

**PUBLIC EMPLOYEES'
RETIREMENT SYSTEM
OF
NEW JERSEY**



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Thirteenth Annual Report

1967

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OF NEW JERSEY**

137 East State Street

Trenton, New Jersey 08625

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Charles I. Levine

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David Eckstein, M.D.

Murray D. Shepp, M.D.

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

Sir:

In compliance with the provisions of N.J.S.A. 43:15A-21,
the Board of Trustees have the honor to transmit herewith the
Thirteenth Annual Report of the Public Employees' Retirement
System, covering the period July 1, 1966 to June 30, 1967.

Respectfully submitted,

*Charles E. Wagner, Chairman
Alan W. Bowers
Fred Christiansen
William F. Haeker
Charles I. Levine
Harry V. Osborne, Jr.
Theodore E. Sienicki
Sidney Sklar
John A. Kervick, State Treasurer*

1967 HIGHLIGHTS

LEGISLATION — Chapter 217, P.L. 1966 — This Act affected many sections in order to clarify the intent of the statute. The benefit sections affected were: the Vesting Section — the years of service needed were reduced from 20 years to 15 years of service; the section regarding interest on withdrawal of members' contributions — the change being that interest would be paid after 3 years rather than 5 years of membership. Other significant changes were that Veterans and Non-Veterans who had not enrolled in 1955 were permitted to enroll in the Retirement System. A section was added to the statute, concerning the receipt of Workmen's Compensation benefits, making it compulsory for the employer to continue the employee's normal contributions during the periodic Workmen's Compensation payments.

The statute was further amended to establish credit for veterans serving overseas during the Vietnam Conflict.

ELECTION — Mr. Charles E. Wagner was reelected to the Board by the State Employees.

Mr. William F. Haeker was reelected to the Board by the municipal employees.

Comparative Data on Membership since 1956:

<u>June 30</u>	<u>Active</u>	<u>Retirants & Beneficiaries</u>	<u>Total</u>
1956	37,897	4,958	42,855
1960	50,576	7,116	57,692
1965	68,086	10,445	78,531
1966	74,176	10,487	84,663

Comparative Data on Retirement Payrolls since 1956:

<u>June 30</u>	<u>Retirants & Beneficiaries</u>	<u>June 30 Payroll</u>
1956	4,958	\$ 503,682.92
1960	7,116	814,622.29
1965	10,445	1,373,699.16
1966	10,487	1,381,805.08

MEMBERSHIP

Participating Employers who, during the year, have effected Prior Service
Credit for their Employees for Service Prior to July 1, 1966

Effective August 1, 1966

Passaic County

Effective January 1, 1967

Franklin Township Housing Authority
Glassboro Borough Housing Authority
Housing Authority of Ocean City

Effective July 1, 1967

Dover Sewerage Authority
The Eatontown Sewerage Authority
Jersey City Incinerator Authority
Monmouth County Regional Health Commission
The Runnemede Sewerage Authority
 Barnegat Borough
 Berlin Borough
 Branchburg Township
 Cherry Hill Township
 Galloway Township
 Gloucester Township
 Haddon Heights Borough
 Hillsborough Township
 Little Falls Township
 Longport Borough
 Milford Borough
 Pennington Borough
 Pitman Borough
 South Brunswick Township
 Stafford Township
 Stone Harbor Borough
 Union Township (Ocean County)
 Upper Penns Neck Township
 Westville Borough

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF ASSETS
JUNE 30, 1967

Ledger Assets:

Cash in Bank	\$ 8,079,937.37	
Loans to Members	3,946,737.39	
Investment Holdings - Book Value	361,988,479.76	
Advances-Constr. Health & Agriculture Bldg	8,163,141.04	
Employers' Contributions Receivable	11,461,120.65	
Expense Fund Receivable	201,283.00	
Non-CGIPF Receivable	1,296,018.00	
Members' Contributions Receivable	1,611,768.92	
Accrued Interest on Investments	3,879,371.55	
<hr/>		
Total Ledger Assets, June 30, 1967		<u><u>\$400,627,857.68</u></u>

DISTRIBUTION OF ASSETS

Funds Derived from Members' Contributions

Annuity Savings Fund	\$127,418,311.26
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Funds Derived from Employers' Contributions

Contingent Reserve Fund	\$ 80,951,561.58	
Employer Group Insurance Premiums	1,963,905.00	
Increased Pension Fund	10,500.97	
Expense Fund - Local Employers	501,437.53	83,427,405.08

Funds Derived from Members' and Employers' Contributions

Retirement Reserve Fund	\$183,218,956.19	
Pension Payroll Payable (7-1-1967)	1,636,389.08	
Unclaimed Pensions	29,608.36	
Hospital Exchange Account	73.47	
<hr/>		
		184,885,027.10
<u>Special Reserve Fund</u>		3,701,516.21

Miscellaneous Liabilities

Contributory Group Insurance Premium Fund \$	1,017,884.14	
Unearned Interest on Loans	156,734.11	
Cancelled Checks	7,605.07	
F. H. A. Mortgage Insurance Premiums	6,479.29	
Supplemental Annuity Collective Trust	6,895.11	
Overpayments on Transmittals31	1,195,598.03
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Total Assets \$400,627,857.68

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
Statement of Cash Receipts and Disbursements
July 1, 1966 through June 30, 1967

Cash Balance, July 1, 1966

\$5,957,691.40

RECEIPTS

Pension Contributions

State Employees	10,007,459.27	
Local Employees.	12,751,831.80	
Interest on Transferred Accounts	<u>52,265.52</u>	\$22,811,556.59

Employers' Contributions

State of New Jersey	\$12,793,932.00	
Local Employers	16,753,135.23	
Increased Pension Fund	119,861.17	
Non-contributory Group Insurance Premiums.	2,164,019.00	
Administrative Expense Fees	350,372.00	
Insurance Receipts on Accidental Deaths	<u>57,457.80</u>	32,238,777.20

Investments

Bond Maturities (Par)	\$92,201,001.56	
Bond Redemptions and Sales.	1,239,000.00	
Mortgage Receipts	805,082.57	
F. H. A. Mortgage Insurance	8,731.34	
Discount on Investments.	555,793.01	
Gains on Investment Transactions.	1,927.26	
Mortgage Payment on Health & Agr. Bldg.	1,121,539.96	
Premium Paid on Investment Transactions	<u>2,598.36</u>	95,935,674.06

Income

Interest Income on Investments	\$14,176,972.13	
Dividends on Stocks	363,866.56	
Interest on Delinquencies	4,480.44	
Cancelled Checks Redeposited	24,205.28	
Hospital Exchange Account	1,502.43	
Unclaimed Accounts Redeposited	19,293.29	
Unclaimed Pensions Redeposited	138,014.32	
Increased Pensions Redeposited	1,031,150.29	
Contributory Insurance Premiums	<u>2,668,633.92</u>	<u>18,428,118.66</u>

Total Receipts	<u>\$169,414,126.51</u>
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Total Cash Available	\$175,371,817.99
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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
Statement of Cash Receipts and Disbursements
July 1, 1966 through June 30, 1967

DISBURSEMENTS

Members' Contribution Withdrawals

By Resignation	\$ 2,735,257.53	
Death Settlements	1,090,356.47	
Loans to Members	3,644,540.00	
Settlement of Inactive Accounts	<u>30,730.36</u>	\$ 7,500,884.36

Benefits Provided by Members & Employers

Retirement Allowances	\$ 19,863,173.72	
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Benefits Provided by Employers

Increased Pensions by employers		
Retired prior to 1-1-1955	120,659.56	
Non-Contributory Group Insurance Premiums	<u>1,991,813.00</u>	21,975,646.28

Investments

Bonds Purchased (Par)	\$123,777,995.97	
Stocks Purchased.	5,281,461.66	
Mortgages Purchased	4,779,102.88	
F.H.A. Mortgage Insurance	25,669.50	
Premiums on Bonds Purchased	29,014.80	
Accrued Interest on Bond Purchases	303,570.36	
Discount on Bond Redemptions & Sales	365.06	
Loss on Bond Sales	80,959.02	
Advances on Construction of Health & Agr. Bldg.	<u>174,434.68</u>	134,452,573.93

Miscellaneous

Contributory Insurance Premiums	\$ 2,048,204.53	
Supplemental Annuity Collective Trust	1,044,751.20	
Settlement of Unclaimed Pensions	27,442.69	
Settlement of Unclaimed Increased Allowances	2,098.88	
Settlement of Cancelled Checks	25,407.67	
Hospital Exchange Account	1,570.43	
Expense Fund	109,000.00	
Refunds to Employers	462.07	
Transfers to Police & Firemen's Pension Fund		
(Members' Contributions)	<u>103,838.58</u>	<u>3,362,776.05</u>

Total Disbursements	<u>\$167,291,880.62</u>
Cash Balance, June 30, 1967	<u>8,079,937.37</u>

The State also paid directly to the insurance Carrier \$1,893,897.00 for Non-Contributory Group Insurance Premiums covering its employees.

INVESTMENTS

The average yield of securities purchased during the year with maturities over a twelve month period was 5.66%. The average yield on our entire holdings for the year ending June 30, 1967 was 4.35%.

RECAPITULATION

The actual par amount of each type of investment is as follows:

United States Government	\$20,750,000.00
United States Government Agencies	3,180,000.00
Municipal - Counties & Cities	2,691,500.00
Municipal - School Districts	1,834,000.00
Municipal - Revenues	3,311,000.00
Industrials	54,246,000.00
Gas & Electric	127,080,000.00
Telephone	49,800,000.00
Water	1,450,000.00
Railroad Equipment Trust Certificates	5,603,000.00
Commercial Paper	10,675,000.00
Merchant Marine	1,735,000.00
Finance Companies - Senior Debt	18,132,000.00
Bank Debentures	4,000,000.00
Inter - American Development Bank	2,250,000.00
International Bank	2,844,000.00
Government of Canada	450,000.00
Provinces of Canada	4,101,000.00
Canadian Provincial Guaranteed	5,497,000.00
Farmers Home Administration	3,551,954.00
Sub-Total	<u>\$323,181,454.00</u>
Common Stocks - Banks	731,839.00*
Common Stocks - Public Utilities	6,925,320.00*
Common Stocks - Other	4,404,182.00*
Capehart Mortgages	21,516,969.00
FHA Mortgages	2,246,819.00
VA Mortgages	<u>2,486,243.00</u>
Total	<u>\$361,492,826.00</u>

* Book Value

Market Value of Common Stock - \$11,484,171.29

Principal and Interest received on all securities for the fiscal year have been collected and deposited to the account of the Public Employees' Retirement System of New Jersey.

A summary of the holdings of this fund may be obtained from the Investment Division, State House, Trenton, New Jersey, upon written request.

GEORGE B. BUCK
CONSULTING ACTUARY

June 9, 1967

Board of Trustees
Public Employees' Retirement System of New Jersey
Trenton, New Jersey

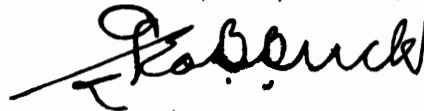
Gentlemen:

I have the honor to submit herewith the results of the twelfth annual valuation of the assets and liabilities of the Public Employees' Retirement System of New Jersey. The valuation represents the forty-fifth annual valuation of retirement benefits to State and other public employees in New Jersey, if the valuations made under the provisions of the State Employees' Retirement System of New Jersey, which was superseded by the present system, are included.

The valuation shows the financial condition of the system as of March 31, 1966 and gives the basis for determining the appropriation payable by the employers during the fiscal year beginning July 1, 1967.

This year changes were made in the actuarial basis of the valuation. The valuation was prepared on the basis of the retirement table adopted by the Board of Trustees on September 21, 1965 and new mortality tables for men and women service pensioners and dependent beneficiaries and women disability pensioners, which were developed on the basis of the results of the experience of the system and are being recommended for adoption by the Board of Trustees. In addition, in determining the liabilities of the Contingent Reserve Fund and Retirement Reserve Fund on account of both 4 per cent and 3 per cent members an interest rate of 4 per cent was used in accordance with the resolution approved by the Board of Trustees on September 21, 1965.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "G. B. Buck", with a long horizontal flourish extending to the left.

Actuary

REPORT ON THE TWELFTH VALUATION OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY

The Public Employees' Retirement System of New Jersey, which began operation January 2, 1955, was established under Chapter 84 of the Laws of 1954. It supersedes the State Employees' Retirement System of New Jersey which began operation as of January 1, 1922. This report, prepared as of March 31, 1966, presents the results of the twelfth actuarial valuation of the system.

Chapter 16, P. L. 1965, which became effective June 30, 1965, includes the employees of the Compensation Rating and Inspection Bureau under the Public Employees' Retirement System.

Chapter 64, P. L. 1965, became effective May 28, 1965 and extends the definition of law enforcement officer to include additional classes of officers.

Chapter 67, P. L. 1966, became effective June 8, 1966 and alters the benefit and contribution provisions of the system in several respects. The act eliminates the Social Security offset effective July 1, 1966 and provides that the reduction in members' required contributions after January 1, 1967 shall be 2 per cent of compensation subject to Social Security tax. It also changes the eligibility requirements for ordinary and accidental disability retirement and liberalizes the benefit payable upon retirement for ordinary disability and the earnings provisions for disability retirants. The act further stipulates that benefits shall be effective only on the first day of the month, and payable only if they constitute a payment for an entire month. The additional liabilities created by the act are to be paid by the State and other employers beginning July 1, 1967 through an increase in the normal rate and an accrued liability contribution over a 30 year period. In addition, the liabilities incurred under Chapter 171, P. L. 1962, are to be refinanced over a 30 year period.

Chapter 217, P. L. 1966, which became effective August 1, 1966, amends and supplements the law to incorporate administrative changes that have been made since the enactment of Chapter 84, P. L. 1954, and reduces the service requirement for vesting from 20 years to 15 years. The act also provides for the compulsory enrollment in the system of all eligible public employees becoming employed after June 30, 1966 and affords optional membership to non-veteran elected officials. These acts were taken into consideration in the valuation this year.

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MEMBERSHIP

The data needed for the valuation were furnished to the actuary by the Division of Pensions. The following table shows the total number of active members included in the valuation, together with their annual salaries as of March 31, 1966.

TABLE I
MEMBERSHIP OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF MARCH 31, 1966

GROUP	TOTAL		4% MEMBERS		3% MEMBERS	
	NUMBER	PAYROLL	NUMBER	PAYROLL	NUMBER	PAYROLL
Class A:						
Men	355	\$ 2,715,722	275	\$ 2,265,913	80	\$ 449,809
Women	432	2,519,606	275	1,677,399	157	842,207
Class B:						
Men	42,432	261,334,640	2,050	17,018,216	40,382	244,316,424
Women	26,775	118,975,847	1,725	11,096,988	25,050	107,878,859
Law Enforcement Officers:						
Men	223	1,471,194	10	75,614	213	1,395,580
Women	-	-	-	-	-	-
Total	70,217	\$387,017,009	4,335	\$32,134,130	65,882	\$354,882,879
Sub-totals for:						
Non-Veterans						
State Employees	20,633	\$114,903,243	2,514	\$19,752,230	18,119	\$95,151,013
County Employees	7,868	37,436,530	578	3,893,782	7,290	33,542,758
Municipal Employees	16,098	74,381,753	1,110	7,422,380	14,988	66,959,373
Employees of Public Agencies	2,357	13,589,736	125	991,764	2,232	12,597,972
Employees of Consolidated School Districts	266	966,813	1	7,500	265	959,313
Non-Participating Locals	7	58,668	1	12,504	6	46,164
State Employees Paid by Local Employers	1,346	7,348,110	6	53,980	1,340	7,294,130
Employees of Locals Participating under Chapter 169, P.L. 1956	210	1,055,567			210	1,055,567
Veterans						
State Employees	8,906	64,329,458			8,906	64,329,458
County Employees	2,709	16,857,264			2,709	16,857,264
Municipal Employees	6,551	36,275,996			6,551	36,275,996
Employees of Public Agencies	1,850	11,959,012			1,850	11,959,012
Employees of Consolidated School Districts	22	141,582			22	141,582
Non-Participating Locals	906	4,164,349			906	4,164,349
State Employees Paid by Local Employers	435	3,235,410			435	3,235,410
Employees of Locals Participating under Chapter 169, P. L. 1956	53	313,518			53	313,518

NOTES: (a) The maintenance of each employee is fixed at the time of his application and is included in the compensation listed.

(b) The membership shown for Class B includes 26 County Court Judges with annual payroll of \$702,000.

(c) There are 108 members who have selected vesting benefits not included in the membership shown by the table.

The number and retirement allowances of beneficiaries on the roll on the date of the valuation are indicated by the following summary.

TABLE II
THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF
BENEFICIARIES ON THE ROLL AS OF MARCH 31, 1966

GROUP	NUMBER	RETIREMENT ALLOWANCES
<u>Service Retirements & Early Retirement Benefits</u>		
Men	6,007	\$12,157,632
Women	2,850	4,531,008
Total	8,857	\$16,688,640
<u>Ordinary Disability Retirements</u>		
Men	236	\$ 31 0,284
Women	127	148,500
Total	363	\$ 458,784
<u>Accidental Disability Retirements</u>		
Men	91	\$ 264,216
Women	33	96,000
Total	124	360,216
<u>Ordinary Death Benefits</u>		
Men	7	1,464
Women	247	93,912
Total	254	95,376
<u>Accidental Death Benefits</u>		
Men	1	1,632
Women	74	154,188
Total	75	155,820
<u>Dependents of Deceased Beneficiaries</u>		
Men	13	11,388
Women	522	521,268
Total	535	532,656
Grand Total	10,208	\$18,291,492

Note: In addition to the above, there are 315 beneficiaries who elected to receive death benefits, otherwise payable in a lump sum, as annuities certain, amounting to \$326,556 per annum. The allowances shown in the table include the additional allowances which became effective July 1, 1966 in accordance with the provisions of Chapter 67, P.L. 1966.

VALUATION BALANCE SHEET

The valuation balance sheet showing the assets and liabilities of the system as of March 31, 1966 is given on the following pages. The amounts of the present assets credited to the various funds were furnished by the Division of Pensions, State of New Jersey.

The valuation was prepared on the basis of the retirement table adopted by the Board of Trustees on September 21, 1965 and new mortality tables for men and women service pensioners and dependent beneficiaries and women disability pensioners, which were developed on the basis of the results of the experience of the system and are being recommended for adoption by the Board of Trustees. In determining the liabilities of the Contingent Reserve Fund and Retirement Reserve Fund an interest rate of 4 per cent was used in accordance with the resolution approved by the Board of Trustees on September 21, 1965. However, it was assumed that the accumulated deductions of 3 per cent members will continue to be credited with 3 per cent interest and that their annuities at retirement will be determined on the basis of a 3 per cent interest assumption.

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TABLE III

VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE FUNDS OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF MARCH 31, 1966

ASSETS

Present assets of system creditable to:

Annuity Savings Fund:		
Credited to fund	\$ 103,188,790	
Add miscellaneous income creditable . .	295,810	
Add accrued interest creditable	<u>2,335,785</u>	\$ 105,820,385
Supplemental Annuity Collective Trust		5,783
Contributory Group Insurance Premium Fund		306,552
Retirement Reserve Fund including		
Insurance Retirement Reserve Fund:		
Credited to fund	\$ 154,822,535	
Add accrued interest	3,598,909	
Add reserve transferable from		
Contingent Reserve Fund	<u>18,089,381</u>	176,510,825
Contingent Reserve Fund:		
Credited to fund	\$ 69,056,399	
Add accrued interest creditable	988,810	
Add excess interest earnings creditable .	2,226,530	
Add interest accrued on investments		
and unpaid	3,622,792	
Deduct reserve transferable to		
Retirement Reserve Fund	<u>18,089,381</u>	57,805,150
Special Reserve Fund:		
Credited to Fund	\$ 2,957,891	
Add excess interest earnings creditable .	<u>269,614</u>	<u>3,227,505</u>
Total		\$ 343,676,200

Present value of prospective contributions payable by the State and local employers to the Contingent Reserve Fund as follows:

Future normal contributions	\$ 438,717,875	
Future accrued liability contributions . . .	<u>118,673,233</u>	
Total		<u>557,391,108</u>
Total Assets		<u>\$ 901,067,308</u>

TABLE III

VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE FUNDS OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF MARCH 31, 1966

<u>LIABILITIES</u>	
Members' contributions which have been accumulated to date in the Annuity Savings Fund	\$105,820,385
Supplemental Annuity Collective Trust	5,783
Members' contributions which have been accumulated to date in the Contributory Group Insurance Premium Fund	306,552
Present value of benefits payable on account of beneficiaries of their dependents now drawing allowances from the Retirement Reserve Fund	176,510,825
Present value of benefits payable from contributions to the Contingent Reserve Fund:	
Regular service retirement pensions allow- able on account of total service including benefits upon withdrawal after 25 years of service and vesting benefits.	\$467,869,067
Ordinary disability retirement pensions	17,128,640
Accidental disability retirement pensions	9,232,311
Death benefits on account of active members dying due to ordinary causes prior to retire- ment and to those dying after retirement for service, ordinary disability or accidental disability and to those dying after the age 60 after retirement upon a withdrawal benefit	111,240,739
Accidental death benefits on account of active members dying in the performance of duty	3,880,698
Death benefits payable on account of beneficiaries dying after retirement.	<u>5,844,803</u> 615,196,258
Special Reserve Fund	<u>3,227,505</u>
Total Liabilities	<u><u>\$901,067,308</u></u>

The assets and liabilities of each fund may be considered separately.

(1) Annuity Savings Fund

The valuation balance sheet shows the assets of the Annuity Savings Fund, the fund in which the deductions from the compensation of members to provide for their annuities are accumulated, to be \$105,820,385 on March 31, 1966, after interest accrued from June 30, 1965 has been added. The liabilities of the fund are also shown as \$105,820,385. The benefits to be provided from the past and future contributions of members who will retire have been taken into account in determining the liabilities of the Contingent Reserve Fund.

(2) Supplemental Annuity Collective Trust

Members who choose to do so may make contributions to the Supplemental Annuity Collective Trust through the Public Employees' Retirement System. The amount of these contributions held by the fund as of the valuation date is shown on the balance sheet as an asset of \$5,783. This amount is also shown as a liability. It is expected that these monies will be paid over to the Supplemental Annuity Collective Trust.

(3) Contributory Group Insurance Premium Fund

The valuation balance sheet shows the assets of the Contributory Group Insurance Premium Fund, the fund in which the deductions from the compensation of members to provide for additional death benefits are accumulated, to be \$306,552. The liabilities of the fund are also shown as \$306,552. It is expected that these monies will be paid over to The Prudential Insurance Company of America.

(4) Special Reserve Fund

The Special Reserve Fund is the fund to which all profits on the sale of securities and any excess earnings are transferred and against which any losses from the sale of securities are charged. The maximum limit on the accumulations of this fund is set at one per cent of the book value of the investments of the retirement system; any amounts in excess of this limit are creditable to the Contingent Reserve Fund. This fund has reached the maximum limit and has assets amounting to \$3,227,505 as of the valuation date. This figure is also shown as the liability of the fund.

(5) Retirement Reserve Fund Including Insurance Retirement Reserve Fund

The Retirement Reserve Fund has present assets, including accrued interest, of \$158,421,444, while its liabilities have a present value of \$176,510,825. There is therefore a deficit of \$18,089,381 in this fund as of the valuation date. A large part of this deficit is due to the additional liabilities incurred by the passage of Chapter 67, P. L. 1966, which eliminates the reduction in retirement allowances on account of Social Security effective July 1, 1966, and to the use of more conservative mortality tables in this valuation. It should be noted that the increase in liabilities have been offset by the use this year of a 4 per cent instead of a 3 per cent interest rate in

valuing the liabilities of the fund. It is recommended that the fund be put in balance as of March 31, 1966 by a transfer from the Contingent Reserve Fund, and this transfer is shown in the balance sheet.

(6) Contingent Reserve Fund

The liabilities of the Contingent Reserve Fund are \$615,196,258, of which \$609,351,455 is on account of present active members and \$5,844,803 is on account of death benefits payable to beneficiaries of present retired members. After adjustment is made on account of the amount transferable to the Retirement Reserve Fund, the present assets of the fund including accrued interest, excess interest earnings creditable and interest accrued on investments and unpaid amount to \$57,805,150. The balance, or \$557,391,108, is to be met by the future contributions of the State and local employers. Of this amount \$118,673,233, which includes \$9,263,784 on account of the liability incurred by the passage of Chapter 229, P. L. 1964, and \$56,708,963 on account of the liability incurred by the passage of Chapter 67, P. L. 1966, will be met by future accrued liability contributions, leaving \$438,717,875 to be met by the future normal contributions.

CONTRIBUTIONS PAYABLE BY THE STATE AND LOCAL EMPLOYERS

The State was originally required to make two contributions to the retirement system, one to cover the liability assumed by the system on account of service rendered by members during the current year, and the other to cover the liability on account of the credit granted for service rendered prior to the establishment of the retirement system. The State completed its payment for prior service credit in 1946. However, under the Public Employees' Retirement System the State is required to pay over a period of 30 years commencing with July 1, 1956 an accrued liability contribution to meet the additional cost for allowances payable on account of service rendered by veteran members prior to January 2, 1955. This accrued liability contribution is adjusted annually on account of additional service credits allowed veteran members during the valuation year in accordance with the provisions of Chapter 229, P. L. 1964.

Each local employer is required to make a contribution for its employees, which consists of a normal contribution and, until the accrued liability on account of its employees has been liquidated, an accrued liability contribution. The accrued liability contribution of each employer is based on a special valuation of the liabilities of the employer made at the end of the first year of participation. Each local employer who has veteran members with creditable service rendered prior to January 2, 1955 must also pay an accrued liability contribution in the same manner as provided in the case of the State for its veteran members. This contribution is subject to adjustment annually in accordance with the provisions of Chapter 229, P. L. 1964.

In addition, the State and each local employer are required to make contributions over a period of 30 years beginning July 1, 1967 to liquidate the liability created by the passage of Chapter 67, P. L. 1966, not covered by additional normal contributions. The liability incurred by the passage of Chapter 171, P. L. 1962, was recomputed and included with this liability in determining the annual payments.

In accordance with the law, the normal rate is determined each year on the basis of the annual valuation as the percentage rate of contribution required with the funds in hand and prospective accrued liability contributions, if any, to meet the benefit payments for which the employers are responsible. Separate rates are determined for the State and for the local employers taken as a group, and for non-veteran and veteran members. The calculations are also made separately for 4 per cent and 3 per cent members since their accumulated deductions are credited with 4 per cent and 3 per cent interest, respectively. However, the liabilities for both these groups were determined on the basis of a 4 per cent interest assumption, and we are therefore certifying one normal rate for both groups this year.

The normal rates recommended for the year beginning July 1, 1966 are as follows:

<u>PAYABLE BY:</u>	<u>NORMAL RATE</u>
State on account of:	
Non-Veterans	9.33%
Veterans	9.57%
Local employers on account of:	
Non-Veterans	9.98%
Veterans	10.19%

On the basis of the normal rates applicable to State employees and the payroll as of March 31, 1966, the contributions for the fiscal year beginning July 1, 1966 payable by the State and the agencies which pay the same normal rate as the State are shown in Table IV. The amount required to pay the premium for the non-contributory life insurance coverage for the policy year 1967-1968 has been deducted from the recommended normal contribution to the retirement system and is shown as payable to the Group Life Insurance Premium Fund in accordance with the provisions of Chapter 79, P. L. 1960. The certifications of the appropriations required of the local employers are submitted separately.

TABLE IV
CONTRIBUTIONS PAYABLE BY THE STATE FOR THE YEAR BEGINNING JULY 1, 1966

DIVISION	NUMBER	PAYROLL	CONTRIBUTIONS TO CONTINGENT RESERVE FUND			Contribution to Group Insurance Premium Fund	Total Contribution
			Normal	Accrued Liability	Liability a/c Ch. 67, P.L. 1966		
State (including State University)							
Non-Veterans 4%	2,045	\$ 16,373,017	\$ 1,300,016		\$ 789,614	\$ 227,587	\$ 2,317,217
Non-Veterans 3%	15,756	83,747,284	6,649,525		81,749	1,164,097	7,895,371
Veterans 3%	8,203	59,439,354	4,862,132	\$ 1,476,538	330,237	826,214	7,495,121
Total	26,004	\$ 159,559,655	\$ 12,811,673	\$ 1,476,538	\$ 1,201,600	\$2,217,898	\$ 17,707,709
Disability Insurance Service:							
Non-Veterans 4%	38	\$ 257,738	\$ 20,464		\$ 8,119	\$ 3,583	\$ 32,166
Non-Veterans 3%	89	363,243	28,841		37	5,049	33,927
Veterans 3%	16	131,039	10,720	\$ 5,128	2,597	1,821	20,266
Total	143	\$ 752,020	\$ 60,025	\$ 5,128	\$ 10,753	\$ 10,453	\$ 86,359
All other units of Division of Employment							
Security:							
Non-Veterans 4%	406	\$ 2,976,807	\$ 236,358		\$ 57,873	\$ 41,378	\$ 335,609
Non-Veterans 3%	1,394	7,109,926	564,527		5,514	98,829	668,870
Veterans 3%	472	3,503,952	286,623	\$ 106,717	26,860	48,705	468,905
Total	2,272	\$ 13,590,685	\$ 1,087,508	\$ 106,717	\$ 90,247	\$ 188,912	\$ 1,473,384
Grand Total	28,419	\$ 173,902,360	\$ 13,959,206	\$ 1,588,383	\$ 1,302,600	\$2,417,263	\$ 19,267,452

NOTES

