

PUBLIC EMPLOYEES'
RETIREMENT SYSTEM
OF
NEW JERSEY



1980
Annual Report



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

20 West Front Street
Trenton, New Jersey 08625

BOARD

GENEVIEVE F. McMENAMEN, Chairperson
CLIFFORD A GOLDMAN, State Treasurer, Custodian
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CONSULTING ACTUARIES, INC.

MEDICAL BOARD

WILLIAM COLEMAN, M.D. DAVID ECKSTEIN, M.D.
MURRAY SHEPP, M.D.

To His Excellency
Brendan T. Byrne
Governor of the State of New Jersey

Dear Sir:

The board of trustees of the Public Employees' Retirement System is pleased to present its Twenty-sixth Annual Report in compliance with the provisions of N.J.S.A. 43:15A-21.

Respectfully submitted,

GENEVIEVE F. McMENAMEN,
Chairperson

As a result of the annual election, Mrs. Genevieve F. McMenamen and Mr. Anton Heins were elected to 3-year terms commencing July 1, 1980.

MEMBERSHIP

A summary of the membership activity for the fiscal year ended June 30, 1980, follows:

- 27,400—enrollments
- 3,501—retirements
- 18,440—active accounts terminated through separation from employment
- 803—deaths before retirement

Comparative data on membership for selected June 30 periods since 1955 follow:

<u>June 30</u>	<u>Active</u>	<u>Retirants and Beneficiaries</u>	<u>Total</u>
1955	34,087	2,649	36,736
1960	50,576	7,116	57,692
1965	68,086	10,445	78,531
1970	113,866	13,298	127,164
1975	171,518	21,682	193,200
1980	205,038	35,185	240,223

Retirements by Type and Option
July 1, 1979—June 30, 1980

<u>Service</u>	<u>Early</u>	<u>Deferred</u>	<u>Ordinary Disability</u>	<u>Accidental Disability</u>	<u>Veteran</u>	<u>Accidental Death</u>	<u>Active Death</u>
2,338	41	61	142	54	856	7	2
	<u>Maximum</u>	<u>Option I</u>	<u>Option II</u>	<u>Option III</u>	<u>Option IV</u>		
	1,596	1,007	519	361	18		

Retirement Payroll June 30, 1980

Regular Allowances—35,185 retirants and beneficiaries	\$7,866,613
Pension Adjustment Act—	<u>1,873,231</u>
Gross Payroll, month of June 1980	<u><u>\$9,739,844</u></u>

Comparative data on retirement payroll and average allowances for selected June 30 periods follow:

<u>June 30</u>	<u>Number</u>	<u>Payroll</u>
1955	2,649	\$ 2,848,923
1960	7,116	8,876,808*
1965	10,445	16,737,419*
1970	13,298	24,036,226*
1975	21,682	53,518,488*
1980	35,185	114,408,900*

*Includes benefits paid under the provisions of the Pension Adjustment Act.

Group Life Insurance Claims:

ACTIVE MEMBERS

<u>Number</u>	<u>Settlement</u>	<u>Amount</u>	
690	Cash Lump Sum	\$22,293,677	
2	Reserve—Monthly Annuities	59,520	
<u>692</u>	Total active member death claims	<u> </u>	\$22,353,197

RETIRED MEMBERS

1,161	Regular Retirants (Death after age 60)—Lump Sum	\$ 1,902,628	
41	Disability Retirants (Death before age 60)—Lump Sum	681,761	
<u>1,202</u>	Total death claims—retirants	<u> </u>	\$ 2,584,389
<u>1,894</u>	Total claims—active and retired members		<u><u>\$24,937,586</u></u>

Summary of Claim Charges

NONCONTRIBUTORY PLAN:

Active Members	692	\$11,791,460
Retirants	<u>1,202</u>	<u>\$ 2,584,389</u>
	1,894	\$14,375,849

CONTRIBUTORY PLAN:

Active Members	<u>10,561,737</u>	<u>\$24,937,586</u>
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Return of Contributions:

a) 18,440 members withdrew from the system and received a return of the pension contributions totaling		\$15,138,603
b) The survivors of 803 members who died before retirement received a return of the member's contributions totaling		\$ 3,490,654
c) Settlement of inactive accounts		\$ 863,631

Loans:

23,012 members applied for and received loans on their accounts totaling		\$27,823,920
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UNCLAIMED ACCOUNTS

Unclaimed accounts, June 30, 1979.....		\$ 1,212,106
Memberships discontinued and not settled during 1979-80.....	\$341,559	
Memberships discontinued and settled in 1979-80.....	<u>253,345</u>	
Added in fiscal year 1979-80.....		<u>594,904</u>
		<u>\$ 1,807,010</u>
Less:		
Cash settlements during fiscal year.....	\$325,216	
Cash escheat to State Treasurer.....	538,415	
Transferred to new accounts.....	<u>7,450</u>	<u>871,081</u>
BALANCE, JUNE 30, 1980.....		<u>\$ 935,929</u>

Lists of the new additions during 1979-80 have been sent to all employing units with a request that they circulate copies among their memberships in an effort to ascertain the whereabouts of the listed former members and advise the Division of Pensions.

INVESTMENTS

<u>HOLDINGS: June 30, 1980</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Eff. Rate</u>	<u>Percent by Type</u>
Commercial Paper-Interest Based	18,750,000	18,750,000	9.63	0.9
Certificates of Deposit	2,100,000	2,100,000	13.15	0.1
U.S. Treasury Notes	850,000	840,885	8.04	Nil
U.S. Treasury Bonds	8,900,000	9,354,919	6.76	0.5
Merchant Marine-Title IX Guar. Bds.	1,043,000	1,043,000	5.47	0.1
Fed. National Mortgage Assn. Debs.	7,210,000	7,149,890	6.88	0.4
Fed. Housing Admin. Series MM	55,700	47,181	6.89	Nil
Farmers' Home Admin. Ins. Notes	1,607,203	1,607,203	6.45	0.1
Industrial Bonds	144,242,086	142,977,745	7.16	7.1
Gas & Electric	222,320,000	222,051,358	5.73	11.0
Telephone	93,724,000	93,608,914	5.28	4.7
Water	1,650,000	1,650,000	4.80	0.1
Convertible Bonds	350,000	350,000	6.25	Nil
Finance Company-Senior Debt	32,514,000	32,203,480	5.60	1.6
Railroad Equipment Obligations	1,656,534	1,659,018	7.03	0.1
Inter-American Development Bank	2,000,000	1,989,348	5.61	0.1
Internat'l Bank Reconst. & Develop.	6,868,000	6,889,215	6.67	0.3
Government of Canada	1,500,000	1,497,990	6.90	0.1
Provinces of Canada	11,370,000	11,309,932	7.01	0.6
Canadian Provincial Guaranteed	16,009,000	15,959,041	7.85	0.8
Municipals-General Obligation	407,000	399,047	3.10	Nil
Municipals-Revenue	418,000	415,641	2.87	Nil
FHA Single Family Mortgages	2,035,656	1,971,935	6.43	0.1
VA Single Family Mortgages	3,265,347	3,166,029	6.50	0.2
FHA Multi-Family Mortgages	9,358,113	8,269,889	7.12	0.4
GNMA Mortgage Backed Certificate	175,696,632	170,959,392	9.66	8.5
GNMA Mortgage Backed Certificate GPM	25,492,367	24,224,683	10.81	1.2
GNMA Construction Loan Certificate	4,625,000	4,625,000	8.71	0.2
Federal Home Loan Mortgage Corp.-PC	12,782,988	12,583,567	11.80	0.6
Capehart Mortgages	7,448,735	7,438,880	4.29	0.4
State Leased Buildings	2,997,144	2,997,144	4.00	0.1
Preferred Stock	1,073,696	1,073,696	8.03	0.1
Convertible Preferred	1,319,216	1,319,216	4.73	0.1
Common Stock	145,261	145,261	11.60	Nil
Units-Common Pension Fund A	405,509,362	405,509,362	5.78	20.2
Units-Common Pension Fund B	741,827,242	741,827,242	8.69	36.9
Units-Common Pension Fund C	36,805,827	36,805,827	9.17	1.8
Units-Cash Management Fund	12,993,345	12,993,345	10.55	0.6
GRAND TOTAL FIXED	<u>\$2,018,920,454</u>	<u>\$2,009,764,275</u>	<u>7.53</u>	<u>100.0</u>

*Market Values on June 30, 1980, were:

Preferred Stock	\$722,250
Convertible Preferred	850,493
Common Stock	323,942

PURCHASES

<u>Type</u>	<u>Par Value</u>	<u>Average Effective Rate</u>
<u>Long-Term</u>		
U.S. Government Agencies	\$ 70,000	6.89
Mortgages	<u>104,093,842</u>	<u>11.26</u>
SUBTOTAL	<u>\$104,163,842</u>	<u>11.26</u>
<u>Short-Term</u>		
Commercial Paper	113,015,000	12.89
Time Certificates of Deposit	<u>9,500,000</u>	<u>11.84</u>
SUBTOTAL	<u>\$122,515,000</u>	<u>12.81</u>
TOTAL PURCHASES	<u><u>\$226,678,842</u></u>	<u><u>12.10</u></u>

SALES

<u>Long-Term</u>	
Industrials	\$ 30,000
SUBTOTAL	<u>\$ 30,000</u>
<u>Stocks</u>	
Common Stock*	\$ 11,206,814
SUBTOTAL	<u>\$ 11,206,814</u>
TOTAL SALES	<u><u>\$ 11,236,814</u></u>

*Book Value

REDEMPTIONS AND PREPAYMENTS

<u>Type</u>	<u>Par Value</u>
U.S. Government Agencies	\$ 66,000
Industrials	659,083
Gas and Electric	21,000
Telephone	3,000
Finance Companies—Senior Debt	32,000
Provinces of Canada	20,000
Canadian Provincial Guaranteed	416,000
Farmers' Home Administration	248,774
Prepaid Mortgages	325,574
TOTAL REDEMPTIONS AND PREPAYMENTS	<u>\$1,791,431</u>
<u>MATURITIES</u>	<u>\$133,740,511</u>

EXCHANGES

For the year ended June 30, 1980, the fund exchanged the following:

Bonds having a par value of \$27,126,000 for other bonds having a par value of \$27,126,000.

UNITS ACQUIRED IN COMMON PENSION FUND A

	<u>Number of units</u>	<u>Cost</u>
Purchased	<u>78,195</u>	<u>\$ 89,409,654</u>

UNITS ACQUIRED IN COMMON PENSION FUND B

Purchased	<u>158,310</u>	<u>\$117,970,015</u>
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UNITS ACQUIRED IN COMMON PENSION FUND C

Purchased	8,035	\$ 7,921,454
Received by Distribution of Income	<u>4,490</u>	<u>4,349,553</u>
TOTAL	<u>12,525</u>	<u>\$12,271,007</u>
Withdrawn	<u>31,298</u>	<u>\$30,002,889</u>

CASH MANAGEMENT FUND

Purchased	\$235,828,192
Received by Distribution of Income	<u>5,439,322</u>
TOTAL	<u>\$241,267,514</u>
Withdrawn	<u>\$293,542,803</u>

STATEMENT OF ASSETS—JUNE 30, 1980

Ledger Assets		
Cash in Banks	\$ (392,930)	
Investment Holdings	2,006,720,125	
Accrued Interest on Investments	27,894,730	
Investment Holdings—Contr. Grp.		
Ins. Prem. Fund	1,975,039	
Investment Holdings—Non-		
Contr. Group Ins. Prem. Fund	1,035,818	
Employees' Contributions Receivable	10,039,209	
Loans to Members	31,718,833	
Local Employers' Contributions		
Receivable	75,294,407	
Local Non-CGIPF Receivable	9,622,171	
Local Expense Fund Receivable	1,789,032	
Receivable from Employers—		
Delayed Enrollments	614,442	
Dividend Receivable	5,564,827	
Pension Adjustment Receivable	1,873,231	
Appropriation Receivable		
C.R.F.—State	7,711,294	
Accounts Receivable	21,292	
Total		\$2,181,481,520
Miscellaneous Liabilities		
Pension Payroll Payable	\$ 7,865,611	
Pension Adjustment Payroll Payable	1,873,231	
Noncontrib. Group Insurance		
Premium Fund	9,254,378	
Expense Fund	2,953,279	
Contributory Group Insurance		
Premium Fund	2,112,667	
Non-Contributory Group Insurance		
Premium Fund	1,036,621	
Unearned Interest on Loans	1,106,523	
Supplemental Annuity Collective		
Trust	26,425	
Escrow Items—Mortgages	62,500	
Canceled Checks	2,478	26,293,713
Net Ledger Assets		<u>\$2,155,187,807</u>
DISTRIBUTION OF ASSETS		
Funds Derived from Members:		
Annuity Savings Fund		
State Employees—A.S.F.	\$188,723,702	
State Employees—		
Clearing Account	9,096,534	\$197,820,236
Local Employees—A.S.F.	\$310,073,691	
Local Employees—		
Clearing Acct.	19,513,742	329,587,433
Accumulative Interest—A.S.F.		
State Employees	\$ 42,145,460	
Local Employees	62,173,588	104,319,048
Unclaimed Accounts		935,929
Total Carried Forward		\$ 632,662,646
		\$632,662,646

ASSETS (Continued)

Total Brought Forward			\$632,662,646
Funds Derived from Employers:			
Contingent Reserve Funds			
State Employees	\$208,385,186		
Local Employees	<u>533,490,803</u>	\$741,875,989	
Pension Adjustment Fund			
State Employees	\$ 669		
Local Employees	<u>4,421</u>	5,090	
Unclaimed Pension Adjustment Fund		<u>50,398</u>	741,931,477
Funds Derived from Members and Employers:			
Retirement Reserve Fund			
State Employees	\$333,047,321		
Local Employees	<u>427,327,773</u>	\$760,375,094	
Unclaimed Pension		<u>151,389</u>	760,526,483
Special Reserve Fund			<u>20,067,201</u>
Total Assets			<u>\$2,155,187,807</u>

STATEMENT OF REVENUE AND EXPENDITURES
JUNE 30, 1980

Ledger Assets, 6/30/79—Per Previous Report

\$1,901,342,877

REVENUE

Pension Contributions:

Annuity Savings Fund

State	\$32,193,544		
Local	57,004,509	\$ 89,198,053	

Accumulative Interest

State	\$ 4,740		
Local	13,765	18,505	

Unclaimed Accounts

		252,576	89,469,134
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Employers' Contributions:

Contingent Reserve Fund:

State

Appropriation	\$49,239,161		
Delayed Enrollments	70,046		
Transfers from Other Systems	9,885		
	\$49,319,092		

Local

Employers' Contributions	\$87,178,662		
Add'l Employee Contributions	8,329		
Delayed Enrollments	377,414		
Transfers from Other Systems	51,012		
	\$87,615,417		

Total Employers' Contrib. to C.R.F.

\$136,934,509

Pension Adjustment Fund

State	\$ 9,003,512		
Local	10,786,797	19,790,309	156,724,818

Retirement Benefits Redeposited

Regular Allowances

State	\$ 154,779		
Local	294,577	\$ 449,356	

Pension Adjustment Allowances

State	\$ 50,791		
Local	68,694	119,485	

Unclaimed Pensions

48,921

Unclaimed Pension Adjustment Allowances

		22,385	640,147
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Gains—To Special Reserve Fund

On Prepayment of Mortgages	\$ 11,058		
On Bond Redemptions and Sales	99,498	110,556	

Total Carried Forward

\$246,944,655

REVENUE (Continued)

Total Brought Forward	\$246,944,655
Income	\$ 146,184,503
Total Revenue	\$ 393,129,158
	<u>\$2,294,472,035</u>

EXPENDITURES

Benefits Provided by Members			
Accumulated Contributions Withdrawn			
Regular Withdrawals			
State	\$ 4,513,586		
Local	8,548,222	\$13,061,808	
Active Deaths			
State	\$ 989,856		
Local	1,898,108	2,887,964	
Transfer to Other Systems			
State	\$ 120,627		
Local	556,224	676,851	
Unisex Refunds			
State	\$ 517,561		
Local	834,943	1,352,504	
Net Underpayments			
Transferred		(6)	
Accumulative Interest Withdrawn:			
Regular Withdrawals			
State	\$ 428,589		
Local	875,295	1,303,884	
Active Deaths			
State	\$ 222,267		
Local	380,423	602,690	
Transfers to Other Systems			
State	\$ 13,886		
Local	82,174	96,060	
Unclaimed Accounts		863,631	\$ 20,845,386
Benefits Provided by Members and Employers:			
Retirement Allowances			
State	\$40,323,898		
Local	54,179,541	\$ 94,503,439	
Unclaimed Pensions		14,283	94,517,722
Total Carried Forward			<u>\$115,363,108</u>

EXPENDITURES (Cont'd)

Total Brought Forward			\$ 115,363,108
Benefits Provided by Employers:			
Pension Adjustment Allowances			
State	\$9,054,755		
Local	<u>10,850,706</u>	\$19,905,461	
Contingent Reserve Fund			
State	\$ 135,671		
Local	<u>82,983</u>	218,654	
Unclaimed Pension Adjustment Allowances			
		<u>4,070</u>	20,128,185
Losses—To Special Reserve Fund			<u>3,792,935</u>
Total Expenditures			<u>\$ 139,284,228</u>
Ledger Assets, June 30, 1980			<u><u>\$2,155,187,807</u></u>

ACTUARIAL EVALUATION

The information given below is taken from the valuation of March 31, 1979, showing the system's contributions (assets) and present and contingent benefits (liabilities) as of that date.

ASSETS

Present assets of system creditable to:		
Retirement Reserve Fund:		
Credited to fund	\$ 653,500,179	
Add accrued interest creditable	27,204,589	
Add reserve transferable from		
Contingent Reserve Fund	<u>18,519,780</u>	\$ 699,224,548
Annuity Savings Fund:		
Credited to fund	\$ 536,409,120	
Add accrued interest creditable	<u>12,944,495</u>	549,353,615
Contingent Reserve Fund:		
Credited to fund	\$ 580,680,851	
Add accrued interest creditable	25,205,639	
Add excess interest earnings creditable	22,474,930	
Less reserve transferable to		
Retirement Reserve Fund	<u>18,519,780</u>	609,841,640
Special Reserve Fund		<u>17,196,604</u>
Total Present Assets		<u>\$1,875,616,407</u>
Present value of prospective contributions of members to be made to		
Annuity Savings Fund	\$ 804,123,793	
Present value of prospective contributions payable by the State and local employers to the Contingent Reserve Fund as follows:		
Future normal contributions	1,624,049,898	
Future accrued liability contributions	<u>191,891,787</u>	
Total Prospective Assets		<u>2,620,065,478</u>
<u>TOTAL ASSETS</u>		<u>\$4,495,681,885</u>

LIABILITIES

Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund		\$ 699,222,548
Present value of benefits payable from contributions to the Annuity Savings Fund and Contingent Reserve Funds:		
Service retirement allowances including early retirement and vesting benefits	\$2,915,399,635	
Ordinary disability retirement allowances	164,270,156	
Accidental disability retirement allowances	43,647,014	
Ordinary death benefits	415,380,691	
Accidental death benefits	4,513,288	
Return of members' contributions upon withdrawal before retirement	<u>253,246,553</u>	<u>3,796,457,337</u>
<u>TOTAL LIABILITIES</u>		<u>\$4,495,681,885</u>

LEVEL OF FUNDING

With respect to the funding of the system, the following is an excerpt from page 15 of the actuarial valuation as of March 31, 1979

In conjunction with the current valuation the level of funding of the system, as measured by the ratio of valuation assets to projected liabilities, has been determined as follows:

	State	Local Employers
A. Projected Accrued Liabilities	\$1,019,944,243	\$1,455,743,360
B. Adjusted Value of Assets	750,711,954	1,190,758,726
C. Funding Level = B ÷ A	73.6%	81.8%

Projected accrued liabilities include the present value of benefits payable on account of beneficiaries or their dependents (liabilities of Retirement Reserve Fund) plus the present value of benefits accrued to the valuation date for active members including salary projection. The adjusted value of assets reflects employer contributions receivable and other miscellaneous amounts.

CONTRIBUTORY INSURANCE

The board of trustees is authorized by law to purchase a group life insurance policy to provide for the benefits which are to be met by contributions by members. The statute requires the board to establish rates of contributions for the purpose of maintaining the Contributory Group Insurance Premium Fund at a level sufficient to meet the obligations of the fund for the cost of insurance.

In the administration of the program certain amounts derived from employee contributions have been left on deposit with the carrier for specific reasons. Though they are not assets of the system, a brief description of each deposit account, the opening balance at 7/1/78 and closing balance at 6/30/79 is noted below:

1. Dividend Accumulation—This is an account established by the board of trustees, as policyholder, into which dividends arising from the active life experience are deposited. Such funds could be used to forestall rate increases and used to reduce rates.
2. Advance Premium—This money is where returned premiums are deposited when the Special Reserve contains funds in excess of its contractual limit. Such money could be used to delimit rate increases or reduce rates.
3. Special Reserve—This money is used to stabilize experience.

Each of the above accounts, except the Special Reserve, earned interest at the rate of 7.625 percent per annum during the policy year, while the Special Reserve earned interest at 7.375 percent.

FUNDS ON DEPOSIT

	Balance <u>6/30/78</u>	Balance <u>6/30/79</u>
Dividend Accumulation	\$5,350,454	\$5,758,426
Advance Premium	51,193	55,097
Special Reserve	659,289	609,507



Public Employees' Retirement System
State of New Jersey
CN 295
Trenton, N. J. 08625