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



**1977**  
*Annual Report*



**DEPARTMENT OF  
THE TREASURY**

**DIVISION OF  
PENSIONS**

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

20 West Front Street  
Trenton, New Jersey 08625

**BOARD**

ANTHONY M. ORECCHIO, Chairman  
CLIFFORD A. GOLDMAN, State Treasurer, Custodian  
THE REV. FRANCIS J. CRUPI                      GENEVIEVE F. McMENAMEN  
THOMAS EVANS                                      JOSEPH J. SQUILLACE  
ROGER S. HOFF                                      CHARLES E. WAGNER

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A. STEVEN LaBRUTTE, Acting Secretary

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GEORGE B. BUCK,  
CONSULTING ACTUARIES, INC.

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**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 Employee's Retirement System is pleased to present its Twenty-third Annual Report in compliance with the provisions of N.J.S.A. 43:15A-21.

Respectfully submitted,

ANTHONY M. ORECCHIO,  
Chairman

As a result of the annual election Mrs. Genevieve F. McMenamen and Mr. David Russen were elected to 3-year terms commencing July 1, 1977. Mr. William O'Leary was elected for a 1-year term, due to the resignation of Mrs. Muriel Anderson commencing July 1, 1977.

## MEMBERSHIP

A summary of the membership activity for the fiscal year ended June 30, 1977, follows:

25,203 — enrollments  
3,462 — retirements  
16,758 — active accounts terminated through  
separation from employment  
837 — 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
1968	93,257	11,662	104,919
1969	101,703	12,420	114,123
1970	113,866	13,298	127,164
1975	171,518	21,682	193,200
1977	186,569	26,314	212,883

### Retirements by Type and Option July 1, 1976 — June 30, 1977

<u>Service</u>	<u>Early</u>	<u>Deferred</u>	<u>Ordinary Disability</u>	<u>Accidental Disability</u>	<u>Veteran</u>	<u>Accidental Death</u>
2,422	137	26	141	37	694	5
<u>Maximum</u>	<u>Option I</u>	<u>Option II</u>	<u>Option III</u>	<u>Option IV</u>		
1,539	1,057	457	396	13		

**Retirement Payroll June 30, 1977**

Regular Allowances — 26,314 retirants and beneficiaries	\$5,312,601
Pension Adjustment Act —	<u>806,119</u>
Gross Payroll, month of June 1977	<u>\$6,118,720</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*
1977	26,314	73,497,349*

\*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>
762	Cash Lump Sum	\$19,754,130
15	Reserve — Monthly Annuities	<u>477,192</u>
777	Total active member death claims	\$20,231,322

**RETIRED MEMBERS**

945	Regular Retirants (Death after age 60) — Lump Sum	\$1,476,007
20	Disability Retirants (Death before age 60) — Lump Sum	<u>289,968</u>
965	Total death claims — retirants	<u>\$ 1,765,975</u>
1,742	Total claims — active and retired members	<u>\$21,997,297</u>

### Summary of Claim Charges

**NONCONTRIBUTORY PLAN:**

Active Members	777	\$10,957,842
Retirants	<u>965</u>	<u>\$ 1,765,975</u>
	1,742	\$12,723,817

**CONTRIBUTORY PLAN:**

Active Members	<u>9,273,480</u>	<u>\$21,997,297</u>
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**Return of Contributions:**

a) 16,758 members withdrew from the system and received a return of the pension contributions totalling	\$8,772,357
b) The survivors of 837 members who died before retirement received a return of the member's contributions totalling	\$2,479,325
c) Settlement of inactive accounts	\$ 228,453

**Loans:**

20,207 members applied for and received loans on their accounts totalling	\$16,828,380
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### UNCLAIMED ACCOUNTS

Unclaimed accounts, June 30, 1977	\$ 919,840
543 Membership discontinued and not settled during 1976-1977	\$125,300
337 Memberships discontinued and settled in 1976-1977	<u>163,349</u>
Added in fiscal year 1976-1977	<u>288,649</u>
	\$1,208,489

**Less:**

Cash settlements during fiscal year	\$227,954
Transferred to new accounts	<u>16,731</u>
	<u>244,685</u>
BALANCE, JUNE 30, 1977	\$963,804

Lists of the new additions during 1976-1977 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, 1977</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Percent</u>	
			<u>Eff. Rate</u>	<u>By Type</u>
U.S. Government	\$ 5,300,000	\$ 5,826,982	5.46	0.4
U.S. Government Agencies	7,343,800	7,267,664	6.86	0.53
Municipal General Obligations	787,000	771,752	2.88	0.06
Municipal Revenues	825,000	820,846	2.86	0.06
Industrials	169,863,336	169,005,266	6.84	12.3
Gas and Electric	212,049,000	212,213,061	5.66	15.4
Telephone	84,918,000	85,041,183	5.27	6.2
Water	1,650,000	1,650,000	4.80	0.1
Railroad Equipment Obligations	2,772,185	2,775,500	6.49	0.2
Commercial Paper	47,400,000	47,400,000	5.35	3.4
Merchant Marine (U.S. Gov't. Insured)	1,914,000	1,914,000	5.93	0.14
Finance Companies — Senior Debt	33,275,000	32,838,048	5.54	2.4
Bank Debentures	1,250,000	1,234,670	4.83	0.09
Time Certificates of Deposit	—	—	—	—
Convertible Debentures	2,390,000	2,385,940	4.99	0.17
Inter-American Development Ban	2,500,000	2,485,009	5.23	0.18
International Bank	7,371,000	7,391,295	6.56	0.54
Government of Canada	1,500,000	1,497,436	6.90	0.1
Provinces of Canada	12,280,000	12,208,719	6.87	0.88
Canadian Provincial Guaranteed	15,925,000	15,876,655	7.77	1.15
Farmers' Home Administration	4,713,066	4,713,066	6.95	0.34
Preferred Stocks	2,775,744	2,775,744*	5.89	0.2
Common Stocks	18,290,684	18,290,684*	5.59	1.3
Capehart Mortgages (Guar. by U.S.)	11,401,940	11,369,616	4.27	0.8
FHA Mortgages	2,798,312	2,693,410	6.48	0.2
VA Mortgages	4,284,227	4,131,729	6.54	0.3
Real Estate	4,529,142	4,529,142	4.00	0.33
Multi-Family Mortgages	11,622,948	10,037,567	7.12	0.73
Mortgage-Backed Certificates	36,122,136	35,357,189	8.16	2.6
Mortgage-Backed Construction Loan Ctfs.	1,385,000	1,385,000	8.71	0.1
Units-Common Pension Fund A	213,620,768	213,620,768	3.46	15.5
Units-Common Pension Fund B	421,842,654	421,842,654	8.31	30.6
Units-Common Pension Fund C	37,104,597	37,104,597	5.37	2.7
<b>TOTALS</b>	<b>\$1,381,804,539</b>	<b>\$1,378,455,192</b>	<b>6.34</b>	<b>100.0</b>

\*Market Values on June 30, 1977 were:

Preferred Stocks	\$ 2,170,158
Common Stocks	14,721,524

## PURCHASES

<u>TYPE</u>	<u>Par Value</u>	<u>Average Effective Rate</u>
<b><u>Long-Term</u></b>		
U.S. Government Agencies	\$ 141,100	6.01
Mortgages	<u>27,080,261</u>	<u>8.29</u>
SUB-TOTAL	<u>\$ 27,221,361</u>	<u>8.28</u>
<b><u>Short-Term</u></b>		
U.S. Government	\$106,850,000	5.07
Commercial Paper	306,165,000	5.00
Time Certificates of Deposit	<u>16,750,000</u>	<u>4.83</u>
SUB-TOTAL	<u>\$429,765,000</u>	<u>5.01</u>
TOTAL PURCHASES	<u><u>\$456,986,361</u></u>	<u><u>5.20</u></u>

## SALES

<b><u>Long-Term</u></b>		
Corporate		\$ 16,490,000
Mortgages		<u>31,242</u>
SUB-TOTAL		<u>\$ 16,521,242</u>
<b><u>Short-Term</u></b>		
U.S. Government		<u>\$ 17,720,000</u>
SUB-TOTAL		<u>\$ 17,720,000</u>
<b><u>Stock</u></b>		
Common		\$ 694,571 *
SUB-TOTAL		<u>\$ 694,571</u>
TOTAL SALES		<u><u>\$ 34,935,813</u></u>

\*Book Value

## **REDEMPTIONS AND PREPAYMENTS**

<b><u>TYPE</u></b>	<b><u>Par Value</u></b>
U.S. Government Agencies	\$ 53,200
Industrials	647,583
Gas and Electric	19,000
Telephone	3,000
Finance Cos. — Sr. Debt	32,000
Merchant Marine (U.S. Gov't. Insured)	5,000
Farmers' Home Administration	605,816
Mortgages	<u>590,099</u>
TOTAL REDEMPTIONS AND PREPAYMENTS	<u>\$ 1,955,698</u>

## **MATURITIES**

U.S. Government	\$ 92,180,000
Municipals	265,000
Commercial Paper	300,465,000
Time Certificates of Deposit	17,550,000
Capehart Mortgages	1,211,553
Insured Mortgages	1,497,674
Real Estate	471,343
Canadian	300,000
Railroad Equipment Obligations	<u>347,217</u>
TOTAL MATURITIES	<u>\$414,287,787</u>

## **EXCHANGES**

During the year ended June 30, 1977, the fund exchanged the following:

Bonds having a par value of \$36,731,000 for other bonds having a par value of \$36,881,000.

## **UNITS ACQUIRED IN COMMON PENSION FUND A**

	<b><u>Number of Units</u></b>	<b><u>Cost</u></b>
Units Purchased	53,285	\$57,688,167
TOTAL	<u>53,285</u>	<u>\$57,688,167</u>

## **UNITS ACQUIRED IN COMMON PENSION FUND B**

Units Purchased	95,175	\$86,361,445
TOTAL	<u>95,175</u>	<u>\$86,361,445</u>

## **UNITS ACQUIRED IN COMMON PENSION FUND C**

Units Purchased	16,060	\$16,084,043
Units Received by Distribution of Income	1,403	1,405,095
TOTAL	<u>17,463</u>	<u>\$17,489,138</u>

**STATEMENT OF ASSETS — JUNE 30, 1977**

**Ledger Assets**

Cash in Banks	\$	272,671	
Investment Holdings		1,375,738,293	
Accrued Interest on Investments		18,650,940	
Investment Holdings — Contr. Grp. Ins.			
Prem. Fund		2,802,258	
Employees' Contributions Receivable		7,009,043	
Loans to Members		18,488,059	
Local Employers' Contributions Receivable		41,364,378	
Local Non-CGIPF Receivable		6,223,223	
Local Expense Fund Receivable		964,750	
Receivable from Employers — Delayed			
Enrollments		225,213	
Dividends Receivable		1,852,846	
Total			\$1,473,591,674

**Miscellaneous Liabilities**

Pension Payroll Payable	5,312,435	
Pension Adjustment Payroll Payable	806,119	
Non-Contrib. Group Insurance Premium Fund	6,300,500	
Expense Fund	1,649,502	
Contributory Group Insurance Premium Fund	2,878,718	
Unearned Interest on Loans	638,143	
Supplemental Annuity Collective Trust	6,154	
Cancelled Checks	4,481	
		<u>17,596,052</u>
		<u>\$1,455,995,622</u>

**Net Ledger Assets**

**Distribution of Assets**

**Funds Derived from Members**

**Annuity Savings Fund**

State Employees — A.S.F.	\$136,954,082	
State Employees —		
Clearing Account	7,529,490	\$144,483,572
Local Employees — A.S.F.	\$224,291,215	
Local Employees —		
Clearing Acct.	14,829,252	239,120,467

**Accumulative Interest — A.S.F.**

State Employees	\$ 29,112,034	
Local Employees	41,598,914	70,710,948

**Unclaimed Accounts**

963,804      \$455,278,791

**Funds Derived from Employers**

**Contingent Reserve Fund**

State Employees	\$122,037,536	
Local Employees	327,458,110	\$449,495,646

**Pension Adjustment Fund**

State Employees	\$	6	
Local Employees		3,102	3,108

**Unclaimed Pension Adjustment Fund**

16,108      449,514,862

Total Carried Forward      \$904,793,653

**STATEMENT OF ASSETS — JUNE 30, 1977**

Total Brought Forward			\$904,793,653
<b><u>Funds Derived from Members and Employers</u></b>			
<b><u>Retirement Reserve Fund</u></b>			
State Employees	\$246,928,553		
Local Employees	<u>290,416,638</u>	\$537,345,191	
<b><u>Unclaimed Pensions</u></b>		<u>99,395</u>	537,444,586
<b><u>Special Reserve Fund</u></b>			<u>13,757,383</u>
<b><u>Total Assets</u></b>			<b><u>\$1,455,995,622</u></b>

**STATEMENT OF REVENUE AND EXPENDITURES**  
**JUNE 30, 1977**

Ledger Assets, 6/30/76 — Per Previous Report

\$1,275,265,917

**REVENUE**

<b><u>Pension Contributions</u></b>			
<b><u>Annuity Savings Fund</u></b>			
State	\$24,868,919		
Local	45,819,676	\$70,688,595	
<b><u>Accumulative Interest</u></b>			
State	\$ 6,747		
Local	26,430	33,177	
<b><u>Unclaimed Accounts</u></b>		165,465	70,887,237
<b><u>Employers' Contributions</u></b>			
<b><u>Contingent Reserve Fund</u></b>			
<b><u>State</u></b>			
Appropriation	\$37,267,377		
Delayed Enrollments	44,307		
Transfers from Other			
Systems	83,646		
	<u>\$37,395,330</u>		
<b><u>Local</u></b>			
Employers' Contributions	\$70,929,814		
Delayed Enrollments	192,239		
Transfers from Other			
Systems	31,707		
	<u>\$71,153,760</u>		
<b><u>Total Employers' Contrib. to C.R.F.</u></b>		\$108,549,090	
<b><u>Pension Adjustment Fund</u></b>			
State	\$ 3,883,563		
Local	4,822,931	8,706,494	117,255,584
<b><u>Retirement Benefits Redeposited</u></b>			
<b><u>Regular Allowances</u></b>			
State	\$ 123,659		
Local	187,559	\$ 311,218	
<b><u>Pension Adjustment Allowances</u></b>			
State	\$ 21,275		
Local	34,961	56,236	
<b><u>Unclaimed Pensions</u></b>		31,006	
<b><u>Unclaimed Pension Adjustment Allowances</u></b>		8,449	406,909
<b><u>Gains — To Special Reserve Fund</u></b>			
On Stock Sales		\$ 45,420	
On Prepayment of Mortgages		18,728	
On Bond Redemptions and Sales		330,507	394,655
Total Carried Forward		<u>\$188,944,385</u>	

**STATEMENT OF REVENUE AND EXPENDITURES**  
**JUNE 30, 1977**

Total Brought Forward \$188,944,385

**REVENUE (Cont'd)**

<b><u>Income</u></b>		
Per Schedule	83,262,664	
<b><u>Total Revenue</u></b>	<b>\$ 272,207,049</b>	<b>\$1,547,472,966</b>

**EXPENDITURES**

**Benefits Provided by Members**

**Accumulated Contributions Withdrawn**

**Regular Withdrawals**

State	\$2,948,732	
Local	5,823,625	\$ 8,772,357

**Active Deaths**

State	\$ 861,414	
Local	1,617,910	2,479,324

**Transfers to Other Systems**

State	\$ 650,853	
Local	1,312,328	1,963,181

**Net Overpayments Transferred**

**Accumulative Interest Withdrawn**

**Regular Withdrawals**

State	\$ 229,065	
Local	463,910	692,975

**Active Deaths**

State	\$ 202,209	
Local	296,308	498,517

**Transfers to Other Systems**

State	\$ 92,108	
Local	182,045	274,153

**Unclaimed Accounts**

	228,453	\$14,908,960
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**Benefits Provided by Members and Employers**

**Retirement Allowances**

State	\$29,264,117	
Local	35,469,718	\$64,733,835

**Unclaimed Pensions**

	13,894	64,747,729
Total Carried Forward		<b>\$79,656,689</b>

**STATEMENT OF REVENUE AND EXPENDITURES**  
**JUNE 30, 1977**

Total Brought Forward \$79,656,689

**EXPENDITURES (Cont'd)**

**Benefits Provided by Employers**

**Pension Adjustment Allowances**

State	\$3,905,923	
Local	<u>4,857,591</u>	\$8,763,514

**Contingent Reserve Fund**

State	\$ 267,959	
Local	<u>2,770,441</u>	3,038,400

<b><u>Unclaimed Pension Adjustment Allowances</u></b>	<u>4,062</u>	11,805,976
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**Losses — To Special Reserve Fund**

On Bond Redemptions and Sales		14,679
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<b><u>Total Expenditures</u></b>		<u>\$ 91,477,344</u>
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<b><u>Ledger Assets, June 30, 1977</u></b>		<u><u>\$1,455,995,622</u></u>
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### ACTUARIAL EVALUATION

The information given below is taken from the valuation of March 31, 1976, 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	\$ 427,206,737	
Add accrued interest creditable	18,022,358	
Add reserve transferable from		
Contingent Reserve Fund	4,770,868	\$ 449,999,963
Annuity Savings Fund:		
Credited to fund	\$ 385,633,845	
Add accrued interest creditable	9,721,270	395,355,115
Contingent Reserve Fund:		
Credited to fund	\$ 380,589,030	
Add accrued interest creditable	15,525,863	
Add excess interest earnings creditable	10,431,422	
Deduct reserve transferable to		
Retirement Reserve Fund	4,770,868	401,775,447
Special Reserve Fund		11,695,458
Total Present Assets		\$1,258,825,983
Present value of prospective contributions of members to be made to		
Annuity Savings Fund	\$ 592,490,972	
Present value of prospective contributions payable by the State and local employers to the Contingent Reserve Fund as follows:		
Future normal contributions	1,137,486,513	
Future accrued liability contributions	203,632,885	
Total Prospective Assets		1,933,610,370
<b>TOTAL ASSETS</b>		<b>\$3,192,436,353</b>

**LIABILITIES**

Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund		\$ 449,999,963
Present value of benefits payable from contributions to the Annuity Savings Fund and Contingent Reserve Fund:		
Service retirement allowances including early retirement and vesting benefits	\$2,076,156,999	
Ordinary disability retirement allowances	105,377,200	
Accidental disability retirement allowances	41,839,676	
Ordinary death benefits	348,735,825	
Accidental death benefits	9,097,563	
Return of members' contributions upon withdrawal before retirement	<u>161,229,127</u>	<u>2,742,436,390</u>
<u><b>TOTAL LIABILITIES</b></u>		<u><b>\$3,192,436,353</b></u>

### LEVEL OF FUNDING

With respect to the funding of the system, the following is an excerpt from page 26 of the actuarial valuation as of March 31, 1976:

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:

	<u>State</u>	<u>Local</u> <u>Employers</u>
A. Projected Accrued Liabilities	\$712,659,294	\$1,032,614,483
B. Adjusted Value of Assets	524,274,397	782,757,624
C. Funding Level = B ÷ A	73.6%	75.8%

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 accounts 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 7/1/75 and closing balance at 6/30/76, 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 7.125 percent per annum during the policy year, while the Special Reserve earned interest at 6.75 percent.

### FUNDS ON DEPOSIT

	<u>Balance</u> <u>7/1/75</u>	<u>Balance</u> <u>6/30/76</u>
Dividend Accumulation	\$4,147,409	\$4,093,936
Advance Premium	91,552	— 0 —
Special Reserve	605,315	608,012







Public Employees' Retirement System  
State of New Jersey  
P.O. Box 2058  
Trenton, N.J. 08625