

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

1955-1957

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**Third Annual Report
of the
Board of Trustees**

JUNE 30, 1957



PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OF NEW JERSEY
Trenton, New Jersey

BOARD OF TRUSTEES

John J. McMahon, *Chairman***

Aaron K. Neeld, *State Treasurer - Custodian*

Charles I. Levine, *Vice-Chairman**

Alan W. Bowers John L. Brown**

Fred U. Hillers*** Harry V. Osborne, Jr.

R. Earle Leonard*** Fred Toegel*

George M. Borden, *Secretary*

Gladys H. Cleary, *Assistant Secretary*

George B. Buck, *Consulting Actuary*

* Term expires June 30, 1959
** Term expires June 30, 1958
*** Term expires June 30, 1960

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF NEW JERSEY

Trenton, New Jersey

To His Excellency, Robert B. Meyner, Governor of the State of New Jersey:

Sir:

In compliance with the provisions of Section 21, Chapter 15A, Title 43 of the Revised Statutes (Chapter 84 P.L. 1954), the Board of Trustees have the honor to transmit herewith the 3rd Annual Report of the Public Employees' Retirement System of New Jersey, covering the period from July 1, 1956 to June 30, 1957.

TRUSTEES

John J. McMahon, *Chairman*

Charles I. Levine, *Vice-Chairman*

Aaron K. Neeld, *State Treasurer - Custodian*

Alan W. Bowers

John L. Brown

Fred U. Hillers

R. Earle Leonard

Harry V. Osborne, Jr.

Fred Toegel

THIRD ANNUAL REPORT
COVERING OPERATION OF THE SYSTEM FOR THE
FISCAL YEAR ENDING JUNE 30, 1957

New Legislation in 1957 Affecting the
Public Employees' Retirement System of New Jersey

Chapter 31 (Assembly No. 243) Permits certain county employees, to elect within the time prescribed, whether or not they shall retain membership in the County Retirement System, or whether they will be included for membership in the Public Employees' Retirement System. (Approved April 29, 1957)

Chapter 59 (Assembly No. 234) The purpose of this bill is to enable any such disabled veteran to waive as much of any pension as will qualify him to receive a Veteran's Disability Pension. (Approved June 3, 1957)

Chapter 84 (Assembly No. 262) Amends Section 1. Defines "Law Enforcement Officer" and his eligibility for membership in the Public Employees' Retirement System. (Approved June 10, 1957)

Chapter 145 (Assembly No. 183) The intent of this chapter is to provide for Public Employees, a means of supplementing their pension, as is provided in covered employment by the Social Security Act, which act permits a beneficiary to earn up to \$1200.00 per year in covered employment without affecting his social security benefits. (Approved July 15, 1957)

INVESTMENT

The average yield of securities purchased during the year with maturities over a twelve month period was 3.91%. The average yield on our entire holdings for the year ending June 30, 1957 was 3.03%.

The par value of the securities in our portfolio is \$112,142,400.00 with a book value of \$113,511,425.96. An amount of \$284,986.25 was transferred from the Contingent Reserve Fund to the Income from Investment Account in order to meet the required interest distribution for the various funds.

RECAPITULATION

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

United States Government Securities	\$ 20,580,000.
United States Government Agencies.	1,605,000.
International Bank Securities.	349,000.
Municipal General Obligation.	17,250,400
Revenue Authorities.	5,975,000.
Revenue Commissions	1,700,000.
Industrials.	3,141,000.
Public Utilities.	48,415,000.
Railroad Equipment Trust Certificates.	11,667,000.
Provinces of Canada	810,000.
Canadian Provincial Guaranteed.	<u>650,000.</u>
TOTAL PAR VALUE 6-30-1957	<u>\$ 112,142,400.</u>

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

MEMBERSHIP

The following is a summary of the Public Agencies, Consolidated School District and Municipalities who have adopted the Retirement System on the dates indicated.

PUBLIC AGENCIES

Housing Authority of Camden City	Effective January 1, 1957
Parking Authority of the City of Trenton	Effective July 1, 1957
Housing Authority of Plainfield	
Housing Authority of Edison Township	

Consolidated School District

Westwood Consolidated School District	Effective July 1, 1957
---------------------------------------	------------------------

Municipalities

Burlington Township	Effective July 1, 1957
Closter Borough	
Franklin Borough	
Ocean Township - Monmouth County	
Ogdensburg Borough	
Peapack - Gladstone Borough	
Verona Borough	
Washington Township - Bergen County	

Including the above there will be a total of 17 counties, 204 municipalities, and 59 public agencies participating in the Retirement System.

The total membership as of June 30, 1957 is recapitulated as follows:

State	19,613
Counties	6,158
Municipalities	14,145
Public Agencies	<u>2,649</u>
	<u>42,565</u>

CERTIFICATE UNDER SECTION 21
CHAPTER 84, P. L. 1954

The members of the Board of Trustees of the Public Employees' Retirement System of New Jersey hereby certify that this 3rd Annual Report for the fiscal year ending June 30, 1957, shows the true condition of the various funds created by section 22 of Chapter 84, P.L. 1954, and the affairs of the Public Employees' Retirement System of New Jersey, to the best of their knowledge, information and belief.

In witness whereof, we, the members of the Board of Trustees, have herewith set our hand this November 19, 1957.

John J. McMahon

Charles I. Levine

Aaron K. Neeld

Alan W. Bowers

John L. Brown

Fred U. Hillers

R. Earle Leonard

Harry V. Osborne, Jr.

Fred Toegel

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STATEMENTS
SHOWING OPERATION OF THE FUNDS
OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDING
JUNE 30, 1957

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY

STATEMENT OF INCOME AND DISBURSEMENTS

FISCAL YEAR ENDING JUNE 30, 1957

Ledger Assets, June 30, 1956. \$103,974,355.91

INCOME

Members' Contributions

State Employees \$3,891,423.04
 Less Rebates 14,796.58
 Less Adjustment on
 Re-enrollments 4,299.75 \$3,872,326.71

County, Municipality and
 Public Agency Employees \$4,269,535.05
 Less Rebates 47,087.12
 Less Adjustments on
 Re-enrollments 217.80 \$4,222,230.13

Appropriations for Contingent Reserve Fund

State - Members' Service . . \$5,895,250.00
 Accrued Liability . . 1,156,573.00 \$7,051,823.00
 County, Municipality and
 Public Agencies -
 Members' Service . . \$5,315,557.00
 Accrued Liability . . 3,362,297.00 \$8,677,854.00 \$15,729,677.00

County, Municipality, Public Agency Fund (net). 1,749.82

Members' Death Benefit Fund - Contributory Ins. (net) . . . 7,104.03

Prudential Ins. Co. - Reserves for Monthly Allowances . . . 51,447.00

Unclaimed Pensions 27,729.61

Canceled Checks 10,410.37

Funds transferred from Alcoholic Beverage Law Enforcement
 Officers' Pension Fund. 280,483.59

Interest on Bonds (net) 3,192,816.34

Profit on Bond Redemptions 1,672.51

TOTAL INCOME 27,397,647.11

AMOUNT CARRIED FORWARD \$131,372,003.02

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY

STATEMENT OF INCOME AND DISBURSEMENTS

FISCAL YEAR ENDED JUNE 30, 1957

Amount Brought Forward. \$131,372,003.02

DISBURSEMENTS

Accumulated Contributions Withdrawn

State Employees \$675,202.02
 Less Adjustment on
 Re-enrollments 4,299.75 \$670,902.27

County, Municipality and
 Public Agency Employees. \$494,575.07
 Less Adjustment on
 Re-enrollments 217.80 \$494,357.27

Loans to Active Members

State Employees \$365,470.00
 County, Municipality and Public
 Agency Employees 129,990.00
 Settlement of Inactive Accounts 11,970.12

BENEFITS PROVIDED BY MEMBERS. \$1,672,689.66

Pensions Paid to Retired Members

State Employees \$2,729,230.39
 County, Municipality and Public
 Agency Employees 3,814,141.35
 Settlement of Unclaimed Pensions. 15,006.62

BENEFITS PROVIDED BY MEMBERS AND EMPLOYERS. \$6,558,378.36

Insurance Claims

Lump Sum Payments - Deaths Prior to 12-1-56 Active Members
 State Employees \$364,656.36
 County, Municipality and Public
 Agency Employees 424,596.93 \$789,253.29

Lump Sum Payments - Deaths Prior to 12-1-56 Retirements
 State Employees \$ 29,034.56
 County, Municipality and Public
 Agency Employees 34,352.75 \$ 63,387.31

Monthly Allowances - Deceased Active Members
 State Employees \$ 22,613.22
 County, Municipality and Public
 Agency Employees 32,147.63 \$54,760.85

BENEFITS PROVIDED BY EMPLOYERS. \$ 907,401.45

Prudential Insurance Co. - Insurance Carrier after 12-1-56. 3,575,082.00

Transfer to Police & Firemen's Pension Fund 1,128.29

Canceled Check Settlements. 5,031.89

Amortizations 99,920.92

TOTAL DISBURSEMENTS \$ 12,819,632.57

LEDGER ASSETS, JUNE 30, 1957. \$118,552,370.45

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY

STATEMENT OF ASSETS

JUNE 30, 1957

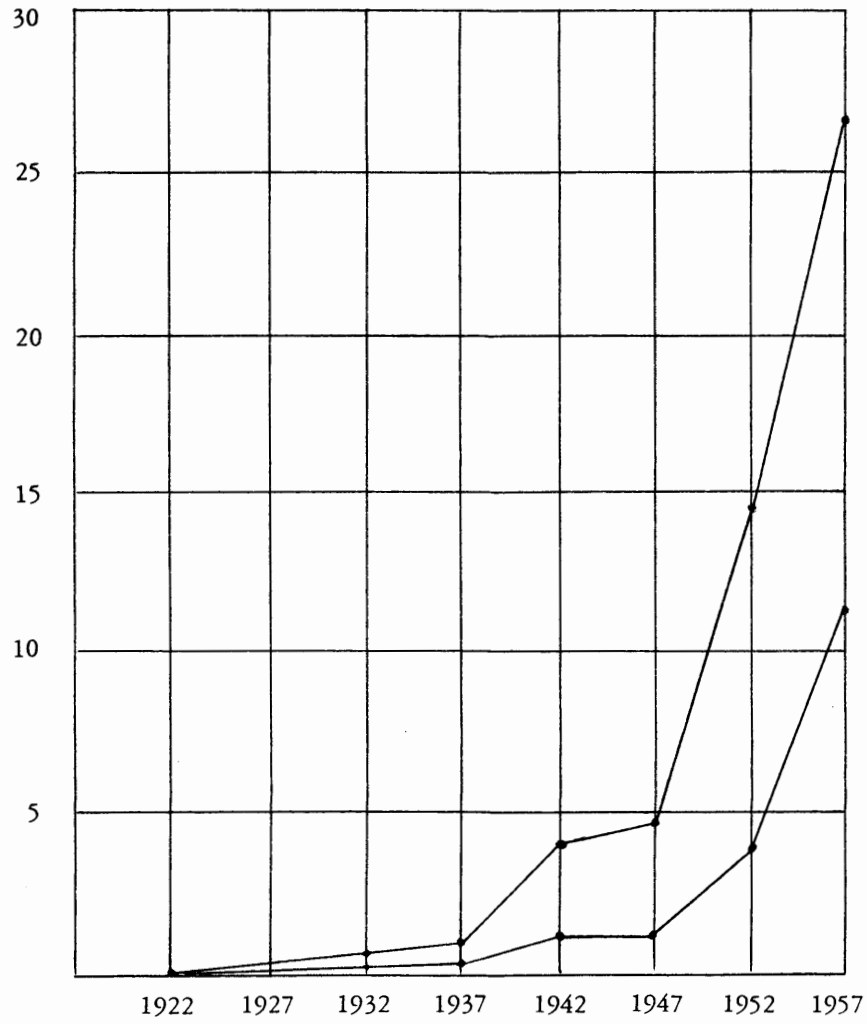
Bank Balances	\$ 5,040,944.49	
Book Value of Bonds Held	<u>113,511,425.96</u>	
LEDGER ASSETS		\$118,552,370.45
Members' Contributions Receivable	\$ 789,829.32	
Interest Accrued on Bonds	<u>866,068.23</u>	
NON LEDGER ASSETS		\$ 1,655,897.55
TOTAL ASSETS		<u>\$120,208,268.00*</u>

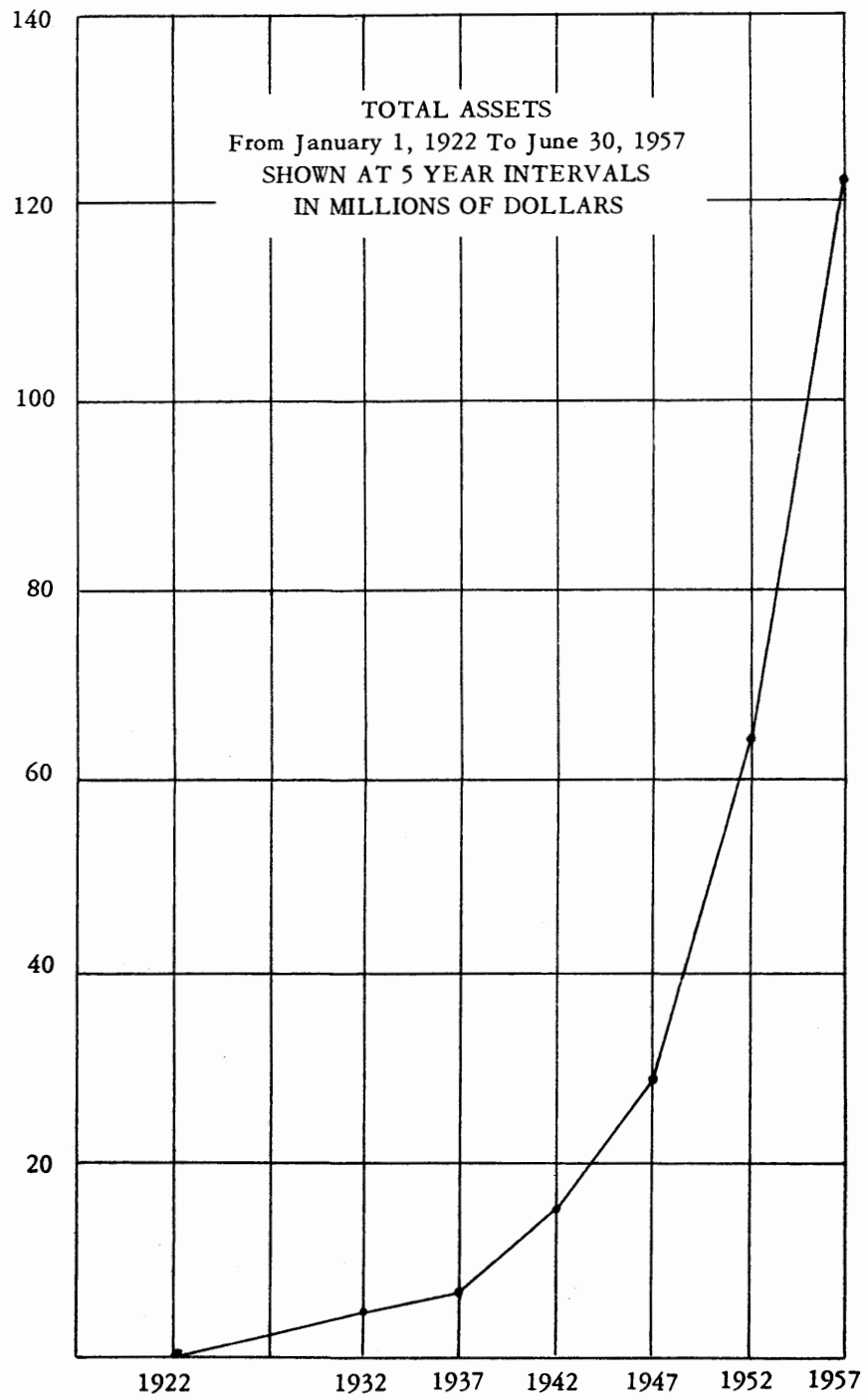
DISTRIBUTION OF ASSETS

Annuity Savings Fund	\$ 38,313,844.57	
Accumulative Interest, Annuity Savings Fund	3,180,167.36	
Clearing Account (Undistributed quarterly reports to Annuity Savings Fund)	1,191,197.75	
Clearing Account - State Centralized Payroll (Undistributed bi-monthly reports to Annuity Savings Fund)	539,714.30	
Unclaimed Accounts	<u>23,516.93</u>	
FUNDS DERIVED FROM MEMBERS' CONTRIBUTIONS		\$ 43,248,440.91
Contingent Reserve Fund	<u>\$ 16,247,239.09</u>	
FUNDS DERIVED FROM EMPLOYERS' CONTRIBUTIONS		\$ 16,247,239.09
Retirement Reserve Fund	\$ 58,459,858.67	
Insurance Retirement Reserve Fund	599,916.41	
Pension Payroll Payable	515,170.75	
Unclaimed Pensions	<u>6,599.04</u>	
FUNDS DERIVED FROM MEMBERS' AND EMPLOYERS' CONTRIBUTIONS		\$ 59,581,544.87
Canceled Checks Redeposited	\$ 6,788.52	
County, Municipality and Public Agency Fund	\$ 164,742.08	
Unearned Interest on Loans	\$ 86,340.27	
Members' Death Benefit Fund (Contributory Insurance)	\$ 7,104.03	
Income From Investments	<u>\$ 866,068.23</u>	
TOTAL ASSETS		<u>\$120,208,268.00</u>

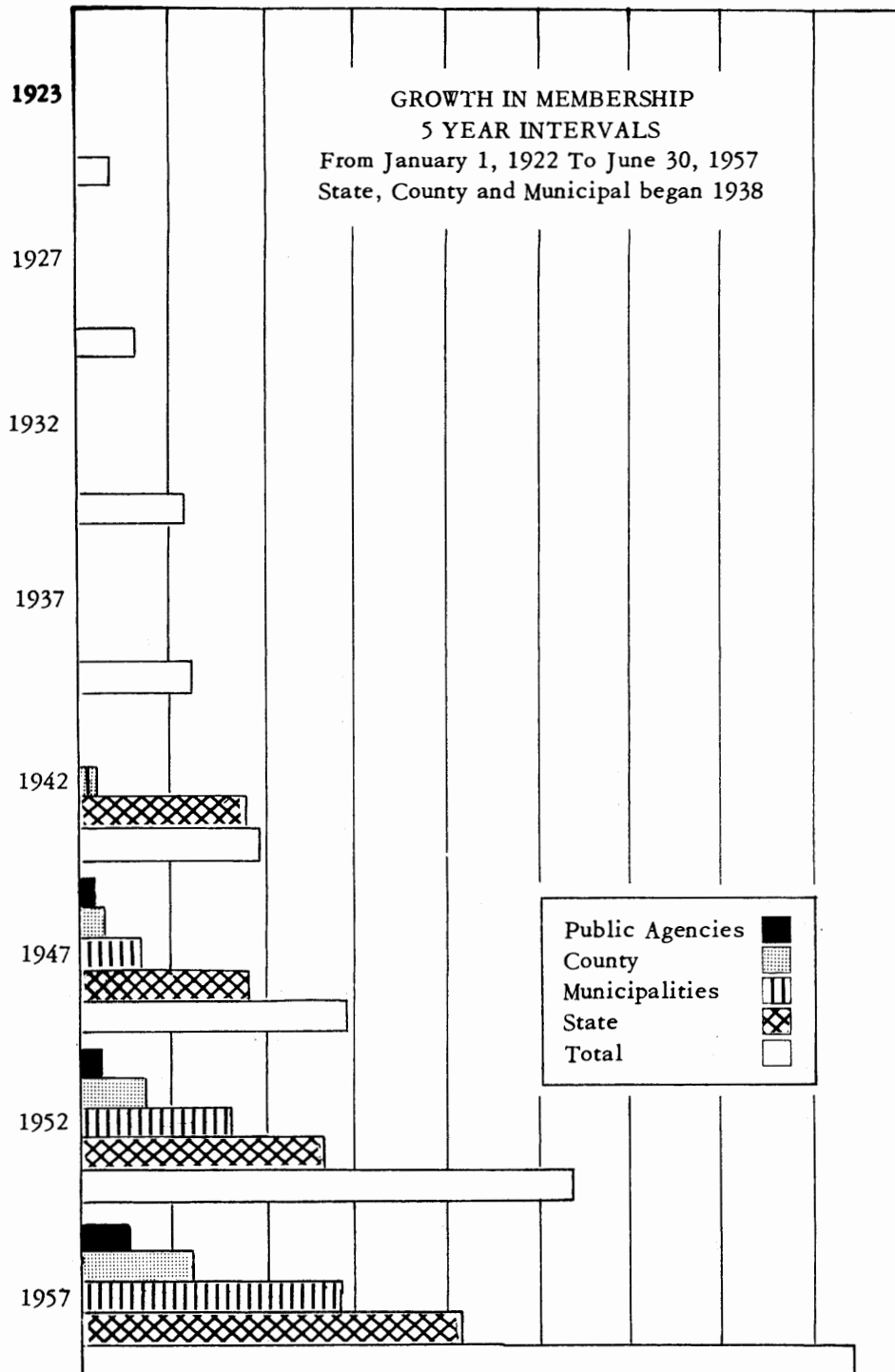
* These amounts exclude loans and arrearages.

TOP LINE INCOME
BOTTOM LINE DISBURSEMENTS
FIGURES INCREASE IN ASSETS IN MILLIONS

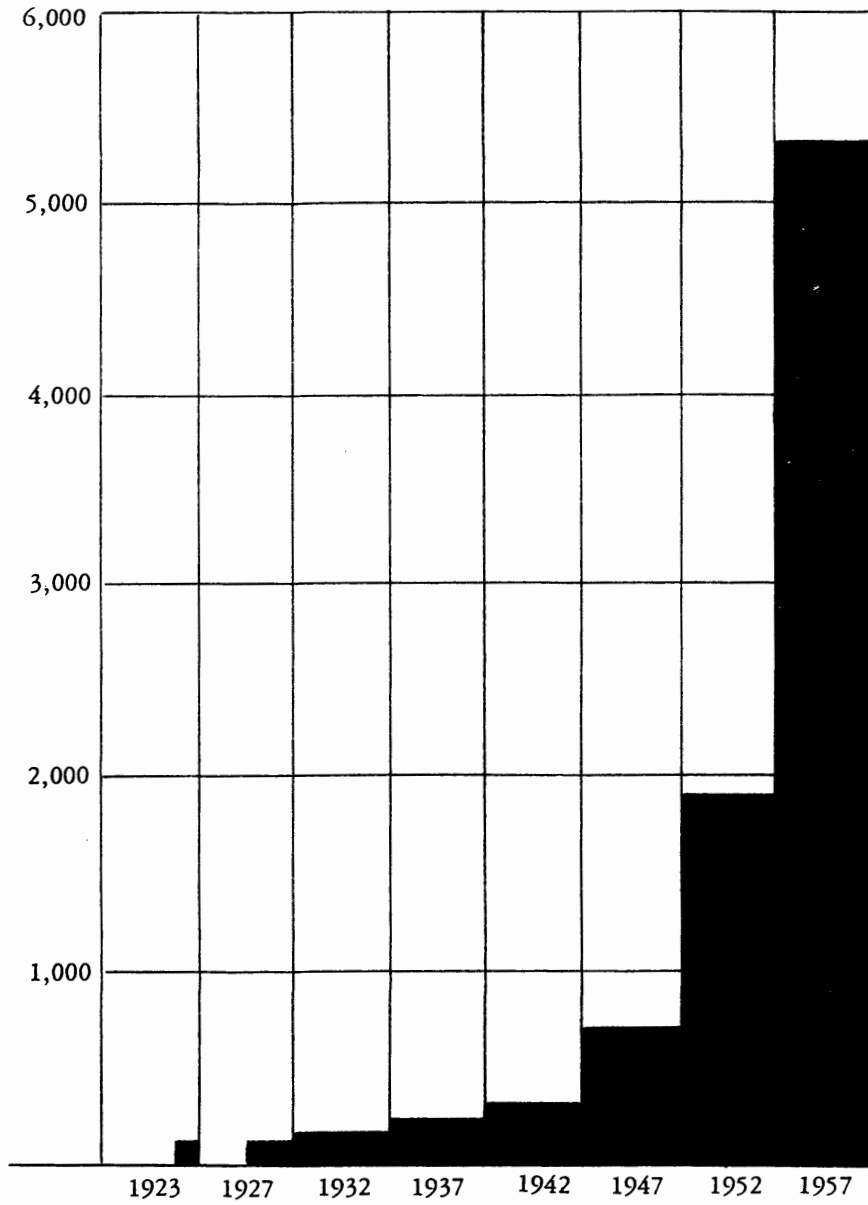




5,000 10,000 15,000 20,000 25,000 30,000 35,000 40,000



GROWTH IN NUMBER
OF RETIRANTS
From January 1, 1922 To June 30, 1957



SENIOR ASSOCIATES

ROBERT H. ARMSTRONG
L. J. BRADEN
GARLAND S. BROWN
GEORGE B. BUCK, JR.
M. A. BURT
JOHN M. FLEMING
HARRY GERSHENSEN
HUGH GILLESPIE
DOROTHY L. KIENZ
WILLIAM F. HARRLES
DONALD M. OVERHOLSER
M. CURTIS SCHIFF
A. EUGENE STANIUS
GEORGE B. SWICK
JOHN F. WILLIAMS
ROBERT A. WISHART

GEORGE B. BUCK
CONSULTING ACTUARY

80 WORTH STREET
NEW YORK 13, NEW YORK
CABLE ADDRESS
SOUNDPLANS NEW YORK

August 1, 1958.

Mr. George M. Borden, Secretary,
Public Employees' Retirement System of New Jersey,
P. O. Box No. 1266, Trenton 25, New Jersey.

Dear Mr. Borden:

I am sending you herewith two carbon copies of my report on the third annual valuation of the assets and liabilities of the Public Employees' Retirement System of New Jersey, which was prepared as of June 30, 1957, as well as a report on the first actuarial investigation of the experience under the Public Employees' Retirement System.

You will note that it has been recommended that a transfer be made from the Local 4% Contingency Reserve Fund to the Local Retirement Reserve Fund to eliminate the deficit of \$142,945 as of June 30, 1957 which has developed during the year in the part of the Retirement Reserve Fund allocable to local employers. Since the financial data for the next valuation has already been sent to us, it is suggested that this transfer not be made at this time. An adjustment will be made in the valuation presently being prepared and the required amount will be recommended for transfer in connection with the report on that valuation.

Since the Retirement Reserve Fund is now being valued on a 3 per cent interest basis, we assume that all transfers from the Contingent Reserve Fund to the Retirement Reserve Fund are now being made on a 3 per cent interest basis regardless of whether the member is classified as a 4 per cent or a 3 per cent member. If this is not so, please let us know.

We shall not have the original copy of the report bound until after the Board has had an opportunity to consider it. We should appreciate your advising us when we may send it to the binder.

Very truly yours,

Actuary.

GBB)pb
Enc.

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

The Public Employees' Retirement System of New Jersey, which began operation January 2, 1955, was established under Chapter 84 of the Laws of 1954. It supersedes the State Employees' Retirement System of New Jersey which began operation as of January 1, 1922. The present system is designed to operate in conjunction with the coverage of the membership under the Social Security Act. This report, prepared as of June 30, 1957, presents the results of the third actuarial valuation of the system.

The valuation this year takes into account for the first time the special benefits afforded law enforcement officers by Chapter 257 of the Laws of 1955, as amended by Chapter 55 of the Law of 1956, since under the provision of Chapter 55, which became effective May 22, 1956, those employees who were then law enforcement officers were allowed 90 days after May 22, 1956 to waive their privilege of obtaining special credit for their services as law enforcement officers. The valuation also took into account the amendment to the Social Security Act, effective August 1, 1956, which increased the Social Security tax payable by employees from 2 per cent to 2- $\frac{1}{4}$ per cent of compensation not in excess of \$4,200 a year.

In addition, the provision for an additional voluntary death benefit became effective December 1, 1956. This benefit, for which members contribute, together with the non-contributory ordinary death benefit is provided through the purchase of group insurance from The Prudential Insurance Company.

TABLE 1

MEMBERSHIP OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF JUNE 30, 1957

GROUP	TOTAL		4% MEMBERS		3% MEMBERS	
	Number	Payroll	Number	Payroll	Number	Payroll
Class A:						
Men.	844	\$ 3,938,088	684	\$ 3,384,504	160	\$ 553,584
Women.	951	3,490,368	629	2,425,956	322	1,064,412
Class B:						
Men.	27,135	119,535,424	4,304	21,798,352	22,831	97,737,072
Women.	12,486	41,968,324	3,402	13,930,820	9,084	28,037,504
Law Enforcement Officers:						
Men.	133	593,848			133	593,848
Women.						
Total	41,549	\$169,526,052	9,019	\$41,539,632	32,530	\$127,986,420
Sub-totals for:						
Non-Veterans						
State Employees	11,934	\$ 47,375,128	4,836	\$22,996,204	7,098	\$24,378,924
County Employees.	4,345	15,391,408	1,374	5,837,144	2,971	9,554,264
Municipal Employees	9,434	35,706,484	2,545	11,332,320	6,889	24,374,164
Employees of Public Agencies	1,442	6,161,900	251	1,295,916	1,191	4,865,984
Employees of Consolidated School Districts.	48	160,344	5	24,400	43	135,944
State Employees Paid by Local Employers.	99	602,492	8	53,648	91	548,844
Veterans						
State Employees	6,679	32,053,424			6,679	32,053,424
County Employees.	1,637	7,161,756			1,637	7,161,756
Municipal Employees	4,113	17,093,004			4,113	17,093,004
Employees of Public Agencies	1,140	5,168,316			1,140	5,168,316
Employees of Consolidated School Districts.	4	21,152			4	21,152
Non-Participating Locals: State Employees Paid by Local Employers	556	1,966,440			556	1,966,440
	118	664,204			118	664,204

In addition there are 39 members who have selected vesting benefits.

Note: The maintenance of each employee is fixed at the time of his application and is included in the compensation listed.

TABLE 2

THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF BENEFICIARIES
ON THE ROLL AS OF JUNE 30, 1957

GROUP	NUMBER	RETIREMENT ALLOWANCES
Service Retirement and Early Retirement Benefits		
Men.	3,304	\$ 4,205,544
Women.	1,296	1,403,964
Total.	4,600	\$ 5,609,508
Ordinary Disability Retirements		
Men.	133	\$ 127,308
Women.	84	63,564
Total.	217	\$ 190,872
Accident Disability Retirements		
Men.	47	\$ 95,172
Women.	19	38,712
Total.	66	\$ 133,884
Ordinary Death Benefits		
Men.	5	\$ 1,908
Women.	188	82,560
Total.	193	\$ 84,468
Accidental Death Benefits		
Men.		\$
Women.	35	\$ 52,344
Total.	35	\$ 52,344
Dependents of Deceased Beneficiaries		
Men.	5	\$ 2,856
Women.	139	85,308
Total.	144	88,164
GRAND TOTAL.	5,255	\$ 6,159,240

Note: In addition to the above there are 109 beneficiaries who elected to receive death benefits, otherwise payable in a lump sum, as annuities certain, amounting to \$127,644 per annum.

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TABLE 3
 VALUATION BALANCE SHEET
 SHOWING THE ASSETS AND LIABILITIES OF THE FUNDS OF THE
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
 AS OF JUNE 30, 1957

ASSETS		:
Present assets of system creditable to:		:
Annuity Savings Fund.	\$ 43,341,570:	:
Members' Death Benefit Fund	7,104:	:
Retirement Reserve Fund:		:
Credited to Fund.	\$ 59,581,545	:
Add reserve transferable from		:
Contingent Reserve Fund.	142,945	59,724,490:
Contingent Reserve Fund:		:
Credited to fund.	\$ 16,247,239	:
Deduct reserve transferable to		:
Retirement Reserve Fund.	142,945	16,104,294:
Income from investments including accrued interest. .	866,068:	120,043,526
Present value of prospective contributions payable		:
by the State and local employers to the Contingent		:
Reserve Fund as follows:		:
Future normal contributions	\$ 131,225,310:	:
Future accrued liability contributions to be		:
paid in annual installments over a period of years. .	77,319,064:	208,544,374
Total Assets.		\$ 328,587,900

TABLE 3
VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE FUNDS OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF JUNE 30, 1957

LIABILITIES	
Present value of benefits payable on account of members' contributions which have been accumulated to date in the Annuity Savings Fund.	\$ 43,341,570
Present value of members' contributions which have been accumulated to date in the Members' Death Benefit Fund	7,104
Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund.	59,538,776
Present value of death benefits payable on account of beneficiaries dying after retirement.	1,532,685
Present value of benefits payable on account of active members:	
Regular service retirement pensions allowable on account of total service including benefits upon withdrawal after 25 years of service and vesting benefits.	\$161,201,783
Ordinary disability retirement pensions	5,619,820
Accident disability retirement pensions	4,022,453
Death benefits on account of members dying due to ordinary causes prior to retirement and to those dying after retirement for service, ordinary disability or accident disability and to those dying after age 60 after retirement upon a withdrawal benefit.	49,868,668
Accidental death benefits on account of members dying in the performance of duty.	2,588,973
Income from investments including accrued interest	866,068
Total Liabilities.	\$ 328,587,900

The present assets of the system as shown in the balance sheet were taken from a statement furnished the actuary by the secretary of the system. 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 \$43,341,570 on June 30, 1957. The liabilities of the fund are also shown as \$43,341,570. No calculation has been made of the future assets and liabilities of this fund because it is expected that the future liabilities will be balanced by the future assets.

(2) Members' Death Benefit Fund

The valuation balance sheet shows the assets of the Members' Death Benefit Fund, the fund in which the deductions from the compensation of members to provide for additional death benefits are accumulated, to be \$7,104. The liabilities of the fund are also shown as \$7,104. No calculation has been made of the future assets and liabilities of this fund because it is expected that these monies will be paid over to The Prudential Insurance Company.

(3) Retirement Reserve Fund

The Retirement Reserve Fund has present assets of \$59,581,545 while its liabilities have a present value of \$59,538,776. There is therefore a surplus of \$42,769 in this fund as of the valuation date. However, the valuation indicates that while there is a net surplus in the fund, there is a deficit of \$142,945 in the fund on account of retired members who were employees of local employers. This deficit is due to the fact that a 3 percent interest rate is used in valuing all reserves in the Retirement Reserve Fund. It is recommended that a transfer of \$142,945 be made as of June 30, 1957 from the Contingent Reserve Fund and this transfer is shown in the balance sheet.

(4) Contingent Reserve Fund

The liabilities of the Contingent Reserve Fund are \$224,834,382 of which \$223,301,697, after taking into account premiums paid to The Prudential Insurance Company, is on account of present active members and \$1,532,685 is on account of death benefits payable to beneficiaries of present retired members. The present assets of the fund amount to \$16,104,294 after deducting the amount transferable to the Retirement Reserve Fund. The balance of \$208,544,374, after adjusting for the excess of assets over liabilities in the Retirement Reserve Fund, is to be met by the future contributions of the State and local employers. Of this amount, \$77,319,064 will be met by future accrued liability contributions, leaving \$131,225,310 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.

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. In

addition, each local employer who has veteran members with credit-able service rendered prior to January 2, 1955 must pay an accrued liability contribution in the same manner as provided in the case of the State for its veteran members.

In accordance with the law, the normal rate is determined each year on the basis of each annual valuation as the percentage rate of contribution required with the funds in hand and prospective accrued liability contributions, if any, to meet the benefit payments for which the employers are responsible. Separate rates are determined for non-veteran and veteran members. The calculations are also made separately for the State and for the local employers taken as a group and since the regular interest rate as it affects new members on or after July 1, 1949 is 3 per cent, the rates are determined separately for members on a 3 per cent interest basis and those on a 4 per cent interest basis. The normal rates so determined are then increased to provide for the expected amount of the interest deficit.

The normal rates recommended for the year beginning July 1, 1957 are as follows:

<u>PAYABLE BY:</u>	<u>NORMAL RATE</u>
State on account of 4% members:	
Non-Veterans	8.29%
State on account of 3% members:	
Non-Veterans	7.31
Veterans	7.54
Local employers on account of 4% members:	
Non-Veterans	6.57
Local employers on account of 3% members:	
Non-Veterans	7.25
Veterans	7.46

On the basis of the normal rates applicable to State employees and the payroll as of June 30, 1957, the contributions for the fiscal year beginning July 1, 1957 payable by the State and the agencies which pay the same normal rate as the State are shown in Table 4. The certifications of the appropriations required of the local employers are submitted separately.

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TABLE 4

CONTRIBUTIONS PAYABLE BY THE STATE
FOR THE YEAR BEGINNING JULY 1, 1957

DIVISION	NUMBER	PAYROLL AS OF June 30, 1957	CONTRIBUTION		
			Normal	Accrued Liability	Total
State (including State University)					
Non-Veterans 4%	4,163	\$ 19,899,620	\$ 1,649,678		\$ 1,649,678
Non-Veterans 3%	6,660	22,957,968	1,678,227		1,678,227
Veterans 3%	6,295	30,067,928	2,267,122	\$ 1,216,296	3,483,418
Total	17,118	\$ 72,925,516	\$ 5,595,027	\$ 1,216,296	\$ 6,811,323
Division of Employment Security					
Non-Veterans 4%	329	\$ 1,472,996	\$ 122,111		\$ 122,111
Non-Veterans 3%	218	664,768	48,595		48,595
Veterans 3%	199	1,083,128	81,668	\$ 58,466	140,134
Total	746	\$ 3,220,892	\$ 252,374	\$ 58,466	\$ 310,840
Employment Services					
Non-Veterans 4%	271	\$ 1,331,780	\$ 110,405		\$ 110,405
Non-Veterans 3%	191	662,696	48,443		48,443
Veterans 3%	167	807,572	60,891	\$ 31,443	92,334
Total	629	\$ 2,802,048	\$ 219,739	\$ 31,443	\$ 251,182
Disability Insurance Service					
Non-Veterans 4%	73	\$ 291,808	\$ 24,191		\$ 24,191
Non-Veterans 3%	29	93,492	6,834		6,834
Veterans 3%	18	94,796	7,148	\$ 5,068	12,216
Total	120	\$ 480,096	\$ 38,173	\$ 5,068	\$ 43,241
Grand Total	18,613	\$ 79,428,552	\$ 6,105,313	\$ 1,311,273	\$ 7,416,586

TOTAL DISTRIBUTION OF THE NUMBER AND MONTHLY RETIREMENT ALLOWANCES
OF BENEFICIARIES BY AGE AS OF JUNE 30, 1957

SERVICE RETIREMENTS AND EARLY RETIREMENT BENEFITS

AGES	MEN		WOMEN	
	Number	Retirement Allowances	Number	Retirement Allowance
42 to 96				
Summary:				
No Option	1,713	\$190,432	972	\$ 92,276
Option 1	1,121	98,616	299	22,157
Option 2	162	11,762	7	527
Option 3	297	46,771	16	1,870
Option 4	11	2,881	2	167
TOTAL...	3,304	\$350,462	1,296	\$116,997

TOTAL DISTRIBUTION OF THE NUMBER AND MONTHLY RETIREMENT ALLOWANCES
OF BENEFICIARIES BY AGE AS OF JUNE 30, 1957

ORDINARY DISABILITY RETIREMENTS

AGES	MEN		WOMEN	
	Number	Retirement Allowances	Number	Retirement Allowances
35 to 84				
Summary:				
No Option	101	\$ 8,492	75	\$ 4,914
Option 1	26	1,567	8	356
Option 2	2	66	1	27
Option 3	3	264		
Option 4	1	220		
TOTAL...	133	\$ 10,609	84	\$ 5,297

TOTAL DISTRIBUTION OF THE NUMBER AND MONTHLY RETIREMENT ALLOWANCES
OF BENEFICIARIES BY AGE AS OF JUNE 30, 1957

ACCIDENT DISABILITY RETIREMENTS

AGES	MEN		WOMEN	
	Number	Retirement Allowances	Number	Retirement Allowances
29 to 79				
Summary:				
No Option	43	\$ 7,491	17	\$ 2,977
Option 1	3	302	2	249
Option 2	-	-	-	-
Option 3	1	138	-	-
Option 4	-	-	-	-
TOTAL...	47	\$ 7,931	19	\$ 3,226

TOTAL DISTRIBUTION OF THE NUMBER AND MONTHLY RETIREMENT ALLOWANCES
OF BENEFICIARIES BY AGE AS OF JUNE 30, 1957

ORDINARY DEATH BENEFITS TO BENEFICIARIES WHO ELECTED TO RECEIVE A LIFE ANNUITY
IN LIEU OF A LUMP SUM INCLUDING ORDINARY DEATH BENEFITS TO WIDOWS
UNDER OLD STATE EMPLOYEES' RETIREMENT SYSTEM

<u>AGES</u>	<u>MEN</u>		<u>WOMEN</u>	
	<u>Number</u>	<u>Retirement Allowances</u>	<u>Number</u>	<u>Retirement Allowances</u>
24 to 85	<u>5</u>	<u>\$ 159</u>	<u>188</u>	<u>\$ 6,880</u>

Note: In addition to the above, there are 109 beneficiaries who elected to receive the lump sum as annuities certain amounting to \$10,637 per month.

TOTAL DISTRIBUTION OF THE NUMBER AND MONTHLY RETIREMENT ALLOWANCES
OF BENEFICIARIES BY AGE AS OF JUNE 30, 1957

ACCIDENTAL DEATH BENEFITS

<u>AGES</u>	<u>WOMEN</u>	
	<u>Number</u>	<u>Retirement Allowances</u>
29 to 77	<u>35</u>	<u>\$4,362</u>

TOTAL DISTRIBUTION OF THE NUMBER AND MONTHLY RETIREMENT ALLOWANCES
OF BENEFICIARIES BY AGE AS OF JUNE 30, 1957

DEPENDENTS OF DECEASED BENEFICIARIES

<u>AGES</u>	<u>MEN</u>		<u>WOMEN</u>	
	<u>Number</u>	<u>Retirement Allowances</u>	<u>Number</u>	<u>Retirement Allowances</u>
38 to 95	<u>5</u>	<u>\$ 238</u>	<u>139</u>	<u>\$ 7,109</u>

INVESTIGATION OF EXPERIENCE

Section 19 of Chapter 84 of the Laws of 1954, as amended, provides that once in every five year period after January 2, 1955, the actuary shall make an actuarial investigation into the mortality, service and compensation experience of the members and beneficiaries of the retirement system. Since the present system supersedes the State Employees' Retirement System of New Jersey, which until December 31, 1954 covered State and other public employees in New Jersey, and since the last investigation of the service and mortality experience of members and beneficiaries covered the five year period ended June 30, 1952, another investigation was made this year covering the five year period from July 1, 1952 to June 30, 1957.

On June 15, 1954, the Board of Trustees of the State Employees' Retirement System adopted a new set of basic tables, which were adopted by the Board of Trustees of the Public Employees' Retirement System on January 3, 1955. The experience among active members and beneficiaries during the past five years has been compared with the experience expected according to these tables.

In the case of withdrawals, since the Board adopted select rates of withdrawal, the data for employees with less than three years of service were tabulated separately from the data for employees with three or more years of service. However, in investigating the experience with respect to death, disability, and service retirement, the employees were not divided according to select and ultimate years of service but were treated in one group. The expected number of separations from service and the salaries expected to be terminated by separation on account of withdrawal, death, disability, and service retirement were calculated by multiplying the rates of separation used as a basis for the active service tables by the number and salaries of those exposed to risk. The actual number and salaries of those who had separated from service were then compared with the expected number and salaries. The following tables give the results of these comparisons.

TABLE 13
 COMPARISON OF ACTUAL AND EXPECTED SEPARATIONS
 FROM ACTIVE SERVICE
 JUNE 30, 1957

YEARS OF SERVICE	AGE GROUP	NUMBER OF SEPARATIONS			SALARIES AT SEPARATIONS		
		Actual	Expected	Difference	Actual	Expected	Difference
Withdrawals before Eligibility for a Benefit							
0,1,2 Ultimate	All	4,753	3,536.5	-1,216.5	\$13,518,459	\$10,464,488	\$ - 3,053,971
	20	138	139.7	+ 1.7	349,678	355,755	+ 6,077
	25	851	737.0	- 114.0	2,435,150	2,152,790	- 282,360
	30	635	556.3	- 78.7	2,114,012	1,934,111	- 179,901
	35	533	547.8	+ 14.8	1,978,570	2,039,896	+ 61,326
	40	448	539.0	+ 91.0	1,710,858	2,058,003	+ 347,145
	45	389	419.4	+ 30.4	1,537,400	1,625,820	+ 88,420
	50	315	252.4	- 62.6	1,151,520	959,189	- 192,331
	55	300	125.4	- 174.6	1,163,897	464,822	- 699,075
	60	259	23.5	- 235.5	1,009,287	85,871	- 923,416
	65	186		- 186.0	702,809		- 702,809
	70						
	and over	229		- 229.0	755,466		- 755,466
Total Withdrawals All Years		9,036	6,877.0	-2,159.0	\$28,427,106	\$22,140,745	\$ - 6,286,361
Deaths (due to ordinary causes)							
	15					17	\$ + 17
	20	2	6.4	+ 4.4	5,122	15,982	+ 10,860
	25	4	16.5	+ 12.5	11,520	48,465	+ 36,945
	30	14	23.5	+ 9.5	44,232	79,325	+ 35,093
	35	19	36.5	+ 17.5	63,769	129,673	+ 65,904
	40	42	58.2	+ 16.2	142,092	213,046	+ 70,954
	45	84	101.7	+ 17.7	316,437	385,403	+ 68,966
	50	124	154.5	+ 30.5	496,349	596,520	+ 100,171
	55	200	219.0	+ 19.0	771,651	851,862	+ 80,211
	60	259	369.9	+ 110.9	991,831	1,444,308	+ 452,477
	65	244	358.9	+ 114.9	934,693	1,351,348	+ 416,655
	70						
	and over	235	421.4	+ 186.4	803,835	1,484,259	+ 680,424
Total for Ordinary Deaths		1,227	1,766.5	+ 539.5	\$ 4,581,531	\$ 6,600,208	\$ + 2,018,677

TABLE 13
 COMPARISON OF ACTUAL AND EXPECTED SEPARATIONS
 FROM ACTIVE SERVICE
 JUNE 30, 1957
 (Continued)

YEARS OF SERVICE	AGE GROUP	NUMBER OF SEPARATIONS			SALARIES AT SEPARATIONS		
		Actual	Expected	Difference	Actual	Expected	Difference
Deaths (Continued) (due to accidental causes)							
Total for Accidental Deaths		8	28.5	+ 20.5	\$ 29,633	\$ 102,811	\$+ 73,178
(due to all causes)							
Total Deaths All Years		1,235	1,795.0	+ 560.0	\$ 4,611,164	\$ 6,703,019	\$+ 2,091,855
Disability Retirements (due to ordinary causes)							
	25					473	\$+ 473
	30	1	1.2	+ .2	\$ 3,542	3,889	+ 347
	35		3.5	+ 3.5		13,022	+ 13,022
	40	3	9.6	+ 6.6	11,700	38,629	+ 26,929
	45	18	21.3	+ 3.3	66,427	89,169	+ 22,742
	50	32	34.0	+ 2.0	138,391	142,926	+ 4,535
	55	48	39.4	- 8.6	182,177	166,361	- 15,816
	60	21	17.3	- 3.7	78,575	73,221	- 5,354
Total for Ordinary Disability Retirements		123	126.3	+ 3.3	\$ 480,812	\$ 527,690	\$+ 46,878
(due to accidental causes)							
Total for Accident Disability Retirements		33	41.3	+ 8.3	\$ 126,695	\$ 155,172	\$+ 28,477
(due to all causes)							
Total Disability Retirements All Years		156	167.6	+ 11.6	\$ 607,507	\$ 682,862	\$+ 75,355

TABLE 13
 COMPARISON OF ACTUAL AND EXPECTED SEPARATIONS
 FROM ACTIVE SERVICE
 JUNE 30, 1957
 (Continued)

YEARS OF SERVICE	AGE GROUP	NUMBER OF SEPARATIONS			SALARIES AT SEPARATION		
		Actual	Expected	Difference	Actual	Expected	Difference
Service Retirements and Withdrawal Benefits:							
35		2.8	2.8	0	\$ 11,114	\$ 11,114	0
40	2	40.8	38.8	2.0	7,240	172,969	165,729
45	6	106.4	100.4	6.0	25,755	468,945	443,190
50	23	122.4	99.4	23.0	107,275	546,938	439,663
55	45	67.0	22.0	45.0	192,328	306,145	113,817
60	45	66.3	213.3	147.0	1,931,066	2,594,760	663,694
65	1,304	1,213.2	90.8	1,122.4	5,479,019	4,567,382	911,637
70	1,250	5,202.4	3,952.4	1,250.0	4,876,074	18,746,012	+13,869,938
75	434	1,563.0	1,129.0	434.0	1,539,048	5,290,001	+ 3,750,953
80							
and over	130	467.0	337.0	130.0	463,751	1,628,255	+ 1,164,484
Total							
All Years		3,645	9,449.3	+ 5,804.3	\$14,621,556	\$ 34,332,501	+19,710,945

By means of the salary scale which was adopted by the Board, the expected salaries of those members who remain in service from year to year were obtained, and these expected salaries were compared with the actual salaries. This comparison is summarized in the following table.

TABLE 14

COMPARISON OF ACTUAL AND EXPECTED SALARIES OF MEMBERS

CENTRAL AGE OF GROUP	SALARIES AT END OF YEAR		
	Actual	Expected	Difference
15	\$ 9,387	\$ 8,841	\$ - 546
20	9,383,147	8,978,001	- 405,146
25	24,643,025	23,896,581	- 746,444
30	33,920,553	32,580,117	- 1,340,436
35	44,783,043	42,784,462	- 1,998,581
40	57,636,571	55,218,796	- 2,417,775
45	73,403,932	70,605,335	- 2,798,597
50	80,091,589	76,560,461	- 3,531,128
55	74,628,959	71,714,597	- 2,914,362
60	64,036,166	61,480,782	- 2,555,384
65	37,196,472	35,756,931	- 1,439,541
70 and over	19,047,426	17,974,983	- 1,072,443
Total	\$518,780,270	\$497,559,887	\$\$-21,220,383

The following table gives a comparison of the actual and expected deaths among retired members and their beneficiaries. In obtaining the expected deaths, the rates of mortality employed as a basis for the mortality tables last adopted by the Board for pensioners and their beneficiaries were used.

TABLE 15
SUMMARY OF MORTALITY EXPERIENCE OF BENEFICIARIES

GROUP	NUMBER OF DEATHS			ALLOWANCES TERMINATED BY DEATH		
	Actual	Expected	Difference	Actual	Expected	Difference
	: Retired on Account of Service :					
Men	825	734.9	- 90.1	\$ 804,601	\$ 753,216	-\$ 51,385
Women	149	159.2	+ 10.2	117,063	150,692	+ 33,629
Total	974	894.1	- 79.9	\$ 921,664	\$ 903,908	-\$ 17,756
	: Retired on Account of Disability :					
Men	43	34.5	- 8.5	\$ 45,092	\$ 37,862	-\$ 7,230
Women	17	17.4	+ .4	16,341	16,842	+ 501
Total	60	51.9	- 8.1	\$ 61,433	\$ 54,704	-\$ 6,729
	: Dependents of Deceased Employees and Employee Beneficiaries :					
Men	5	.7	- 4.3	\$ 3,567	\$ 927	-\$ 2,640
Women	37	41.6	+ 4.6	22,248	23,435	+ 1,187
Total	42	42.3	+ .3	\$ 25,815	\$ 24,362	-\$ 1,453

RATES OF WITHDRAWAL

The preceding table shows that the actual number of withdrawals and the actual salaries cancelled by withdrawal were greater than the number and salaries expected to be cancelled. This means that fewer members are remaining in service to receive retirement benefits than were expected to do so, so that the cost of these benefits to the retirement system is less than expected on this account. This indicates the rates of withdrawal now being used are producing conservative results in that the actual number of withdrawals from service exceeds the expected number.

RATES OF DEATH AMONG ACTIVE MEMBERS

Since the retirement system pays different benefits upon ordinary and accidental death, the mortality experience with respect to these two causes of death was investigated separately. The preceding table shows that with respect to both ordinary and accidental death, the actual number of deaths and the actual salaries terminated by death were less than the number and salaries expected to be terminated. This result is favorable to the retirement system since it means that there have been fewer claims than expected for the benefits paid by the retirement system in event of death.

RATES OF DISABILITY RETIREMENT

With respect to disability retirement, also, the cases resulting from ordinary and accidental causes were investigated separately. The table shows that with respect to both types of retirement, the actual number of disability retirements and the actual salaries cancelled. This result was favorable to the retirement system since it means that there were fewer claims for disability retirement than were expected on the basis of the active service tables adopted by the Board.

RATES OF SERVICE RETIREMENT

Upon withdrawal after 25 years of service an early retirement benefit is payable, and such withdrawals have been considered with service retirements, in the experience. The preceding table shows that fewer service and early retirements were granted than were expected to be granted in accordance with the tables adopted by the Board. This condition is favorable to the system since it means that the cost of service and early retirements is less than was anticipated on the basis of the tables now in use.

RATES OF SALARY INCREASE

The preceding table indicates that the actual salaries during the past year five years were greater than the expected salaries. This experience operates adversely since pensions are based on the average compensation of the last five years of service and every abnormal increase in compensation increases the cost to the employer.

RATES OF MORTALITY AMONG BENEFICIARIES

The last of the preceding tables summarizes the results of the mortality experience with respect to beneficiaries. It shows that for all classes of beneficiaries combined, the actual number of deaths and the actual allowances cancelled by death were greater than the number and allowances expected to be cancelled. Thus, the mortality experience was favorable to the retirement system from a financial viewpoint since it indicates that beneficiaries are not living as long as expected on the basis of the mortality tables now in use. It is recommended that the present mortality tables be continued in use for all beneficiaries.

CONCLUSION

The investigation of the experience during the five year period ended June 30, 1957 indicates that, with the exception of the salary experience, the experience among both active members and beneficiaries was favorable. It is therefore recommended that no change be made in the tables presently in use.



