employed at the various institutions but who might subse-

quently become so employed and who would be thereby required to enroll with all other new employees in the alternate benefit program, thereby jeopardizing their equities in the State systems. As a result, Chapters 75, 76, and 77 of the Laws of 1968 were enacted to permit these individuals to continue as members of a State system or waive their rights in favor of membership in the alternate benefit program. Members of the Teachers' Fund who decide to continue in a State system are required to transfer to the Public Employees' Retirement System, since the employer contribution to the alternate benefit program has been established in all institutions at the rate payable by the State for nonveteran members of the Public Employees' Retirement System. The State's contribution to the Teachers' Fund could be at any time more or less than the State's contribution to the Public Employees' Retirement System and the result would lead to inequities in treatment among employees working side-by-side in the same institution. A similar provision was incorporated in Chapter 181 as it applied to the County Colleges.

As a result of this legislation each successive group of full-time faculty members are given 90 days in which to elect to continue in the State system or to transfer to the alternate benefit program, waiving their rights and benefits in the State system. The dates of January 1, and April 1, 1968 were appropriate to Rutgers and more than 1,000 faculty members have transferred. The Division processed 114 transfer requests from the Newark College of Engineering faculty within their stipulated period of July 1 to October 1. Hundreds of transfers have already been received from the State Colleges whose faculty members are also permitted to transfer in the same period. The County College legislation will provide for the period of election to run from December 1 to March 1, 1969. In total it is estimated that over 3,000 members of the faculties at the several institutions will withdraw from State systems and transfer to the alternate benefit programs, requiring the withdrawal of their contributions as payable to the alternate benefit program, a waiver of their rights in the State system or transfer to the Public Employees' Retirement System if they are members of the Teachers' Fund, and a complete review of their status to determine if an immediate transfer of employer reserves is prescribed. Approximately 10% of the individuals who transfer will require the calculation of reserve transfers at this time. However, each group will have to be surveyed in each

successive year to determine if they are still at the institution or at any public institution where the alternate benefit program is available in New Jersey, so that the employer reserves can be transferred when the individual meets the statutory requirements permitting such transfer. This program, therefore, will remain a continuing administrative problem for as long as 14 years.

In view of the option, the differences between the alternate benefit program and State retirement systems had to be explained to all members of the faculties and the Division of Pensions conducted a very elaborate counselling effort in order to properly advise the thousands who are eligible to transfer; very often each case had to be examined on its own merits because few generalizations could apply.

In the legislation pertaining to the State and the County Colleges, the Division of Pensions was given the responsibility of administering the program, providing for deductions from employee's compensation, salary reductions in accordance with salary reduction agreements for the purchase of tax sheltered annuities and the preparation of specifications and the analysis of bids as well as the establishment of insurance contracts affording noncontributory and contributory group life and noncontributory disability benefit insurance, which is a part of the alternate program of benefits.

One of the major problems in this area involves the definition of eligible faculty members since there is no uniform definition employed in the several schools. The Division has drafted and will recommend amendatory legislation to provide for such uniformity, since it also has the responsibility of administering the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System where ineligible faculty members and other employees are required to enroll. The same legislation will expand the very limited language of the previous legislation establishing the group life and disability insurances so as to clarify many of the provisions of the current programs.

3. With the enactment of Chapters 241 and 242 of the Laws of 1964, Chapter 100 of the Laws of 1965 and Chapter 307 of the Laws of 1966, very important and substantial changes were made in the benefit and contribution schedules of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund. Chapter 250 of the Laws of 1967 again made extensive changes in

the act governing the Police and Firemen's Retirement System. It established the group life insurance program on a completely noncontributory basis, requiring increases in contributions from employees equivalent to what was required of them under their contributory insurance plan. It provided for the first time for payment of specific widow's and children's death benefits following retirement, eliminating the options available to the retirant in the form of reduced benefits payable during his lifetime. It liberalized the accidental death benefit provisions, substantially increasing the benefits payable to widows, dependent widowers, children and dependent parents and providing for the full payment of group life insurance in the event of accidental death. It made a number of other administrative and technical changes. As a result it required a complete change in all of the literature and forms governing the retirement system. For example, the insurance change required that the Division of Pensions obtain a new designation of beneficiary from every one of the 16,500 members of the Police and Firemen's Retirement System so that a new insurance certificate could be issued on the basis of the new benefit schedule.

Over the years it has become increasingly apparent that it is difficult for communities to obtain the services of policemen and firemen and recently legislation was enacted, Chapter 276 of the Laws of 1968, to increase that opportunity by increasing the maximum age for appointment from 30 to 35 years. A difficulty posed by this legislation is that there are no uniform mental or physical requirements established by every participating employer although the Board of Trustees of the retirement system has the obligation to determine that each candidate is physically and mentally fit for membership, which is a condition of employment. As a result of the enactment of this legislation the Board of Trustees has adopted regulations which will attempt to determine, with some greater definition, the physical and mental attributes of prospective candidates. This will impose an increased workload upon the Division's Disability Review Section, which must arrange for additional physical and mental examinations where such may be deemed necessary by the Board. It must be appreciated that any candidate can apply up to five years of military service towards meeting the maximum age for appointment so that the System could be considering the appointment of an individual who is almost 40 years of age to the fairly rigorous task of police or fire duty.

Other examples of the problem of the lack of personnel and over age appointments are bills enacted on behalf of one or more specific individuals for their appointments to the police or fire departments and permitting their enrollment in the Police and Firemen's Retirement System. Examples of such legislation are Chapter 85 of the Laws of 1967, Chapters 283 and 284 of the Laws of 1968 and Chapter 275 of the Laws of 1968. The latter permits municipalities to augment their police force by temporary appointments and it is designed to be inoperative after 1971.

Chapter 154 of the Laws of 1968 made a change in the act governing the Consolidated Fund by providing for a change in the definition of eligible dependents.

4. Following the enactment of Chapters 66 and 67 and Chapters 217 and 218 of the Laws of 1966, which made identical changes in the acts governing the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, separating such systems from Federal Social Security in terms of the benefit schedules of the two systems, there were a substantial number of additional changes in the Teachers' Act resulting from Chapters 228 and 229 of the Laws of 1968. Chapter 228 liberalized the accidental death benefit program in a manner comparable to the recent change in the act governing the Police and Firemen's Retirement System so that monthly benefits payable to widows, dependent widowers and children are increased or provided for the first time, plus the payment of the full group life insurance benefits to the member's beneficiary. It also provided for a program of rehabilitation for persons retired on disability and made a number of other technical and administrative changes. Chapter 229 increased the contributory group life insurance death benefits in the Teachers' Fund from  $1\frac{1}{2}$  to 2 times salary, increased the post-retirement coverage from  $\frac{3}{16}$  to  $\frac{1}{4}$  of salary and liberalized the provisions governing group life insurance while the individual is on leave or receiving periodic benefits, such as Workmen's Compensation. The legislation required a complete change in all of the literature pertaining to the Teachers' Fund; many of the forms that were in use had to be revised and this was complicated by a change in the rate payable by members for contributory insurance effective July 1, 1968.

5. Over the years the Division of Pensions has had difficulty in administering the Pensioners in Public Employment Act because of the

many exceptions made to that act by amendatory legislation. More recently, additional exceptions included such legislation as Chapters 111 and 202 of the Laws of 1967. As a result the Division reviewed the effect of the act as it pertained to members of all State-administered retirement systems and determined that it had very little remaining applicability and as a result it was recommended that the act be repealed. The Division therefore drafted and recommended legislation which became Chapter 23 of the Laws of 1968, repealing the act and substituting in its place an opportunity for all public employers to draw upon the experience and knowledge of retired persons by permitting them to return to public employment following retirement without any limitation on their earnings, except under those circumstances where selection against the several retirement systems might be involved and where such selection might question the validity of the employee's retirement. The act permits retired persons to return to employment without any limitation on their earnings as long as they are not required to enroll in the system from whence they receive their pension. If they are required to re-enroll, the pension is suspended pending their subsequent retirement. Disability pensioners are still subject to the liberal earnings test provided for in the several acts governing each retirement system. The law, however, does permit the re-enrollment of individuals who originally elected deferred retirement and who return to public employment following such vesting.

6. The Division's administration of the State Health Benefits program was substantially altered by the enactment of Chapter 135 of the Laws of 1968, which liberalized the benefit schedule to provide extended coverage under the basic plan comparable to Rider J benefits. It made a number of other technical and administrative amendments, providing, for the first time, for the reimbursement of the services rendered by psychologists.

Since 1964 when local employers were first permitted to enroll in the State plan, initially established for State employees in 1961, it was apparent that their employees objected to participation since they were generally in the lower-salaried category, and preferred Rider J coverage and first dollar reimbursement of such extended services to the Major Medical provisions of the State plan, which contained the necessary deductible and co-insurance features. By 1967 more than 200 employers were participating and many of their employees were un-

happy with the benefit schedule because they were required to pay for out-patient diagnostic or X-ray services, which would have been covered under Rider J and which might never be subject to reimbursement under the Major Medical plan because of the deductible feature. This was particularly aggravated by the situation in many of these communities where Rider J benefits had been available prior to the employer's election to enroll his employees in the State plan.

Chapter 135, therefore, altered the entire benefit and rate schedule for State and local employers and employees participating in the program. More than 100 employers have enrolled their employees since the enactment of this legislation and it is expected that the enrollment under the program will double within the next several years as a result of this liberalization. There are 66,956 employees covered under the State plan of whom 38,906 are State employees and 28,050 are local employees. There are also 1,645 retired State and local employees covered under the program. However, these figures merely reflect employee coverage and the program must be considered in terms of all the individuals covered by the plan, including the dependents of such employees. It is estimated that at least a quarter million persons are now covered. In fact, Major Medical claims have increased significantly as more employees have become familiar with the plan. The method of making claims has also been simplified; to date 23,540 claims have been approved for payment. New literature involving employer and employee booklets, new insurance riders and new contracts are all involved in this major change in the benefit and rate schedules.

7. Chapter 47 of the Laws of 1968 made a change in the act governing the State Police Retirement System, liberalizing the definition of eligible dependents in the same manner as such definition had already been altered in other retirement systems.

8. There are a number of specific pieces of legislation pertaining to one or more judges, such as Chapter 290 of the Laws of 1967 and Chapter 15 of the Laws of 1968 and such legislation will apparently continue to be necessary as long as there is no uniform system of retirement benefits for members of the entire State Judiciary.

9. Chapter 103 of the Laws of 1968 permitted the College of Medicine and Dentistry to purchase the Newark Hospital and as a result

altered the retirement status of hundreds of employees at the hospital. Most of these individuals are qualified for enrollment in the Public Employees Retirement System and enrollment applications are now being reviewed to determine the eligibility of these individuals in the State system.

10. Chapter 204 of the Laws of 1967 was an amendment to the general statute permitting public employers to establish insurance programs on behalf of their employees and this legislation was the subject of the first report of the State Health Benefits Commission, as required under the provisions of Chapter 259 of the Laws of 1964. In the report the Commission recommended the elimination of any discrimination in coverage, the clarification of coverage for dependents and provisions for complementary Federal Medicare, preventing selection at retirement, avoiding duplication of benefits and costs, and full publicity to be given to such costs as well as sufficient time for employers and insurers to conform to such proposed amendments. This legislation, as recommended by the Commission, became Chapter 204 and while the Division of Pensions has no direct responsibility in administering the act, it is required, on behalf of the State Health Benefits Commission, to review all contracts negotiated between public employers and insurers to determine that the general statute is being properly observed. From time to time surveys are conducted, as they were in 1964 and later in 1966, to uncover any problem areas confronting public employers and their employees under such insurance programs.

11. The Division has continued the mechanization of many of its accounting and operational procedures, primarily by converting most of its computer programs to tape. Studies have been conducted to determine if mechanization can be furthered within the limits of the present equipment and such studies indicate that any major changes will be dependent upon the obtainment of new record keeping equipment and new machine facilities.

12. One of the most important facets in the use of the computer-tape system has been the establishment of Social Security wage reports on a basis where the reports are prepared citing the Social Security number and name of each member of the Teachers' Pension and Annuity Fund so that school districts receiving such reports merely have to

enter the wages paid in each of the calendar quarters. This not only lightens the workload upon participating school districts and permits more timely receipt of such wage reports, but assures the State that it is paying Social Security taxes only for those who are members of the Fund, as provided by the statute, and finally, will reduce the possibility of overpayments made to the Federal Government for which reimbursement must later be claimed. Over the years such extensive post-audits were prescribed if the State was to recover any overpayment of Social Security taxes on behalf of members who transfer from one school district to another or who are paid by school districts and by the State. The new report forms also call for an itemization by the districts as to any wages constituting extra compensation for which the school district is liable in the payment of the employer's share of the Social Security tax. The result has been to assure that the State is not overpaying and that the school district is meeting its proper employer obligations under the statute. It will also assure the accuracy of the Social Security number and name being reported on such reports to the Federal Government, since in the past some reports were filed with incorrect or missing Social Security numbers or incorrect names.

13. It has been long recognized that proof of age should be obtained for most members of the several retirement programs and in a recent effort, such proof was established for 24,000 members of the Public Employees' Retirement System. This project remains incomplete in that the Division has yet to receive proof from 16,000 other individuals who were part of this first survey.

14. The work of the Medical Panel in screening and reviewing all medical evidence pertaining to disability applications and the use of medical examiners (in cases where the member's examining physician and the original examiner for the retirement system disagree in their conclusions concerning the member's disability) has afforded the Division an opportunity to have more conclusive evidence presented to the respective boards and commissions concerning such disability claims. Moreover, the examiners are available for appearances before the Hearing Officer of the Division on appeals by claimants whose claims have been rejected by the board or commission. The testimony of the examiners is vital in the presentation made by the Attorney General before the Hearing Officer.

15. The heavy turnover of personnel of local employers and among the certifying agents of the State and its political subdivisions has made an updating of the Field Manual of the Division vital to the training of new payroll clerks and certifying agents. The Division has issued its final supplement to the Manual which completed the effort begun more than a decade ago. It serves as a training guide for new Division personnel as well as for the personnel of participating employers.

16. The Division conducted and completed an in-service training program over a period of six months, in which 25 pension counsellors and other employees recently appointed to promotional opportunities, received instruction in a general review of the Division's work and essentially in basic pension principles.

**New Jersey State Library**

# IV

## FINANCIAL STATEMENT

The following pages present a composite financial report reflecting all of the retirement and employee benefit programs administered by the Division of Pensions. Included is a Balance Sheet and a Statement of Cash Receipts and Disbursements for the fiscal year ending June 30, 1968.

The Balance Sheet shows Total Liabilities of more than 1.6 billion dollars and Total Assets which are designed to meet such liabilities. However, while this is a proper accounting statement, it is not truly reflective of the total liabilities assumed by the public in meeting its commitments in the financing of New Jersey's public employee benefit programs.

The retirement systems which currently involve more than 225,000 State and local government employees, the Social Security program which covers 273,000 persons and a Health Benefits plan which extends insurance coverage to more than 250,000 active and retired employees and their dependents, cannot be terminated as of the end of any accounting period. The liabilities will continue to grow with each successive year and with the increase in the public employee population. This is particularly true in the financing of pension funds which encompasses an employee's working career and his post-retirement years, thus contemplating contributions by the public for periods of 40 or 50 years. Therefore, the Total Liabilities cited in the Balance Sheet merely represent a small portion of the total commitment made by the public to its employees.

Perhaps a better picture of the public's obligation is indicated in the Statement of Receipts and Disbursements. The members of the several pension systems contributed more than 70 million dollars in the fiscal year 1968, while State and local employers paid more than 153 million dollars in the same period. The public also paid an additional 1.5 million dollars to provide increased pensions where the original pension

was deemed inadequate, and more than 10 million dollars for group life insurance coverage. The cost of health insurance premiums totaled an additional 6 million dollars.

Every citizen knows of the increase in Social Security taxes and as the statement indicates, more than 107 million dollars were paid for Social Security last year; since the employer's contribution matches that of the employee, one-half of this amount was contributed by the public.

Much of the money paid by the public for the pension funds was set aside to meet future obligations; this money was invested to obtain the largest possible yield within the standards of risk attendant to the investment of public moneys. A complete statement of such investment transactions for the fiscal year of 1968 is given in the *Eighteenth Annual Report of the STATE INVESTMENT COUNCIL*.

The moneys which were not invested were used to meet the current requirements of the several systems. Nearly 11 million dollars was disbursed to members of those systems where loans are permitted and repaid through payroll deductions. Of course, the largest benefit disbursement involved the payment of retirement allowances which exceeded 89 million dollars, and such benefits are exclusive of any Social Security benefits paid by the Federal government on the basis of Social Security coverage afforded to public employees.

**DIVISION OF PENSIONS**  
**COMPOSITE BALANCE SHEET — ALL SYSTEMS**  
As of June 30, 1968

**ASSETS**

Cash	\$ 10,867,838
Investments — Book Value	1,557,943,435
Receivable from Local Employers	27,100,275
Loans Receivable from Members	14,767,026
Members Contributions Receivable	5,038,055
Accrued Interest on Investments	16,791,830
Dividends Receivable	36,258

**Total Assets**

**\$1,632,544,717**

**LIABILITIES AND RESERVES**

**Liabilities**

Pension Payrolls Payable	\$ 5,481,070
Noncontributory Group Ins. Prem. Fd.	3,393,580
Administrative Expenses Recovered	677,271
Contributory Group Ins. Premium Fund	624,712
Unearned Interest on Loans to Members	760,188
Members' Death Benefit Funds	199,923
Health Benefits Premiums Payable	427,389
Social Security Taxes Payable	47,853
Miscellaneous Liabilities	95,847

**Total Liabilities**

**\$ 11,707,833**

**Reserves**

Annuity Savings Fund	\$444,842,398	
Variable Accumulation Acct.—S.A.C.T.	12,340,818	\$ 457,183,216
<hr/>		
Contingent Reserve & Pension Accum. Fd.		433,034,405
Retirement Reserve Funds	\$717,328,199	
Variable Benefit Account — S.A.C.T	29,200	
Increased Pension Funds	361,709	717,719,108
<hr/>		
Special Reserve Funds		12,900,155

**Total Reserves**

**\$1,620,836,884**

**Total Liabilities and Reserves**

**\$1,632,544,717**

**DIVISION OF PENSIONS**  
**COMPOSITE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**JULY 1, 1967 TO JUNE 30, 1968**

Cash Balance, July 1, 1967		\$ 16,584,702
<b><u>RECEIPTS</u></b>		
<b>Pension Contributions</b>		
Members	\$ 70,672,012	
Employers —		
State	\$98,592,740	
Local	54,941,549	153,534,289
		224,206,301
<b>Increased Pensions — Employer Contributions</b>		
State	\$ 1,047,802	
Local	451,942	1,499,744
<b>Health Benefit Premiums</b>		
Members	\$ 6,271,873	
Employers —		
State	\$ 3,420,417	
Local	2,500,696	5,921,113
		12,192,986
<b>Noncontributory Group Ins. Prens. — Employers</b>		
State	\$ 5,782,285	
Local	4,199,102	9,981,387
<b>Contributory Group Ins. Premiums — Members</b>		8,679,219
<b>Supplemental Annuity Collective Trust — Members</b>		3,330,755
<b>Retirement Benefits Redeposited</b>		385,295
<b>Social Security Taxes Received</b>		107,421,531
<b>Administrative Expense Reimbursements</b>		1,492,653
<b>Miscellaneous</b>		1,284,465
<b>Investments</b>		
Bond Redemptions, Maturities, etc.	\$404,453,629	
Mortgage Repayments	5,508,115	
Sales of Stock	2,152,174	412,113,918
Total Forwarded		\$782,588,254

**DIVISION OF PENSIONS**  
**COMPOSITE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**JULY 1, 1967 TO JUNE 30, 1968**

Total Brought Forward		\$782,588,254
<b>Income</b>		
Interest	\$ 61,668,940	
Dividends	1,705,045	
Net Gain on Sales of Stock-Bonds	249,058	63,623,043
<b>Total Receipts</b>		<b>\$846,211,297</b>
<b>Total Cash Available</b>		<b>\$862,795,999</b>
<b><u>DISBURSEMENTS</u></b>		
<b>To Members</b>		
Withdrawals	\$ 10,355,876	
Loans	10,262,310	
Supplemental Annuity Collective Trust— Withdrawals	497,843	\$ 21,116,029
<b>Retirement Benefits Paid</b>		
Regular Allowances	\$ 87,663,602	
Increased Pensions	1,532,309	89,195,911
<b>Insurance Premiums Paid</b>		
Noncontributory Insurance	\$ 10,255,266	
Contributory Group Insurance	9,424,114	19,679,380
<b>Administrative Expenses Refunded to State</b>		1,548,914
<b>Health Benefit Premiums Paid</b>		12,147,273
<b>Social Security Taxes Paid or Refunded</b>		107,421,850
<b>Miscellaneous</b>		1,328,212
<b>Investments</b>		
Bonds Purchased including Discount & Accrued Interest	\$557,764,348	
Mortgages Purchased	14,117,304	
Stocks Purchased	27,608,940	599,490,592
<b>Total Disbursements</b>		<b>\$851,928,161</b>
<b>Cash Balance, June 30, 1968</b>		<b>\$10,867,838</b>

# V

## STATISTICAL STATEMENT

A comparison of the figures given below for selected years in the participation statistics of the several employee benefit systems reflect the ever increasing commitment of the public to New Jersey's State and local government employees.

The figures are as of June 30 of any year unless otherwise stipulated.

### PUBLIC EMPLOYEES' RETIREMENT SYSTEM

<u>Year</u>	<u>Active</u>	<u>Beneficiaries</u>	<u>Total</u>
1925	2,400	70	2,470
1930	4,487	70	4,557
1935	5,259	292	5,551
1940	9,562	444	10,006
1945	9,587	411	9,998
1950	23,289	1,408	24,697
1955	34,087	2,649	36,736
1960	50,576	7,116	57,692
1965	68,086	10,445	78,531
1968	93,257	11,662	104,919

### TEACHERS' PENSION AND ANNUITY FUND

<u>Year</u>	<u>Active</u>	<u>Beneficiaries</u>	<u>Total</u>
1920	6,092	581	6,673
1925	18,508	1,008	19,516
1930	25,550	1,347	26,897
1935	26,651	2,097	28,748
1940	29,328	2,557	31,885
1945	30,612	3,286	33,898
1950	32,082	4,211	36,293
1955	39,612	5,318	44,930
1960	57,515	8,083	65,598
1965	74,608	12,503	87,111
1968	90,978	13,286	104,264

### CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

<u>Year</u>	<u>Active</u>	<u>Beneficiaries</u>	<u>Total</u>
1955	6,322	7,311	13,633
1960	4,174	8,259	12,433
1965	2,572	8,487	11,059
1968	1,759	8,553	10,312

### POLICE AND FIREMEN'S RETIREMENT SYSTEM

<u>Year</u>	<u>Active</u>	<u>Beneficiaries</u>	<u>Total</u>
1950	4,545	54	4,599
1955	7,843	1,074	8,917
1960	11,575	2,099	13,674
1965	14,501	3,538	18,039
1968	16,543	4,726	21,269

### PRISON OFFICERS' PENSION FUND

<u>Year</u>	<u>Active</u>	<u>Beneficiaries</u>	<u>Total</u>
1955	477	106	583
1960	580	146	726
1965	406	186	595
1968	362	205	567

### STATE POLICE RETIREMENT SYSTEM

<u>Year</u>	<u>Active</u>	<u>Beneficiaries</u>	<u>Total</u>
1955	741	110	851
1960	918	230	1,148
1965	1,069	282	1,351
1968	1,287	330	1,617

### CENTRAL PENSION FUND

<u>Year</u>	<u>Active</u>	<u>Beneficiaries</u>	<u>Total</u>
1965	—	474	474
1968	—	468	468

### JUDICIAL PENSION FUND

<u>Year</u>	<u>Active</u>	<u>Beneficiaries</u>	<u>Total</u>
1965	58	31	89
1968	82	40	122

### SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

<u>Year</u>	<u>Active</u>	<u>Beneficiaries</u>	<u>Total</u>
1965	12,933	—	12,933
1968	13,050	—	13,050

### STATE HEALTH BENEFITS PROGRAM

#### ACTIVE

<u>Year</u>	<u>State</u>	<u>Local</u>	<u>Beneficiaries</u>	<u>Total</u>
1965	26,258	8,062	56	34,376
1968	38,906	28,050	1645	68,601

### STATE AGENCY FOR SOCIAL SECURITY

<u>December 31</u>	<u>Employees</u>	<u>Employers</u>
1960	180,000	1340
1965	250,000	1430
1968	273,000	1462

### PENSION INCREASE PROGRAM

<u>Year</u>	<u>Pensioners</u>	<u>Benefits Paid</u>
1960	5,922	\$1,332,697
1965	5,842	\$1,366,259
1968	4,622	\$1,496,266

## NOTES



