

9-4  
PUBLIC EMPLOYEES'  
RETIREMENT SYSTEM



1978  
*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**

GENEVIEVE F. McMENAMEN, Chairperson  
CLIFFORD A GOLDMAN, State Treasurer, Custodian  
THE REV. FRANCIS J. CRUPI  
THOMAS EVANS  
ROGER S. HOFF  
WILLIAM O'LEARY  
DAVID RUSSEN  
CHARLES E. WAGNER

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JOHN P. OLENDER, Secretary

---

GEORGE B. BUCK  
CONSULTING ACTUARIES, INC.

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**MEDICAL BOARD**

WILLIAM COLEMAN, M.D.  
MURRAY SHEPP, M.D.  
DAVID ECKSTEIN, 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-fourth 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 Ms. Suzanna M.F. Magasek and Mr. Joseph Piotroski were elected to 3-year terms commencing July 1, 1978.

## MEMBERSHIP

A summary of the membership activity for the fiscal year ended June 30, 1978, follows:

26,242—enrollments  
 3,684—retirements  
 14,779—active accounts terminated through  
           separation from employment  
 736—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
1978	193,839	28,962	222,801

### Retirements by Type and Option July 1, 1977—June 30, 1978

<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>
2,523	137	50	185	42	743	3	1
	<u>Maximum</u>	<u>Option I</u>	<u>Option II</u>	<u>Option III</u>	<u>Option IV</u>		
	1,680	1,096	501	390	17		

**Retirement Payroll June 30, 1978**

Regular Allowances—28,962 retirants and beneficiaries	\$6,036,552
Pension Adjustment Act—	<u>1,195,413</u>
Gross Payroll, month of June 1978	<u><u>\$7,231,965</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*
1978	28,962	85,253,850*

\*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>
627	Cash Lump Sum	\$18,432,133
14	Reserve—Monthly Annuities	<u>491,352</u>
<u>641</u>	Total active member death claims	\$18,923,485

**RETIRED MEMBERS**

907	Regular Retirants (Death after age 60)—Lump Sum	\$ 1,440,476
19	Disability Retirants (Death before age 60)—Lump Sum	<u>296,890</u>
<u>926</u>	Total death claims—retirants	<u>\$ 1,737,366</u>
<u><u>1,567</u></u>	Total claims—active and retired members	<u><u>\$20,660,851</u></u>

Summary of Claim Charges

NONCONTRIBUTORY PLAN:

Active Members	641	\$10,147,010
Retirants	<u>926</u>	<u>1,737,366</u>
	1,567	\$11,884,376

CONTRIBUTORY PLAN:

Active Members	<u>8,776,475</u>	<u>\$20,660,851</u>
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Return of Contributions:

a) 14,779 members withdrew from the system and received a return of the pension contributions totalling	\$11,092,932
b) The survivors of 736 members who died before retirement received a return of the member's contributions totalling	\$ 2,879,014
c) Settlement of inactive accounts	\$ 239,288

Loans:

21,969 members applied for and received loans on their accounts totalling	\$20,121,370
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UNCLAIMED ACCOUNTS

Unclaimed accounts, June 30, 1977.....	\$ 963,804
839 Memberships discontinued and not settled during 1977-78 .....	\$197,983
260 Memberships discontinued and settled in 1977-78 .....	<u>152,841</u>
Added in fiscal year 1977-78 .....	<u>350,824</u>
	<u>\$ 1,314,628</u>
Less:	
Cash settlements during fiscal year .....	\$239,201
Transferred to new accounts .....	<u>11,319</u>
	<u>250,520</u>
BALANCE, JUNE 30, 1978.....	\$ 1,064,108

Lists of the new additions during 1977-78 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

HOLDINGS: June 30, 1978	Par Value	Book Value	Eff. Rate	Percent by Type
U.S. Government	\$ 9,425,000	\$ 9,942,342	6.72	0.6
U.S. Government Agencies	7,315,800	7,244,521	6.86	0.5
Municipal General Obligations	627,000	614,380	2.87	Nil
Municipal Revenues	605,000	601,236	2.88	Nil
Industrials	155,756,753	154,552,038	6.99	9.9
Gas and Electric	215,767,000	215,833,664	5.68	13.7
Telephone	92,190,000	92,156,523	5.28	5.9
Water	1,650,000	1,650,000	4.80	0.1
Railroad Equipment Obligations	2,404,969	2,408,050	6.61	0.1
Commercial Paper	29,540,000	29,540,000	7.51	1.9
Merchant Marine (U.S. Gov't. Insured)	1,535,000	1,535,000	6.11	0.1
Finance Companies—Senior Debt	33,746,000	33,350,462	5.54	2.2
Bank Debentures	750,000	740,734	4.64	Nil
Time Certificates of Deposit	11,300,000	11,300,000	7.49	0.7
Convertible Debentures	740,000	752,138	5.41	Nil
Inter-American Development Bank	2,000,000	1,986,393	5.61	0.1
International Bank	6,868,000	6,891,976	6.67	0.4
Government of Canada	1,500,000	1,497,609	6.90	0.1
Provinces of Canada	11,874,000	11,805,059	6.91	0.8
Canadian Provincial Guaranteed	17,075,000	17,018,537	7.75	1.1
Farmers' Home Administration	4,153,525	4,153,525	6.98	0.3
Preferred Stocks	2,392,912	2,392,912*	6.21	0.1
Common Stocks	17,507,440	17,507,440*	6.15	1.1
Capehart Mortgages (Guar. by U.S.)	10,138,781	10,112,590	4.30	0.6
FHA Mortgages	2,462,269	2,369,321	6.41	0.2
VA Mortgages	3,924,200	3,781,569	6.54	0.3
Real Estate	4,038,661	4,038,661	4.00	0.3
Multi-Family Mortgages	11,393,578	9,844,214	7.12	0.7
Mortgage-Backed Certificates	71,740,235	70,150,516	8.20	4.6
Mortgage-Backed Construction Loan Cffs.	2,305,000	2,305,000	8.71	0.1
Units-Common Pension Fund A	281,153,432	281,153,432*	4.26	17.9
Units-Common Pension Fund B	532,496,451	532,496,451	8.33	33.9
Units-Common Pension Fund C	26,133,070	26,133,070	7.27	1.7
TOTALS	<u>\$1,572,509,076</u>	<u>\$1,567,859,363</u>	<u>6.68</u>	<u>100.00</u>

\*Market Values on June 30, 1978, were:

Preferred Stocks	\$ 1,744,443
Common Stocks	13,018,266
Common Pension Fund A	281,153,432

**PURCHASES**

	<u>TYPE</u>	<u>Par Value</u>	<u>Average Effective Rate</u>
<b><u>Long-Term</u></b>			
	U.S. Government Agencies	\$ 50,000	6.35
	Mortgages	<u>40,131,308</u>	<u>8.24</u>
	SUBTOTAL	<u>\$40,181,308</u>	<u>8.24</u>
<b><u>Short-Term</u></b>			
	U.S. Government	\$ 15,200,000	5.43
	Commercial Paper	364,835,000	6.47
	Time Certificates of Deposit	65,100,000	5.98
	Repurchase Agreement	<u>6,200,000</u>	<u>6.18</u>
	SUBTOTAL	<u>\$451,335,000</u>	<u>6.36</u>
	<b><u>Stocks-Common</u></b>	<u>33,774</u>	<u>6.15</u>
	TOTAL PURCHASES	<u><u>\$491,550,082</u></u>	<u><u>6.51</u></u>

**SALES**

<b><u>Long-Term</u></b>			
	Corporate	\$ 31,000	
	Municipal Rev. and Merchant Marine Bonds	54,000	
	Mortgages	<u>66,740</u>	
	SUBTOTAL	<u>\$ 151,740</u>	
<b><u>Short-Term</u></b>			
	U.S. Government	\$ -0-	
	SUBTOTAL	<u>\$ -0-</u>	
<b><u>Stock*</u></b>			
	Common	\$ 817,018	
	Preferred	<u>382,832</u>	
	SUBTOTAL	<u>\$1,199,850</u>	
	TOTAL SALES	<u><u>\$1,351,590</u></u>	

\*Book Value

## REDEMPTIONS AND PREPAYMENTS

<u>TYPE</u>	<u>Par Value</u>
U.S. Government Agencies	\$ 78,000
Industrials	1,125,583
Gas and Electric	78,000
Telephone	3,000
Finance Cos.—Sr. Debt	32,000
Provinces of Canada	6,000
Farmers' Home Administration	559,541
Mortgages	<u>457,923</u>
TOTAL REDEMPTIONS AND PREPAYMENTS	<u>\$2,340,047</u>

## MATURITIES

\$464,489,846

## EXCHANGES

During the year ended June 30, 1978, the fund exchanged the following:

Bonds having a par value of \$36,702,000 for other bonds having a par value of \$36,823,000.

## UNITS ACQUIRED IN COMMON PENSION FUND A

	<u>Number of units</u>	<u>Cost</u>
Units Purchased	<u>68,205</u>	<u>\$67,532,664</u>
TOTAL	<u>68,205</u>	<u>67,532,664</u>

## UNITS ACQUIRED IN COMMON PENSION FUND B

Units Purchased	<u>123,465</u>	<u>\$110,653,797</u>
TOTAL	<u>123,465</u>	<u>\$110,653,797</u>

## UNITS ACQUIRED IN COMMON PENSION FUND C

Units Purchased	1,400	\$ 1,402,131
Units Received by Distribution of Income	<u>2,055</u>	<u>2,048,548</u>
TOTAL	<u>3,455</u>	<u>\$ 3,450,679</u>

**STATEMENT OF ASSETS—JUNE 30, 1978**

<b>Ledger Assets</b>		
Cash in Banks	\$	627,872
Investment Holdings		1,564,820,074
Accrued Interest on Investments		21,277,567
Investment Holdings—Contr. Grp.		
Ins. Prem. Fund		3,060,028
Employees' Contributions Receivable		8,017,687
Loans to Members		22,027,737
Local Employers' Contributions		
Receivable		57,351,550
Local Non-CGIPF Receivable		3,284,279
Local Expense Fund Receivable		1,139,830
Receivable from Employers—		
Delayed Enroll.		264,708
Dividend Receivable—N.C.G.I.P.F.		667,297
Dividends Receivable		3,116,558
Total		<u>\$1,685,655,187</u>
<b>Miscellaneous Liabilities</b>		
Pension Payroll Payable	\$	6,036,552
Pension Adjustment Payroll Payable		1,195,413
Noncontrib. Group Insurance		
Premium Fund		4,025,147
Expense Fund		1,787,903
Contributory Group Insurance		
Premium Fund		3,129,889
Unearned Interest on Loans		742,778
Supplemental Annuity Collective		
Trust		2,369
Cancelled Checks		10,260
		<u>16,930,311</u>
		<u>\$1,668,724,876</u>
<b>Net Ledger Assets</b>		
<b>Distribution of Assets</b>		
<b>Funds Derived from Members</b>		
<b>Annuity Savings Fund</b>		
State Employees—A.S.F.	\$153,312,307	
State Employees—		
Clearing Account	<u>7,249,124</u>	\$160,561,431
Local Employees—A.S.F.	\$251,802,914	
Local Employees—		
Clearing Acct.	<u>16,234,575</u>	268,037,489
<b>Accumulative Interest—A.S.F.</b>		
State Employees	\$ 32,976,522	
Local Employees	<u>48,050,237</u>	81,026,109
		<u>1,064,109</u>
		\$ 510,689,788
<b>Funds Derived from Employers</b>		
<b>Contingent Reserve Funds</b>		
State Employees	\$140,027,599	
Local Employees	<u>392,451,211</u>	\$532,478,810
<b>Pension Adjustment Fund</b>		
State Employees	\$ 367	
Local Employees	<u>1,470</u>	1,837
Total Carried Forward		<u>\$532,480,647</u>

**STATEMENT OF ASSETS—JUNE 30, 1978**

Total Brought Forward		\$532,480,647	
<b><u>Unclaimed Pension Adjustment</u></b>			
<b><u>Fund</u></b>		<u>18,988</u>	<u>532,499,635</u>
<b><u>Funds Derived from Members and Employers</u></b>			
<b><u>Retirement Reserve Fund</u></b>			
State Employees	\$278,043,581		
Local Employees	<u>331,744,321</u>	\$609,787,902	
<b><u>Unclaimed Pension</u></b>		<u>99,350</u>	609,887,252
<b><u>Special Reserve Fund</u></b>			<u>15,648,201</u>
<b><u>Total Assets</u></b>			<u>\$1,668,724,876</u>

**STATEMENT OF REVENUE AND EXPENDITURES**  
**JUNE 30, 1978**

Ledger Assets, 6/30/77—Per Previous Report

\$1,455,995,622

		<b><u>REVENUE</u></b>		
<b><u>Pension Contributions</u></b>				
<b><u>Annuity Savings Fund</u></b>				
State	\$27,226,124			
Local	<u>49,425,958</u>	\$ 76,652,082		
<b><u>Accumulative Interest</u></b>				
State	\$ 6,942			
Local	<u>17,970</u>	24,912		
<b><u>Unclaimed Accounts</u></b>			<u>163,831</u>	76,840,825
<b><u>Employers' Contributions</u></b>				
<b><u>Contingent Reserve Fund</u></b>				
<b><u>State</u></b>				
Appropriation	\$42,378,139			
Delayed Enrollments	69,109			
Transfers from Other Systems	<u>32,374</u>			
	<u>\$42,479,622</u>			
<b><u>Local</u></b>				
Employers' Contributions	\$81,783,523			
Delayed Enrollments	278,936			
Transfers from Other Systems	<u>100,369</u>			
	<u>\$82,162,828</u>			
<b><u>Total Employers' Contrib. to C.R.F.</u></b>			\$124,642,450	
<b><u>Pension Adjustment Fund</u></b>				
State	\$ 5,427,084			
Local	<u>6,591,238</u>	<u>12,018,323</u>		136,660,773
<b><u>Retirement Benefits Redeposited</u></b>				
<b><u>Regular Allowances</u></b>				
State	\$ 146,961			
Local	<u>208,499</u>	\$ 355,460		
<b><u>Pension Adjustment Allowances</u></b>				
State	\$ 33,706			
Local	<u>44,674</u>	78,380		
<b><u>Unclaimed Pensions</u></b>				
<b><u>Unclaimed Pension Adjustment Allowances</u></b>				
			<u>10,345</u>	477,135
<b><u>Gains—To Special Reserve Fund</u></b>				
On Stock Sales		\$ 16,651		
On Prepayment of Mortgages		12,341		
On Bond Redemptions and Sales		<u>2,661</u>		<u>31,653</u>
Total Carried Forward				<u>\$214,010,386</u>

**STATEMENT OF REVENUE AND EXPENDITURES**  
**JUNE 30, 1978**

**REVENUE (Cont'd)**

Total Brought Forward	\$214,010,386
<u>Income</u>	<u>98,875,523</u>
<u>Total Revenue</u>	<u>\$ 312,885,909</u>
	\$1,768,881,531

**EXPENDITURES**

<b>Benefits Provided by Members</b>			
<u>Accumulated Contributions Withdrawn</u>			
<u>Regular Withdrawals</u>			
State	\$ 3,099,343		
Local	<u>6,539,349</u>	\$9,638,692	
<u>Active Deaths</u>			
State	\$ 672,250		
Local	<u>1,732,312</u>	2,404,562	
<u>Transfer to Other Systems</u>			
State	\$ 169,226		
Local	<u>399,434</u>	568,660	
<u>Net Overpayments Transferred</u>			2
<u>Accumulative Interest Withdrawn</u>			
<u>Regular Withdrawals</u>			
State	\$ 293,970		
Local	<u>530,507</u>	824,477	
<u>Active Deaths</u>			
State	\$ 144,301		
Local	<u>330,151</u>	474,452	
<u>Transfers to Other Systems</u>			
State	\$ 20,175		
Local	<u>40,928</u>	61,103	
<u>Unclaimed Accounts</u>		<u>239,288</u>	\$14,211,236
<b>Benefits Provided by Members and Employers</b>			
<u>Retirement Allowances</u>			
State	\$32,615,829		
Local	<u>40,540,047</u>	\$ 73,155,876	
<u>Unclaimed Pensions</u>		<u>29,096</u>	<u>73,184,972</u>
Total Carried Forward			<u>\$87,396,208</u>

**STATEMENT OF REVENUE AND EXPENDITURES**  
**JUNE 30, 1978**

**EXPENDITURES (Cont'd)**

Total Brought Forward		\$87,396,208
<b>Benefits Provided by Employers</b>		
<b><u>Pension Adjustment Allowances</u></b>		
State	\$5,460,430	
Local	<u>6,637,543</u>	12,097,973
<b><u>Contingent Reserve Fund</u></b>		
State	\$ 148,034	
Local	<u>385,945</u>	533,979
<b><u>Unclaimed Pension Adjustment Allowances</u></b>		
		<u>7,464</u> 12,639,416
<b><u>Losses—To Special Reserve Fund</u></b>		
On Redemptions and Sales		<u>121,031</u>
<b>Total Expenditures</b>		<b>\$ 100,156,655</b>
<b><u>Ledger Assets, June 30, 1978</u></b>		<b><u>\$1,668,724,876</u></b>



## ACTUARIAL EVALUATION

The information given below is taken from the valuation of March 31, 1977, 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	\$ 511,614,286	
Add accrued interest creditable	21,350,648	
Add reserve transferable from		
Contingent Reserve Fund	4,067,857	\$ 537,032,791
Annuity Savings Fund:		
Credited to fund	\$ 428,003,914	
Add accrued interest creditable	11,956,268	439,960,182
Contingent Reserve Fund:		
Credited to fund	\$ 423,543,930	
Add accrued interest creditable	17,241,555	
Add excess interest earnings creditable	10,387,984	
Deduct reserve transferable to		
Retirement Reserve Fund	4,067,857	447,105,612
Special Reserve Fund		13,279,737
Total Present Assets		\$1,437,378,322
Present value of prospective contributions of members to be made to		
Annuity Savings Fund	\$ 652,112,550	
Present value of prospective contributions payable by the State and local employers to the Contingent Reserve Fund as follows:		
Future normal contributions	1,278,236,837	
Future accrued liability contributions	203,411,791	
Total Prospective Assets		2,133,761,178
<b>TOTAL ASSETS</b>		<b>\$3,571,139,500</b>

## LIABILITIES

Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Retirement Reserve Fund		\$ 537,032,791
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	\$2,293,759,641	
Ordinary disability retirement allowances	119,041,899	
Accidental disability retirement allowances	46,204,143	
Ordinary death benefits	384,832,428	
Accidental death benefits	10,042,909	
Return of members' contributions upon withdrawal before retirement	<u>180,225,689</u>	<u>3,034,106,709</u>
<u>TOTAL LIABILITIES</u>		<u>\$3,571,139,500</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, 1977.

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 Employers</u>
A. Projected Accrued Liabilities	\$806,665,207	\$1,163,774,971
B. Adjusted Value of Assets	592,000,127	906,471,105
C. Funding Level = B ÷ A	73.4%	77.9%

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 7/1/76 and closing balance at 6/30/77 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 7.25 percent per annum during the policy year, while the Special Reserve earned interest at 7.125 percent.

### FUNDS ON DEPOSIT

	<u>Balance</u> <u>6/30/76</u>	<u>Balance</u> <u>6/30/77</u>
Dividend Accumulation	\$4,093,936	\$4,928,413
Advance Premium	-0-	-0-
Special Reserve	608,012	679,680







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