

9th
ANNUAL REPORT

PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM



OF
NEW JERSEY

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JUNE 30, 1963



PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OF
NEW JERSEY

137 EAST STATE STREET
TRENTON, NEW JERSEY

BOARD OF TRUSTEES

Fred U. Hillers, *Chairman*

John A. Kervick,
State Treasurer, Custodian
John T. Cox, *Vice-Chairman*

Charles I. Levine

John J. McMahon

Alan W. Bowers

Harry V. Osborne, Jr.

John L. Brown

Frederick W. Miller

JOHN J. McMAHON, *Secretary*

GLADYS H. CLEARY, *Assistant Secretary*

GEORGE B. BUCK, *Consulting Actuary*

DEPARTMENT
OF THE TREASURY

DIVISION OF
PENSIONS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF

NEW JERSEY

TRENTON, NEW JERSEY

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

Sir:

In compliance with the provisions of Section 21, Chapter 15A, Title 43 of the Revised Statutes, the Board of Trustees have the honor to transmit herewith the Ninth Annual Report of the Public Employees' Retirement System of New Jersey, covering the period from July 1, 1962 to June 30, 1963.

TRUSTEES

Fred U. Hillers, *Chairman*

John T. Cox, *Vice-Chairman*

John A. Kervick, *State Treasurer-Custodian*

Alan W. Bowers

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NINTH ANNUAL REPORT
COVERING OPERATION OF THE SYSTEM FOR THE
FISCAL YEAR ENDING JUNE 30, 1963

New Legislation in 1963 Affecting the
Public Employees' Retirement System of New Jersey

- Chapter 19 (Senate No. 31) Entitles employees of the Delaware River Basin Commission to become members of the Public Employees' Retirement System and permits members of the Public Employees' Retirement System to purchase credit for public service in other states.
- Chapter 36 (Senate No. 248) Provides for the tenure and retirement of County Court Judges. Judges may elect prior to August 12, 1963, or within 30 days after assuming office, to be covered by the pension provisions of the new legislation.
- Chapter 51 (Assembly No. 354) Establishes a Special Reserve Fund in the Public Employees' Retirement System and provides that certain profits and excess earnings on the sale of securities shall be credited to this fund and losses on the sale of securities to be charged against this Fund.
- Chapter 53 (Assembly No. 580) Amends the Public Employees' Retirement System statute to provide for pro-rating the Social Security Credit and offset in cases where a member is subject to a Social Security offset under another Retirement System supported wholly or partly by this State or by an interstate instrumentality in which this State participates.
- Chapter 55 (Assembly No. 604) Amends the so-called Heath Act (Chapter 5 of Title 43) to make its provisions applicable to persons who become State employees during the year 1921. This statute had previously been limited to persons who were in State employment on January 1, 1921.
- Chapter 121 (Assembly No. 443) By the passage of this amendment, most present employee members of the Retirement System are again given the opportunity to purchase Contributory Insurance Coverage. It also provides that coverage shall be mandatory for new members during their first year of membership.
- Chapter 123 (Assembly No. 529) Permits members of several State administered retirement systems to make voluntary additional contributions to provide annuities to supplement their retirement allowances.

Chapter 171 (Senate No. 44) Which became effective November 29, 1962, supplements Chapter 84 of the Laws of 1954 as amended. It provides that the reduction on account of Social Security benefits shall not be made in the case of men born after January 1, 1892 and before July 2, 1893 and after July 1, 1898, and in the case of women born after January 1, 1892 and before July 2, 1896 and after July 1, 1901 provided such individuals have retired, or, in the case of individuals who were born prior to January 1, 1900, shall file application for retirement prior to January 1, 1963, for retirement to become effective not later than July 1, 1963, and, in the case of such individuals who were born on or after January 1, 1900, shall file application for retirement prior to January 1, 1964, for retirement to become effective not later than July 1, 1964, and provided further that such individuals do not earn additional quarters of Social Security coverage from public employment in New Jersey after the date of retirement or the effective date of this Act, whichever is later, and before reaching age 65.

Chapter 188 (Senate No. 323) Approved December 7, 1962, provides for the payment of a pension of not less than 3/4 salary to an employee aged 70 or older who has served as a member of the General Assembly and as a County Prosecutor and as an elected or appointed city official where such total service is upwards of 36 years. Provision is also made for a pension of one-half salary to the widow of such employee.

Chapter 236 (Senate No. 79) Amends Public Employees' Retirement System statute to permit members to purchase credit for certain public employment which was rendered prior to their becoming members of the retirement system. Members making such purchases pay entire cost of such purchases.

Chapter 248 (Assembly No. 689) Amends the statute governing pensioners in public employment by increasing the amount a pensioner may earn in part-time employment without having to waive salary or pension from \$1,200.00 to \$1,800.00 per annum.

TRUSTEES ELECTED

Mr. Fred U. Hillers was re-elected on July 1, 1963 to serve on the Board of Trustees as a County representative.

Mr. John T. Cox was re-elected on July 1, 1963 to serve on the Board of Trustees as a State employee representative.

INVESTMENT

The average yield of securities purchased during the year with maturities over a twelve month period was 4.32%. The average yield on our entire holdings for the year ending June 30, 1963 was 3.96%.

RECAPITULATION

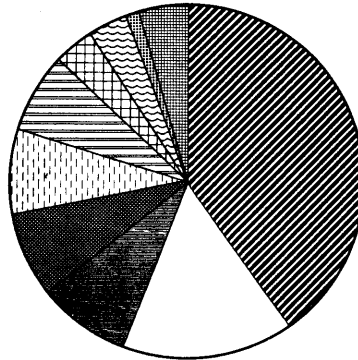
The actual par amount of each type of investment is as follows:

United States Government	\$ 19,465,000.00
United States Government Agencies	2,800,000.00
Municipal-Counties & Cities	8,369,400.00
Municipal-School Districts	3,975,000.00
Municipal-Revenues	4,407,000.00
Industrials	18,645,000.00
Gas & Electric	93,753,000.00
Telephone	36,155,000.00
Water	700,000.00
Railroad Equipment Trust Certificates	8,489,000.00
Commercial Paper	500,000.00
Merchant Marine	1,181,000.00
Finance Companies-Senior Debt	8,500,000.00
Inter-American Development Bank	500,000.00
International Bank	1,349,000.00
Government of Canada	450,000.00
Provinces of Canada	2,060,000.00
Canadian Provincial Guaranteed	<u>2,661,000.00</u>
Sub-Totals	\$213,959,400.00
Common Stocks-Banks	245,238.00*
Common Stocks-Public Utilities	1,141,942.00*
Capehart Mortgages	<u>18,150,629.00</u>
TOTALS	<u>\$233,497,209.00</u>

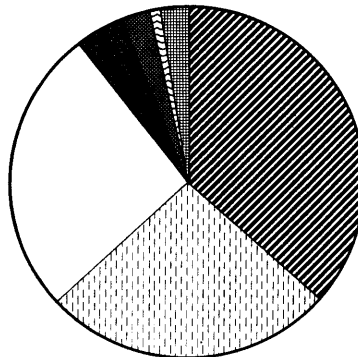
*Book Value

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.

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



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HOLDINGS AT JUNE 30, 1963

Type	Book Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$ 94,263,823	4.04%	40.2
Telephone	36,509,901	4.13	15.6
U. S. Government	19,636,662	3.19	8.4
Industrials	18,570,058	4.26	7.9
Capehart Mtgs. (Guar. by U. S.)	18,065,263	4.33	7.7
Municipals	16,974,041	2.87	7.2
R. R. Equip. Tr. Ctfs.	8,461,371	3.44	3.6
Finance Co. — Sr. Debt	8,448,869	4.98	3.6
U. S. Government Agencies	2,800,536	4.16	1.2
Other			
Canadian	\$5,062,365		
Common Stock	1,387,180		
International Bank	1,333,611		
Merchant Marine (U.S. Gov't Insured)	1,181,000		
Water	694,552		
Inter-Amer. Dev. Bank	500,000		
Commercial Paper	499,523		
Totals	\$234,388,755	3.96%	100.0

LONG-TERM PURCHASES* During Fiscal Year Ending June 30, 1963

Type	Par Values	Weighted Average Effective Rates	Percent
Gas & Electric	\$ 12,350,000	4.33%	36.7
Capehart Mtgs. (Guar. by U. S.)	8,978,202	4.38	26.7
Telephone	8,850,000	4.31	26.3
U. S. Government	1,500,000	4.02	4.4
Industrials	800,000	4.27	2.4
Finance Co. — Sr. Debt	300,000	4.46	0.9
Other			
Inter-Amer. Dev. Bank \$500,000			
Merchant Marine (U.S. Gov't Insured)	375,000	4.23	2.6
Totals	\$ 33,653,202	4.32%	100.0

*Excludes common stock with a book value of \$405,833.
Temporary Short-Term purchases during the year amounted to \$30,750,000.

MEMBERSHIP

The following is a list of the Municipalities and Public Agencies who have adopted the Retirement System on the dates indicated:

Effective January 1, 1963

Board of Fire Commissioners, Fire District No. 1 - Haddon Township

Hanover Township Sewerage Authority

Effective July 1, 1963

- Berkeley Township
- Bound Brook Borough
- Franklin Lakes Borough
- Jackson Township
- Jefferson Township
- Kinnelon Borough
- Lakehurst Borough
- Levittown Township
- Mahwah Township
- Woodcliff Lake Borough
- Wyckoff Township

Franklin Township Sewerage Authority
 Lower Penns Neck Township Sewerage Authority

Parking Authority of the City of Paterson

Housing Authority of the Township of Lakewood

Jersey City Redevelopment Agency

Delaware River Basin Commission

New Jersey Expressway Authority

The total membership as of June 30, 1963 is recapitulated as follows:

State	26,243
Counties	10,225
Municipalities	20,370
Public Agencies	3,669
	<u>60,507</u>

BOARD OF TRUSTEES

AS OF JULY 1, 1963

Fred U. Hillers, *Chairman* - Term expires June 30, 1966
John T. Cox, *Vice-Chairman* - Term expires June 30, 1966
John A. Kervick, *State Treasurer-Custodian*
Alan W. Bowers
John L. Brown - Term expires June 30, 1964
Charles I. Levine - Term expires June 30, 1965
John J. McMahon - Term expires June 30, 1964
Frederick W. Miller - Term expires June 30, 1965
Harry V. Osborne, Jr.

COMMITTEES

Finance - Mr. Brown, *Chairman*
Mr. Kervick
Mr. Bowers
Mr. Cox
Mr. Miller
Mr. Hillers, *ex-officio*

Retirement - Mr. Cox, *Chairman*
Mr. Osborne
Mr. Miller
Mr. Levine
Mr. Bowers
Mr. McMahon
Mr. Hillers, *ex-officio*

Executive - Mr. Osborne, *Chairman*
Mr. Cox
Mr. Levine
Mr. Brown
Mr. McMahon
Mr. Hillers, *ex-officio*

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 Ninth Annual Report for the fiscal year ending June 30, 1963, 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 21st day of January, 1964.

Fred U. Hillers
John T. Cox
John A. Kervick
Alan W. Bowers
John L. Brown
Charles I. Levine
John J. McMahon
Frederick W. Miller
Harry V. Osborne, Jr.

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
 STATEMENT OF INCOME AND DISBURSEMENTS
 FISCAL YEAR ENDED JUNE 30, 1963

Ledger Assets, June 30, 1962 \$217,719,604.41

INCOME

Members' Contributions

State Employees \$ 6,230,452.48
 Local " 7,377,895.04 \$13,608,347.52

Appropriations for Contingent Reserve Fund

State-Members Serv. \$6,452,503.00
 " -Vet. Accrued Liability 1,311,273.00 \$ 7,763,776.00
 Local-Members Serv. \$6,347,290.00
 " -Accrued Liab. 3,008,286.44
 " -S44 Liability 1,115,931.00 10,471,507.44 \$18,235,283.44

Members' Contributory Group Insurance Premium Fund

State Employees \$ 536,918.41
 Local " 651,018.23 \$ 1,187,936.64

Non Contributory Group Insurance Premium Fund

Local Employers \$ 1,833,476.00

Appropriations to Increased Pensions Fund

State of N.J. \$ 58,253.38
 Local Employers 82,915.57 \$ 141,168.95

County, Municipality, Public Agency Fund	65,836.00	
Unclaimed Pensions	45,154.13	
Increased Unclaimed Pensions	1,368.96	
Increased Pension Fund-Redeposits	432.10	
Canceled Checks	15,250.23	
Hospitalization Exchange Account	8,379.78	
Accumulative Interest-Annuity Savings Fund		
Transfer from Teachers' Pension and Annuity Fund	3,190.45	
Accumulative Interest-Annuity Savings Fund		
Redeposit of Withdrawals	90.45	
Unclaimed Accounts-Redeposits	1,273.60	
Contingent Reserve Fund-Transfer from		
Police & Fireman's Fund	30,664.00	
Contingent Reserve Fund-Accidental Death		
Reserves from Prudential Insurance Co.	61,810.71	
<hr/>		
Totals carried forward	\$35,239,662.96	\$217,719,604.41

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY

STATEMENT OF INCOME AND DISBURSEMENTS

FISCAL YEAR ENDED JUNE 30, 1963

Totals Brought forward \$35,239,662.96 \$217,719,604.41

INCOME - continued

Interest Income on Investments (net)	\$ 8,659,393.12	
Dividends on Stock	41,587.12	
Accrued Interest on Real Estate Construction	27,474.35	
FHA - Mortgage Insurance	56,770.72	
Profit on Bond Redemptions and Sales	98,791.17	
Net Accumulation	<u>8,754.89</u>	
TOTAL INCOME		<u>\$ 44,132,434.33</u>
		\$261,852,038.74

DISBURSEMENTS

Accumulated Contributions Withdrawn

Regular Withdrawals

State Employees	\$ 859,143.34	
Local "	<u>990,278.99</u>	\$ 1,849,422.33

Active Death Withdrawals

State Employees	\$ 346,794.61	
Local "	<u>470,893.18</u>	817,687.79

Loans to Active Members

State Employees	\$1,328,800.00	
Local "	<u>822,740.00</u>	2,151,540.00

Settlement of Inactive Accounts 5,883.35

BENEFITS PROVIDED BY MEMBERS \$ 4,824,533.47

Pensions Paid to Retired Members

State Employees	\$5,318,512.72	
Local "	<u>7,564,039.44</u>	\$12,882,552.16

Settlement of Unclaimed Pensions 35,623.35

Hospitalization Exchange Account 8,190.59

BENEFITS PROVIDED BY MEMBERS & EMPLOYERS \$12,926,366.10

Increased Pensions - Members who Retired prior to 12-31-1954

State Employees	\$ 56,446.52	
Local "	<u>80,107.45</u>	\$ 136,553.97

Totals carried forward \$17,750,899.57 \$261,852,038.74

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY

STATEMENT OF INCOME AND DISBURSEMENTS

FISCAL YEAR ENDED JUNE 30, 1963

Totals Brought forward \$17,750,899.57 \$261,852,038.74

DISBURSEMENTS - continued

Settlement of Increased Unclaimed
Pensions \$ 725.86

Monthly Allowances to Beneficiaries
of Deceased Active Members - IRRF

State Employees \$44,530.36
Local " 45,713.63 90,243.99

Payments from Contingent Reserve Fund
for Deaths prior to 12-1-1956 (before
Prud. Ins. Co. Became Carrier)

Deceased Alcoholic Beverage
Law Enforcement Officers
Chapter 423, PL 1953

State Retirant 4,000.00

BENEFITS PROVIDED BY EMPLOYERS..... \$ 231,523.82

Increased Pension Fund - Redeposits and
Unused Allowances

State Employees \$ 236.24
Local " 674.01 910.25

Prudential Insurance Co.-Members'

Contributory Insurance Premiums 1,139,477.38

Canceled Check Settlements 15,941.91

County, Municipality, Public Agency Fund 229,993.98

State of N.J. - Non Contributory Group
Insurance Premium Fund Payments from

Local Employers 1,921,277.75

Contingent Reserve Fund

Transfer to Police and Fireman's Fund 1,558.27

FHA - Mortgage Insurance 40,954.54

Amortizations (net)

TOTAL DISBURSEMENTS \$ 21,332,537.47

Ledger Assets, June 30, 1963 \$240,519,501.27

"Local" denotes County, Municipality, Public Agency Participants.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
STATEMENT OF INCOME AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1963

Trenton Trust Company Bank Accounts	\$ 4,687,536.83
FHA - Mortgages	18,150,629.14
Bonds (par)	213,959,400.00
Premium and Discount	891,545.61
Stocks and Commissions	1,387,179.95
Advances-Construction Health & Agri. Bldg.	<u>1,443,209.74</u>
 TOTAL ASSETS, June 30, 1963	 <u>\$240,519,501.27</u>

COMPARISON STATEMENTS

	<u>June 30, 1958</u>	<u>June 30, 1962</u>	<u>June 30, 1963</u>	
ASSETS	Cash	\$ 5,218,218.70	\$ 6,749,193.21	\$ 4,687,536.83
	Investments	129,973,900.00	208,851,880.00	232,110,029.14
	Premium & Discount	1,378,879.06	689,897.83	891,545.61
	Stocks & Commissions	—	981,352.11	1,387,179.95
	Advances-Construction Health & Agriculture Bldg.	—	447,281.26	1,443,209.74
		<u>\$136,570,997.76</u>	<u>\$217,719,604.41</u>	<u>\$240,519,501.27</u>
	<u>June 30, 1958</u>	<u>June 30, 1962</u>	<u>June 30, 1963</u>	
MEMBERSHIP	State	20,984	24,772	26,243
	Counties	6,732	9,082	10,225
	Municipalities	14,687	19,010	20,370
	Public Agencies	<u>2,799</u>	<u>3,431</u>	<u>3,669</u>
		<u>45,202</u>	<u>56,295</u>	<u>60,507</u>
	<u>1958</u>	<u>1962</u>	<u>1963</u>	
PENSION PAYROLL	Net Pension Payroll, May 31st	5,737	7,786	8,202
	Retirements in June	<u>141</u>	<u>49</u>	<u>151</u>
	Less Terminations	5,878	7,835	8,353
	Net Pension Payroll, June 30th	<u>27</u>	<u>32</u>	<u>26</u>
	<u>5,851</u>	<u>7,803</u>	<u>8,327</u>	

STATEMENT OF ASSETS

JUNE 30, 1963

Bank Balances	\$ 4,687,536.83	
Book Value of Bonds & FHA Mortgages Held	233,001,574.75	
" " " Stocks & Commissions	1,387,179.95	
" " " Advances on State Construction Projects	1,443,209.74	
LEDGER ASSETS		\$240,519,501.27
Members' Contributions		
Receivable	\$ 902,126.69	
Local Employers' Contributions		
Receivable	4,866,229.49	
Local Expense Fund Receivable	1,160.00	
Local Non-Contributory Group		
Insurance Premium Fund Receivable	934,173.00	\$ 6,703,689.18
Local Employer Contributions Receivable-S44	936,098.00	
Interest Accrued on Bonds	2,331,201.58	
NON LEDGER ASSETS		\$ 9,970,988.76
TOTAL ASSETS		\$250,490,490.03

DISTRIBUTION OF ASSETS

Annuity Savings Fund	\$ 68,364,566.54	
Accumulative Interest, Annuity Savings Fund	12,295,073.06	
Clearing Account (Undistributed ASF)	2,188,766.24	
Clearing Account - State Centralized Payrolls (Undistributed ASF)	1,238,618.20	
Unclaimed Accounts	75,208.53	
		\$ 84,162,232.57
Less:		
Overages & Shortages on Transmittals36	
FUNDS DERIVED FROM MEMBERS' CONTRIBUTIONS		\$ 84,162,232.21*
Contingent Reserve Fund	\$ 51,730,365.91	
Local Non Contributory Group Ins. Prem. Fund	1,476,016.00	
Increased Pension Fund	177.98	
Increased Pensions Payable 7/1/63	11,114.41	
Increased Unclaimed Pensions	616.15	
FUNDS DERIVED FROM EMPLOYERS' CONTRIBUTIONS		\$ 53,218,290.45
Retirement Reserve Fund	\$106,406,315.38	
Insurance Retirement Reserve Fund	696,546.91	
Pensions Payable 7/1/63	951,791.77	
Hospitalization Exchange Payable 7/1/63	\$765.15	
Less: Debit Balance 6/30/63	294.73	470.42
Unclaimed Pensions		10,134.59
FUNDS DERIVED FROM MEMBERS' & EMPLOYERS' CONTRIBUTIONS		\$108,065,259.07
Total carried forward		\$245,445,781.73

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY

STATEMENT OF ASSETS

JUNE 30, 1963

Total Brought forward	\$245,445,781.73
County, Municipality, Public Agency Expense Fund	192,860.48
Unearned Interest on Loans	80,547.59
Canceled Checks Redeposited	7,375.58
Contributory Group Insurance Premium Fund	126,591.69
Special Reserve Fund	2,278,326.92
FHA - Mortgage Insurance	27,804.46
Income from Investments	<u>2,331,201.58</u>
TOTAL ASSETS	<u>\$250,490,490.03</u>

*These amounts exclude loans and arrearages.

"Local" denotes County, Municipality and Public Agency Participants.

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A. EUGENE STATIUS
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ROBERT A. WISHART

GEORGE B. BUCK
CONSULTING ACTUARY

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

December 30, 1963

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 ninth annual valuation of the assets and liabilities of the Public Employees' Retirement System of New Jersey. The valuation represents the forty-second 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, 1963 and gives the basis for determining the appropriation payable by the employers during the fiscal year beginning July 1, 1964.

Respectfully submitted,

(Signed) GEORGE B. BUCK

Actuary

REPORT ON THE NINTH 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 March 31, 1963, presents the results of the ninth actuarial valuation of the system.

Chapter 171, P.L. 1962, which became effective November 29, 1962, eliminates the Social Security offset for employees born between certain dates who have retired or who retire within the time specified in the Act. Those who had retired prior to the passage of the Act have been reimbursed for the reduction made in the past. It also provides that the Social Security Act in effect on December 31, 1959 is to be used in determining eligibility for a Social Security benefit for offset purposes until December 31, 1964. The liability on this account is to be liquidated in a period of 30 years commencing July 1, 1963; it is included in the balance sheet for the first time this year. The amount included is an estimate. The actual liability will be determined, when the experience under the Act will be known, in connection with the valuation to be prepared as of March 31, 1965.

Chapter 188, P.L. 1962, which became effective December 7, 1962, provides for the payment of special benefits to certain elected or appointed officials who apply therefor in lieu of benefits payable under any retirement system to which the member and employer have contributed. The cost is to be borne by the last employer, who is to receive credit in subsequent valuations of the retirement system for the release of the liability on account of such employee in addition to the value of the employee contributions with interest made to such retirement system.

Chapter 236, P.L. 1962, which became effective February 21, 1963, permits any member to purchase prior service credit for years of other eligible public employment provided he pays the entire cost of the purchase. This privilege was previously available only to State employees.

Chapter 51, P.L. 1963, which became effective May 27, 1963, eliminates the Members' Death Benefit Fund and establishes a Special Reserve Fund to which profits and excess interest earnings shall be transferred and against which losses from the sale of securities shall be charged but which shall not exceed in size one per cent of the book value of the investments of the system.

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, 1963.

TABLE I
MEMBERSHIP OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEW JERSEY
AS OF MARCH 31, 1963

GROUP	TOTAL		4% MEMBERS		3% MEMBERS	
	Number	Payroll	Number	Payroll	Number	Payroll
Class A:						
Men	538	\$ 3,320,413	435	\$ 2,842,086	103	\$ 478,327
Women	601	2,930,653	402	2,036,629	199	894,024
Class B:						
Men	36,926	198,620,836	2,994	20,305,035	33,932	178,315,801
Women	20,846	82,709,442	2,373	12,906,037	18,473	69,803,405
Law Enforcement Officers:						
Men	189	1,045,777	13	81,627	176	964,150
Women	-	-	-	-	-	-
TOTAL	59,100	\$288,627,121	6,217	\$38,171,414	52,883	\$250,455,707
Sub-totals for:						
Non-Veterans						
State Employees	17,509	\$ 82,348,086	3,437	\$21,899,507	14,072	\$ 60,448,579
County Employees	6,708	28,814,214	902	5,216,116	5,806	23,598,098
Municipal Employees	13,189	58,063,995	1,691	9,748,981	11,498	48,315,014
Employees of Public Agencies	1,991	10,416,358	178	1,234,624	1,813	9,181,734
Employees of Consolidated School Districts	137	493,657	2	13,352	135	480,305
Non-Participating Locals ...	6	31,352			6	31,352
State Employees Paid By Local Employers	517	2,680,666	7	58,834	510	2,621,832
Employees of Locals Participating under Chapter 169, P.L. 1956	218	974,839			218	974,839
Veterans						
State Employees	8,155	49,353,379			8,155	49,353,379
County Employees	2,435	13,164,105			2,435	13,164,105
Municipal Employees	5,534	28,032,629			5,534	28,032,629
Employees of Public Agencies	1,515	8,560,442			1,515	8,560,442
Employees of Consolidated School Districts	8	44,164			8	44,164
Non-Participating Locals	868	3,629,229			868	3,629,229
State Employees Paid By Local Employers	246	1,711,626			246	1,711,626
Employees of Locals Participating under Chapter 169, P.L. 1956	64	308,380			64	308,380
TOTAL	59,100	\$288,627,121	6,217	\$38,171,414	52,883	\$250,455,707

- 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 included 57 County Court Judges with annual payroll of \$1,140,008.
 - (c) There are 94 members who have selected vesting benefits not included in the membership shown by the table.

TABLE II

THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF BENEFICIARIES

ON THE ROLL AS OF MARCH 31, 1963

GROUP	NUMBER	RETIREMENT ALLOWANCES
<u>Service Retirements and Early Retirement Benefits</u>		
Men	4,678	\$ 7,258,308
Women	2,039	2,575,440
Total	6,717	\$ 9,833,748
<u>Ordinary Disability Retirements</u>		
Men	205	\$ 268,956
Women	101	103,488
Total	306	\$ 372,444
<u>Accident Disability Retirements</u>		
Men	76	\$ 181,536
Women	24	55,476
Total	100	\$ 237,012
<u>Ordinary Death Benefits</u>		
Men	6	\$ 1,308
Women	223	92,040
Total	229	\$ 93,348
<u>Accidental Death Benefits</u>		
Men	1	\$ 1,632
Women	63	119,712
Total	64	\$ 121,344
<u>Dependents of Deceased Beneficiaries</u>		
Men	6	\$ 3,408
Women	375	341,376
Total	381	\$ 344,784
Grand Total	7,797	\$11,002,680

Note: In addition to the above there are 265 beneficiaries who elected to receive death benefits, otherwise payable in a lump sum, as annuities certain, amounting to \$309,000 per annum.

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, 1963

ASSETS	
Present assets of system creditable to:	
Annuity Savings Fund:	
Credited to fund	\$ 80,498,565
Add miscellaneous income creditable	125,343
Add accrued interest creditable	<u>1,857,168</u>
	\$ 82,481,076
Contributory Group Insurance Premium Fund	120,507
Retirement Reserve Fund including	
Insurance Retirement Reserve Fund:	
Credited to fund	\$102,867,406
Add accrued interest	2,098,796
Add reserves transferable from Contingent	
Reserve Fund	<u>2,368,139</u>
	107,334,341
Contingent Reserve Fund:	
Credited to fund	\$ 54,104,800
Add accrued interest creditable	1,212,228
Deduct reserves transferable to Retirement	
Reserve Fund	<u>2,368,139</u>
	52,948,889
Special Reserve Fund:	
Credited to fund	\$ 0
Add reserve for adverse experience	
creditable	191,199
Add profits and excess interest	
earnings creditable	<u>1,377,625</u>
	1,568,824
Accrued Interest on Investments	<u>2,425,754</u>
	\$246,879,391
Present value of prospective contributions payable	
by the State and local employers to the	
Contingent Reserve Fund as follows:	
Future normal contributions	\$223,880,907
Future accrued liability contributions to be paid	
in annual instalments over a period of years	<u>127,354,592</u>
	351,235,499
	\$598,114,890

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, 1963

LIABILITIES	
Members' contributions which have been accumulated to date in the Annuity Savings Fund	\$ 82,481,076
Members' contributions which have been accumulated to date in the Contributory Group Insurance Premium Fund	120,507
Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund	107,334,341
Present value of benefits payable from contributions to the Contingent Reserve Fund:	
Regular service retirement pensions allowable on account of total service including benefits upon withdrawal after 25 years of service and vesting benefits	\$291,709,270
Ordinary disability retirement pensions	8,885,355
Accident disability retirement pensions	7,071,359
Death benefits on account of active 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	87,998,900
Accidental death benefits on account of active members dying in the performance of duty	4,331,359
Death benefits payable on account of beneficiaries dying after retirement	4,188,145
	404,184,388
Special Reserve Fund	1,568,824
Accrued Interest on Investments	2,425,754
	\$598,114,890

TABLE IV

CONTRIBUTIONS PAYABLE BY THE STATE FOR THE YEAR BEGINNING JULY 1, 1963

DIVISION	NUMBER	PAYROLL	CONTRIBUTIONS TO CONTINGENT RESERVE FUND			CONTRIBUTION TO GROUP INSURANCE PREMIUM FUND	TOTAL CONTRIBUTION
			Normal	Accrued Liability	Liability a/c Ch. 171, PL 1962		
State (including State University) :							
Non-Veterans 4%	2,865	\$ 18,454,545	\$1,454,022		\$ 508,774	\$ 243,796	\$ 2,206,592
Non-Veterans 3%	12,275	53,296,386	3,000,022			704,077	3,704,099
Veterans 3%	7,488	45,497,147	2,661,100	\$1,216,296		601,045	4,478,441
Non-Veterans and Veterans 3% ...					814,389		814,389
Total	22,628	\$117,248,078	\$7,115,144	\$1,216,296	\$1,323,163	\$1,548,918	\$11,203,521
Disability Insurance Service:							
Non-Veterans 4%	49	\$ 270,063	\$ 21,278		\$ 3,279	\$ 3,568	\$ 28,125
Non-Veterans 3%	67	229,325	12,908			3,030	15,938
Veterans 3%	18	134,397	7,861	\$ 5,068		1,775	14,704
Non-Veterans and Veterans 3% ...					2,012		2,012
Total	134	\$ 633,785	\$ 42,047	\$ 5,068	\$ 5,291	\$ 8,373	\$ 60,779
All other units of Division of Employment Security:							
Non-Veterans 4%	492	\$ 3,020,630	\$ 237,994		\$ 18,580	\$ 39,904	\$ 296,478
Non-Veterans 3%	1,103	4,559,238	256,637			60,230	316,867
Veterans 3%	469	2,843,204	166,297	\$ 89,909		37,561	293,767
Non-Veterans and Veterans 3% ...					35,242		35,242
Total	2,064	\$ 10,423,072	\$ 660,928	\$ 89,909	\$ 53,822	\$ 137,695	\$ 942,354
Grand Total	24,826	\$128,304,935	\$7,818,119	\$1,311,273	\$1,382,276	\$1,694,986	\$12,206,654

The present assets of the system as shown in the balance sheet were taken from a statement furnished the actuary by the Division of Pensions. 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 \$82,481,076 on March 31, 1963, after interest accrued from June 30, 1962 has been added. The liabilities of the fund are also shown as \$82,481,076. 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) 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 \$120,507. The liabilities of the fund are also shown as \$120,507. It is expected that these monies will be paid over to The Prudential Insurance Company of America.

(3) Retirement Reserve Fund Including Insurance
Retirement Reserve Fund

The Retirement Reserve Fund has present assets including accrued interest of \$104,966,202, while its liabilities have a present value of \$107,334,341. There is therefore a deficit of \$2,368,139 in this fund as of the valuation date. This is not a true deficit and does not represent the experience of the fund, since part of this deficit is due to the fact that insufficient reserves were transferred to cover the additional liability incurred on account of retired members entitled to benefits under the provisions of Chapter 171, P.L. 1962. It is recommended that the fund be put in balance as of March 31, 1963 by a transfer 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 \$404,184,388, of which \$399,996,243 is on account of present active members and \$4,188,145 is on account of death benefits payable to beneficiaries of present retired members. The present assets of the fund including accrued interest amounts to \$52,948,889 after deducting the amount transferable to the Retirement Reserve Fund.

The balance, or \$351,235,499, is to be met by the future contributions of the State and local employers. Of this amount, \$127,354,592, which includes \$63,327,450 on account of the liability incurred by the passage of Chapter 171, P.L. 1962, will be met by future accrued liability contributions, leaving \$223,880,907 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. 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.

In addition, the State and each local employer are required to make contributions over a period of 30 years beginning July 1, 1963 to liquidate the liability created by the passage of Chapter 171, P.L. 1962. The amounts included this year are estimates. It is anticipated that these es-

timated amounts will be certified for payment until the experience under the Act can be determined exactly, that is, in connection with the valuations to be prepared as of March 31, 1965. The amounts payable on this account beginning July 1, 1966 will be the amounts then required to liquidate the actual liability incurred over the remainder of the period specified, 30 years beginning July 1, 1963.

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 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 recommended for the year beginning July 1, 1963 are as follows:

<u>PAYABLE BY:</u>	<u>NORMAL RATE</u>
State on account of 4% members:	
Non-Veterans	9.20%
State on account of 3% members:	
Non-Veterans	6.95%
Veterans	7.17%
Local employers on account of 4% members:	
Non-Veterans	8.38%
Local employers on account of 3% members:	
Non-Veterans	6.90%
Veterans	7.09%

On the basis of the normal rates applicable to State employees and the payroll as of March 31, 1963, the contributions for the fiscal year beginning July 1, 1963 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 1964-1965 has been deducted from the recommended normal contribution to the retirement system and is shown as payable to the Group 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.

NOTES

NOTES

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