

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

A DEPARTMENT OF THE STATE OF NEW JERSEY

52nd COMPREHENSIVE ANNUAL FINANCIAL REPORT *For the Fiscal Year Ended June 30, 2007*

Jon S. Corzine
Governor

R. David Rousseau
Acting State Treasurer

Frederick J. Beaver
Director



STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
PO BOX 295
TRENTON, NJ 08625-0295
(609) 292-7524

Programs administered by the

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PERS Public Employees' Retirement System
TPAF Teachers' Pension and Annuity Fund
PFRS Police and Firemen's Retirement System
SPRS State Police Retirement System
JRS Judicial Retirement System
ABP Alternate Benefit Program
POPF Prison Officers' Pension Fund
CPFPF Consolidated Police and Firemen's Pension Fund
NJSEDCP NJ State Employees Deferred Compensation Plan
SACT Supplemental Annuity Collective Trust
ACTS Additional Contributions Tax-Sheltered Program
CPF Central Pension Fund
PAF Pension Adjustment Fund
UCTDSE Unemployment Compensation and Temporary Disability for State Employees
SHBP State Health Benefits Program
PDP Prescription Drug Plan
EDP Employee Dental Plans
Tax\$ave Premium Option Plan, Unreimbursed Medical Expense Plan Flexible Account Plan, and Dependent Care Spending Account Plan
Commuter Tax\$ave State Employees Commuter Tax Savings Program
LTC State Employees Long Term Care Insurance Plan

INDEPENDENT AUDITOR

KPMG LLP

New Jersey Headquarters
150 John F. Kennedy Parkway
Short Hills, NJ 07078

ACTUARIAL REPORTS

BUCK CONSULTANTS

500 Plaza Drive
Secaucus, NJ 07096-1533

MILLIMAN

1550 Liberty Ridge Drive
Suite 200
Wayne, PA 19087-5572

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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Jersey Division of Pension & Benefits

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

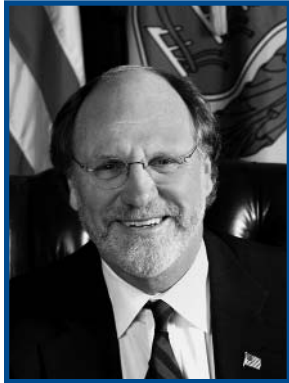


Charles S. Cox

President

Jeffrey R. Enen

Executive Director



JON S. CORZINE
Governor

PHOTO
UNAVAILABLE
AT TIME OF
PRINTING

R. DAVID ROUSSEAU
Acting State Treasurer



FREDERICK J. BEAVER
*Director, Division of
Pensions and Benefits*



Mailing Address:
PO Box 295
Trenton, NJ 08625-0295
Location:
50 West State Street
Trenton, New Jersey

State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
(609) 292-7524 TDD (609) 292-7718
www.state.nj.us/treasury/pensions

LETTER OF TRANSMITTAL

February 2008

To the Honorable

Jon S. Corzine, Governor
R. David Rousseau, Acting State Treasurer
Members of the Legislature
Members of the Boards of Trustees

On behalf of the Division of Pensions and Benefits, I am pleased to submit the 51st Comprehensive Annual Financial Report (CAFR) of the New Jersey State-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2007. The management of the Division of Pensions and Benefits (the Division) is responsible for the accuracy of the data and the completeness and fairness of the presentation. To the best of my knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner that fairly represents the financial position and results of the Division's operations.

STRUCTURE OF THE CAFR

This comprehensive annual financial report is divided into five sections:

- The Introductory Section, which contains this letter of transmittal, the organization of the Division and Boards of Trustees, an overview of legislation enacted during the year covered by the CAFR, and general information regarding the operations of the Division.
- The Financial Section, which contains the report of the Independent Auditors and the financial statements, schedules and supplementary financial information regarding funds administered by the Division.
- The Investment Section, which contains information pertaining to the management of the investment of the Pension Trust Funds.
- The Actuarial Section, which contains the funds' Actuary Certification letters and information regarding the actuarial assumptions and methods used to determine the contribution requirements of the Pension Trust Funds.
- The Statistical Section, which contains general statistical information regarding the programs administered by the Division.

THE REPORTING ENTITY

The Division was established in 1955 as the Division of Pensions to provide

LETTER OF TRANSMITTAL

all administration of the state pension funds except investment. The Division changed its name to the Division of Pensions and Benefits in 1992 to more accurately reflect its roles and responsibilities beyond the realm of pensions. Currently, the Division administers one of the largest non-federal public benefits program in the nation, consisting of ten separate retirement systems, three supplemental retirement savings programs, a health benefits program for employees, retirees, and family members, and several other employee benefits programs. Over 787,000 members enjoy the benefits of the various pension systems administered by the Division and over 780,000 lives are covered in the State Health Benefits Program (SHBP). In addition to the State, 1,732 local public employers participate in the retirement systems and 895 local employers participate in the SHBP.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officer's Association of the United States and Canada (GFOA) recognized the Division's CAFR of last year for Excellence in Financial Reporting. A copy of the Certificate of Achievement is included in this CAFR.

MAJOR INITIATIVES

In FY 2007 the Division concentrated its technology improvement efforts in the area of customer service. As identified in our information technology planning process, we continued to empower our members and the employers through internet utilization by providing them with the tools necessary to initiate and process transactions on a real time interactive basis. As a result, during the past year the Division has allocated resources to the following major initiatives: Employer Pension Information Connection (EPIC), the Member Benefits On-Line System (MBOS) and Customer Relationship Management (CRM).

Employer Pension Information Connection (EPIC) is a set of Internet based applications that provides employers with as many as twenty three inquiry and e-form applications. Employers can now access various payroll certifications, member account information, health benefit status, retirement status, forms and letters and much more. In addition, employers can also submit pension fund enrollment forms (TPAF and PFRS State), member certifications for Retirements, Withdrawals, Deaths and Purchase applications, and Health Benefits Transmittal of Deletions.

The Member Benefits Online System (MBOS) is a set of Internet based applications that allows registered members access to their pension and if applicable, health benefits account information. Members can submit a pension loan, apply for a withdrawal from the pension fund, and change beneficiaries online without the intervention of Division staff. The continued development of applications will have a direct impact on current work processing throughout the operational sections of the Division. As of June 2007, there were eleven inquiry and e-form applications available to our members on-line. The Division's focus on future Internet utilization will move to our retired membership in fiscal year 2008. We plan on implementing several e-forms which will result in the elimination of paper processing and manual work activities for our staff.

The Customer Relationship Management (CRM) system is designed to be the central repository for all inbound communications to the Division (i.e. phones, emails, walk-ins, written correspondence and faxes). CRM will enable us to better focus our information and contacts with clients to provide better and faster service to all clients and constituencies eliminating redundancies and duplicative efforts.

During fiscal year 2007 we completed the design, system integration and programming for the new system. The multi phase extensive testing we conducted assures us the system is ready for production deployment in early Fiscal Year 2008. The Division's future plans are to fully exploit the workflow capability of CRM, in order to track and assign work activities to insure that we optimize our total staff resources. The management reporting capabilities provided as part of CRM will improve the current methods in place to monitor and report metrics associated with customer service activities.

LETTER OF TRANSMITTAL

FINANCIAL INFORMATION

The Financial reports of the Fiduciary Funds of the Division have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The specific accounting policies can be found in the Notes to the Financial Statements found in the Financial Section.

- The Fiduciary Funds include eleven separate pension trust funds, two health benefit trust funds and three agency funds. A summary of the condition of the funds administered by the Division of Pensions and Benefits is located in the "Management Discussion and Analysis" that begins on page 40 of the CAFR. Management is responsible for establishing and maintaining the accounting systems complete with internal controls so that the data presented is complete and fairly presents the financial position of the Division as of June 30, 2007. KPMG LLP independently audited the funds.

INVESTMENTS

The Division of Investment has the responsibility for investing the assets of the programs administered by the Division. This is done under the jurisdiction of the State Investment Council. Investments are guided by the "prudent person rule". During FY 2007 investment returns on pension funds were 17.13 percent. When combined with the returns for previous years, the annualized returns over the past three, five and ten-year periods were +11.82 percent, +10.51 percent, and +7.92 percent, respectively.

FUNDING

Funding is the keystone of a good benefits system. A fully funded system that has assets sufficient to meet the disability and retirement benefits schedules of all its members is one that instills confidence and trust. I'm pleased to report that our benefits systems are in good financial condition. The liabilities of the actuarially based pension systems are 77.5 percent funded. Members and retirees can feel confident that the State-administered retirement systems in New Jersey will meet their obligations now and in the future.

PROFESSIONAL SERVICES

The Division contracts with several professional organizations for advice and assistance in administering the programs for which it is responsible. The list of these organizations is found on page 94 of the CAFR. The Office of the Attorney General provides all legal services required by the Division of Pensions and Benefits and the retirement system Boards of Trustees.

ACKNOWLEDGEMENTS

The preparation of the CAFR required the combined efforts of many employees from different operational units within the Division. The CAFR is intended to provide extensive and reliable information to facilitate informed decisions, determine compliance with legal requirements, and determine responsible stewardship for the assets contributed by the systems' members, participating employers, and the taxpayers of the State. I would like to take this opportunity to express my gratitude to the Governor, the Legislature, the Treasurer, the Boards of Trustees, the individuals providing professional services, participating employer benefits administrators, and to the outstanding employees of the Division for all their efforts and support. Such concerted effort has resulted in making New Jersey's public benefits system one of the largest and best administered in the nation.

Respectfully Submitted,



Frederick J. Beaver Director

ALL IN A YEAR'S WORK...

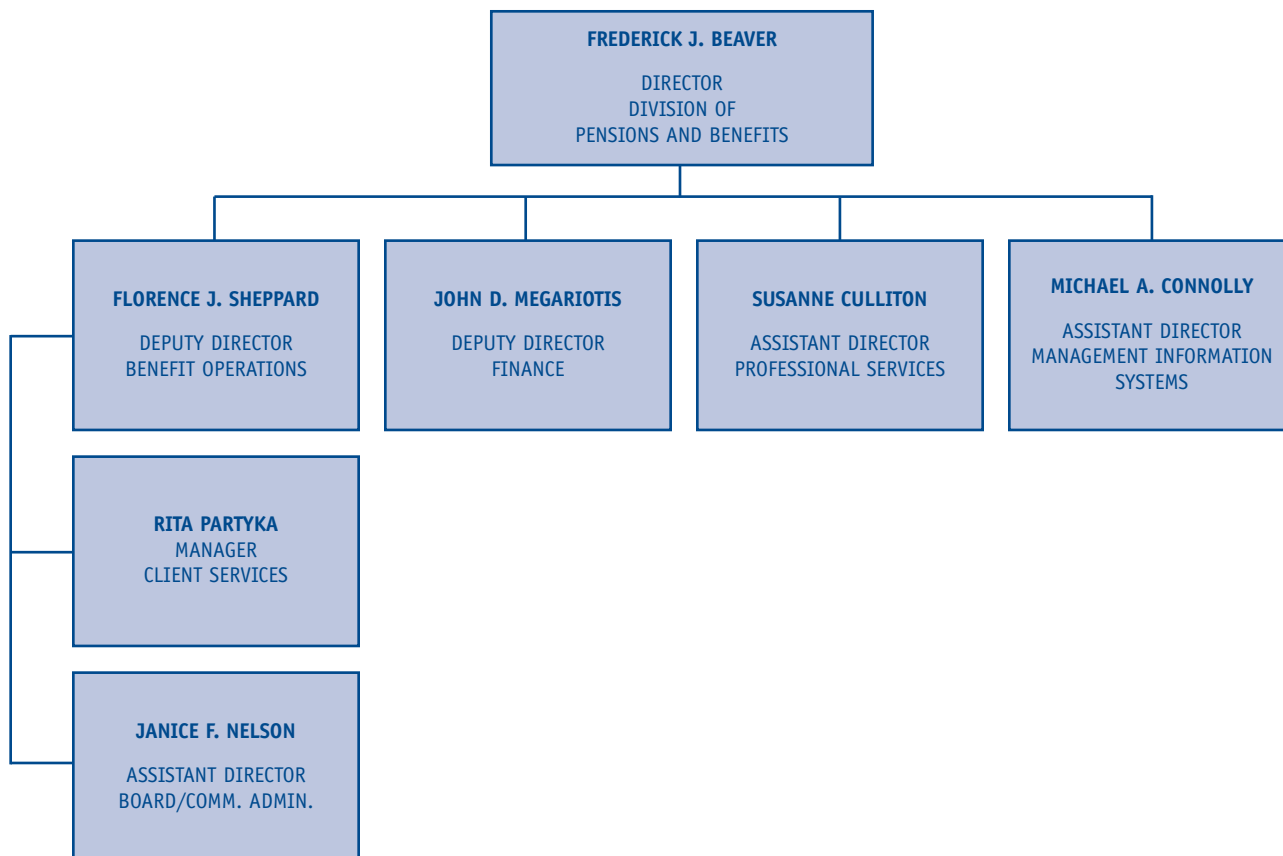
- There are **476,700 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,756 PARTICIPATING EMPLOYERS** in the combined retirement systems; **5 NEW EMPLOYERS** began participating this year.
- There are **478,845 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **45,319 MEMBER ACCOUNTS** were audited internally.
- A total of **236,787 RETIREES AND BENEFICIARIES** received monthly pensions totally in excess of **\$5.5 BILLION** annually.
- Over **19,072 BENEFICIARY CLAIMS** were processed. Premiums in excess of **\$201 MILLION** were paid to the insurance carrier on behalf of active and retired members.
- Over **410,000 TELEPHONE CALLS** were received in Client Services. Counselors handled over 275,000 calls; over 1.4 million calls were handled by our automated telephone systems.
- **14,582 PERSONAL INTERVIEWS** were conducted by pensions counselors.
- **715 RETIREMENT SEMINARS** were conducted for over **21,200 MEMBERS**.
- **16,328 SERVICE PURCHASE REQUESTS** were processed.
- Over **64,462 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- There were **11,847 WITHDRAWALS** from the retirement systems.
- **13,761 MEMBERS RETIRED.**
- Over **125,395 PENSION LOANS** totaling **\$538,097,090** were processed.
- State and local membership in the State Health Benefits Program was **356,233 MEMBERS** with **780,177 LIVES COVERED.**
- A total of over **\$3.5 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers and employees. **894 LOCAL EMPLOYERS** elected to participate in the SHBP this year.

ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

Front Row (left to right): John D. Megariotis, *Deputy Director, Finance*
Rita Partyka, *Manager, Client Services*
Susanne Culliton, *Assistant Director, Professional Services*
Back Row (left to right): Frederick J. Beaver, *Director, Division of Pensions and Benefits*
Janice F. Nelson, *Assistant Director, Board and Commission Administration*
Michael A. Connolly, *Assistant Director, MIS*
Florence J. Sheppard, *Deputy Director, Benefit Operations*



ORGANIZATION



CHIEFS AND MANAGERS

Seated, First Row (left to right): Michael Weik – *Administrative Services*,
Virginia Martucci – *Retirements and Claims*, Lenard Leto – *Health Benefits Policy and Planning*,
Wendy Jamison – *Boards of Trustees*, Rita Partyka – *Client Services*

Second Row (left to right): Joseph Zisa – *Defined Benefit and Contribution Plans*,
Mark Schwedes – *Enrollments and Purchases*, Frank Corliss – *MIS*, Francis Peterson — *Financial Reporting*,
Payments, and Collections, David Pointer – *Health Benefits*, Timothy McMullen – *Budget and Compliance*

DIRECTOR

The Director is responsible for the coordination of the functions of the Division, the development of the Division budget, and communication with other branches of State government, local government, and the public. The Director serves as the Secretary to the Supplemental Annuity Collective Trust Council, the State Health Benefits Commission, and the State House Commission in its capacity as the Board of Trustees for the Judicial Retirement System. The Director is also responsible for legal and legislative matters and Board of Trustees administration. In addition, the Treasurer has delegated the responsibility of maintaining the Federal-State Agreement for Social Security to the Director of the Division of Pensions and Benefits.

The Division of Pensions and Benefits falls under the jurisdiction of the New Jersey Department of the Treasury. The Director of the Division of Pensions and Benefits reports directly to the State Treasurer.

OFFICE OF OPERATIONS

The work of this office, overseen by an Deputy Director, is divided among three bureaus: Enrollment and Purchase; Claims; and Retirement.

The Enrollment and Purchase Bureau processes all enrollments, transfers, and purchases of service credit for all of the State retirement systems. The Claims Bureau processes all death claims, withdrawals, and loan requests. In addition, this bureau oversees beneficiary designations filed by active and retired members and issues group life insurance policies, riders, and special endorsements. The Retirement Bureau prepares retirement estimates and processes retirement applications for all of the State retirement systems.

OFFICE OF HEALTH BENEFITS

This office, overseen by a Deputy Director, consists of two elements: the Health Benefits Bureau and the Office of Policy Planning. The Health Benefits Bureau processes all enrollments, changes, and terminations for active and retired members of the State Health Benefits Program. In addition, this bureau is responsi-

ORGANIZATION

ble for the administration of benefits under the federal COBRA law, and enrollments, changes, and terminations for members of the Prescription Drug Plan and State Employee Dental Program. The Office of Policy and Planning analyzes and makes recommendations concerning current and proposed health benefits programs to provide the highest quality programs at the least possible cost. It manages contract renewals and requests for proposals. Policy and Planning is responsible for health benefit program review and development. This office also provides administrative support to the State Health Benefits Commission.

OFFICE OF FINANCIAL SERVICES

The work of this office, overseen by a Deputy Director, is divided among three bureaus: Financial Reporting, Payment, and Collections; Budget and Compliance; and Defined Benefit and Contribution Plans Reporting.

The Office of Financial Services is charged with the custodianship of pension and health benefits assets. These assets are in excess of \$90 billion and include over 787,000 individual member accounts. The office is responsible for the accounting and budget functions necessary for the successful operations of the various pension funds, health benefits and agency funds, as well as the administration of the Pension Adjustment Program, the Supplemental Annuity Collective Trust, and Deferred Compensation Plan.

OFFICE OF CLIENT SERVICES

This office, overseen by a Deputy Director, consists of three units: Telecommunications; Counseling, Education, and Support; and Publications. Client Services disseminates pension, life insurance, and health benefits information to employees, retirees, and employers covered by the various New Jersey State-administered retirement systems and benefit programs.

The Telecommunications Unit counsels employees, retirees, and employers via the telephone by providing information about pension, life insurance, health benefits, and general procedures. The Counseling, Education, and Support Unit responds to written requests for information, conducts personal interviews with employees and retirees who visit the Division of Pensions and Benefits, and provides seminars, employer group meetings, employer instructions, and various

presentations concerning pension, life insurance, and health benefits to employees, employers, and retirees. This unit is also responsible for providing receptionist services for the entire Division. The Publications Unit exercises overall responsibility for creating, editing, updating, and printing of written materials disseminated by the Division, including manuals, reports, forms, benefits statements, and booklets. This unit also manages the Division's Internet site.

OFFICE OF MANAGEMENT INFORMATION AND SUPPORT SERVICES

The work of this office, overseen by an Assistant Director, is responsible for the development and maintenance of all processing and management information systems for the Division. This office also has the responsibility for the training, usage, and maintenance of all automated office and telephone equipment.

This office consists of five sections: Image Processing and Records Management; Data Entry; Computer Scheduling and Production Control; Systems Development; and Support Services.

The Support Services section has the responsibility for the building and equipment, mail room, warehouse operations, and forms inventory.

OFFICE OF PROFESSIONAL SERVICES

The Office of Professional Services is located within the Director's Office and operates under the direction of an Assistant Director. It is responsible for providing a structured and consistent planning function for the Division, analyzing proposed legislation for its fiscal and policy impacts, maintaining the regulatory documentation for Division programs, managing the development of contracts with external service providers, and conducting research in support of Division activities.

OFFICE OF BOARD OF TRUSTEES ADMINISTRATION

The Office of Board of Trustees Administration, under the direction of an Assistant Director, provides administrative services for the various defined benefit plans' Boards and Commissions.

The Boards and Commissions have the general responsibility for the proper operation of their respective employee benefits program. The Boards adopt rules in

ORGANIZATION

compliance with statute and advice of the Attorney General. The Boards may grant hearing in disputes concerning issues of law or fact. Hearings are held by the Office of Administrative Law.

The Boards maintain a record of all proceedings and hold regular meetings and special meetings when necessary.

ACTUARIAL ADVISORS

The actuaries establish actuarial tables for the operation of the retirement systems, determine the annual appropriation required of participating employers and conduct annual examinations of the systems' actuarial position.

Contracts for actuarial services for the retirement systems are awarded at specified intervals through the regulations governing the procurement of goods and services for the State of New Jersey and its constituent departments and agencies.

LEGAL ADVISOR

The State Attorney General is the legal advisor for all pension funds and other employee benefit programs.

MEDICAL ADVISORS

All pension funds are served by a medical board consisting of three physicians who review claims for disability as submitted by the Disability Review Section of the Retirement Bureau for the Division of Pensions and Benefits.

ORGANIZATION — BOARDS OF TRUSTEES



PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Seated: Kathleen Coates, *Board Secretary*
(l to r) Leon Flanagan
Roderick Lewis, *Chairperson*
Jackie Bussanich, *Administrative Assistant*

Standing: Edward Thomson, III
(l to r) Frederick J. Beaver, *Treasurer's Representative*
Ronald Winthers
Stephen Florek
Jonathan Berg
John Lowden
Kelly Kiefer-Pushko, *Deputy Attorney General*

Absent: Suzanna Buriani-DeSantis



TEACHERS' PENSION AND ANNUITY FUND

Seated: Dawn Harris, *Deputy Attorney General*
(l to r) Marie Flynn
James Clemente, *Chairperson*
James Joyner

Standing: Frederick J. Beaver, *Treasurer's Representative*
(l to r) Dennis Testa
Paul Orihel
Mary Ellen Rathbun, *Board Secretary*
Jackie Bussanich, *Administrative Assistant*

Absent: H. O'Neill Williams



POLICE AND FIREMEN'S RETIREMENT SYSTEM

Seated: Dennis Connelly
(l to r) John Sierchio
Mark Kandrak, *Chairperson*
Richard Mikutsky

Standing: Vincent Foti
(l to r) Thomas Murphy
Frederick J. Beaver, *Treasurer's Representative*
Richard Loccke
Sherryl Gordon
Gail Griffin, *Administrative Assistant*
Christine Lucarelli, *Deputy Attorney General*
Wendy Jamison, *Board Secretary*
Frank Leake

Absent: Nicole Fava

ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Seated: Frederick J. Beaver, *Treasurer's Representative*
(l to r) Major Marshall Brown, *Chairperson*
Francis White

Standing:
(l to r) Wendy Jamison, *Board Secretary*
Jeffrey Ignatowitz, *Deputy Attorney General*

Absent: Jack Sayers

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

Thomas Tighe, *Governor Appointee*
William H. Schlueter, *Governor Appointee*
William A. Nagy, Jr., *Governor Appointee*
Frederick J. Beaver, *Treasurer's Representative*
Wendy Jamison, *Board Secretary*

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

John Megariotis, *Representing Treasurer, State of New Jersey*
Kathy Steepy, *Office of Management and Budget*
Timothy Costello, *Office of Banking and Insurance*

STATE HEALTH BENEFITS COMMISSION

Bradley I. Abelow, *State Treasurer, Chairperson*
Steven Goldman, *Commissioner, Department of Banking and Insurance*
Rolando Torres, Jr., *Commissioner, Department of Personnel*
Frederick J. Beaver, *Secretary*
Eric E. Richard, *State Employees' Representative of the AFL-CIO*
Brian Volz, *NJEA Representative*

DEFERRED COMPENSATION BOARD

Charles Chianese, *Representing Treasurer, State of New Jersey*
Kathy Steepy, *Represents Charlene Holzbaur, Director, Office of Management and Budget*
Timothy Costello, *Represents Steven Goldman, Commissioner, Office of Banking and Insurance*

SIGNIFICANT LEGISLATION

CHAPTER 103, P.L. 2006

This law establishes civil unions and creates the “New Jersey Civil Union Review Commission.

Effective Date: February 19, 2007.

CHAPTER 49, P.L. 2007

This law imposes mandatory imprisonment and mandatory forfeiture of pension and retirement benefits for public officers or employees convicted of certain crimes involving or touching their office or employment.

Its impact on public pensions is as follows:

- It clarifies that the board of trustees of a State or local pension fund can order forfeiture of “earned service credit” and can implement any pension forfeiture ordered by a court, and requires mandatory pension forfeiture for crimes or offenses involving or touching the office, position or employment for a number of crimes enumerated in this law.
- The pension forfeiture will be ordered by the court immediately upon a finding of guilt or a plea of guilty unless the court, for good cause, orders a stay of the pension forfeiture pending a hearing on the merits at the time of sentencing. The law does not preclude the authority of the board of trustees from ordering the forfeiture of all or part of the earned service credit or pension or retirement benefit of any member of the pension system for misconduct occurring at the time of the member’s public service, including cases where the court does not enter an order of forfeiture.
- It provides that the board of trustees of any State or locally-administered pension fund or retirement system may subpoena witnesses and compel their attendance, and also may require the production of documentation in a matter concerning the rendering of honorable service by a public officer or employee seeking to receive a public pension or retirement benefit. If any person refuses to obey any subpoena so issued, or refuses to testify or produce the requested documentation, the board may apply to the Superior Court to compel the person to comply with the subpoena.

- It provides that a State, county or local employer participating in a pension system will be responsible for reimbursement to the plan of all pension costs incurred by the system following any settlement agreement between the employer and an employee that provides for the employer not to pursue any civil or criminal charges or an action for misconduct against the employee in exchange for the employee’s resignation in good standing when the employer fails to fully disclose the settlement to the board of trustees of the pension system.

The pension forfeiture and mandatory terms of imprisonment provisions of this law are prospective in application, and shall apply to crimes or offenses committed after the law takes effect.

Effective Date: Thirty days after approved (April 14, 2007).

CHAPTER 62, P.L. 2007

This law provides a homestead property tax credit for residents of New Jersey and provides a means to ensure that the property tax relief is sustainable through a property tax levy cap of four percent that is applicable to school districts, counties, municipalities, fire districts, and solid waste collection districts.

While most of the provisions of this law deal with establishing the property tax credit and the four percent local employer budget cap, the following sections deal specifically with pensions and/or the State Health Benefits Program (SHBP):

Section 3d: This subsection of the law provides school districts with a limited exception for employee health care costs to exceed the four percent budget cap that is otherwise established by this law. The allowable increase in health care costs is equal to that portion of the actual increase in total health care costs for the budget year, less any withdrawals from the current expense emergency reserve account for increases in total health care costs, that exceeds four percent of the total health care costs in the pre-budget year, but that is not in excess of the product of the total health care costs in the pre-budget year multiplied by the average percentage increase of the SHBP, as determined annually by the Division of Pensions and Benefits. This provision is effective for budget years

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beginning on or after July 1, 2007, and shall not be applicable to budget years beginning after June 30, 2012.

Section 10b.(3): This subsection of the law allows a local unit (defined as a municipality, county, fire district, or solid waste collection district) to exceed the four percent budget cap that is otherwise established by this law for pension contributions as set forth in section 5 of P.L.2003, c.108 (C.40A:4-45.43) for the years indicated in that section. This provision is effective for budget years beginning on or after July 1, 2007, and shall not be applicable to budget years beginning after June 30, 2012.

Section 10b.(5): Similar to the provision applicable to school districts, this subsection of the law allows a local unit to exceed the four percent budget cap that is otherwise established by this law for employee health benefit costs. The increase is limited the actual increase in total health care costs for the budget year that is in excess of four percent of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the SHBP, as determined annually by the Division of Pensions and Benefits. This provision is effective for budget years beginning on or after July 1, 2007, and shall not be applicable to budget years beginning after June 30, 2012.

Sections 42 through 45: Allows local employers that participate in the SHBP to pay the premium charges for active employee health benefits coverage based on a binding collectively negotiated agreement. Also allows local employers to establish a Section 125 cafeteria plan. This provision is effective immediately.

Effective Date: This act shall take effect immediately (April 3, 2007); provided, however, sections 2 through 12 shall be applicable only to budget years beginning on or after July 1, 2007, and shall not be applicable to budget years beginning after June 30, 2012; section 13 shall be retroactive to July 1, 2006, and shall not be applicable to budget years beginning after June 30, 2012; and sections 19 through 40 shall first apply to claims for rebates and credits for property taxes paid for the tax year 2006.

CHAPTER 92, P.L. 2007

This law implements certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform. The sections of this law and the various changes they impose are as follows:

Sections 1 to 19: Establishes a Defined Contribution Retirement Program for elected and certain appointed officials and for retired elected officials who choose to participate in the program. The program becomes operational on July 1, 2007. State and local government employers will contribute to the program three percent of the employee's base salary, Group life insurance and the option for disability benefits coverage will be provided to participants. A Defined Contribution Retirement Program Board is established. Participants will contribute five percent of their salary and will be allowed to allocate their contributions and the contributions of their employer into investment alternatives as determined by the new program board.

Section 20: Effective January 1, 2008, a person performing professional services for a political subdivision of this State or of a board of education, or of any agency, authority or instrumentality thereof, under a professional services contract is prohibited from becoming a member of the PERS. In addition, the law provides that a person who performs professional services will not be eligible, on the basis of performance of those professional services, for membership in the PERS, if the person meets the definition of independent contractor as set forth in regulation or policy of the federal Internal Revenue Service for the purposes of the Internal Revenue Code. While a person performing professional services will continue to accrue service credit during the term of any current contract, the person will not accrue service credit for the performance of those services after the contract expires.

Section 21: Requires the Division of Pensions and Benefits to investigate unreasonable increases in compensation reported for credit in the various State-administered retirement systems.

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Section 22: Closes the Workers Compensation Judges Part of the PERS to new members.

Sections 23 to 27: Removes language from existing law that permits the State Treasurer to reduce the amount of normal contributions needed to fund the various State-administered retirement systems when excess assets are available.

Section 28: Requires each of the defined benefit plans to use consistent and generally-accepted actuarial standards. Any modification of the assumption or actuarial methodology at the direction of the State that changes asset values, obligations or annual contributions will require public disclosure and a financial impact analysis prior to adoption.

Sections 29 and 30: Amends the SHBP laws to exclude service credit earned in the defined contribution retirement program from service required for employer-paid health care benefits in retirement.

Section 31: Requires the State Health Benefits Commission to ensure that every contract purchased by the commission to provide benefits under the State managed care plans includes disease and chronic care management for specified conditions meeting nationally recognized accreditation standards.

Sections 32 to 40: Eliminates the four percent fixed rate of interest for loans from the State-administered retirement systems and provides that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code. The sections also permit the charging of an administrative fee for such loans.

Section 41: Provides retirement system members with certain rights to their benefits, as required by the Internal Revenue Code for qualified governmental plans.

Sections 42 to 47: Limits, at the local government and school district level, the payment of supplemental compensation to \$15,000 at the time of retirement for unused sick leave for elected and certain appointed officials. Those who have accrued supplemental compensation based upon unused sick leave at the time this law is enacted, at the expiration of a contract in effect at that time, or upon becoming such an elected

or appointed official, will be eligible to receive the amount so accumulated or not more than \$15,000, whichever is greater. The carry-forward of unused vacation leave is also limited for these same local government and school district officials, to one successive year.

Section 48: Extends to all local public employers the current authorization to provide financial incentives to employees who waive coverage under the SHBP if the employee is eligible for other health care coverage. Under previous law, this option was available to municipalities since 1995, to municipal authorities since 2001, and to county colleges since 2003. The incentive amount is currently limited to no more than 50 percent of the amount saved by the employer through the employee's waiver of coverage.

Effective Date: This act takes effect on the 30th day after the date of enactment (June 8, 2007), except that sections 1 through 19 will take effect on the July 1, 2007 and section 20 will take effect January 1, 2008, but the State may take such anticipatory administrative action in advance thereof as shall be necessary for the implementation of this act.

CHAPTER 103, P.L. 2007

This law provides for the following:

- I. Changes PERS, TPAF and DCRP contribution rates and new employees' compensation base and retirement age;
- II. Implements changes to the SHBP and the transfer of education employees to School Employees' Health Benefits Program; and
- III. Modifies the State Investment Council.

The sections of this law and the various changes they impose are as follows:

I. Pension Benefit Provisions

Sections 1 to 6: Increases the member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and for the Defined Contribution Retirement Program (DCRP) from 5% of annual compensation to 5.5% of annual compensation.

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For State employees, teachers and other school district employees enrolled on or after July 1, 2007, the increase will be effective July 1, 2007. For employees currently enrolled in these systems, the increase will be effective with the next payroll period that begins immediately after July 1, 2007. For employees of the Judicial Branch of State government, the University of Medicine and Dentistry, and counties and municipalities enrolled on or after July 1, 2008, the increase will be effective July 1, 2008. For employees of the Judicial Branch of State government, the University of Medicine and Dentistry, and counties and municipalities enrolled in these systems prior to July 1, 2008, the increase will be effective with the next payroll period that begins immediately after July 1, 2008.

Sections 7 and 8: Change the “early retirement” provisions of the TPAF and PERS for teachers and public employees who become members of the systems on or after July 1, 2007. While such a new member who accrues 25 or more years of service will be able to retire before the service retirement age of 60, the member’s retirement allowance will be reduced by 1% per year for each year (1/12 of 1% per month) the member lacks of being age 60 but over age 55 and by 3% per year for each year (1/4 of 1% per month) the member lacks of being age 55.

Sections 9 to 18: Imposes a maximum compensation upon which contributions will be made for TPAF and PERS for teachers and public employees who become members of those systems on or after July 1, 2007. The maximum amount will be the amount of base or the contractual salary equivalent to the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act. For 2007, that amount is \$97,500. A new member for whom this annual maximum will be reached in any year will become a participant of the Defined Contribution Retirement Program, unless the member waives participation when first eligible, but permits the person to elect to participate at a later time, with such election effective on the January 1 following a participation request. For the amount of compensation over the maximum compensation, 5.5% will be deducted as a contribution for the purposes

of the program. When a TPAF or PERS member also becomes a participant in the Defined Contribution Program, the life insurance and disability benefit provisions of that program will be available for that participant.

Section 11 of the law provides immediate rule making authority to the State Treasurer with regard to the Defined Contribution Retirement Program.

The provisions of this law concerning “early retirement” and maximum compensation will apply to teachers and public employees who become members of the TPAF or PERS on or after July 1, 2007. They will not apply to a person who at the time of enrollment in one of these systems on or after July 1, 2007 transfers service credit from another State-administered retirement system, but will apply to a former member of one of these systems who has been granted a retirement allowance and is reenrolled in the retirement system on or after July 1, 2007 after becoming employed again in a position that makes the person eligible to be a member of the retirement system.

II. Health Care Benefits Provisions

This law amends the State Health Benefits Program (SHBP) statutes to reflect changes to the program to be implemented as the result of binding collective negotiations agreements between the Executive branch and collective bargaining units representing State employees. There are two basic changes: (1) the creation and grant of authority to the State Health Benefits Commission to contract for the administration of preferred provider organizations (PPOs), and (2) the establishment of an employee contribution of 1.5% of the employee’s base salary toward the cost of whatever type of SHBP coverage the employee has chosen. Reflecting discussions with the New Jersey Education Association, the law also establishes a School Employees’ Health Benefits Program (SEHBP) through the School Employees’ Health Benefits Act. The SEHBP will provide health care benefits for active and retired education employees through PPOs and HMOs overseen by a new School Employees’ Health Benefits Commission.

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Section 19: Adds a new definition of a “successor plan” to identify a PPO plan that replaces the traditional plan. The definitions of “employee” and “dependents” are updated to reflect coverage of intermittent employees and partners of a civil union.

Section 20: Provides that, upon the creation of the SEHBP, the member of the State Health Benefits Commission representing the New Jersey Education Association will be replaced by a local employees’ representative.

Section 21: Requires any contract entered into after June 30, 2007 by the State Health Benefits Commission to include the successor plan to the Traditional Plan, one or more HMO’s and a State managed care plan substantially equivalent to the NJ PLUS. Describes the availability of the successor plan and the State managed care plan into retirement. The section also recognizes that the State Health Benefits Commission may have issued a request for proposals for the administration of new plans not including the traditional plan.

Section 22: Implements the 1.5% of base salary active employee contribution to the cost of SHBP benefits for State employees per ratified agreements and for all non-aligned State employees, as well as the contribution arrangements for retirees. For State retirees who attain 25 or more years of service, and who retire on or after July 1, 2007, the contribution will not be effective until the New Jersey Retirees’ Wellness Program is open for enrollment. Thereafter, the contribution will be waived for a retiree who participates in the wellness program. The Division of Pensions and Benefits will issue a report on this pilot program. The report will include, but need not be limited to, the claims experience with regard to retirees in the program, and the costs and savings realized. The report will be issued at the end of the third year after the program’s implementation or by December 30, 2010, whichever is earlier. The report will be submitted to the Governor, the Legislature, and the State Treasurer. The section also provides that an employee or retiree may terminate the withholding of the contribution for

SHBP benefits if the participant withdraws from SHBP coverage and certifies current coverage by other health benefits.

Section 23: Codifies in law the services and benefits to be included in contracts for the new PPOs and provides for coordination between the State Health Benefits Commission and the new School Employees’ Health Benefits Commission in effectuating provisions of the School Employees’ Health Benefits Program Act, contained within this law, which creates the new SEHBP to cover active and retired educators.

Sections 24 to 26: Replaces references to the traditional plan or NJ PLUS with the more general references in statutes related to notification of termination of a physician contract, SHBP coverage if both husband and wife are eligible for SHBP benefits, and SHBP benefits for certain members of the National Guard.

Sections 27 to 30: Amends SHBP statutes to delete references to school board participation and coverage of education employees once their health care benefits are under the SEHBP.

Section 31: Provides that Sections 31 through 41 will be known and cited as the School Employees’ Health Benefits Program Act.

Section 32: Defines terms used for the School Employees’ Health Benefits Program (SEHBP), which is anticipated to be operational July 1, 2008, including employers able to participate in SEHBP.

Sections 33 to 35: Creates and describes the responsibilities and powers of the School Employees’ Health Benefits Commission, administered in the Department of the Treasury. The commission will have nine members: the State Treasurer, the Commissioner of the Department of Banking and Insurance, an appointee of the Governor, a person appointed by the Governor from New Jersey School Board Association nominations, three persons appointed by the Governor from New Jersey Education Association nominations, a person appointed by the Governor from New Jersey State AFL-CIO nominations, and a chairperson

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appointed by the Governor from nominations jointly submitted by at least six of the other eight members of the commission. The Director of the Division of Pensions and Benefits will serve as secretary.

Sections 36 to 39: Describe the benefits, services and payment obligations of the SEHBP. Prescription drug benefits will be provided through the School Employee Prescription Drug Plan or a free-standing employer prescription drug plan or the prescription drug part of a SEHBP plan. Prescription drug benefits for retirees will be provided through the School Retiree Prescription Drug Plan.

Section 40: Requires of the School Employees' Health Benefits Commission certain annual reports, periodic audits and review of program costs.

Section 41: Provides that the provisions of the SHBP statutes will continue to be applicable to SEHBP, except as expressly stated to the contrary in the School Employees' Health Benefits Program Act.

Sections 42 to 49: Amends and supplements existing law to reflect implementation of the School Employees' Health Benefits Program. Sections 43 and 44 amend the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. Sections 48 and 49 create separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees.

III. State Investment Council Provisions

Section 50: Changes the membership of the State Investment Council from 11 to 13 members, with the addition of one member to be appointed by the Governor from among three persons nominated by the Public Employee Committee of the New Jersey State AFL-CIO to serve for a term of three years, and one member to be appointed by the Governor from among three persons nominated by the New Jersey Education Association (NJEA) to serve for a term of three years. If the persons nominated are

not acceptable to the Governor for appointment, the Governor may request submission of new nominees.

The number of appointments made by the Governor with the advice and consent of the Senate is increased from five to six. The number members designated from the Board of Trustees of the Public Employees' Retirement System, the Board of Trustees of the State Police Retirement System, the Board of Trustees of the Teachers' Pension and Annuity Fund, and the Board of Trustees of the Police and Firemen's Retirement System of New Jersey is changed to four members elected by the boards from the active members of their respective retirement systems or from the retirees of those systems who are receiving a retirement allowance. The term of the four members is increased from one to three years. The member from the Consolidated Police and Firemen's Pension Fund Commission is eliminated.

The two members appointed from the persons nominated by the AFL-CIO and the NJEA will be qualified by training, experience or long-term interest in the direct management, analysis, supervision, or investment of assets. This training, experience or long-term interest is to have been supplemented by academic training in the fields of economics, business, law, finance or actuarial science or by actual employment in those fields. At least five of the seven members appointed by the Governor with the advice and consent of the Senate and from persons nominated by the General Assembly Speaker or Senate President will be qualified by training and experience in the direct management, analysis, supervision or investment of assets, provided that this training and experience has been acquired through academic training or actual employment in those fields.

Requires the members of the State Investment Council to file the same annual financial disclosure statements as those required to be filed by members of other State boards and commissions who are not compensated for their services, as required by law or executive order of the Governor. The financial disclosure statements of council members

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will be made available to the public in the same manner as the statements of members of other State boards and commissions are made available to the public.

The terms of the members of the council serving on the 30th day after the law takes effect, other than the five members appointed by the Governor with the advice and consent of the Senate to serve for terms of five years and the one member appointed by the Governor from persons nominated jointly by the President of the Senate and the Speaker of the General Assembly to serve for a term of five years, are terminated.

Section 51: Requires the council to issue a report by March 1 of each year, in addition to the reports already required by law, on the investment activities for the prior calendar year, to include a summary of the current investment policies and strategies of the council and those in effect during the prior calendar year, a detailed summary of the amount invested, whether the investments were made by employees of the Division of Investment or by external managers, performance benchmarks, and actual performance during the calendar year. The report is to be submitted to the Governor, the Legislature, and the State Treasurer, and made available to the public through the official Internet site of the State.

The council is required to hold an open public meeting each year, and accept comments from the public at such a meeting. The matters that will be open to discussion and public comment during this annual meeting will include the investment policies and strategies of the council, the investment activities of the council, the financial disclosures

statements filed by council members, and the certification of contributions filed by external managers, as well as other appropriate matters concerning the operations, activities and reports of the council.

Finally, the amendment requires an external manager to file a certification before being retained and annually thereafter that discloses the political contributions made during the 12 months preceding the certification by the manager or the manager's firm, or a political committee in which the manager or firm was active. The certification must specify the political contributions made to candidates for the elective public office in this State and any political committee established for the support of such candidate, and contributions made for the transition and inaugural expenses of any candidate who is elected to public office. As used here, "contribution" and "political committee" will have the meaning set forth in "The New Jersey Campaign Contributions and Expenditures Reporting Act," P.L.1973, c.83 (C.19:44A-1 et seq.).

Effective Date: This act shall take effect immediately (June 28, 2007), except that sections 12 through 16, inclusive, shall take effect July 1, 2007, and sections 27 through 29, inclusive, shall take effect July 1, 2008, and sections 31 through 41, inclusive, shall take effect immediately and shall be implemented as soon as practicable as determined by the School Employees' Health Benefits Commission so that the School Employees' Health Benefits Program shall be operational as of July 1, 2008, and sections 50 and 51 shall take effect on the 30th day after enactment but such anticipatory action may be taken in advance thereof as shall be necessary for the implementation of the sections.

SCOPE OF OPERATIONS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

This system was established by Chapter 84, P.L. 1954, after the repeal of the law creating the former State Employees' Retirement System. The retirement benefits of this system are coordinated, but not integrated with, Social Security. This system is maintained on an actuarial reserve basis. Under the terms of Chapter 71, P.L. 1966, most public employees in New Jersey not required to become members of another contributory retirement program are required to enroll.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 15A. Rules governing the operation and administration of the fund may be found in Title 17, Chapter 2 of the New Jersey Administrative Code.

TEACHERS' PENSION AND ANNUITY FUND (TPAF)

This fund was reorganized by Chapter 37, P.L. 1955. The retirement benefits of this system and coordinated, but not integrated with, Social Security. This fund is maintained on an actuarial reserve basis. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional, and certified.

Statutes can be found in the New Jersey Statutes Annotated, Title 18A, Chapter 66. Rules governing the operation and administration of the system may be found in Title 17, Chapter 3 of the New Jersey Administrative Code.

POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)

This system was established by Chapter 255, P.L. 1944. All policemen and firemen, appointed after June 1944, in municipalities where local police and firemen pension funds existed or where this system was adopted by referendum or resolution are required to become members of this system. Certain State and county employees are also covered. Employer obligations are paid by the local employers and the State. This system is maintained on an actuarial reserve basis.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 16A. Rules governing the

operation and administration of the system may be found in Title 17, Chapter 4 of the New Jersey Administrative Code.

STATE POLICE RETIREMENT SYSTEM (SPRS)

This system was created by Chapter 89, P.L. 1965 as a successor to the State Police Retirement and Benevolent Fund. All uniformed officers and troopers of the Division of State Police in the New Jersey Department of Law and Public Safety are required to enroll. This system is maintained on an actuarial reserve basis.

Statutes can be found in the New Jersey Statutes Annotated, Title 53, Chapter 5A. Rules governing the operation and administration of the system may be found in Title 17, Chapter 5 of the New Jersey Administrative Code.

JUDICIAL RETIREMENT SYSTEM (JRS)

This system was established by Chapter 140, P.L. 1973 after the repeal of the laws providing pension benefits to members of the State judiciary and their eligible survivors. All members of the State judiciary are required to enroll. The system is maintained on an actuarial reserve basis.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 6A. Rules governing the operation and administration of the system may be found in Title 17, Chapter 10 of the New Jersey Administrative Code.

ALTERNATIVE BENEFIT PROGRAM (ABP)

This program was established by several pieces of legislation between 1965 and 1968 for full-time faculty members of public institutions of higher education. It was later expanded to include certain administrative and professional titles.

Chapter 385, P.L. 1993 increased the number of investment carriers to six. The investment carriers underwriting annuities are as follows: ING Aetna Financial Services, The Travelers Insurance Company (represented by CitiStreet), Lincoln Financial Group, Metropolitan Life Insurance Company, Teachers' Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Variable Annuity Life

SCOPE OF OPERATIONS

Insurance Company (VALIC). The ABP is a “defined contribution” plan as distinguished from “defined benefits” payable by the other State retirement systems. Immediate vesting after the first year’s participation offers the mobility of pension credit among the private and public institutions of higher education in the United States and Canada. Group life insurance and long-term disability insurance are underwritten by the Prudential Insurance Company of America, Inc.

Statutes can be found in the New Jersey Statutes Annotated, Title 18A, Chapter 66. Rules governing the operation and administration of this program may be found in Title 17, Chapter 7 of the New Jersey Administrative Code.

PRISON OFFICERS’ PENSION FUND (POPF)

This fund was established under Chapter 220, P.L. 1941. It was closed to new employees as of January 1960. New employees are enrolled in the Police and Firemen’s Retirement System. This system is not maintained on an actuarial reserve basis.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 7.

CONSOLIDATED POLICE AND FIREMEN’S PENSION FUND (CPFPF)

This fund was established by Chapter 358, P.L. 1952, to place 212 local police and firemen pension funds on an actuarial reserve basis. The membership consists of police and firemen appointed prior to July 1, 1944. The liabilities of these local funds were shared: two-thirds by the participating municipalities and one-third by the State.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 16. Rules governing the operation and administration of this fund may be found in Title 17, Chapter 6 of the New Jersey Administrative Code.

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN (NJSEDCP)

This plan was established by Chapter 39, P.L. 1978 and is available to any State employee who is a member of a State-administered retirement system. This plan is a voluntary investment program that provides retirement

income separate from and in addition to the basic pension benefit.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 18A.

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

This trust was established by Chapter 123, P.L. 1963. This program includes active members of several State-administered retirement systems. Members make voluntary additional contributions through their pension funds to purchase variable retirement annuities in order to supplement the benefits provided by their basic system. Some employers agree to purchase tax-sheltered annuities for the same purpose for certain eligible employees.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 18A. Rules governing the operation and administration of the trust may be found in Title 17, Chapter 8 of the New Jersey Administrative Code.

ADDITIONAL CONTRIBUTIONS TAX-SHELTERED PROGRAM (ACTS)

The Additional Contributions Tax-Sheltered Program (ACTS) was established in 1996. ACTS is a tax-sheltered, supplemental, retirement program pursuant to Section 403(b) of the federal Internal Revenue Code offered to employees of institutions of higher education, the Commission of Higher Education, the Department of Education, and the Office of Student Assistance. The eligible employees are able to obtain tax-deferred annuities with a variety of investment carriers through a salary reduction agreement. The annuities are available from the same investment carriers who service the Alternate Benefit Program.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 18A, Section 113.

CENTRAL PENSION FUND (CPF)

This fund consists of the administration of a series of noncontributory pension acts. No reserves are established for the payment of retirement benefits. These benefits are administered by the Division in accordance with the governing statute and the rules and regulations of the State House Commission.

SCOPE OF OPERATIONS

PENSION ADJUSTMENT FUND (PAF)

This fund was established pursuant to Chapter 143, P.L. 1958 and covers all eligible pensions of State-administered retirement systems. It was altered by Chapter 169, P.L. 1969, which provided a cost-of-living adjustment and by Chapter 139, P.L. 1971 which extended its provisions to eligible survivors.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 18A. Rules governing the operation and administration of the fund may be found in Title 17, Chapter 1 of the New Jersey Administrative Code.

UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE FOR STATE EMPLOYEES (UC/TDI)

The Division of Pensions and Benefits coordinates the work related to the payment of the charges involving unemployment compensation and temporary disability insurance benefits for State employees eligible for coverage under federal law. It is responsible for contracting with a service agency to review all questionable claims for unemployment compensation.

STATE HEALTH BENEFITS PROGRAM (SHBP)

The program provides medical coverage to employees, retirees, and their dependents. It includes a basic indemnity type plan (Traditional Plan), a point-of-service plan (NJ PLUS), and several HMOs. Chapter 125, P.L. 1964 extended the program to include employees of local government.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 14, Article 17.25 et. seq. Rules governing the operation and administration of the program can be found in Title 17, Chapter 9 of the New Jersey Administrative Code.

PRESCRIPTION DRUG PLAN (PDP)

This plan was initiated by the State effective December 1, 1974. The passage of Chapter 41, P.L. 1976 extended coverage to all eligible State employees. The State Health Benefits Commission offered the plan to local employers on July 1, 1993. Employees and their eligible dependents are covered by the plan

in the same manner as the State Health Benefits Program. The Division of Pensions and Benefits became responsible for its administration in November 1976.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 14, Section 17.29(F). Rules governing the operation and administration of the program can be found in Title 17, Chapter 9, of the New Jersey Administrative Code.

EMPLOYEE DENTAL PLANS (EDP)

The program was initially established February 1, 1978 and further expanded in June 1984. Eligible State and certain local employees may enroll for themselves and their eligible dependents by paying the premium calculated to meet half the cost of the plan. Plans offered include the Dental Expense Plan, a traditional indemnity plan, and a selection of Dental Plan Organizations.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 14, Section 17.29(F). Rules governing the operation and administration of the program may be found in Title 17, Chapter 9, of the New Jersey Administrative Code.

TAX\$AVE

This benefit program for State Employees, authorized under Section 125 of the Internal Revenue Code, was initially established in July 1996. The benefit consists of three components: the Premium Option Plan that allows employees to use pre-tax dollars deducted from their pay for health or dental benefit premiums they may be required to pay for coverage; the Flexible Spending Account for Unreimbursed Medical Expenses that allows employees to use up to \$2,000 pre-tax dollars annually deducted from their pay for medical expenses not reimbursed by their medical or dental insurance; and the Dependent Care Spending Account that allows employees to use up to \$5,000 pre-tax dollars annually deducted from their pay for dependent care expenses required to permit the employee and spouse to work.

Statutes can be found in the New Jersey Statutes Annotated 52:14-15.1a. Rules governing the Tax\$ave can be found in Title 17, Chapter 1, Subchapter 13 of the New Jersey Administrative Code.

SCOPE OF OPERATIONS

COMMUTER TAX\$AVE

This benefit program, authorized by Chapter 162, P.L. 2001 and available under Section 132(f) of the federal Internal Revenue Code, allows eligible State employees to use before-tax dollars to pay for qualified commuter expenses. Under the program, eligible employees may execute salary reduction agreements to have up to \$105 per month (\$1,260 per year) deducted from salary to pay for mass transit commutation costs and \$200 per month (\$2,400 per year) to pay for parking at work or at park and ride sites. The program was implemented in February 2004.

Statutes can be found in the New Jersey Statutes Annotated 52:14-17.33a. Rules governing Commuter

Tax\$ave can be found in Title 17, Chapter 1, Subchapter 14 of the New Jersey Administrative Code.

STATE EMPLOYEES LONG TERM CARE INSURANCE PLAN

The State Employees Long Term Care Insurance Plan is a participant-pay-all benefit available to State employees, retirees, and family members. The Prudential Insurance Company administers the insurance plan under contract with the State. The initial offering of the benefit was effective July 1, 2003.

Statutes can be found in the New Jersey Statutes Annotated 52:14-15.9a and 34:11-4.4b(10).

MEMBERSHIP

ACTIVE MEMBERSHIP	RETIREMENT SYSTEM	2006	2007
	Public Employees' Retirement System	327,696*	324,038*
	Teachers' Pension & Annuity Fund	156,204*	158,079*
	Police & Firemen's Retirement System	45,913*	46,055*
	State Police Retirement System	3,123*	3,096*
	Judicial Retirement System	438	421
	Alternate Benefit Program	16,509	16,994
	Prison Officers' Pension Fund	0	0
	Consolidated Police & Firemen's Pension Fund	0	0
	Central Pension Fund	NA	NA
	Total	549,883	548,683
<i>*Both the 2006 and 2007 figures represent the total number of Active and Inactive accounts. The 2007 Inactive (noncontributing) accounts are as follows: PERS Inactive — 46,925, TPAF Inactive — 14,703, PFRS Inactive — 1,886, SPRS Inactive — 123</i>			
RETIRED MEMBERSHIP & BENEFICIARIES	RETIREMENT SYSTEM	2006	2007
	Public Employees' Retirement System	124,333	128,577
	Teachers' Pension & Annuity Fund	68,559	71,921
	Police & Firemen's Retirement System	30,329	31,726
	State Police Retirement System	2,338	2,428
	Judicial Retirement System	446	459
	Alternate Benefit Program	NA	NA
	Prison Officers' Pension Fund	176	170
	Consolidated Police & Firemen's Pension Fund	707	611
	Central Pension Fund	325	317
	Total	227,213	236,209
<i>*The number of retirees varies slightly from those reported in the Notes to the Financial Statements due to differences in the effective dates of said tabulations.</i>			
PARTICIPATION IN HEALTH BENEFITS PROGRAM	HEALTH PROGRAM	2006	2007
	State Health Benefits Program	364,447	356,233
	Prescription Drug Plan	151,066	144,306
	Dental Expense Program	141,716	145,750

MEMBERSHIP

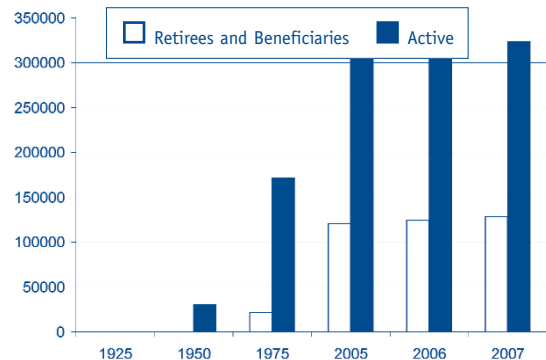
PUBLIC EMPLOYEES'S RETIREMENT SYSTEM

As of June 30, 2007, the active membership of the system totaled 324,038. There were 128,577 retirees and beneficiaries receiving annual pensions totaling \$1,867,475,574*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$109,559,172.

The system's assets totaled \$34,640,923,133 at the close of the fiscal year 2007.

* Includes cost-of-living adjustments paid under the provisions of the Pension Adjustment Act.



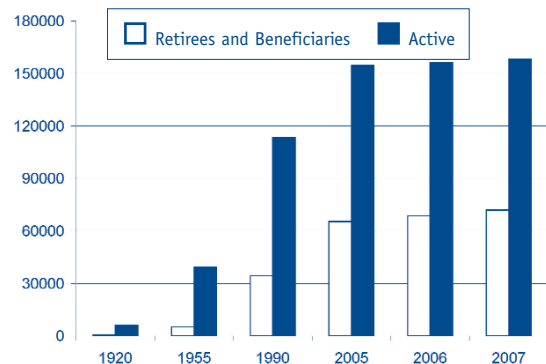
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2007, the active membership of the system totaled 158,079. There were 71,921 retirees and beneficiaries receiving annual pensions totaling \$2,395,332,364*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$58,220,617.

The fund's assets totaled \$42,479,670,284 at the close of the fiscal year 2007.

* Includes cost-of-living adjustments paid under the provisions of the Pension Adjustment Act.



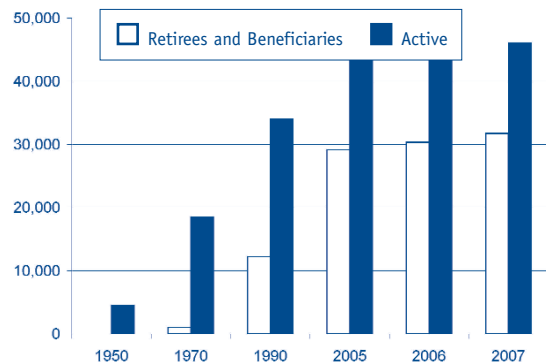
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2007, the active membership of the system totaled 46,055. There were 31,726 retirees and beneficiaries receiving annual pensions totaling \$1,220,700,516*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$32,643,052.

The system's assets totaled \$25,491,729,441 at the close of the fiscal year 2007.

* Includes cost-of-living adjustments paid under the provisions of the Pension Adjustment Act.



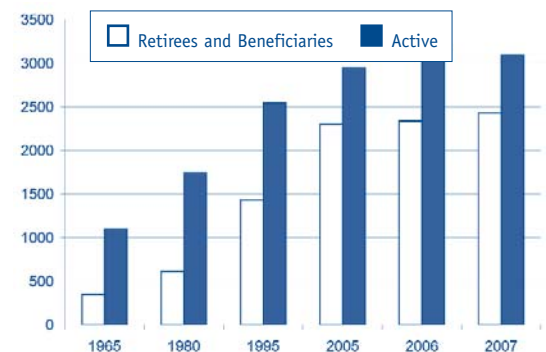
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2007, the active membership of the system totaled 3,096. There were 2,428 retirees and beneficiaries receiving annual pensions totaling \$110,620,918*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$291,981.

The system's assets totaled \$2,535,802,779 at the close of the fiscal year 2007.

* Includes cost-of-living adjustments paid under the provisions of the Pension Adjustment Act.

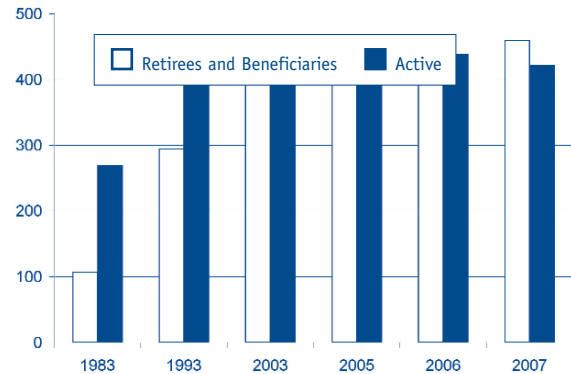


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2007, the active membership of the system totaled 421. There were 459 retirees and beneficiaries receiving annual pensions totaling \$32,795,549.

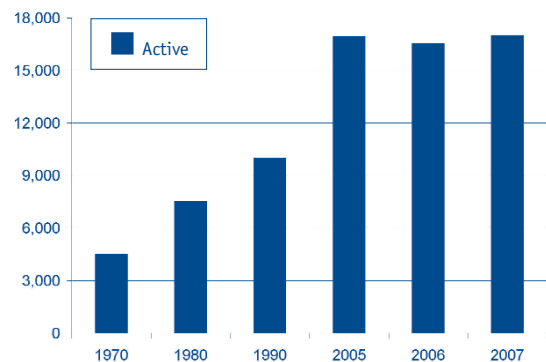
The system's assets totaled \$447,752,493 at the close of the fiscal year 2007.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2007, the State paid \$130,776,783 on behalf of 16,994 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$12,309,039 in lump sum death benefits.



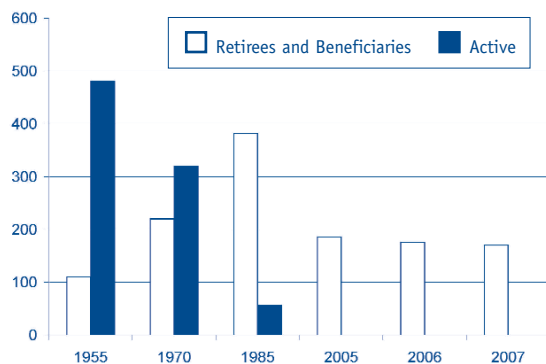
PRISON OFFICERS' PENSION FUND

The activity shown to the right is consistent with a closed pension fund.

This fund was closed to new membership in January 1960.

As of June 30, 2007, the active membership of the fund totaled zero. There were 170 retirees and beneficiaries receiving annual pensions totaling \$2,356,383.

The fund's assets totaled \$13,672,296 at the close of the fiscal year 2007.

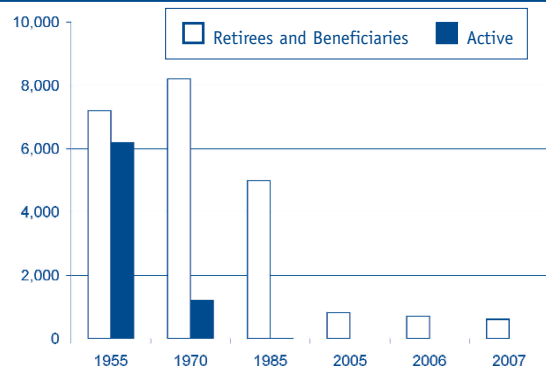


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

The activity shown to the right is consistent with a closed pension fund.

As of June 30, 2007, the active membership of the fund totaled zero. There were 611 retirees and beneficiaries receiving annual pensions totaling \$11,873,928.

The fund's assets totaled \$16,400,894 at the close of the fiscal year 2007.



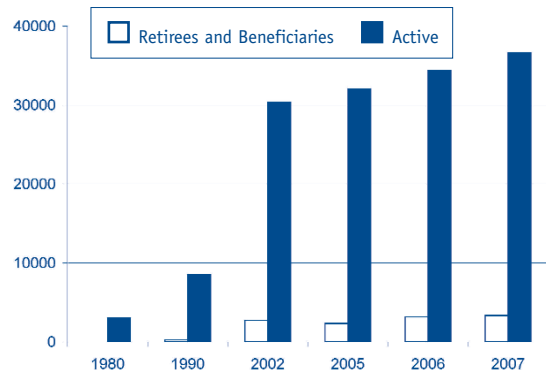
MEMBERSHIP

NJ STATE EMPLOYEES' DEFERRED COMPENSATION PLAN

Fiscal year 2007 continues to show a marked increase in active participation due to membership campaigns conducted by the Division of Pensions and Benefits.

As of June 30, 2007, the active membership of the New Jersey State Employees' Deferred Compensation Plan totaled 36,599. There were 3,338 members receiving monthly installment payments.

The plan's net assets (participants' balances) were \$2,068,148,264 at the close of the fiscal year 2007.

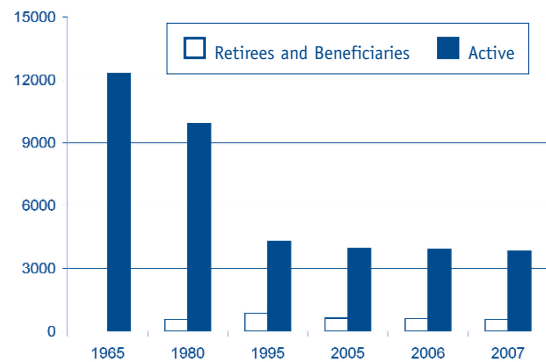


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2007, the active membership of the trust totaled 3,823. The unit value was \$69.9873, an increase of \$7.9594 from the June 30, 2006 value of \$62.0279.

There were 578 annuitants.

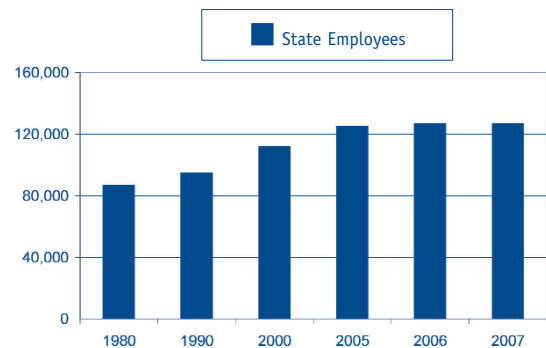
The trust's assets totaled \$184,554,581 at the close of the fiscal year 2007.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

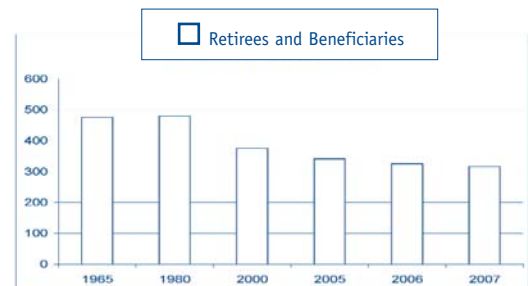
As of June 30, 2007, the Unemployment Compensation Program for State employees covered as many as 127,005 persons, and the Division remitted \$3,985,477.66 on behalf of the State. There were 7,623 requests for unemployment benefits filed, and \$16,860,625 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 140,281 employees, and the Division remitted \$31,924,840.38 on behalf of the State. Claims paid totaled \$31,803,804.



CENTRAL PENSION FUND

As of June 30, 2007, there were 317 beneficiaries receiving annual pensions totaling \$426,800.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

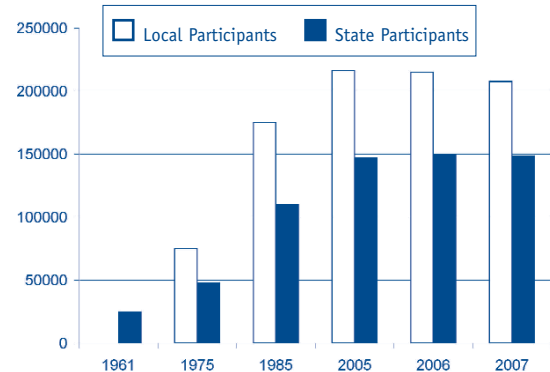
There were 208,261 pensioners who were paid \$699,428,733.83 during the fiscal year 2007.



STATE HEALTH BENEFITS PROGRAM

As of June 30, 2007, there were 356,233 covered participants (active and retired) consisting of 148,616 State participants and 207,617 participants of 894 local participating employers.

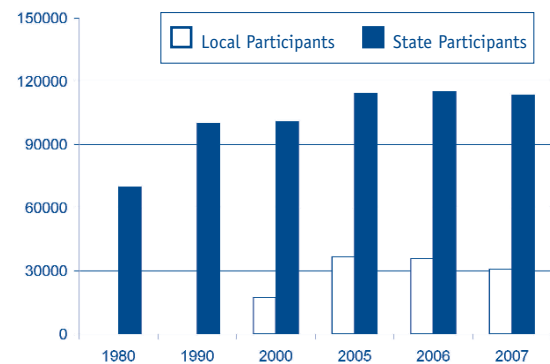
The State and state employee contributions were \$1,178,014,346 while payment made by local employers and employees was \$2,086,701,195.



PRESCRIPTION DRUG PLAN

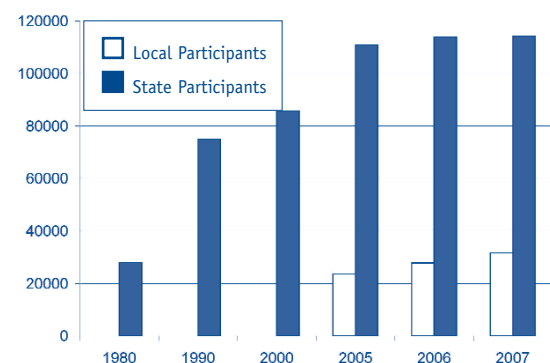
The Prescription Drug Plan covered as many as 113,423 State employees and 30,883 local employees during fiscal year 2007.

The State's contribution was \$189,797,720 while payment made by local employers was \$90,801,190.



DENTAL EXPENSE PROGRAM

The Dental Expense Program covered as many as 114,157 eligible State participants and 31,593 local participants during fiscal year 2007. The State of New Jersey as the employer expended \$37,950,886 for active participants while payment made by local employers was \$1,055,336.



FINANCIAL SECTION

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STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

June 30, 2007

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KPMG LLP
Suite 402
301 Carnegie Center
Princeton, NJ 08540-6227

Independent Auditors' Report

Office of Legislative Services
Office of the State Auditor
State of New Jersey:

We have audited the accompanying financial statements of the State of New Jersey Division of Pensions and Benefits (the Division) as of and for the year ended June 30, 2007, which collectively comprise the Division's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Division are intended to present the financial position and the changes in financial position of the State that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2007 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State of New Jersey Division of Pensions and Benefits as of June 30, 2007, and the changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in notes 1 and 8 to the financial statements, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* as of July 1, 2006.

Management's Discussion and Analysis and the supplementary information included in the schedule of funding progress and schedule of employer contributions (schedules 1 and 2) are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 3 through 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

February 29, 2008

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Management's Discussion and Analysis
June 30, 2007

Our discussion and analysis of the financial performance of the fiduciary funds (the Funds) administered by the Division of Pensions and Benefits (the Division) provides an overview of the Funds' financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

As a result of the implementation of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" (OPEB), effective fiscal year 2007, the State Health Benefit Program Funds (SHBP)-State and Local, the Prescription Drug Program Funds (PDP)-State and Local, and the Post-Retirement Medical Funds (PRM) of the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) are combined and reported as trust funds under the Health Benefit Program Funds. Also, as a result of the implementation of GASB Statement No. 43, the Dental Expense Program Fund (DEP) is combined with the Alternate Benefit Program Fund (ABP) and the Pension Adjustment Fund (PAF) and reported as agency funds.

For comparison purposes, management's discussion and analysis has been updated to reflect these changes by including the SHBP and PDP 2006 amounts with the pension trust fund balances and the DEP 2006 amounts with the agency fund balances.

For the pension trust funds, the aggregate funded ratio for fiscal year 2007 is 77.5% with an unfunded actuarial accrued liability of \$24.8 billion. For the health benefit program trust funds, the unfunded actuarial accrued liability for other postemployment benefits (OPEB under GASB Statement No. 43) is \$58.1 billion for the State and \$10.8 billion for the Local participating employers in the State Health Benefit Program Fund.

FINANCIAL HIGHLIGHTS

Fiduciary Funds-Pension Trust and Health Benefit Program Funds

- Fiduciary net assets increased by \$10.1 billion as a result of this year's operations from \$79.7 billion to \$89.7 billion.
- Additions for the year are \$19.6 billion, which are comprised of member and employer pension contributions of \$7.5 billion and investment income of \$12.1 billion.
- Deductions for the year are \$9.7 billion, which are comprised of benefit and refund payments of \$9.6 billion and administrative expenses of \$46.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: 1) fiduciary fund financial statements and 2) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Division uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2007

Fiduciary Funds

Fiduciary funds are used to account for the assets that the Division holds on behalf of others as their agent. Fiduciary funds are custodial in nature and do not involve measurement of results of operations.

The Division administers sixteen fiduciary funds: eleven pension trust funds, two health benefit program trust funds, and three agency funds. The basic fiduciary fund financial statements consist of the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes information regarding the funding status of the pension trust and health benefit program funds.

FINANCIAL ANALYSIS

SUMMARY OF FIDUCIARY NET ASSETS

	2007	2006	Increase
Pension trust and health benefit program funds:			
Assets	\$ 108,900,714,379	94,521,585,091	14,379,129,288
Liabilities	19,155,290,318	14,845,480,120	4,309,810,198
Net assets	\$ 89,745,424,061	79,676,104,971	10,069,319,090

Assets of the pension trust and health benefit program funds mainly consist of cash and cash equivalents, securities lending collateral, investments, and contributions due from members and participating employers. Between fiscal years 2006 and 2007, total assets increased by \$14.4 billion or 15.2%. This is attributable to the growth in the fair value of investments of \$9.5 billion, securities lending collateral increase of \$4.3 billion, and an increase in receivables of \$0.6 billion.

Liabilities of the pension trust and health benefit program funds consist of pension payments owed to members and beneficiaries, outstanding contributory and non-contributory insurance premium payments, securities lending collateral and rebates payable, and outstanding medical claims payable of the health benefit program funds. Total liabilities increased by \$4.3 billion or 29.0%. This is due to increases in securities lending collateral and rebates payable of \$4.3 billion.

Net assets of the pension trust and health benefit program funds increased by \$10.1 billion or 12.6%.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2007

SUMMARY OF FIDUCIARY NET ASSETS

	2007	2006	Increase
Agency funds:			
Assets	\$ 57,415,161	48,172,923	9,242,238
Liabilities	57,415,161	48,172,923	9,242,238
Net assets	\$ —	—	—

Assets of the agency funds consist of cash and cash equivalents, investments and contributions due from the State and local employers. Between fiscal years 2006 and 2007, total assets increased by \$9.2 million or 19.2%. This is attributable to the growth in the fair value of investments of \$8.1 million and the increase in other contribution receivables of \$2.0 million.

Liabilities of the agency funds consist of pension reimbursements owed by the State of New Jersey to the state/county colleges, outstanding life and long-term disability insurance premiums payable in the ABP, and claims payable in DEP. Between fiscal years 2006 and 2007, total liabilities increased by \$9.2 million or 19.2%. This is attributable to an increase in the State's reimbursement liability to the state and county colleges for the employer share in the ABP of \$3.5 million and the increase by \$5.7 million of DEP claims payable due to DEP membership increase.

SUMMARY OF ADDITIONS TO FIDUCIARY NET ASSETS

	2007	2006	Increase
Pension trust and health benefit program funds:			
Member contributions	\$ 1,848,119,957	1,786,192,312	61,927,645
Employer contributions and other	5,635,989,538	4,530,482,419	1,105,507,119
Net investment income	12,139,822,671	7,355,152,979	4,784,669,692
Totals	\$ 19,623,932,166	13,671,827,710	5,952,104,456

Additions of the pension trust and health benefit program funds consist primarily of member and employer contributions and earnings from investment activities. There is an increase of \$61.9 million or 3.5% in total member contributions. In all pension trust funds, member contributions increased between 2006 and 2007 due to normal salary increases and/or increased membership.

Employer pension contributions (state and local) per annual appropriation increased by \$1.1 billion from \$1,038.2 million to \$2,112.1 million or 103.4% over the last fiscal year. This is attributable to the increase in the State's annual appropriation to TPAF by \$596.5 million and the other pension trust funds including PERS by \$197.6 million and PFRS by \$54.2 million. Likewise, the annual local employer appropriation billings increased due to several factors including the salaries of employees and the rate of contribution which the employers are required to make to the funds. In PERS, the local appropriation billing increased by \$155.3 million and the PFRS billing increased by \$54.2 million.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2007

Other state pension contributions include \$29.0 million for the State Police Retirement System (SPRS), \$12.6 million for the Judicial Retirement System (JRS), and \$1.8 million for the Consolidated Police and Firemen's Pension Fund (CPFPPF).

The Health Benefit Program Fund-State employer contributions decreased by \$32.2 million and Health Benefit Program Fund-Local employer contributions increased by \$64.7 million due to a rate increase.

The State made a contribution of \$592.7 million for TPAF and \$224.3 million for PERS for post-retirement medical (PRM), which is included in the health benefit program funds as a result of GASB Statement No. 43.

Non-Contributory Group Life Insurance-State contributions for 2007 were as follows: \$27.4 million for TPAF, \$23.5 million for PERS, \$6.8 million for PFRS, \$145.6 thousand for JRS, and \$292.0 thousand for SPRS. The local contribution for Non-Contributory Group Life Insurance is included in the annual billings to local employers.

Net investment income increased by \$4.8 billion or 65.1% due to the net appreciation in fair value of investments.

The total investment return for all pension funds is estimated to be 17.1% compared to 9.7% in the prior year.

SUMMARY OF DEDUCTIONS FROM FIDUCIARY NET ASSETS

	2007	2006	Increase
Pension trust and health benefit program funds:			
Benefits	\$ 9,528,663,826	8,800,293,056	728,370,770
Refunds of contributions	120,147,063	110,262,702	9,884,361
Administrative expenses	46,402,187	42,612,224	3,789,963
Totals	\$ 9,695,213,076	8,953,167,982	742,045,094

Deductions of the pension trust and health benefit program funds are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members, and administrative costs incurred by the Funds. Also included are claim charges for the self insured health, prescription drug, and premium charges for the insured health programs as a result of GASB Statement No. 43. Between fiscal years 2006 and 2007 benefit payments increased by \$728.4 million or 8.3% due to an increase in the number of retirees receiving retirement and other benefits. The health benefit program funds had an increase in claims payments of \$254.0 million or 7.6%. The number of refunds processed increased by \$9.9 million or 9.0% compared to last year. Administrative expenses increased by \$3.8 million or 8.9% due to salary and fringe benefit increases.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Management's Discussion and Analysis, Continued
June 30, 2007

OVERALL FINANCIAL CONDITION OF THE FUNDS

For the pension trust funds, the combined funded ratio is 77.5% for fiscal year 2007 and was 81.5% for 2006 on an actuarial basis per GASB 25. Conversely on a financial reporting basis, net assets of the pension trust funds increased by \$10 billion.

In the Health Benefit Program-State, expenditures are greater than revenue; therefore, the 2007 fiscal year end net asset balance is lower than the beginning net asset balance. The State as the employer is attempting to deal with the rising cost of healthcare by implementing changes to cost sharing between employees and employers, by the conversion of an indemnity plan to a managed care plan, and through the establishment of rates that are projected to recover anticipated claims and result in a positive balance.

The Dental Expense Program received contributions to meet this year's benefit obligations.

During the year, the Alternate Benefits Program Fund and the Pension Adjustment Fund received sufficient funding to meet their benefit obligations.

For the State Employees Deferred Compensation Plan and the Supplemental Annuity Collective Trust, members are 100% vested in the present value of their contributions, and the funds have sufficient assets to meet future benefit obligations.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

This financial report is designed to provide our members, beneficiaries, investors, and other interested parties with a general overview of the Funds' finances and to show the Funds' accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	PENSION TRUST AND HEALTH BENEFIT PROGRAM FUNDS	AGENCY FUNDS
Assets:		
Cash and cash equivalents	\$ 1,397,016	692,405
Securities lending collateral	18,488,147,522	—
Investments, at fair value:		
Cash Management Fund	4,218,175,364	26,640,301
Bonds	120,670,093	—
Common Pension Fund A	33,235,413,335	—
Common Pension Fund B	20,937,806,815	—
Common Pension Fund D	17,713,301,235	—
Common Pension Fund E	6,070,474,457	—
Common and preferred stocks	176,685,426	—
Mortgages	1,308,448,286	—
U.S. Government obligations	440,449,436	—
Domestic equities	1,273,088,973	—
International equities	156,071,071	—
Other fixed income securities	35,155,805	—
Total investments	85,685,740,296	26,640,301
Receivables:		
Contributions:		
Members	205,563,744	—
Employers	2,815,801,088	1,801,378
Accrued interest and dividends	527,520,897	—
Members' loans	1,155,031,652	—
Other	21,512,164	28,281,077
Total receivables	4,725,429,545	30,082,455
Total assets	\$ 108,900,714,379	57,415,161
Liabilities:		
Accounts payable and accrued expenses	\$ 515,420,554	48,369,099
Retirement benefits payable	137,726,573	—
Non-contributory group insurance premiums payable	11,073,293	—
Cash overdraft	2,922,376	1,860,166
Assets held for local contributing employers	—	3,659,658
Pension adjustment payroll payable	—	589,500
Due to State of New Jersey	—	1,890,493
Due to other funds	—	1,046,245
Securities lending collateral and rebates payable	18,488,147,522	—
Total liabilities	19,155,290,318	57,415,161
Net Assets:		
Held in trust for pension and health benefits	\$ 89,745,424,061	—

See schedule of funding progress on pages 82-88.

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds

Year Ended June 30, 2007

	PENSION TRUST AND HEALTH BENEFIT PROGRAM FUNDS
Additions:	
Contributions:	
Members	\$ 1,848,119,957
Employers	5,627,460,578
Other	8,528,960
Total contributions	7,484,109,495
Investment income:	
Net appreciation in fair value of investments	9,640,135,953
Interest	1,802,064,142
Dividends	708,708,122
	12,150,908,217
Less: investment expense	11,085,546
Net investment income	12,139,822,671
Total additions	19,623,932,166
Deductions:	
Benefits	9,528,663,826
Refunds of contributions	120,147,063
Administrative expenses	46,402,187
Total deductions	9,695,213,076
Change in net assets	9,928,719,090
Net assets — Beginning of year	79,816,704,971
Net assets — End of year	\$ 89,745,424,061

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Notes to Financial Statements

June 30, 2007

(1) DESCRIPTION OF THE FUNDS

The State of New Jersey sponsors and administers the following benefit funds which have been included in the basic financial statements of the State of New Jersey Division of Pensions and Benefits (the Division), collectively referred to as the Funds, Systems, and Trusts:

Fiduciary Funds

Pension Trust and Health Benefit Program Funds

Judicial Retirement System (JRS)
Consolidated Police and Firemen's Pension Fund (CPFPPF)
Police and Firemen's Retirement System (PFRS)
Prison Officers' Pension Fund (POPF)
Public Employees' Retirement System (PERS)
State Police Retirement System (SPRS)
Teachers' Pension and Annuity Fund (TPAF)
Supplemental Annuity Collective Trust (SACT)
Central Pension Fund (CPF)
New Jersey State Employees Deferred Compensation Plan (NJSEDCP)
Alternate Benefit Long Term Disability Fund (ABPLTD)
State Health Benefits Program Fund (SHBP) - State
State Health Benefits Program Fund (SHBP) - Local

Agency Funds

Pension Adjustment Fund (PAF)
Alternate Benefit Program Fund (ABP)
Dental Expense Program Fund (DEP)

Stand alone financial reports which include the above funds have been prepared. These financial reports, which can be obtained from the Division of Pensions and Benefits, provide a description of the nature and purpose of each individual fund. A description of the contribution requirements and benefit provisions for each fund is provided in notes 5 and 6.

The pension trust funds are single-employer defined benefit pension plans, except for PERS and PFRS, which are cost-sharing multiple-employer defined benefit plans, TPAF and CPFPPF, which are cost-sharing defined benefit plans with a special funding situation, and SACT, NJSEDCP, and ABPLTD which are single-employer defined contribution plans.

The Division adopted Governmental Accounting Standards Board (GASB) Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" (OPEB) as of July 1, 2006. Prior to the adoption, SHBP-State, PDP-State and DEP-State were reported as governmental funds – special revenue funds. The SHBP-Local, PDP-Local and DEP-Local were reported as proprietary funds – enterprise funds. The Post-Retirement Medical Funds (PRM) of PERS and TPAF were reported as trust funds and were combined with the respective PERS and TPAF pension trust fund plans. As a result of the implementation of GASB Statement No. 43, SHBP, PDP, and Post-Retirement Medical Funds (PRM) of PERS and TPAF are combined and reported as Health Benefit Program Funds. Specifically, SHBP-State, PDP-State, and PRM of PERS are combined and reported as a trust fund classified as a single employer plan. The SHBP-Local, PDP-Local, and PRM of TPAF

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

are combined and reported as a separate trust fund classified as a cost-sharing multiple-employer plan. Certain amounts included in the PERS PRM and TPAF PRM are legally required to be transferred to the SHBP and are recorded as additions and deductions in PERS PRM, TPAF PRM and SHBP. All interfund transactions have been eliminated in the accompanying financial statements.

Also, as a result of the implementation of GASB Statement No. 43, DEP is combined with ABP and PAF and reported as agency funds. See also note 8.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Division have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial statements include all funds which are administered by the Division over which operating controls are with the individual funds, systems, or trusts governing Boards and/or the State of New Jersey. The financial statements of the funds, systems, and trusts are included in the financial statements of the State of New Jersey; however, the accompanying financial statements are intended to present solely the funds listed above which are administered by the Division and not the State of New Jersey as a whole.

Fund Accounting

The accounts of the Division are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that the resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts.

Fiduciary Funds

Pension trust and health benefit program funds – Account for monies received for, expenses incurred by and the net assets available for plan benefits of the various public employee retirement systems.

Agency funds – Agency funds are used to account for the assets that the Division holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All funds are accounted for using an economic resources measurement focus.

The accrual basis of accounting is used for measuring financial position and changes in net assets of the pension trust and health benefit program funds. Under this method, revenues are recorded in the accounting period in which they are earned, and deductions are recorded at the time the liabilities are incurred. The financial statements of the pension trust funds conform to the provisions of GASB Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contributions Plans." The financial statements of the health benefit program funds conform to the provisions of the GASB Statement No. 43. Employer contributions are recognized when payable to the Funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the Funds.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets

Capital assets utilized by the Division include equipment which is owned by the State of New Jersey.

Significant Legislation

Chapter 103, P.L. 2007, certain parts effective July 1, 2007, provides for the following: changes contribution rates of TPAF, PERS, and Defined Contribution Retirement Program (DCRP) to 5.5% of annual compensation; imposes an annual maximum wage contribution base and a new retirement age to new employees; implements changes to State Health Benefits Program (SHBP) and establishes an employee contribution of 1.5% of the employee's base salary.

Chapter 92, P.L. 2007 implements certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform: establishes a DCRP for elected and certain appointed officials, effective July 1, 2007; closes the Workers' Compensation Judges Part of PERS to new members, effective July 1, 2007; eliminates the 4% fixed rate of interest for loans from the defined benefit plans and provides that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code and permits that an administrative processing fee may be charged for such loans. As such, effective January 1, 2008, the new pension loan interest rate will be 4.69% per year, and an \$8.00 processing fee per loan will be charged. It also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the system when excess assets are available.

Chapter 108, P.L. 2003, effective July 1, 2003, provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008.

Chapter 108, P.L. 2003 also provided that local employer PERS normal and accrued liability contributions will be 20% of the amount certified by the PERS for payments due in State fiscal year 2004 and thereafter a percentage of the amount certified by the PERS as the State Treasurer will determine, but not more than 40% in fiscal year 2005, not more than 60% in fiscal year 2006, and not more than 80% in fiscal year 2007.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**Membership and Contributing Employers:**

Membership and contributing employers of the pension trust and health benefit program funds consisted of the following at June 30, 2006, the date of the most recent actuarial valuations (June 30, 2007 for SACT, CPF, NJSEDCP, and ABPLTD):

	JRS	CPFPF	PFRS	POPF	PERS	SPRS
Retiree members:						
Retirees and beneficiaries receiving benefits currently	437	719	30,428	184	124,776	2,338
Terminated employees entitled to benefits but not yet receiving them	3	—	59	—	1,816	—
Total retiree members	440	719	30,487	184	126,592	2,338
Active members:						
Vested	212	—	28,236	—	140,306	1,774
Non-vested	228	—	16,589	—	177,434	1,219
Total active members	440	—	44,825	—	317,740	2,993
Total	880	719	75,312	184	444,332	5,331
Contributing Employers	1	1	588	1	1,677	1

	TPAF	SACT	CPF	NJSEDCP	ABPLTD	SHBP*
Retiree members:						
Retirees and beneficiaries receiving benefits currently	68,614	578	317	3,338	—	104,540
Terminated employees entitled to benefits but not yet receiving them	853	—	—	—	—	—
Total retiree members	69,467	578	317	3,338	—	104,540
Active members:						
Vested	75,069	3,823	—	36,599	132	417,814
Non-vested	78,819	—	—	—	—	—
Total active members	153,888	3,823	—	36,599	132	417,814
Total	223,355	4,401	317	39,937	132	522,354
Contributing Employers	37	—	1	—	1	454

* The health benefit programs (including PDP) had a total of 454 state and local participating employers and contributing entities for fiscal year 2007 based on the OPEB.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Membership in the agency funds administered by the Division consisted of the following as of June 30, 2007:

	STATE	LOCAL	TOTAL
Dental Expense Program Fund**	114,157	31,593	145,750
Alternate Benefit Program Fund***	13,751	3,243	16,994
Pension Adjustment Fund	103,560	104,701	208,261

** active and retired participants

*** including those receiving long-term disability benefits

Investments

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of seven of the defined benefit plans (PERS, TPAF, JRS, PFRS, CPFPPF, SPRS and POPF) and two defined contribution plans (SACT and NJSEDCP). The Division of Investment separately reports the assets, liabilities and net assets of the underlying investment portfolio of the seven defined benefit plans in its Pension Fund report and a SACT report. The Division of Investment accounts included in the Pension Fund report are: Common Fund A, Common Fund B, Common Fund D, Common Fund E, Police and Firemen's Mortgage Program accounts and other investments owned directly by the seven defined benefit pension plans. Common Fund A invests primarily in domestic equity securities. Common Fund B invests primarily in domestic fixed income securities. Common Fund D invests primarily in foreign equity and fixed income securities. Common Fund E invests primarily in alternative investments which includes private equity, real assets and absolute return strategy investments. The Police and Firemen's Retirement System includes a mortgage loan program administered by the New Jersey Housing and Mortgage Finance Agency that provides participants with mortgages from the program at rates which are fixed by formula. The law establishing the program provides that the Fund may not sell the mortgages, and no independent market exists for them.

Prudential Retirement was selected as the NJSEDCP's third party administrator following a competitive bidding process with a contract awarded on August 26, 2005. As of January 1, 2006, the four state-managed investment options (DCP Money Market, DCP Equity, DCP Bond and DCP Small Cap Equity) were closed to new investment and 23 new investment options were opened. Participant recordkeeping operations were transferred to Prudential Retirement on January 2, 2006. Assets held in the four state-managed investment options were transferred to Prudential separate accounts on February 1, 2006. The custodian of Plan assets was PNC Bank through January 31, 2006, with State Street Bank acting as custodian, through an agreement with Prudential Retirement, from February 1, 2006 to present. The Division of Investment retains its fiduciary functions over the Plan's assets and the Division of Pensions and Benefits maintains its administrative oversight functions.

Investments are reported at fair value as follows:

- U.S. Government and Agency, Foreign and Corporate obligations – prices quoted by a major dealer in such securities.
- Common Stock and Equity Funds, Foreign Equity Securities, Forward Foreign Exchange Contracts – closing prices as reported on the primary market or exchange on which they trade.
- Money Market Instruments – amortized cost which approximates fair value.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.
- Alternative investments (private equity, real assets and absolute return strategy funds) – estimated fair value provided by the general partner and/or investment manager and reviewed by management. Because alternative investments are not always readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the value that would be used if a ready market for such investments existed. Accordingly, the realized value received upon the sale of the asset may differ from the fair value.

Investment transactions are accounted for on a trade or investment date basis. Gains and losses from investment transactions are determined by the average cost method. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date.

The net asset value of Common Funds A, B, D and E (Common Funds) is determined as of the close of the last day of business of each month. Purchases and redemptions of participants' units are transacted each month within fifteen days subsequent to that time and at such net asset value.

Dividends and interest earned per unit are calculated monthly and distributed quarterly for Common Fund A and B. Dividends and interest earned per unit are calculated monthly for Common Fund D, and the income earned on Common Fund D units is reinvested. Income earned per unit is calculated monthly for Common Fund E, and the income earned on Common Fund E units is reinvested.

Securities Lending

Common Funds A, B and D and several of the direct pension plan portfolios participate in securities lending programs, whereby securities are loaned to brokers or other borrowers and, in return, the pension funds have rights to the collateral received. All of the securities held in Common Funds A, B and D, and certain securities held directly by the pension plans, are eligible for the securities lending program. Collateral received may consist of cash, letters of credit, or government securities having a market value equal to or exceeding 102% (U.S. dollar denominated) or 105% (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. For Common Funds A and B, in the event that the market value of the collateral falls below 101% of the market value of all the outstanding loaned securities to an individual borrower, additional collateral shall be transferred by the borrower to the respective funds no later than the close of the next business day so that the market value of such additional collateral, when added to the market value of the other collateral, shall equal 102% of the market value of the loaned securities. For Common Fund D, in the event that the market value of the collateral falls below the collateral requirement of either 102% or 105% (depending on whether the securities are denominated in U.S. dollars or a foreign currency, respectively) of the market value of the outstanding loaned securities to an individual borrower, additional collateral shall be transferred in an amount that will increase the aggregate of the borrower's collateral to meet the collateral requirements. As of June 30, 2007, the Common Funds have no aggregate credit risk exposure to borrowers because the collateral amount held by the Common Funds exceeded the market value of the securities on loan.

The contracts with the Common Funds' custodian banks require them to indemnify the Common Funds if the brokers or other borrowers fail to return the securities or fail to pay the Common Funds for income distributions on the securities while they are on loan. The custodian bank for Common Fund D also indemnifies the Common Funds for any loss of principal or interest on the invested collateral. For any losses on the investment collateral in Common Funds A or B or other pension plan portfolios, the lending fee paid to the lending agent shall be reduced by 25% of the amount of such loss, up to an amount not to exceed 75% of the

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

previous six months' securities lending fees. The securities loans can be terminated by notification by either the borrower or the Common Funds. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of the cash collateral.

Derivatives

The Common Funds' international portfolio managers utilize forward foreign currency contracts, a derivative security, as a means to hedge against the currency risk in the Common Funds' foreign stock and fixed income portfolios. A derivative security is an investment whose payoff depends upon the value of other assets such as bond and stock prices, a market index, or commodity prices. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in market prices or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

Forward foreign currency contracts are agreements to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed upon price. Forward foreign currency contracts are used to hedge against the currency risk in the Common Funds' foreign stock and fixed income portfolios.

There were no foreign forward currency contracts at June 30, 2007.

The Common Funds utilize covered call and put options in an effort to add value to or reduce the risk level in the portfolio. Covered options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call option) or to sell (in the case of a put option) a specific amount of an asset for a specific price (called the strike price) on or before a specified expiration date. The writer of call options receives a premium at the outset of the agreement and bears the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option. The Common Funds owned 53,208 contracts on indexed put options with a fair value of \$169,137,647 at June 30, 2007, which is included in the fair value of the portfolio.

Certain alternative investment funds and partnerships may use derivative instruments to hedge against market risk and to enhance investment returns. At any point during the year, the Common Funds may have additional exposure to derivatives primarily through limited liability vehicles such as limited partnerships and commingled investment funds.

Members' Loans

Members of JRS, PFRS, SPRS, PERS and TPAF who have at least three years of service in these Funds may borrow up to 50% of their accumulated member contributions. Repayment of loan balances is deducted from payroll checks and bears an interest rate of 4%. Members who retire with an outstanding loan have the option of paying the loan in full prior to receiving any benefits or continuing their monthly loan payment schedule into retirement.

Under the Internal Revenue Service regulations effective January 1, 2004, the Division changed its pension loan repayment policy: Members who take multiple loans must repay the outstanding balance of the original loan, and all subsequent loans taken before the original loan is completely paid off, within a period not to exceed 5 years from the issuance of the first loan taken after January 1, 2004. Failure to repay the loan within the five-year period will result in the unpaid balance being declared a taxable distribution.

Administrative Expenses

Administrative expenses are paid by the funds, systems, and trusts to the State of New Jersey, Department of

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

the Treasury and are included in the accompanying financial statements, except for administrative expenses of CPF which are paid by the State of New Jersey, who is responsible for such costs.

Income Tax Status

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the funds, systems, and trusts are qualified plans as described in Section 401(a) of the Internal Revenue Code, with the exception of the ABPLTD which is a qualified plan as described in Section 403(b) and the NJSEDCP which is an eligible plan as described in Section 457 of the Internal Revenue Code.

Commitments

The Common Funds are obligated, under certain private equity, real estate and absolute return strategy alternative investment agreements to make additional capital contributions up to contractual levels over the investment period specified for each investment. As of June 30, 2007, the Common Funds had unfunded commitments totaling approximately \$4.2 billion.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(3) INVESTMENTS

The pension funds investments as of June 30, 2007 are as follows:

Cash management funds	\$ 4,244,815,665
Domestic equities	32,924,616,396
International equities	17,330,840,249
Domestic fixed income	19,648,980,451
International fixed income	996,400,682
Commodity linked notes	502,393,611
Police and Firemen's mortgages	1,109,584,450
Private equity	1,159,903,960
Real estate	1,003,932,926
Absolute return strategy funds	2,340,519,278
U.S. government and agency obligations	561,119,529
Other fixed income securities	35,155,805
Other	3,854,117,595
	<u>\$ 85,712,380,597</u>

New Jersey state statute provides for a State Investment Council (Council) and a Director. Investment authority is vested in the Director of the Division of Investment and the role of the Council is to formulate investment policies. The Council issues regulations which establish guidelines for permissible investments which include domestic and international equities and exchange traded funds, covered call and put options, equity futures contracts, obligations of the U.S. Treasury, government agencies, corporations, finance companies and banks, obligations of international corporations, governments and agencies, interest rate swap transactions, fixed income exchange traded funds, U.S. Treasury futures contracts, New Jersey State and Municipal general obligations, public authority revenue obligations, collateralized notes and mortgages, commercial paper, certificates of deposit, repurchase agreements, bankers acceptances, guaranteed income contracts, funding agreements, money market funds, private equity, real estate, other real assets and absolute return strategy funds.

The Division's investments are subject to various risks. Among these risks are credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Each one of these risks is discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is evaluated by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corporation (S&P), and Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in United States treasury and government agency obligations. Council regulations require

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(3) INVESTMENTS, Continued

minimum credit ratings for certain categories of fixed income obligations held directly by the pension funds and limit the amount that can be invested in any one issuer or issue. These limits for the period July 1, 2006 through September 4, 2006 were as follows:

Category	Minimum Rating		Limitation of Issuer's Outstanding Debt	Limitation of Issue	Other Limitations
	Moody's	S&P			
Corporate obligations	Baa	BBB	25%	25%	—
U.S. finance company debt, bank debentures and NJ state & municipal obligations	A	A	10%	10%	—
Canadian obligations	A	A	10%	10%	Purchase cannot exceed greater of 10% of issue or \$10 million; not more than 2% of fund assets can be invested in any one issuer
International government and agency obligations	Aa	AA	2%	10%	Not more than 1% of fund assets can be invested in any one issuer
Public Authority revenue obligations	A	A	—	10%	Not more than 2% of fund assets can be invested in any one public authority
Collateralized notes and mortgages	Baa	BBB	—	33.3%	Not more than 2% of fund assets can be invested in any one issuer
Commercial paper	P-1	A-1	—	—	—
Certificates of deposit and Banker's acceptances (rating applies to international)	Aa/P-1	—	—	—	Uncollateralized certificates of deposit and banker's acceptances cannot exceed 10% of issuer's primary capital
Guaranteed income contracts	P-1	—	—	—	A+ rating from A.M. Best for insurance companies
Money market funds	—	—	—	—	Not more than 10% of fund assets can be invested in money market funds; limited to 5% of shares or units outstanding

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(3) INVESTMENTS, Continued

Effective September 5, 2006, the following limits became effective:

Category	Minimum Rating			Limitation of Issuer's Outstanding Debt	Limitation of Issue	Other Limitations
	Moody's	S&P	Fitch			
Corporate obligations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in one corporation
U.S. finance company debt and bank debentures	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in one corporation
International corporate obligations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in any one issuer with maturities exceeding 12 months; not more than 10% of fund assets can be invested in this category
International government and agency obligations	Aa3	AA-	AA-	25%	Greater of 25% or \$10 million	Not more than 1% of fund assets can be invested in any one issuer
Collateralized notes and mortgages	Baa3	BBB-	BBB-	—	25%	Not more than 5% of fund assets can be invested in any one issue; not more than 10% of fund assets (or 20% of Fund B assets) can be invested in this category
Commercial paper	P-1	A-1	F1	—	—	—
Certificates of deposit and Banker's acceptances						Certificates of deposit and banker's acceptances cannot exceed 10% of issuer's primary capital
Domestic	A3/P-1	A-/A-1	A-/F1	—	—	
International	Aa3/P-1	AA-/A-1	AA-/F1	—	—	
Guaranteed income contracts and funding agreements	A3	A-	A-	—	—	—
Money Market Funds	—	—	—	—	—	Not more than 10% of fund assets can be invested in money market funds; limited to 5% of shares or units outstanding

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(3) INVESTMENTS, *Continued*

Category	Minimum Rating			Limitation of Issuer's Outstanding Debt	Limitation of Issue	Other Limitations
	Moody's	S&P	Fitch			
Interest rate swap transactions	A3	A-	A-	—	—	Notional value of net exposure to any one counterparty shall not exceed 10% of fund assets
Repurchase agreements	Aa3	AA-	AA-	—	—	—
NJ state & municipal obligations	A3	A-	A-	10%	10%	Not more than 10% of fund assets can be invested in debt of any one political entity maturing more than 12 months from purchase
Public authority revenue obligations	A3	A-	A-	—	10%	Not more than 2% of fund assets can be invested in any one public authority
Mortgage backed pass-through securities	A3	A-	A-	—	—	Not more than 5% of fund assets can be invested in any one issue
Mortgage backed senior debt securities	—	—	—	—	25%	Not more than 5% of fund assets can be invested in any one issue

Up to 5% of the market value of Common Pension Fund B may be invested in corporate obligations, finance company debt, bank debentures, international corporate obligations, collateralized notes and mortgages and mortgage backed pass-through securities that do not meet the minimum credit rating requirements set forth above.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(3) INVESTMENTS, Continued

For securities in the fixed income portfolio, the following table discloses aggregate market value, by major credit quality rating category at June 30, 2007:

(In thousands)	Moody's Rating						
	Aaa	Aa	A	Baa	Ba	B	P1
United States Treasury Notes	\$2,122,306	572	62,166	—	—	—	—
United States Treasury TIPS	1,875,063	—	—	—	—	—	—
United States Treasury Bonds	5,308,216	—	—	—	—	—	—
United States Treasury Strips	39,649	—	—	—	—	—	—
Title XI Merchant Marine Notes	2,786	—	—	—	—	—	—
Federal Agricultural Mortgage Corp. Notes	95,295	—	—	—	—	—	—
Federal Farm Credit Bank Bonds	51,043	—	—	—	—	—	—
Federal Home Loan Bank Bonds	289,167	—	—	—	—	—	—
Federal Home Loan Bank Discounted Notes	96,345	—	—	—	—	—	—
Federal Home Loan Mortgage Corp. Notes	134,217	—	—	—	—	—	—
Federal National Mortgage Association Notes	96,919	—	—	—	—	—	—
Resolution Funding Corp. Obligations	6,466	—	—	—	—	—	—
Tennessee Valley Authority Strips	72,610	—	—	—	—	—	—
Floating Rate Notes	9,999	20,038	—	—	—	—	—
Domestic Corporate Obligations	442,472	788,787	2,122,634	2,049,844	223	3	—
International Corporate Obligations	—	—	47,912	35,330	—	—	—
Real Estate Investment Trust Obligations	—	—	—	34,025	—	—	—
Finance Company Debt	299,205	296,882	498,203	9,240	—	—	—
International Bonds and Notes	404,960	64,583	48,200	—	—	—	—
Foreign Government Obligations	302,900	92,516	—	—	—	—	—
Remic/FHLMC	952,817	—	—	—	—	—	—
Remic/FNMA	66,490	—	—	—	—	—	—
Remic/GNMA	17,969	—	—	—	—	—	—
GNMA Mortgage Backed Certificates	64,206	—	—	—	—	—	—
FHLM Mortgage Backed Certificates	996,350	—	—	—	—	—	—
FNMA Mortgage Backed Certificates	839,452	—	—	—	—	—	—
SBA Pass-through Certificates	9,700	—	—	—	—	—	—
Asset Backed Obligations	310,611	—	—	—	—	—	—
Private Export Obligations	56,771	—	—	—	—	—	—
Exchange Traded Securities	—	—	52,290	—	—	—	—
Other	3,332	313	625	2,507	2	—	140
	<u>\$14,967,316</u>	<u>1,263,691</u>	<u>2,832,030</u>	<u>2,130,946</u>	<u>225</u>	<u>3</u>	<u>140</u>

The table does not include certain corporate obligations totaling \$25,310,000 which have an S&P rating of A and do not have a Moody's rating. The table also does not include other fixed income securities totaling \$21,994,000, Police and Firemen's Mortgages totaling \$1,109,584,450 and the Cash Management fund totaling \$4,244,815,665 which are not rated.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(3) INVESTMENTS, Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Commercial paper must mature within 270 days. Certificates of deposits and bankers acceptances are limited to a term of one year or less. The maturity requirement for repurchase agreements was 15 days through September 4, 2006; this was revised to 30 days effective September 5, 2006. The investment in guaranteed income contracts and funding agreements is limited to a term of 10 years or less.

The following table summarizes the maturities (or, in the case of Remics, Police and Firemen's Mortgages and mortgage backed securities, the expected average life) of the fixed income portfolio at June 30, 2007:

(In thousands) Fixed Income Investment Type	Total Market Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
United States Treasury Notes	\$ 2,185,044	153,882	564,164	1,463,658	3,340
United States Treasury Tips	1,875,063	—	185,161	762,124	927,778
United States Treasury Bonds	5,308,216	—	120,670	86,215	5,101,331
United States Treasury Strips	39,649	—	—	—	39,649
Title XI Merchant Marine Notes	2,786	—	—	—	2,786
Federal Agricultural Mortgage Corp. Notes	95,295	—	95,295	—	—
Federal Farm Credit Bank Bonds	51,043	20,114	30,722	207	—
Federal Home Loan Bank Bonds	289,167	18,107	250,170	20,890	—
Federal Home Loan Bank Discounted Notes	96,345	—	—	—	96,345
Federal Home Loan Mortgage Corp. Notes	134,217	4,378	125,273	3,452	1,114
Federal National Mortgage Association Notes	96,919	—	96,355	—	564
Resolution Funding Corp. Obligations	6,466	—	—	—	6,466
Floating Rate Notes	30,037	—	20,038	9,999	—
Tennessee Valley Authority Strips	72,610	—	—	—	72,610
Domestic Corporate Obligations	5,433,249	130,265	902,952	997,354	3,402,678
International Corporate Obligations	83,242	—	—	—	83,242
Real Estate Investment Trust Obligations	34,025	—	19,574	14,451	—
Finance Company Debt	1,103,718	64,133	552,757	243,809	243,019
Foreign Government Obligations	395,416	64,184	244,266	67,973	18,993
International Bonds and Notes	517,743	69,410	128,538	110,541	209,254
Remic/FHLMC	952,817	—	—	39,882	912,935
Remic/FNMA	66,490	—	—	18,036	48,454
Remic/GNMA	17,969	—	—	—	17,969
SBA pass-through certificates	9,700	—	—	9,700	—
Police and Firemen's Mortgages	1,109,585	425	839	9,292	1,099,029
GNMA Mortgage Backed Certificates	64,206	131	36	—	64,039
FHLM Mortgage Backed Certificates	996,350	161	46,763	4,876	944,550
FNMA Mortgage Backed Certificates	839,452	171	5,284	16,137	817,860
Asset Backed Obligations	310,611	—	59,947	59,978	190,686
Private Export Obligations	56,771	—	32,490	24,281	—
Other	24,749	18,085	4,399	729	1,536
	\$ 22,298,950	543,446	3,485,693	3,963,584	14,306,227

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(3) INVESTMENTS, Continued

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The pension funds invest in global markets. The market value of international preferred and common stocks and issues convertible into common stocks, when combined with the market value of international government and agency obligations, previously could not exceed 22% of the market value of the pension funds. Effective September 5, 2006, the market value of emerging market securities cannot exceed more than 1.5 times the percentage derived by dividing the total market capitalization of companies included in the Morgan Stanley Capital International (MSCI) Emerging Market Index by the total market capitalization of the companies included in the MSCI All-Country World Ex-United States Index of the total market value of the assets held by Common Fund D. Prior to September 5, 2006, not more than 5% of the value of the assets held by Common Fund D can be invested in companies incorporated in emerging market countries. Not more than 5% of the market value of the emerging market securities can be invested in any one corporation. Council regulations permit the pension funds to enter into foreign exchange contracts for the purpose of hedging the international portfolio. There were no foreign forward currency contracts at June 30, 2007. The pension funds had the following foreign currency exposure (expressed in U.S. dollars and in thousands):

Currency	Total Market Value	Equities	Foreign Government Obligations	Alternative Investments
Australian dollar	\$ 475,709	475,709	—	—
Canadian dollar	700,705	700,705	—	—
Danish krone	237,298	237,298	—	—
Euro	5,796,720	5,485,858	278,743	32,119
Hong Kong dollar	187,640	187,640	—	—
Japanese yen	4,383,864	4,383,864	—	—
Mexican peso	75,875	75,875	—	—
New Zealand dollar	26,524	26,524	—	—
Norwegian krone	426,559	426,559	—	—
Pound sterling	2,082,538	2,056,544	—	25,994
Singapore dollar	151,921	151,921	—	—
South Korean won	175,851	175,851	—	—
Swedish krona	898,358	898,358	—	—
Swiss franc	1,705,695	1,705,695	—	—
Other	115,543	115,543	—	—
	\$ 17,440,800	17,103,944	278,743	58,113

The Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by the pension funds.

The pension funds' interests in alternative investments may contain elements of credit, currency and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition. Effective September 5, 2006, Council regulations require that not more than 18% of the market value of the pension funds can be invested in alternative investments, with the individual categories of real estate, real assets, private equity and absolute return strategy investments limited to 7%. Not more than 5% of the market value of Common Fund E, plus outstanding commitments, may be committed to any one partnership or investment, without the prior written approval of the Council. The investments in Common Fund E cannot comprise more than 20% of any one investment manager's total assets.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(4) SECURITIES LENDING COLLATERAL

The securities lending collateral is subject to various risks. Among these risks are credit risk, concentration of credit risk, and interest rate risk. Agreements with the lending agents require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue. These limits are consistent with Council regulations and internal policies for funds managed by the Division of Investment. These limits for the period July 1, 2006 through September 4, 2006 were as follows:

Category	Minimum Rating		Limitation of Issuer's Outstanding Debt	Limitation of Issue	Other Limitations
	Moody's	S&P			
Corporate obligations	A3	A-	25%	25%	—
U.S. finance company debt and bank debentures	A2	A	10%	10%	—
Collateralized notes and mortgages	Aaa	AAA	—	33.3%	Limited to not more than 10% of the assets of the collateral portfolio
Commercial paper	P-1	A-1	—	—	Dollar limits by issuer
Certificates of deposit/ Banker's acceptances (rating applies to international)	Aa3/P-1	—	—	—	Uncollateralized certificates of deposit and banker's acceptances cannot exceed 10% of issuer's primary capital; dollar limits by issuer
Guaranteed income contracts	P-1	—	—	—	Limited to 5% of the assets of the collateral portfolio; A+ rating from A.M. Best for insurance companies
Money market funds	—	—	—	—	Limited to 10% of the assets of the collateral portfolio; limited to approved money market funds

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(4) SECURITIES LENDING COLLATERAL, *Continued*

Effective September 5, 2006, the following limits became effective:

Category	Minimum Rating			Limitation of Issuer's Outstanding Debt	Limitation of Issue	Other Limitations
	Moody's	S&P	Fitch			
Corporate obligations	Baa3	BBB-	BBB-	10%	25%	—
U.S. finance company debt and bank debentures	Baa3	BBB-	BBB-	10%	25%	—
Collateralized notes and mortgages	Baa3	BBB-	BBB-	—	25%	Limited to not more than 10% of the assets of the collateral portfolio
Commercial paper	P-1	A-1	F1	—	—	Dollar limits by issuer
Certificates of deposit and Banker's acceptances						Certificates of deposit and banker's acceptances
Domestic	A3/P-1	A-/A-1	A-/F1	—	—	cannot exceed 10% of
International	Aa3/P-1	AA-/A-1	AA-/F1	—	—	issuer's primary capital; dollar limits by issuer
Guaranteed income contracts and funding agreements	A3	A-	A-	—	—	Limit to 5% of the assets of the collateral portfolio
Money Market Funds	—	—	—	—	—	Limited to 10% of the assets of the collateral portfolio; limited to approved money market funds

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(4) SECURITIES LENDING COLLATERAL, *Continued*

Maturities of corporate obligations, U.S. finance company debt, bank debentures, collateralized notes and mortgages, guaranteed income contracts, and funding agreements must be less than 25 months. Commercial paper maturities cannot exceed 270 days. Repurchase agreement maturities cannot exceed 30 days. Certificates of deposit and banker's acceptances must mature in one year or less.

The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies, collateralized notes and mortgages and corporate obligations meeting certain minimum rating criteria.

Total exposure to any individual issuer is limited, except for U.S. Treasury and Government agency obligations. For money market funds, the total amount of shares or units purchased or acquired of any money market fund shall not exceed 5% of the shares or units outstanding of said money market fund. For Collateralized notes and mortgages, not more than 2% and 5% of the assets of the collateral portfolio shall be invested in the obligations of any one issuer and issue, respectively. For Guaranteed income contracts and funding agreements, the total investment in any one issuer shall be limited to 2.5% of the collateral portfolio. The Division sets individual issuer limits for Commercial paper and Certificate of deposits. For Corporate obligations, U.S. finance company debt, Bank debentures and Bankers acceptances, exposure to any one issuer shall be limited to the following percentages of the collateral portfolio in accordance with the issuer's rating from Moody's: Aaa (4%), Aa (3%), A (2%), and Baa (1%).

For securities exposed to credit risk in the collateral portfolio, the following table discloses aggregate market value, by major credit quality rating category at June 30, 2007. In those cases where an issuer and/or security have both a long term and short term rating, the short term rating is presented.

(In thousands)		Rating					
		Aaa/AAA	Aa/AA	A/A	Baa/BBB	P1	Not Rated
Corporate Obligations	\$	1,142,643	3,209,558	2,712,377	217,479	713,321	—
Commercial Paper		—	—	—	—	3,594,013	—
Certificates of Deposit		—	99,985	—	—	1,032,601	—
Repurchase Agreements		—	—	—	—	—	1,765,830
Funding Agreements		—	—	—	—	700,000	—
Money Market Funds		10,763	1,730,000	500,000	—	—	285,379
Collateralized Notes		150,200	5,005	—	—	618,881	—
Cash		—	—	—	—	—	113
	\$	<u>1,303,606</u>	<u>5,044,548</u>	<u>3,212,377</u>	<u>217,479</u>	<u>6,658,816</u>	<u>2,051,322</u>

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(4) SECURITIES LENDING COLLATERAL, *Continued*

The following table summarizes the maturities of the collateral portfolio at June 30, 2007.

(In thousands)	Total Market Value	Maturities	
		Less than one year	One year to 25 months
Corporate Obligations	\$ 7,995,378	4,154,943	3,840,435
Commercial Paper	3,594,013	3,594,013	—
Certificates of Deposits	1,132,586	1,132,586	—
Repurchase Agreements	1,765,830	1,765,830	—
Funding Agreements	700,000	700,000	—
Money Market Funds	2,526,142	2,526,142	—
Collateralized Notes	774,086	769,081	5,005
	<u>\$ 18,488,035</u>	<u>14,642,595</u>	<u>3,845,440</u>

As of June 30, 2007, the Fund had outstanding loaned investment securities with an aggregate market value of \$18,034,823,201 and received cash collateral of \$18,423,399,432 and non-cash collateral of \$4,471,761. In accordance with GASB accounting standards, the non-cash collateral is not reflected in the accompanying financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(5) CONTRIBUTIONS

Contribution Requirements - JRS

The contribution policy is set by N.J.S.A. 43:6A and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Members enrolled on January 1, 1996 or after contribute at 3% on their entire base salary. Contributions by active members enrolled prior to January 1, 1996 are based on 3% of the difference between their current salary and the salary of the position on January 18, 1982. The State of New Jersey is required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The State made a contribution of \$12.60 million in fiscal year 2007, the first significant contribution to the system since fiscal year 1997. The amount contributed in fiscal year 2007 is equal to approximately 57.5% of the actuarially determined amount.

Contribution Requirements – CPFPF

There are no active members in the CPFPF.

The State made a contribution of \$1.78 million to satisfy the actuarially accrued liability in fiscal year 2007.

Contribution Requirements – PFRS

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. Members contribute at a uniform rate of 8.5% of base salary.

Chapter 108, P.L. 2003, effective July 1, 2003, provided that local employer PFRS normal and accrued liability contributions will be 20% of the amount certified by the PFRS for payments due in State fiscal year 2004 and thereafter a percentage of the amount certified by the PFRS as the State Treasurer will determine, but not more than 40% in fiscal year 2005, not more than 60% in fiscal year 2006, and not more than 80% in fiscal year 2007.

The State made a contribution of \$121.36 million for fiscal year 2007, the first significant contribution to the system since fiscal year 1997. The amount contributed in fiscal year 2007 is equal to approximately 57.5% of the actuarially determined amount.

Contribution Requirements – POPF

There are no active members in the POPF. Accordingly, based on actuarial valuation, there is no normal cost or accrued liability contribution required by employers.

Contribution Requirements – PERS

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate is 5% of base salary. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) is 7.5% of base

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(5) CONTRIBUTIONS, *Continued*

salary. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits.

To fund the benefit increases provided by Chapter 133, the legislation provided for the use of excess assets. A special benefit enhancement fund (BEF) was established from which the required normal contributions for the increased benefits will be charged. To fund the accrued liabilities incurred by the System, the actuarial value of assets for the valuation period ending June 30, 1999 was adjusted to reflect the full market value of assets. The BEF also provided funding for the benefit increases under Chapter 353, P.L. 2001.

As of June 30, 2006 actuarial valuation, the assets in the BEF-State were fully depleted, and thus funding for the benefit enhancement will be part of the annual state appropriation.

The State made a contribution of \$230.96 million for fiscal year 2007, the first significant contribution to the system since fiscal year 1997. The amount contributed in fiscal year 2007 is equal to approximately 57.5% of the actuarially determined amount.

Chapter 108, P.L. 2003 provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by the PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008.

Contribution Requirements – SPRS

The contribution policy is set by N.J.S.A. 53:5A-34 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate of 7.5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The State made a contribution of \$28.98 million for fiscal year 2007, the first significant contribution to the system since fiscal year 1997. The amount contributed in fiscal year 2007 is equal to approximately 57.5% of the actuarially determined amount.

Contribution Requirements – TPAF

The contribution policy is set by N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate of 5%. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits.

To fund the benefit increases provided by Chapter 133, P.L. 2001, the legislation provided for the use of excess assets. A special benefit enhancement fund (BEF) was established from which the required normal contributions for the increased benefits will be charged. To fund the accrued liabilities incurred by the TPAF, the actuarial value of assets for the valuation period ending June 30, 1999 was adjusted to reflect the full market value of assets.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(5) CONTRIBUTIONS, *Continued*

As of June 30, 2005 actuarial valuation, the assets in the BEF were fully depleted, and thus funding for the benefit enhancement will be part of the annual state appropriation.

The State made a contribution of \$664.93 million for fiscal year 2007, the first significant contribution to the system since fiscal year 1997. The amount contributed in fiscal year 2007 is equal to approximately 57.5% of the actuarially determined amount.

Contribution Requirements – SACT

Participants contribute through payroll deductions and may contribute from 1% to 10% of their base salary, as defined. Contributions are voluntary and may be suspended at the beginning of any quarter. Contributions under the Tax Sheltered Supplemental Annuity Plan are subject to Federal law limitations and qualify for tax sheltered treatment permitted under Section 403(b) of the Internal Revenue Code. Participants are always fully vested for the accumulated units in their accounts.

Contribution Requirements – CPF

The State of New Jersey makes an annual appropriation payment to the CPF to pay current year benefits. The contribution requirements were established by the aforementioned statutes and are not actuarially determined. An actuarial valuation is not performed to determine the actuarial implications of the contribution requirements.

The contribution amount required and paid by the State of New Jersey for the fiscal year ended June 30, 2007 is \$426 thousand.

Contribution Requirements - SHBP-State (including PDP-State)

Contributions to pay for the health premiums of participating employees in the State Health Benefits Program (SHBP)-State are collected from the State of New Jersey, active members and retired members. The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are generally distributed to the SHBP on a monthly basis. Active and retired member contributions and payments from the PERS are generally received on a monthly basis. Certain State employees share in the cost of their premiums, as provided by Chapter 8, P.L. 1996.

Under the provisions of Chapter 8, P.L. 1996, the SHBP implemented premium sharing for employees covered under the State component of the program. Chapter 8 authorizes the State to negotiate premium sharing in the collective bargaining agreements governing employment of State employees. Premium sharing also applies to retired group coverage for employees who attain 25 years of creditable pension service after July 1, 1997 or who retire on a disability retirement after that same date. Those employees not represented by any bargaining unit premium share in accordance with rules established by the State Health Benefits Commission.

Contributions to pay for the premiums of participating employees in the PDP are collected from the State of New Jersey, and former active and retired members who have elected to participate under the rules of COBRA. The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are distributed to the PDP on a monthly basis.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(5) CONTRIBUTIONS, *Continued*

The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical (PRM) benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

The State made a contribution of \$1.29 billion including \$224.31 million for PERS PRM for fiscal year 2007.

Contribution Requirements - SHBP-Local (including PDP-Local)

Contributions to pay for the health premiums of participating employees in the State Health Benefits Program (SHBP)-Local are collected from State of New Jersey, participating local employers, active members and retired members. Local employer payments, active and retired member contributions, and payments from the TPAF are generally received on a monthly basis.

Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996.

Contributions to pay for the premiums of participating employees in the PDP are collected from participating local employers, and former active and retired members who have elected to participate under the rules of COBRA. Local employer payments as well as COBRA contributions are also received on a monthly basis.

The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical (PRM) benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

The State made a contribution of \$592.71 million for TPAF PRM for fiscal year 2007.

Contribution Requirements – NJSEDCP

Participants may defer between 1% and 100% of their salary and less any 414(h) reductions or \$15.5 thousand annually. Under the limited "catch up" provision, a participant may be eligible to defer up to a maximum of twice the annual maximum in the three years immediately preceding the retirement age at which no reduction in benefits would be applicable. The employer does not make contributions to the Plan.

Contribution Requirements – ABPLTD

The State of New Jersey makes an annual contribution to the ABPLTD, as required, toward the cost of long term disability benefits which extend beyond the calendar year following the year in which the disability benefits commence for those with a benefit commencement date on or after October 1, 1986.

The State made a contribution of \$2.61 million for fiscal year 2007.

Contribution Requirements – ABP

Members contribute a mandatory 5% of base or contractual salary that is tax deferred under the 414(h) provisions of the Internal Revenue code. Members are also permitted to make voluntary federal tax-deferred contributions under Internal Revenue Code Section 403(b). The State of New Jersey pays the employer contribution for all State and county employees participating in the plan. The employer contribution is based on 8% of base or contractual salary. The State of New Jersey is also responsible for the cost of noncontributory life insurance coverage and long term disability coverage for its plan members.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(5) CONTRIBUTIONS, Continued

The State made a contribution of \$128.96 million for fiscal year 2007.

Contribution Requirements – PAF

The contribution requirements were established by N.J.S.A. 43:3B-4. The State of New Jersey is required to make an annual appropriation payment to fund the cost-of-living increases payable to retirees and beneficiaries of retired members in the CPFPF, POPF and CPF. Funding is on a pay-as-you-go basis.

The State made a contribution of \$1.49 million for fiscal year 2007.

Contribution Requirements – DEP-State and Local

Contributions to pay for the premiums of participating employees in the Dental Expense Program Fund are collected from the State of New Jersey, local governmental and educational employers, active employees, and former and retired members who have elected to participate under the rules of COBRA. The cost of the premiums is shared by the State of New Jersey and active State employees. Former and retired employees who have chosen to participate under the rules of COBRA pay the full cost of the premium. The employers are billed for the full cost of coverage. The State of New Jersey provides contributions through State appropriations. These appropriations are distributed to the DEP on a biweekly and monthly basis. The active member share of the cost of premiums, which is included in the billing to the employers, is paid to the State on a biweekly and monthly basis. Members participating under COBRA remit their payments on a monthly basis. Retirees pay 100% of the overall dental cost.

The State made a contribution of \$37.94 million for fiscal year 2007.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(6) VESTING AND BENEFITS***Vesting and Benefit Provisions - JRS***

The vesting and benefit provisions are set by N.J.S.A. 43:6A and amended and supplemented by Chapter 470, P.L. 1981. The JRS provides retirement benefits as well as death and disability benefits. Retirement benefits for age and years of service are as follows:

Age		Years of Judicial Service	Benefit as a Percentage of Final Salary
70		10	75%
65		15	75%
60		20	75%
Age	Years of Judicial Service	Years of Public and Judicial Service	Benefit as a Percentage of Final Salary
65	5	15	50%
60	5	20	50%

Retirement benefits are also available at age 60 with five years of judicial service plus 15 years in the aggregate of public service, or at age 60 while serving as a judge with the benefit determined to be 2% of final salary, as defined, for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years. Deferred and early retirement benefits are also available.

Vesting and Benefit Provisions – CPFPPF

The vesting and benefit provisions are set by N.J.S.A. 43:16. The CPFPPF provides retirement as well as death and disability benefits to any active member after 25 years of service. A member may retire at age 60 after 25 years of service. Retirement is mandatory at age 65, except for chiefs of police, who may retire at age 70. Benefits are generally determined to be 60% of final salary, as defined, plus 1% for each creditable year of service, as defined, in excess of 25 years, but not to exceed 30 years. Members are always fully vested in their own contributions.

Chapter 4, P.L. 2001 provided increased benefits to certain members who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase was 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension benefit would increase from 65% to 70% of final compensation.

Vesting and Benefit Provisions – PFRS

The vesting and benefit provisions are set by N.J.S.A. 43:16A and 43:3B. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final compensation equals the compensation for

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Notes to Financial Statements, Continued
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(6) VESTING AND BENEFITS, *Continued*

the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service. The annual benefit under special retirement is 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70% of final compensation.

Widow/widowers of members retired since December 18, 1967 receive 50% of the retiree's final compensation. The minimum annual widow/widower's benefits of an accidental disability retiree prior to December 18, 1967 and of all retirees since December 18, 1967 is \$4,500.

Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions providing no survivor death benefits are payable.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The cost-of-living increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state related employer contributions.

Chapter 130, P.L. 2003 provided early retirement incentive benefits to local employees.

Chapter 4, P.L. 2001 provided increased benefits to certain members who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase was 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension benefit would increase from 65% to 70% of final compensation.

Vesting and Benefit Provisions – POPF

The vesting and benefit provisions are set by N.J.S.A. 43:7. The POPF provides retirement, as well as death and disability benefits. Retirement benefits are available after 25 years of service or at age 55 with 20 years of service. The benefit is in the form of a life annuity equal to the greater of (a) 2% of average final compensation up to the 30 years of service, plus 1% of average final compensation for each year of service above 30 and prior to age 65; (b) 50% of final pay; or (c) for members with 25 or more years of service, 2% of average final compensation for each year of service up to 30 years, plus 1% for each year in excess of 30 years. Average final compensation equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members are always fully vested for their own contributions.

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Notes to Financial Statements, Continued
June 30, 2007

(6) VESTING AND BENEFITS, Continued

Vesting and Benefit Provisions – PERS

The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS. Retirement benefits for age and service are available at age 60 and are generally determined to be $1/55$ of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for earnings on their contributions at 2% per annum. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12 month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement.

Chapter 23, P.L. 2002 provided early retirement incentive benefits to State employees who meet specified age and service requirements and who retired within a specified time period that generally extended from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with at least 20 but less than 25 years of service credit; and an additional monthly benefit of \$500 per month for 24 months following the date of retirement to employees who are at least 60 years of age with at least 10 but not more than 20 years of service credit. For those eligible for veterans' retirement benefit, the incentive is an additional pension of $3/55$ of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit. Similarly, Chapter 127, 128, and 129, P.L. 2003 provided early retirement incentive benefits to local employees.

Chapter 353, P.L. 2001 provided an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the members' compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which was effective October 2001.

Chapter 133, P.L. 2001 increased the retirement benefits under service, deferred, and early retirement by changing the formula from $1/60$ to $1/55$ of final compensation for each year of service. This legislation also increased

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Notes to Financial Statements, Continued
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(6) VESTING AND BENEFITS, *Continued*

the retirement benefit for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Chapter 259, P.L. 2001 amended the PERS statutes and created special retirement benefits for members employed as workers' compensation judges. PERS members entitled to the new benefits are the Chief Judge, the administrative supervisory judges, the supervisory judges, and the judges of compensation of the Division of Workers' Compensation of the Department of Labor. Those in eligible titles would receive retirement benefits comparable to those provided to members of the JRS. The effective date of this legislation was December 6, 2001.

Chapter 366, P.L. 2001 provided enhanced pension benefits to selected individuals with County Prosecutor Offices and in the Division of Criminal Justice.

Vesting and Benefit Provisions – SPRS

The vesting and benefit provisions are set by N.J.S.A. 53:5A. The SPRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service (as defined). Retirement benefits are available after 20 years of service (as defined) at any age with mandatory retirement at age 55. The retirement benefit is based upon final compensation, which is defined as salary (as defined) plus maintenance allowance (as defined) during the last 12 months prior to retirement, and is a life annuity equal to the greater of the following: (a) 50% of final compensation; (b) for members retiring due to mandatory retirement, 50% of final compensation, plus 2% for each year of service in excess of 20 years to a maximum of 60% of final compensation; or (c) for members retiring with 25 or more years of service, 65% of final compensation, plus 1% for each year of service in excess of 25 years, to a maximum of 70% of final compensation. Members may elect deferred retirement after ten years of service in which case benefits in the form of life annuity would begin at age 55 equal to 2% of final compensation for each year of service up to 20 years.

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions – TPAF

The vesting and benefit provisions are set by N.J.S.A. 18A:66. The TPAF provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the TPAF. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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(6) VESTING AND BENEFITS, *Continued*

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

Chapter 23, P.L. 2002 provided early retirement incentive benefits to State employees who meet specified age and service requirements and who retired within a specified time period that generally extended from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with at least 20 but less than 25 years of service credit; and an additional monthly benefit of \$500 per month for 24 months following the date of retirement to employees who are at least 60 years of age with at least 10 but not more than 20 years of service credit. For those eligible for veterans' retirement benefit, the incentive is an additional pension of 3/55 of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit. Similarly, Chapter 128 and 129, P.L. 2003 provided early retirement incentive benefits to local employees.

Chapter 353, P.L. 2001 provided an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the members' compensation during the highest paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which was effective October 2001.

Chapter 133, P.L. 2001 increased the retirement benefits under service, deferred, and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Vesting and Benefit Provisions – SACT

Upon retirement, a participant is paid a single cash payment or may elect various forms of monthly annuities or reduced annuity payments with a beneficiary provision based on the value of the participant's account in the month of retirement. Upon the death of a participant, the designated beneficiary may elect to receive a lump sum equal to the account value or an annuity under any of the settlement options which a retiree could elect under the Trust. Upon termination of employment and withdrawal from the basic retirement systems, a participant must also withdraw his account under the Trust as a lump sum settlement.

Benefit Provisions – CPF

Benefits are payable under various State of New Jersey acts in an amount equal to one half of the compensation received by the participant for his/her service. In the case of Disabled Veterans' Pensions and Surviving Spouses the amount is \$62.50 per month.

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(6) VESTING AND BENEFITS, *Continued*

Vesting and Benefit Provisions – NJSEDCP

Assets in the Plan are held in trust for the exclusive benefit of Plan members and their beneficiaries in accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." Plan members are fully vested for the current valuation of their account from the date of enrollment in the Plan. Benefits are payable upon separation from service with the State of New Jersey.

Benefit Provisions – ABPLTD

Members who are totally disabled due to an occupational or nonoccupational condition are eligible to receive a regular monthly benefit equal to 60% of the base salary earned over the 12 month period preceding the onset of the disability. The long term disability benefits continue until such time as the member retires or attains the age of 70, whichever comes first.

Vesting and Benefit Provisions - SHBP – State (including PDP-State)

The Program provides medical coverage to qualified active and retired participants. Under Chapter 136, P.L. 1977, the State of New Jersey pays for the health insurance coverage of all enrolled retired State employees (regardless of age) whose pensions are based upon 25 years or more of credited service or a disability retirement regardless of years of service. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. The Prescription Drug Program Fund (PDP) was established in December 1974, under N.J.S.A. 52:14-17.29 to provide coverage to employees and their eligible dependents for drugs which under federal or State law may be dispensed only upon a prescription written by a physician. State employees are eligible for PDP coverage after 60 days of employment.

Vesting and Benefit Provisions - SHBP – Local (including PDP-Local)

The Program provides free coverage to members of the PERS, TPAF and ABP who retire from a board of education or county college with 25 years of service or on a disability retirement. Partially funded benefits are also provided to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Also, local employees are eligible for the PDP coverage after 60 days of employment.

Vesting and Benefit Provisions – ABP

The ABP provides retirement benefits, disability benefits, and group life insurance benefits to eligible participants. Retirement benefits are payable upon separation from service with no age or service requirements. However, distributions under age 55 are limited to employee contributions and accumulations. The remaining employer's contributions and earnings are available for distribution upon attaining age 55. Participants are immediately vested if the participant has an existing retirement account containing employer and employee contributions based on employment in public education, or is an active or vested member of a federal or state retirement system.

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DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(6) VESTING AND BENEFITS, Continued

Benefit Provisions – PAF

The Pension Adjustment Program covers eligible retirees and survivors of the CPFPPF, POPF and CPF. Eligible retirees and/or survivors are those who have been retired at least 24 months.

Those eligible for benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12 month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement.

Chapter 4, P.L. 2001 provided increased benefits to certain members of the Consolidated Police and Firemen's Pension Fund who retired prior to December 29, 1989 with at least 25 years of creditable service. The benefit increase is effective November 1, 2001. The maximum amount of the increase was 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension benefit would increase from 65% to 70% of final compensation.

As a result of this legislation, cost-of-living benefits payable to eligible retirees also increased. The State, not the local municipalities, is responsible for these costs.

Benefit Provisions – DEP-State and Local

The Program provides coverage to employees and their eligible dependents for dental services performed by a qualified dentist. Employees are eligible for coverage after 60 days of employment.

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DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
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(7) FUNDS

The Funds maintain the following legally required funds as follows (amounts indicated in parenthesis represent net assets held in trust for the respective fund as indicated):

Members' Annuity Savings Fund – JRS (\$32,728,281); TPAF (\$7,563,158,194); PERS (\$8,530,151,309); PFRS (\$2,691,572,376); SPRS (\$163,513,046)

The Members' Annuity Savings Fund is credited with all contributions made by active members of the Funds. Member withdrawals are paid out of this Fund.

Contingent Reserve Fund – JRS (\$186,667,175); TPAF (\$1,705,254,326); PERS (\$1,467,366,773); SPRS (\$1,362,223,843)

The Contingent Reserve Fund is credited with the contributions of contributing employers. Interest earnings, after crediting the Accumulative Interest Fund, Retirement Reserve Fund, and Special Reserve Fund, as required, are credited to this account. Additionally, payments for life insurance premiums and administrative expenses are made from this Fund.

Retirement Reserve Fund – JRS (\$152,955,092); TPAF (\$24,799,022,806); PERS (\$17,419,836,954); PFRS (\$9,315,156,079); SPRS (\$543,524,025)

The Retirement Reserve Fund is the account from which retirement benefits including cost-of-living adjustments are paid. Upon retirement of a member, accumulated contributions together with accumulated interest are transferred to the Retirement Reserve Fund from the Members' Annuity Savings Fund. Any additional reserves needed to fund the balance of the retirement benefit are transferred from the Contingent Reserve Fund or Pension Accumulation Fund. Annually, interest as determined by the State Treasurer (8.25% for fiscal year 2007) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund – POPF (\$13,499,361)

The Retirement Reserve Fund is credited with active member and State of New Jersey contributions and investment income. In addition, all benefits are paid from this account.

Special Reserve Fund – TPAF (\$338,834,188); PERS (\$261,992,402); PFRS (\$196,283,294)

The Special Reserve Fund is a fund to which any excess earnings and gains from sales and maturities of investments are transferred and against which any losses from the sales of securities are applied. The maximum limit on the accumulation of this account is 1% of the market value of the investments allocated to the Funds, excluding Cash Management Fund investments and bonds allocated to the Contributory Group Insurance Premium Fund. Amounts in excess of 1% are credited to the Contingent Reserve Fund.

Contributory Group Insurance Premium Fund – TPAF (\$120,393,621); PERS (\$262,851,256)

The Contributory Group Insurance Premium Fund represents the accumulation of member group insurance contributions in excess of premiums disbursed to the insurance carrier since the inception of the contributory death benefit program plus reserves held by the insurance carriers. Members are required by statute to participate in the contributory group insurance plan in the first year of membership and may cancel the contributory coverage thereafter. The current contribution rate for active members is 0.4 of 1% of salary for TPAF and 0.5 of 1% of salary for PERS, as defined.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(7) FUNDS, Continued

Non-Contributory Group Insurance Premium Fund – PFRS-Local (\$1,971,884)

The Non-Contributory Group Insurance Premium Fund represents the accumulation of employer group insurance contributions in excess of premiums disbursed to the insurance carrier since the inception of the non-contributory death benefit program plus reserves held by the insurance carrier. Members are eligible by statute for the non-contributory group insurance plan in the first year of membership. PERS-Local maintained a negative balance of \$11,589,626 which represents a restricted asset.

Pension Accumulation Fund – PFRS (\$9,365,000,072)

The Pension Accumulation Fund is credited with the contributions of the State of New Jersey and other employers. Interest earnings, after crediting the Annuity Savings Fund (ASF) and the Retirement Reserve Fund, as required, are credited to this account. Additionally, payments for life insurance premiums and administrative expenses are made from this Fund.

Pension Reserve Fund – CPFPPF (\$16,096,595)

The Pension Reserve Fund is credited with all active member and State of New Jersey contributions and investment income.

Reserve Fund – Alternate Benefit – Long Term Disability (\$1,913,525)

The fund balance of the ABPLTD is available for future payments to participants.

Benefit Enhancement Reserve Fund – TPAF (\$0); PERS (\$444,437,196)

The Benefit Enhancement Reserve Fund is a special reserve fund from which the required normal contributions to provide benefit increases under Chapter 353, P.L. 2001 and Chapter 133, P.L. 2001 will be charged. The fund was established in 2002 and credited with excess assets equivalent to member contributions for fiscal years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the Benefit Enhancement Fund. Additional transfers will be made, as required, to maintain a fund balance equal to the present value of expected additional normal contributions due to the increased benefits.

Reserve Fund – SHBP-State (including PDP-State) (\$-30,286,656)

In the Health Benefit Program-State, expenditures were greater than revenue; therefore, the 2007 year end net asset balance was lower than the beginning net asset balance. The State as the employer is attempting to deal with the rising cost of healthcare by implementing changes to cost sharing between employees and employers, by conversion of an indemnity plan to a managed care plan, and through the establishment of rates that are projected to recover anticipated claims and result in a positive balance.

Reserve Fund – SHBP-Local (including PDP-Local) (\$581,517,756)

The net assets of the SHBP - Local are available to pay claims of future periods. These reserves are maintained by the fund to stabilize rates and to meet unexpected increase in claims.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2007

(7) FUNDS, Continued

Various Reserve Fund net asset balances as of June 30, 2007 as described previously:

	PENSION TRUST FUNDS	HEALTH BENEFIT PROGRAM FUNDS
Members' Annuity Savings Fund	\$18,981,123,206	—
Contingent Reserve Fund	4,721,512,117	—
Retirement Reserve Fund	52,243,994,317	—
Special Reserve Fund	797,109,884	—
Contributory Group Insurance Premium Fund	383,244,877	—
Non-contributory Group Insurance Premium Fund	1,971,884	—
Pension Accumulation Fund	9,365,000,072	—
Pension Reserve Fund	16,096,595	—
Reserve Fund	1,913,525	551,231,100
Benefit Enhancement Reserve Fund	444,437,196	—
Variable Accumulation Reserve Account (SACT and DCP)	2,217,585,812	—
Variable Benefits Reserve Account (SACT)	31,793,102	—
Total	\$ 89,205,782,587	551,231,100

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2007

(8) DENTAL EXPENSE PROGRAM FUND, NET ASSETS, BEGINNING OF YEAR - RESTATEMENT

As discussed in note 1, the Division implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" for the year ended June 30, 2007. As a result of the implementation, the Dental Expense Program met the conditions to be reported as an agency fund. The net assets, beginning of year, were restated as follows:

	STATE	LOCAL	TOTAL
July 1, 2006 Net assets (deficit), beginning of year	\$ 5,137,704	(2,827,749)	2,309,955
Liability	(5,137,704)	2,827,749	(2,309,955)
July 1, 2006 Net assets, beginning of year, as restated	\$ —	—	—

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information
 Schedule of Funding Progress
 (Unaudited)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL ((b - a) / c)
JUDICIAL RETIREMENT SYSTEM (JRS)						
June 30, 1998	\$ 333,437,794	305,779,217	(27,658,577)	109.0%	48,196,350	(57.4%)
June 30, 1999	352,858,160	313,873,659	(38,984,501)	112.4	48,886,350	(79.7)
June 30, 2000	374,486,433	350,920,345	(23,566,088)	106.7	55,514,214	(42.5)
June 30, 2001	379,592,346	372,760,069	(6,832,277)	101.8	57,800,334	(11.8)
June 30, 2002	373,231,198	388,950,803	15,719,605	96.0	61,873,500	25.4
June 30, 2003	372,835,265	431,450,218	58,614,953	86.4	61,600,500	95.2
June 30, 2004	371,730,163	445,922,358	74,192,195	83.4	61,576,750	120.5
June 30, 2005	369,491,366	466,145,912	96,654,546	79.3	60,506,750	159.7
June 30, 2006	369,493,799	493,778,007	124,284,208	74.8	62,492,250	198.9
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND (CPFPF)						
June 30, 1998	\$ 62,205,001	59,272,789	(2,932,212)	104.9%	N/A	N/A
June 30, 1999	54,018,660	52,226,208	(1,792,452)	103.4	N/A	N/A
June 30, 2000	46,078,644	46,544,429	465,785	99.0	N/A	N/A
June 30, 2001	38,656,261	41,658,355	3,002,094	92.8	N/A	N/A
June 30, 2002	31,842,796	36,350,384	4,507,588	87.6	N/A	N/A
June 30, 2003	27,623,585	41,396,376	13,772,791	66.7	N/A	N/A
June 30, 2004	21,735,396	35,052,202	13,316,806	62.0	N/A	N/A
June 30, 2005	21,886,445	30,031,591	8,145,146	72.9	N/A	N/A
June 30, 2006	22,453,828	24,749,667	2,295,839	90.7	N/A	N/A
POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)						
State						
June 30, 1998	\$ 1,559,131,933	1,377,734,455	(181,397,478)	113.2%	346,079,078	(52.4%)
June 30, 1999	1,717,248,151	1,534,470,501	(182,777,650)	111.9	362,949,950	(50.4)
June 30, 2000	1,884,870,936	1,666,842,906	(218,028,030)	113.1	363,360,250	(60.0)
June 30, 2001	1,991,299,968	1,866,140,391	(125,159,577)	106.7	398,118,379	(31.4)
June 30, 2002	2,032,977,241	2,046,820,189	13,842,948	99.3	418,849,259	3.3
June 30, 2003	1,907,752,767	2,330,909,918	423,157,151	81.8	447,470,022	94.6
June 30, 2004	1,940,936,459	2,509,192,584	568,256,125	77.4	450,406,301	126.2
June 30, 2005	2,005,752,079	2,815,620,221	809,868,142	71.2	482,460,402	167.9
June 30, 2006	2,082,930,162	3,082,176,677	999,246,515	67.6	506,084,434	197.4
Local						
June 30, 1998	\$ 13,169,957,658	12,881,842,367	(288,115,291)	102.2%	1,870,322,787	(15.4%)
June 30, 1999	14,536,570,357	13,894,951,617	(641,618,740)	104.6	1,971,087,124	(32.6)
June 30, 2000	15,644,750,281	14,924,699,712	(720,050,569)	104.8	2,055,781,766	(35.0)
June 30, 2001	16,083,153,842	16,056,446,646	(26,707,196)	100.2	2,163,590,060	(1.2)
June 30, 2002	16,392,195,411	17,181,142,310	788,946,899	95.4	2,275,130,620	34.7
June 30, 2003	16,447,380,691	18,422,073,072	1,974,692,381	89.3	2,393,467,444	82.5
June 30, 2004	16,762,453,668	19,769,046,766	3,006,593,098	84.8	2,524,859,162	119.1
June 30, 2005	17,372,138,294	21,388,972,326	4,016,834,032	81.2	2,619,347,468	153.4
June 30, 2006	18,281,315,556	22,907,522,660	4,626,207,104	79.8	2,772,915,465	166.8

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information
 Schedule of Funding Progress
 (Unaudited)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL ((b - a) / c)
PRISON OFFICERS' PENSION FUND (POPF)						
June 30, 1998	\$ 20,096,072	16,430,313	(3,665,759)	122.3%	N/A	N/A
June 30, 1999	19,137,919	15,292,629	(3,845,290)	125.1	N/A	N/A
June 30, 2000	18,268,489	14,216,588	(4,051,901)	128.5	N/A	N/A
June 30, 2001	18,269,899	12,994,567	(5,275,332)	140.6	N/A	N/A
June 30, 2002	17,908,452	11,781,734	(6,126,718)	152.0	N/A	N/A
June 30, 2003	17,277,953	10,727,647	(6,550,306)	161.1	N/A	N/A
June 30, 2004	15,884,428	10,060,710	(5,823,718)	157.9	N/A	N/A
June 30, 2005	14,783,465	9,077,157	(5,706,308)	162.9	N/A	N/A
June 30, 2006	14,014,718	8,236,295	(5,778,423)	170.2	N/A	N/A
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)						
State						
March 31, 1998	\$ 7,600,621,930	7,155,035,122	(445,586,808)	106.2%	2,805,791,909	(15.9%)
June 30, 1999	8,879,920,323	7,823,576,056	(1,056,344,267)	113.5	2,928,470,790	(36.1)
June 30, 2000	9,743,727,383	8,538,685,222	(1,205,042,161)	114.1	3,094,280,664	(38.9)
June 30, 2001	11,123,818,861	9,886,463,368	(1,237,355,493)	112.5	3,288,383,788	(37.6)
June 30, 2002	11,073,156,965	10,760,557,483	(312,599,482)	102.9	3,511,151,199	(8.9)
June 30, 2003	10,829,953,189	11,942,299,170	1,112,345,981	90.7	3,576,118,300	31.1
June 30, 2004	10,693,508,592	12,620,379,435	1,926,870,843	84.7	3,751,765,096	51.4
June 30, 2005	10,631,348,826	13,432,528,883	2,801,180,057	79.1	4,028,028,170	69.5
June 30, 2006	10,668,645,162	14,797,684,446	4,129,039,284	72.1	4,253,564,219	97.1
Local						
March 31, 1998	\$ 11,486,495,310	10,286,532,879	(1,199,962,431)	111.7%	4,513,357,772	(26.6%)
June 30, 1999	13,171,311,650	11,163,283,877	(2,008,027,773)	118.0	4,655,241,261	(43.1)
June 30, 2000	14,380,511,913	12,007,160,806	(2,373,351,107)	119.8	4,910,962,708	(48.3)
June 30, 2001	16,625,288,260	13,819,038,491	(2,806,249,769)	120.3	5,240,338,738	(53.6)
June 30, 2002	16,503,081,054	14,929,334,103	(1,573,746,951)	110.5	5,534,322,805	(28.4)
June 30, 2003	16,406,284,200	15,887,012,746	(519,271,454)	103.3	5,811,726,702	(8.9)
June 30, 2004	16,414,022,003	17,077,938,057	663,916,054	96.1	6,140,413,756	10.8
June 30, 2005	16,482,040,944	18,341,857,304	1,859,816,360	89.9	6,416,265,644	29.0
June 30, 2006	16,699,827,172	20,273,979,840	3,574,152,668	82.4	6,730,309,209	53.1
STATE POLICE RETIREMENT SYSTEM (SPRS)						
June 30, 1998	\$ 1,458,600,992	1,369,277,968	(89,323,024)	106.5%	167,145,161	(53.4%)
June 30, 1999	1,600,165,104	1,469,144,146	(131,020,958)	108.9	178,203,420	(73.5)
June 30, 2000	1,752,423,441	1,512,909,805	(239,513,636)	115.8	188,466,237	(127.1)
June 30, 2001	1,829,414,353	1,626,631,656	(202,782,697)	112.5	199,727,203	(101.5)
June 30, 2002	1,853,684,177	1,739,427,739	(114,256,438)	106.6	215,161,126	(53.1)
June 30, 2003	1,865,079,083	1,815,725,256	(49,353,827)	102.7	217,448,864	(22.7)
June 30, 2004	1,897,525,210	1,949,309,641	51,784,431	97.3	223,552,154	23.2
June 30, 2005	1,922,443,732	2,075,266,080	152,822,348	92.6	241,813,372	63.2
June 30, 2006	1,970,398,511	2,319,656,532	349,258,021	84.9	263,220,592	132.7

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information
 Schedule of Funding Progress
 (Unaudited)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL ((b - a) / c)
TEACHERS' PENSION AND ANNUITY FUND (TPAF)						
March 31, 1998	\$ 24,478,860,383	23,484,403,450	(994,456,933)	104.2%	5,989,748,156	(16.6%)
June 30, 1999	27,457,451,678	25,546,083,289	(1,911,368,389)	107.5	6,254,198,406	(30.6)
June 30, 2000	30,203,205,322	27,404,618,051	(2,798,587,271)	110.2	6,571,641,181	(42.6)
June 30, 2001	35,351,379,511	32,745,357,185	(2,606,022,326)	108.0	6,948,381,383	(37.5)
June 30, 2002	35,148,246,433	35,146,591,842	(1,654,591)	100.0	7,348,993,141	0.0
June 30, 2003	34,651,825,932	37,383,732,882	2,731,906,950	92.7	7,702,854,159	35.5
June 30, 2004	34,633,790,549	40,447,690,339	5,813,899,790	85.6	8,047,272,269	72.2
June 30, 2005	34,789,389,875	43,967,927,299	9,178,537,424	79.1	8,454,072,109	108.6
June 30, 2006	35,531,294,790	46,539,868,653	11,008,573,863	76.3	8,748,623,186	125.8

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information
 Schedule of Funding Progress
 (Unaudited)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL*	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL * ((b - a) / c)
Health Benefit Program Fund — State						
June 30, 2006	\$ —	21,587,100,000	21,587,100,000	—	N/A	N/A
Health Benefit Program Fund — Education — State						
June 30, 2006	—	36,471,900,000	36,471,900,000	—	N/A	N/A
Total State	—	8,059,000,000	58,059,000,000	—	N/A	N/A
Health Benefit Program Fund — Local						
June 30, 2006	—	10,774,600,000	10,774,600,000	—	N/A	N/A

* Required disclosure at adoption of standard. Covered payroll not available for this initial analysis.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information
Schedule of Funding Progress — Additional Actuarial Information
(Unaudited)

Significant actuarial methods and assumptions used in the most recent 2006 actuarial valuations include the following:

	JRS	CPFPF
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level percent, open	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	2.00%
Salary range	5.45%	—
Cost-of-living adjustments	1.80%	—
Valuation date	June 30, 2006	June 30, 2006
	PFRS	POPF
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	Market value
Amortization method	Level percent, open	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	5.00%
Salary range	7.20%	—
Cost-of-living adjustments	1.80%	—
Valuation date	June 30, 2006	June 30, 2006

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information
Schedule of Funding Progress — Additional Actuarial Information
(Unaudited)

	PERS	SPRS
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level percent, open	Level percent, open
Remaining amortization period	30 years	30 years
Actuarial assumptions:		
Interest rate	8.25%	8.25%
Salary range	5.45%	5.45%
Cost-of-living adjustments	1.80%	1.80%
Valuation date	June 30, 2006	June 30, 2006
	TPAF	
Actuarial cost method	Projected unit credit	
Asset valuation method	5 year average of market value	
Amortization method	Level percent, open	
Remaining amortization period	30 years	
Actuarial assumptions:		
Interest rate	8.25%	
Salary range	5.45%	
Cost-of-living adjustments	1.80%	
Valuation date	June 30, 2006	

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information
 Schedule of Funding Progress — Additional Actuarial Information
 (Unaudited)

HEALTH BENEFIT PROGRAM FUNDS

Actuarial cost method	Projected unit credit
Asset valuation method	Market value
Amortization method	Level percent, open
Payroll growth rate for amortization	4.00%
Remaining amortization period	30 years
Actuarial assumptions:	
Interest rate	4.50% (assuming no prefunding)
Salary Range	N/A
Cost-of-living adjustments	N/A
Valuation date	June 30, 2006

For medical benefits, the healthcare cost trend rate assumption initially is at 10.0% or 11.0% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after twelve years. For prescription drug benefits, the initial healthcare cost trend rate assumption is 12.0%, decreasing to a 5.0% long-term trend rate after fourteen years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 6.5% for three years, with a long-term trend rate of 5.0% thereafter.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information
 Schedule of Employer Contributions
 (Unaudited)

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS ⁽¹⁾	PERCENTAGE CONTRIBUTED
JUDICIAL RETIREMENT SYSTEM			
1998	\$ 14,658,095	13,478,708	92.0%
1999	13,416,851	—	—
2000	13,407,153	—	—
2001	12,816,557	—	—
2002	15,575,602	—	—
2003	16,913,237	8,467,287	50.1
2004	18,720,233	3,355,438	17.9
2005	22,525,773	6,162,076	27.4
2006	23,212,502	7,972,000	34.3
2007	25,174,191	13,355,587	53.1
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND			
1998	\$ —	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	550,864	506,541	92.0
2003	3,550,445	2,713,914	76.4
2004	5,330,714	1,950,425	36.6
2005	14,329,212	7,046,000	49.2
2006	13,854,805	6,396,222	46.2
2007	8,474,210	1,783,902	21.1
POLICE AND FIREMEN'S RETIREMENT SYSTEM			
State			
1998	\$ 84,167,834	73,587,848	87.4%
1999	93,920,617	23,730,087	25.3
2000	98,974,449	60,521,749	61.1
2001	95,883,272	—	—
2002	103,580,989	—	—
2003	104,998,547	—	—
2004	118,297,232	22,215,429	18.8
2005	161,455,508	49,326,846	30.6
2006	200,902,193	73,541,000	36.6
2007	216,570,332	127,404,777	58.8
Local			
1998	\$ 238,002,765	223,491,008	93.9%
1999	273,210,113	256,551,862	93.9
2000	275,790,739	214,164,848	77.7
2001	249,746,232	75,670,018	30.3
2002	248,754,078	185,415	0.1
2003	259,969,532	364,850	0.1
2004	316,272,883	53,396,685	16.9
2005	355,229,715	132,740,650	37.4
2006	475,872,193	260,986,583	54.8
2007	584,645,679	422,743,218	72.3

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information
 Schedule of Employer Contributions
 (Unaudited)

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS ⁽¹⁾	PERCENTAGE CONTRIBUTED
PRISON OFFICERS' PENSION FUND			
1998	\$ —	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	—	—	N/A
2003	—	—	N/A
2004	—	—	N/A
2005	—	—	N/A
2006	—	—	N/A
2007	—	—	N/A
PUBLIC EMPLOYEES' RETIREMENT SYSTEM⁽²⁾			
State			
1998	\$ 78,833,287	—	—%
1999	86,945,810	—	—
2000	103,033,425	—	—
2001	85,078,620	—	—
2002	88,911,187	—	—
2003	44,636,619	—	—
2004	50,365,892	526,505	1.0
2005	115,017,395	463,342	0.4
2006	153,436,981	568,139	0.4
2007	379,946,338	215,629,964	56.8
Local			
1998	\$ 84,639,988	19,034,673	22.5%
1999	111,886,040	19,599,153	17.5
2000	112,800,127	20,541,177	18.2
2001	88,717,727	21,670,774	24.4
2002	77,254,063	16,174,534	20.9
2003	—	16,987,033	N/A
2004	—	20,882,718	N/A
2005	29,425,853	56,916,883	193.4
2006	102,618,135	141,498,069	137.9
2007	382,344,230	242,230,174	63.4
STATE POLICE RETIREMENT SYSTEM			
1998	\$ 33,317,314	—	—%
1999	33,116,255	—	—
2000	33,598,843	—	—
2001	35,341,259	—	—
2002	24,990,652	—	—
2003	29,449,164	—	—
2004	37,600,821	—	—
2005	37,943,519	187,909	0.5
2006	47,196,900	12,941,000	27.4
2007	56,502,006	29,875,748	52.9

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information
 Schedule of Employer Contributions
 (Unaudited)

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS⁽¹⁾	PERCENTAGE CONTRIBUTED
TEACHERS' PENSION AND ANNUITY FUND			
1998	\$ 297,219,462	—	—%
1999	314,671,482	258,816,649	82.2
2000	368,904,564	—	—
2001	—	—	N/A
2002	—	—	N/A
2003	194,435,594	—	—
2004	686,284,850	—	—
2005	883,460,483	—	—
2006	1,177,674,055	93,834,999	8.0
2007	1,407,249,580	699,322,200	49.7

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information
 Schedule of Employer Contributions
 (Unaudited)

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION ⁽³⁾	EMPLOYER CONTRIBUTIONS ⁽¹⁾	PERCENTAGE CONTRIBUTED
Health Benefit Program Fund — State			
2007	\$1,880,600,000	404,415,000	21.5%
Health Benefit Program Fund — Education — State			
2007	3,067,400,000	659,405,000	21.5
Total State	4,948,000,000	1,063,820,000	21.5
Health Benefit Program Fund — Local			
2007	892,200,000	185,536,000	20.8

Notes to schedule:

- (1) In accordance with Chapter 115, P.L. 1997, available excess valuation assets were used to fund, in full or in part, the required employer contributions.
- (2) The local employer contributions to the PERS from 1998 to 2004 represent the required contributions under the early retirement incentive programs.
- (3) The Annual Required Contribution reflects a 30-year, 4.0% annual increasing amortization of the unfunded actuarial accrued liability. Based on expected benefit payments plus retiree drug subsidy for the applicable fiscal year end.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Schedule of Administrative Expenses
 Year Ended June 30, 2007

	PERS	TPAF	PFPS	CPFPF	POPF	SPRS	JRS	NJSEDCP	TOTAL
Personnel Services									
Salaries & Wages	\$9,208,150	5,455,526	2,677,689	13,197	3,298	264,946	106,071	197,827	\$17,926,704
Employee Benefits	3,133,022	1,901,342	875,988	4,530	1,132	80,776	35,477	68,650	6,100,917
Total Personnel Services	12,341,172	7,356,868	3,553,677	17,727	4,430	345,722	141,548	266,477	24,027,621
Professional Services									
Actuarial Services ⁽¹⁾	587,650	227,900	305,467	2,400	668	21,694	3,456	—	1,149,235
Data Processing	1,107,000	835,113	214,949	1,490	899	75,266	2,432	25,291	2,262,440
Information Systems	1,556,465	1,806,610	742,211	2,474	1,967	31,406	5,003	31,373	4,177,509
Other Professional ⁽²⁾	411,818	209,553	74,731	554	154	5,399	798	170,600	873,307
Medical Reviews (exams/hearings) ⁽¹⁾	317,311	64,288	231,711	—	—	13,100	—	—	626,410
Elections ⁽¹⁾	59,363	—	—	—	—	—	—	—	59,363
Internal Audit & Legal	573,999	293,027	99,173	779	217	7,043	1,122	—	975,360
Total Professional Services	4,613,606	3,436,491	1,667,942	7,697	3,905	153,908	12,811	227,264	10,123,624
Communication									
Travel	4,973	9,993	4,481	3	1	248	4	1,875	21,578
Telephone	150,706	96,936	46,038	205	57	1,849	295	2,800	298,886
Postage	569,120	290,536	198,330	772	215	6,983	1,112	1,000	1,068,068
Motor Pool	17,997	9,187	3,109	24	7	221	35	—	30,580
Printing & Office	230,907	117,878	82,189	313	87	2,833	451	—	434,658
Total Communication	973,703	524,530	334,147	1,317	367	12,134	1,897	5,675	1,853,770
Miscellaneous									
Office Space	1,497,375	974,741	379,193	1,032	565	18,373	2,927	12,000	2,886,206
Maintenance	53,846	37,488	19,303	73	20	661	105	—	111,496
Equipment	15,566	7,947	2,689	21	6	191	30	—	26,450
Other Services & Charges	11,482	5,862	1,984	16	4	141	22	—	19,511
Total Miscellaneous	1,578,269	1,026,038	403,169	1,142	595	19,366	3,084	12,000	3,043,663
Total Administrative Expense	\$19,506,750	12,343,927	5,958,935	27,883	9,297	531,130	159,340	511,416	\$39,048,678

⁽¹⁾ Consulting

⁽²⁾ Portion of Consulting

Schedule 4

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Investment Expense
Year Ended June 30, 2007

	PERS	TPAF	PFRS	CPFPE	POPF	SPRS	JRS	NJSEDCP	TOTAL
Investment Expense	\$6,445,180	3,221,987	1,091,961	10,226	2,553	78,291	12,721	222,627	\$11,085,546

Schedule 5

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Expenses for Consultants
Year Ended June 30, 2007

	PERS	TPAF	PFRS	CPFPE	POPF	SPRS	JRS	NJSEDCP	TOTAL
Actuarial									
Buck Consultants	\$587,650	—	305,467	2,400	668	21,694	3,456	—	\$921,335
Milliman	—	227,900	—	—	—	—	—	—	227,900
Medical Review (exams/hearings)	317,311	64,288	231,711	—	—	13,100	—	—	626,410
Unemployment Contract									
TALX	31,283	15,975	5,404	—	—	383	61	—	53,106
Elections									
Corporate Marketing	59,363	—	—	—	—	—	—	—	59,363
Total Expenses for Consultants	\$995,607	308,163	542,582	2,400	668	35,177	3,517	—	\$1,888,114

DIVISION OF PENSIONS AND BENEFITS

Schedule of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

	PENSION TRUST FUNDS	HEALTH BENEFIT PROGRAM FUNDS	TOTAL
Assets:			
Cash and cash equivalents	\$ 1,022,277	374,739	\$ 1,397,016
Securities lending collateral	18,488,147,522	—	18,488,147,522
Investments, at fair value:			
Cash Management Fund	3,308,071,472	910,103,892	4,218,175,364
Bonds	120,670,093	—	120,670,093
Common Pension Fund A	33,235,413,335	—	33,235,413,335
Common Pension Fund B	20,937,806,815	—	20,937,806,815
Common Pension Fund D	17,713,301,235	—	17,713,301,235
Common Pension Fund E	6,070,474,457	—	6,070,474,457
Common and preferred stocks	176,685,426	—	176,685,426
Mortgages	1,308,448,286	—	1,308,448,286
U.S. Government obligations	440,449,436	—	440,449,436
Domestic equities	1,273,088,973	—	1,273,088,973
International equities	156,071,071	—	156,071,071
Other fixed income securities	35,155,805	—	35,155,805
Total investments	84,775,636,404	910,103,892	85,685,740,296
Receivables:			
Contributions:			
Members	204,532,623	1,031,121	205,563,744
Employers	2,709,463,244	106,337,844	2,815,801,088
Accrued interest and dividends	527,520,897	—	527,520,897
Members' loans	1,155,031,652	—	1,155,031,652
Other	20,305,994	1,206,170	21,512,164
Total receivables	4,616,854,410	108,575,135	4,725,429,545
Total assets	\$107,881,660,613	1,019,053,766	\$108,900,714,379
Liabilities:			
Accounts payable and accrued expenses	\$ 47,687,828	467,732,726	\$ 515,420,554
Retirement benefits payable	137,726,573	—	137,726,573
Non-contributory group insurance premiums payable	11,073,293	—	11,073,293
Cash overdraft	2,832,436	89,940	2,922,376
Securities lending collateral and rebates payable	18,488,147,522	—	18,488,147,522
Total liabilities	18,687,467,652	467,822,666	19,155,290,318
Net assets held in trust for pension and health benefits	\$ 89,194,192,961	551,231,100	\$ 89,745,424,061

Schedule 6A

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Combining Schedule of Fiduciary Net Assets
Pension Trust and Health Benefit Program Funds

June 30, 2007

	ALTERNATE BENEFIT LONG TERM DISABILITY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	DEFERRED COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS' PENSION FUND
Assets:							
Cash	\$ —	27,172	131,585	23,422	32,274	143,305	340,478
Securities lending collateral	—	—	8,274	—	74,379,660	3,887,547,737	4,553
Investments, at fair value:							
Cash Management Fund	1,913,525	26,975	14,176,800	162,407,735	27,345,034	870,697,795	13,099,603
Bonds	—	—	—	—	—	—	—
Common Pension Fund A	—	—	—	—	125,480,285	7,734,741,833	—
Common Pension Fund B	—	—	—	—	85,584,121	4,166,503,153	—
Common Pension Fund D	—	—	—	—	77,574,526	4,137,994,344	—
Common Pension Fund E	—	—	—	—	52,121,374	1,552,048,426	—
Common and Preferred Stocks	—	—	—	—	—	—	—
Mortgages	—	—	411,158	—	1,947,625	1,166,343,866	226,247
U.S. Government obligations	—	—	—	440,449,436	—	—	—
Domestic equities	—	—	—	1,273,088,973	—	—	—
International equities	—	—	—	156,071,071	—	—	—
Other fixed income securities	—	—	—	35,155,805	—	—	—
Total investments	1,913,525	26,975	14,587,958	2,067,173,020	370,052,965	19,628,329,417	13,325,850
Receivables:							
Contributions:							
Members	—	—	—	—	67,030	53,598,187	—
Employers	—	—	—	—	—	1,367,331,659	—
Accrued interest and dividends	—	26	2,780	1,990,572	2,355,960	117,119,971	—
Members' loans	—	—	—	—	789,885	424,055,800	—
Other	—	—	1,670,297	—	74,719	13,603,365	1,415
Total receivables	—	26	1,673,077	1,990,572	3,287,594	1,975,708,982	1,415
Total assets	\$ 1,913,525	54,173	16,400,894	2,069,187,014	447,752,493	25,491,729,441	13,672,296
Liabilities:							
Accounts payable and accrued expenses	\$ —	46,587	17,910	1,038,750	9,563	1,886,718	2,477
Retirement benefits payable	—	7,586	278,115	—	1,012,722	30,318,907	165,905
Non-contributory group insurance premiums payable	—	—	—	—	—	1,992,374	—
Cash overdraft	—	—	—	—	—	—	—
Securities lending collateral and rebates payable	—	—	8,274	—	74,379,660	3,887,547,737	4,553
Total liabilities	—	54,173	304,299	1,038,750	75,401,945	3,921,745,736	172,935
Net assets held in trust for pension and health benefits	\$ 1,913,525	—	16,096,595	2,068,148,264	372,350,548	21,569,983,705	13,499,361

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Combining Schedule of Fiduciary Net Assets
Pension Trust and Health Benefit Program Funds
June 30, 2007

	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS' PENSION AND ANNUITY FUND	HEALTH BENEFIT PROGRAM FUND STATE	HEALTH BENEFIT PROGRAM FUND LOCAL	TOTAL
Assets:							
Cash	—	—	—	324,041	—	374,739 \$	1,397,016
Securities lending collateral	6,189,377,299	463,646,660	—	7,873,183,339	—	—	18,488,147,522
Investments, at fair value:							
Cash Management Fund	1,042,670,402	73,208,520	7,122,664	1,095,402,419	134,549,125	775,554,767	4,218,175,364
Bonds	72,403,031	—	—	48,267,062	—	—	120,670,093
Common Pension Fund A	10,361,222,471	804,804,189	—	14,209,164,557	—	—	33,235,413,335
Common Pension Fund B	7,152,080,186	537,129,252	—	8,996,510,103	—	—	20,937,806,815
Common Pension Fund D	5,649,171,869	434,567,085	—	7,413,993,411	—	—	17,713,301,235
Common Pension Fund E	2,123,723,024	175,921,487	—	2,166,660,146	—	—	6,070,474,457
Common and Preferred Stocks	—	—	176,685,426	—	—	—	176,685,426
Mortgages	60,626,217	3,735,807	—	75,157,366	—	—	1,308,448,286
U.S. Government obligations	—	—	—	—	—	—	440,449,436
Domestic equities	—	—	—	—	—	—	1,273,088,973
International equities	—	—	—	—	—	—	156,071,071
Other fixed income securities	—	—	—	—	—	—	35,155,805
Total investments	26,461,897,200	2,029,366,340	183,808,090	34,005,155,064	134,549,125	775,554,767	85,685,740,296
Receivables:							
Contributions:							
Members	74,639,159	1,086,577	519,092	74,622,578	556,909	474,212	205,563,744
Employers	1,258,945,811	29,095	—	83,156,679	26,114,160	80,223,684	2,815,801,088
Accrued interest and dividends	172,961,771	13,419,505	210,956	219,459,356	—	—	527,520,897
Members' loans	479,776,089	28,254,602	—	222,155,276	—	—	1,155,031,652
Other	3,325,804	—	16,443	1,613,951	213,538	992,632	21,512,164
Total receivables	1,989,648,634	42,789,779	746,491	601,007,840	26,884,607	81,690,528	4,725,429,545
Total assets	34,640,923,133	2,535,802,779	184,554,581	42,479,670,284	161,433,732	857,620,034	\$108,900,714,379
Liabilities:							
Accounts payable and accrued expenses	24,492,545	57,952	36,759	20,098,567	191,630,448	276,102,278 \$	515,420,554
Retirement benefits payable	44,458,326	2,797,966	1,291,428	57,395,618	—	—	137,726,573
Non-contributory group insurance premiums payable	6,751,294	—	—	2,329,625	—	—	11,073,293
Cash overdraft	797,405	39,287	1,995,744	—	89,940	—	2,922,376
Securities lending collateral and rebates payable	6,189,377,299	463,646,660	—	7,873,183,339	—	—	18,488,147,522
Total liabilities	6,265,876,869	466,541,865	3,323,931	7,953,007,149	191,720,388	276,102,278	19,155,290,318
Net assets held in trust for pension and health benefits	28,375,046,264	2,069,260,914	181,230,650	34,526,663,135	(30,286,656)	581,517,756	\$89,745,424,061

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Schedule of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2007

	PENSION TRUST FUNDS	HEALTH BENEFIT PROGRAM FUNDS	TOTAL
Additions:			
Contributions:			
Members	\$ 1,687,006,457	161,113,500	\$ 1,848,119,957
Employers	2,240,952,925	3,386,507,653	5,627,460,578
Other	8,528,960	—	8,528,960
Total contributions	3,936,488,342	3,547,621,153	7,484,109,495
Investment income:			
Net appreciation in fair value of investments	9,639,187,168	948,785	9,640,135,953
Interest	1,752,804,971	49,259,171	1,802,064,142
Dividends	708,708,122	—	708,708,122
	12,100,700,261	50,207,956	12,150,908,217
Less: investment expense	11,085,546	—	11,085,546
Net investment income	12,089,614,715	50,207,956	12,139,822,671
Total additions	16,026,103,057	3,597,829,109	19,623,932,166
Deductions:			
Benefits	5,927,567,004	3,601,096,822	9,528,663,826
Refunds of contributions	120,147,063	—	120,147,063
Administrative expenses	39,048,678	7,353,509	46,402,187
Total deductions	6,086,762,745	3,608,450,331	9,695,213,076
Net increase (decrease)	9,939,340,312	(10,621,222)	9,928,719,090
Net assets held in trust for pension and health benefits:			
Beginning of year	79,254,852,649	561,852,322	79,816,704,971
End of year	\$ 89,194,192,961	551,231,100	\$ 89,745,424,061

Schedule 7A

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets
Pension Trust and Health Benefit Program Funds

Year Ended June 30, 2007

	ALTERNATE BENEFIT LONG TERM DISABILITY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	DEFERRED COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS' PENSION FUND
Additions:							
Contributions							
Members	\$ —	—	—	173,352,442	2,201,527	307,335,360	—
Employers	2,613,675	426,071	1,809,773	—	12,741,898	825,687,477	—
Other	—	28,234	7,362,588	—	—	—	1,138,138
Total contributions	2,613,675	454,305	9,172,361	173,352,442	14,943,425	1,133,022,837	1,138,138
Investment income:							
Net appreciation (depreciation) in fair value of investments	(39)	—	132,848	222,642,662	41,849,434	2,204,650,600	65,642
Interest	146,565	6,264	489,317	14,433,257	7,491,489	411,094,785	649,096
Dividends	—	—	—	11,924,994	2,887,195	162,505,272	—
Less: investment expense	146,526	6,264	622,165	249,000,913	52,228,118	2,778,250,657	714,738
Net investment income	146,526	6,264	611,939	248,778,286	52,215,397	2,777,158,696	712,185
Total additions	2,760,201	460,569	9,784,300	422,130,728	67,158,822	3,910,181,533	1,850,323
Deductions:							
Benefits	2,641,791	426,800	11,873,928	61,812,001	32,941,192	1,253,343,568	2,356,383
Refunds of contributions	—	33,769	—	—	—	6,081,982	—
Administrative expenses	—	—	27,883	511,416	159,340	5,958,935	9,297
Total deductions	2,641,791	460,569	11,901,811	62,323,417	33,100,532	1,265,384,485	2,365,680
Net increase (decrease)	118,410	—	(2,117,511)	359,807,311	34,058,290	2,644,797,048	(515,357)
Net assets held in trust for pension and health benefits:							
Beginning of year	1,795,115	—	18,214,106	1,708,340,953	338,292,258	18,925,186,657	14,014,718
End of year	\$ 1,913,525	—	16,096,595	2,068,148,264	372,350,548	21,569,983,705	13,499,361

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets
Pension Trust and Health Benefit Program Funds

Year Ended June 30, 2007

	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS' PENSION AND ANNUITY FUND	HEALTH BENEFIT PROGRAM FUND STATE	HEALTH BENEFIT PROGRAM FUND LOCAL	TOTAL
Additions:							
Contributions							
Members	654,493,521	17,861,043	7,764,788	523,997,776	79,768,468	81,345,032	\$1,848,119,957
Employers	674,629,437	29,285,276	—	693,759,318	1,289,772,833	2,096,734,820	5,627,460,578
Other	—	—	—	—	—	—	8,528,960
Total contributions	1,329,122,958	47,146,319	7,764,788	1,217,757,094	1,369,541,301	2,178,079,852	7,484,109,495
Investment income:							
Net appreciation (depreciation)							
in fair value of investments	3,014,223,973	233,324,427	29,171,768	3,893,125,853	538,358	410,427	9,640,135,953
Interest	581,860,217	41,205,946	355,615	695,072,420	14,442,105	34,817,066	1,802,064,142
Dividends	221,326,372	17,079,357	3,036,368	289,948,564	—	—	708,708,122
Less: investment expense	3,817,410,562	291,609,730	32,563,751	4,878,146,837	14,980,463	35,227,493	12,150,908,217
	6,445,180	78,291	—	3,221,987	—	—	11,085,546
Net investment income	3,810,965,382	291,531,439	32,563,751	4,874,924,850	14,980,463	35,227,493	12,139,822,671
Total additions	5,140,088,340	338,677,758	40,328,539	6,092,681,944	1,384,521,764	2,213,307,345	19,623,932,166
Deductions:							
Benefits	1,977,034,746	110,912,899	20,670,715	2,453,552,981	1,597,684,686	2,003,412,136	9,528,663,826
Refunds of contributions	77,345,336	176,844	—	36,509,132	—	—	120,147,063
Administrative expenses	19,506,750	531,130	—	12,343,927	3,126,203	4,227,306	46,402,187
Total deductions	2,073,886,832	111,620,873	20,670,715	2,502,406,040	1,600,810,889	2,007,639,442	9,695,213,076
Net increase (decrease)	3,066,201,508	227,056,885	19,657,824	3,590,275,904	(216,289,125)	205,667,903	9,928,719,090
Net assets held in trust for pension and health benefits:							
Beginning of year	25,308,844,756	1,842,204,029	161,572,826	30,936,387,231	186,002,469	375,849,853	79,816,704,971
End of year	28,375,046,264	2,069,260,914	181,230,650	34,526,663,135	(30,286,656)	581,517,756	\$89,745,424,061

DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Balance Sheet Information

Fiduciary Funds - Agency Funds

June 30, 2007

		ALTERNATE BENEFIT PROGRAM FUND	PENSION ADJUSTMENT FUND	DENTAL EXPENSE PROGRAM FUND	TOTAL AGENCY FUNDS
Assets:					
Cash and cash equivalents	\$	—	692,405	—	\$ 692,405
Investments, at fair value:					
Cash Management Fund		3,646,750	3,225,781	19,767,770	26,640,301
Total investments		3,646,750	3,225,781	19,767,770	26,640,301
Receivables:					
State related employer contributions		—	1,801,378	—	1,801,378
Other contributions		26,542,749	10,237	1,728,091	28,281,077
Total receivables		26,542,749	1,811,615	1,728,091	30,082,455
Total assets	\$	30,189,499	5,729,801	21,495,861	\$ 57,415,161
Liabilities:					
Accounts payable and accrued expenses	\$	27,237,632	—	21,131,467	\$ 48,369,099
Cash overdraft		1,495,772	—	364,394	1,860,166
Assets held for local contributing employers		—	3,659,658	—	3,659,658
Pension adjustment payroll payable		—	589,500	—	589,500
Due to State of New Jersey		1,456,095	434,398	—	1,890,493
Due to other funds		—	1,046,245	—	1,046,245
Total liabilities	\$	30,189,499	5,729,801	21,495,861	\$ 57,415,161

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Schedule of Changes in Fiduciary Net Assets
 Agency Funds
 Year Ended June 30, 2007

	ALTERNATE BENEFIT PROGRAM FUND	PENSION ADJUSTMENT FUND	DENTAL EXPENSE PROGRAM FUND	TOTAL AGENCY FUNDS
Additions:				
Contributions				
Members	\$ 805,344	—	65,176,517	\$ 65,981,861
Employers	145,797,690	8,883,029	39,006,222	193,686,941
Total contributions	146,603,034	8,883,029	104,182,739	259,668,802
Investment income:				
Net depreciation in fair value of investments	(67)	(71)	(411)	(549)
Interest	208,136	420,209	988,272	1,616,617
Total investment income	208,069	420,138	987,861	1,616,068
Total additions	146,811,103	9,303,167	105,170,600	261,284,870
Deductions:				
Benefits	145,347,004	8,519,028	108,474,036	262,340,068
Refunds of contributions and to the General Fund	1,464,099	784,139	(3,303,436)	(1,055,198)
Total deductions	146,811,103	9,303,167	105,170,600	261,284,870
Change in net assets	—	—	—	—
Net assets—Beginning of year, as restated	—	—	—	—
Net assets—End of year	\$ —	—	—	\$ —

DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Fiduciary Net Assets

Health Benefit Program Fund — State

June 30, 2007

		HEALTH BENEFITS PROGRAM FUND STATE	PRESCRIPTION DRUG PROGRAM FUND STATE	PERS POST- RETIREMENT MEDICAL FUND	TOTAL HEALTH BENEFITS PROGRAM FUND STATE
Assets:					
Investments, at fair value					
Cash Management Fund	\$	115,059,321	18,369,134	1,120,670	\$ 134,549,125
Total investments		115,059,321	18,359,134	1,120,670	134,549,125
Receivables:					
Contributions:					
Members		507,633	49,276	—	556,909
Employers		26,094,710	19,450	—	26,114,160
Other		185,818	27,720	—	213,538
Total receivables		26,788,161	96,446	—	26,884,607
Total assets	\$	141,847,482	18,465,580	1,120,670	\$ 161,433,732
Liabilities:					
Accounts payable and accrued expenses	\$	184,944,910	6,685,538	—	\$ 191,630,448
Cash overdraft		138,529	(48,589)	—	89,940
Total liabilities		185,083,439	6,636,949	—	191,720,388
Net assets held in trust for health benefits	\$	(43,235,957)	11,828,631	1,120,670	\$ (30,286,656)

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets

Health Benefit Program Fund — State

Year Ended June 30, 2007

	HEALTH BENEFIT PROGRAM FUND STATE	PRESCRIPTION DRUG PROGRAM FUND STATE	PERS POST- RETIREMENT MEDICAL FUND	ELIMINATIONS	TOTAL HEALTH BENEFIT PROGRAM FUND STATE
Additions:					
Contributions:					
Members	\$ 78,039,233	1,729,235	—	—	\$79,768,468
Employers	1,086,163,519	189,797,720	224,307,808	(210,496,214)	1,289,772,833
Total contributions	1,164,202,752	191,526,955	224,307,808	(210,496,214)	1,369,541,301
Investment income:					
Net appreciation (depreciation) in fair value of investments	(2,721)	(1,048)	542,127	—	538,358
Interest	10,036,421	4,405,684	—	—	14,442,105
Net investment income	10,033,700	4,404,636	542,127	—	14,980,463
Total additions	1,174,236,452	195,931,591	224,849,935	(210,496,214)	1,384,521,764
Deductions:					
Benefits	1,326,788,276	254,493,027	226,899,597	(210,496,214)	1,597,684,686
Administrative expenses	3,126,203	—	—	—	3,126,203
Total deductions	1,329,914,479	254,493,027	226,899,597	(210,496,214)	1,600,810,889
Net decrease	(155,678,027)	(58,561,436)	(2,049,662)	—	(216,289,125)
Net assets held in trust for health benefits					
Beginning of year	112,442,070	70,390,067	3,170,332	—	186,002,469
End of year	\$ (43,235,957)	11,828,631	1,120,670	—	\$(30,286,656)

DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Fiduciary Net Assets

Health Benefit Program Fund — Local

June 30, 2007

	HEALTH BENEFIT PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL	TPAF POST- RETIREMENT MEDICAL FUND	TOTAL HEALTH BENEFIT PROGRAM FUND LOCAL
Assets:				
Cash	\$ 370,599	4,140	—	\$ 374,739
Investments, at fair value				
Cash Management Fund	743,558,426	31,545,311	451,030	775,554,767
Total investments	743,558,426	31,545,311	451,030	775,554,767
Receivables:				
Contributions:				
Members	473,447	765	—	474,212
Employers	74,786,483	5,437,201	—	80,223,684
Other	153,601	839,031	—	992,632
Total receivables	75,413,531	6,276,997	—	81,690,528
Total assets	\$ 819,342,556	37,826,448	451,030	\$ 857,620,034
Liabilities:				
Accounts payable and accrued expenses	\$ 273,902,278	2,200,000	—	\$ 276,102,278
Total liabilities	273,902,278	2,200,000	—	276,102,278
Net assets held in trust for health benefits	\$ 545,440,278	35,626,448	451,030	\$ 581,517,756

DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets

Health Benefit Program Fund — Local

Year Ended June 30, 2007

	HEALTH BENEFIT PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL	TPAF POST- RETIREMENT MEDICAL FUND	ELIMINATIONS	TOTAL HEALTH BENEFIT PROGRAM FUND LOCAL
Additions:					
Contributions:					
Members	\$ 80,767,565	577,467	—	—	\$ 81,345,032
Employers	1,958,407,057	90,801,190	592,708,536	(545,181,963)	2,096,734,820
Total contributions	2,039,174,622	91,378,657	592,708,536	(545,181,963)	2,178,079,852
Investment income:					
Net appreciation (depreciation) in fair value of investments	(15,495)	(262)	426,184	—	410,427
Interest	33,715,645	1,101,421	—	—	34,817,066
Net investment income	33,700,150	1,101,159	426,184	—	35,227,493
Total additions	2,072,874,772	92,479,816	593,134,720	(545,181,963)	2,213,307,345
Deductions:					
Benefits	1,867,510,457	85,907,650	595,175,992	(545,181,963)	2,003,412,136
Administrative expenses	4,227,306	—	—	—	4,227,306
Total deductions	1,871,737,763	85,907,650	595,175,992	(545,181,963)	2,007,639,442
Net increase (decrease)	201,137,009	6,572,166	(2,041,272)	—	205,667,903
Net assets held in trust for health benefits					
Beginning of year	344,303,269	29,054,282	2,492,302	—	375,849,853
End of year	\$ 545,440,278	35,626,448	451,030	—	\$581,517,756

STATE OF NEW JERSEY

Schedule 14

DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Balance Sheet Information

Agency Fund — Dental Expense Program

June 30, 2007

	STATE	LOCAL	TOTAL AGENCY FUND — DENTAL EXPENSE PROGRAM
Assets:			
Investments, at fair value:			
Cash Management Fund	\$ 18,463,454	1,304,316	\$ 19,767,770
Total investments	18,463,454	1,304,316	19,767,770
Receivables:			
Contributions	1,711,120	16,971	1,728,091
Total receivables	1,711,120	16,971	1,728,091
Total assets	\$ 20,174,574	1,321,287	\$ 21,495,861
Liabilities:			
Accounts payable and accrued expenses	\$ 20,150,333	981,134	\$ 21,131,467
Cash overdraft	24,241	340,153	364,394
Total liabilities	\$ 20,174,574	1,321,287	\$ 21,495,861

STATE OF NEW JERSEY

Schedule 15

DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets

Agency Fund — Dental Expense Program

Year Ended June 30, 2007

	STATE	LOCAL	TOTAL AGENCY FUND — DENTAL EXPENSE PROGRAM
Additions:			
Contributions:			
Members	\$ 44,635,094	20,541,423	\$ 65,176,517
Employers	37,950,886	1,055,336	39,006,222
Total contributions	82,585,980	21,596,759	104,182,739
Investment income:			
Net depreciation in fair value of investments	(390)	(21)	(411)
Interest	938,858	49,414	988,272
Total investment income	938,468	49,393	987,861
Total additions	83,524,448	21,646,152	105,170,600
Deductions:			
Benefits	87,060,139	21,413,897	108,474,036
Refunds of contributions and to the General Fund	(3,535,691)	232,255	(3,303,436)
Total deductions	83,524,448	21,646,152	105,170,600
Change in net assets	—	—	—
Net assets — Beginning of year, as restated	—	—	—
Net assets — End of year	\$ —	—	\$ —

INVESTMENT SECTION

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State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
(609) 292-7524 TDD (609) 292-7718
www.state.nj.us/treasury/pensions

JON S. CORZINE
Governor

Mailing Address:
PO Box 295
Trenton, NJ 08625-0295
Location:
50 West State Street
Trenton, New Jersey
R. DAVID ROUSSEAU
Acting State Treasurer
FREDERICK J. BEAVER
Director

June 30, 2007

REVIEWS OF MAJOR POLICY ISSUES

The Division, under the jurisdiction of the State Investment Council (the "Council"), has the investment responsibility for over 180 funds, including seven pension and annuity funds. Effective July 28, 2007, the Council includes thirteen persons appointed to fixed terms. Four employee representatives are appointed by their respective pension fund boards (Public Employees' Retirement System, State Police Retirement System, Teachers' Pension and Annuity Fund and the Police and Fireman's Retirement System of New Jersey) for three-year terms. Two additional employee representatives will be appointed by the Governor from candidates nominated by the Public Employee Committee of the State AFL-CIO (to nominate three candidates) and the NJEA (to nominate three candidates) for terms of five years. Six members are appointed by the Governor for staggered five-year terms. In addition, one member is appointed by the Governor from a list of three candidates to be nominated jointly by the President of the Senate and the Speaker of the Assembly. All gubernatorial appointments to the Council are subject to the advice and consent of the State Senate. State law requires that no Council member shall hold any office, position or employment with any political party, and none can benefit from the transactions of the Division.

The investment of state funds by the Division benefits all citizens of the State of New Jersey. The investment returns generated by the pension funds contribute directly to the assets of the various pension funds and the retirement security of pension fund beneficiaries.

All investments under the supervision of the Council must conform to the standards of prudence set by state law, which mandate that the Division make investments in which fiduciaries of trust estates may legally invest. Eligible investments are defined as investments in property of every nature, provided the fiduciary shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The law provides for the "whole plan" principle, which permits a broad spectrum of investments. The law also states the fiduciary shall be under a duty to invest the portfolio solely in the interests of the trust beneficiaries and for the exclusive purpose of providing financial benefits to trust participants.

The investment information provided in this section is presented in accordance with the standards of the Association for Investment Management and Research. Performance is calculated using the time-weighted return based on the modified Dietz method

William G. Clark

A handwritten signature in blue ink that reads "William G. Clark".

Director, Division of Investment

INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

STATE INVESTMENT COUNCIL KEY REGULATIONS PERTAINING TO PENSION FUND ASSETS

- Public equity investments are limited to no more than 70 percent of the portfolio, including both domestic and international equities.
- Investments in international securities are limited to 30 percent of the portfolio, including both international equities and fixed income obligations.
- The market value of securities of companies in emerging markets is limited to 1.5 times the percentage derived by (1) dividing the total market capitalization of companies included in the MSCI Emerging Market Index by (2) the total market capitalization of the companies included in the MSCI All-Country World Ex-United States Index of the total market value of the assets held by Common Pension Fund D.
- The currency exposure on international investments may be hedged through currency transactions.
- Unlimited investment is permitted in securities issued by the U.S. Government and designated agencies.
- Investment in domestic corporate obligations, finance company debt, bank debentures, international corporate obligations and collateralized mortgage obligations are subject to a minimum rating requirement of Baa3 by Moody's, BBB- by Standard & Poor's and BBB- by Fitch Ratings. Investment in mortgage backed senior debt securities are subject to a minimum rating requirement of A3 by Moody's, A- by Standard & Poor's and A- by Fitch Ratings. Up to five percent of the pension assets may be invested in these securities not meeting the minimum rating requirements.
- Up to 3 percent of the domestic equity portfolio may consist of debt in lieu of common stock, regardless of the credit rating of the issuing company.
- Investments in international government and agency obligations are limited to direct debt obligations of a sovereign government or its political subdivisions, debt obligations of agencies of a sovereign government which are unconditionally guaranteed as to principal and interest by the sovereign government's full faith and credit, and debt obligations of international agencies that are directly backed by the collective credit of multiple sovereign governments.
- Investments in municipal bonds, commercial paper, repurchase agreements, certificates of deposit, bankers acceptances, etc. are all permitted by specific regulations which specify high credit standards and conservative investment limits.
- Subject to limitations established by the State Investment Council, futures contracts, certain options contracts and exchange-traded funds may be utilized in the management of the portfolios.
- The Council regulations contain limits on (1) the percentage of the portfolio that can be invested in any one security and (2) the percentage of the outstanding amount of any one security that can be owned by the portfolio. These limits help to insure that the portfolio is adequately diversified and that competitive market pricing is obtained.

PROXY VOTING

- Proxy voting policy addresses key issues.
- The Division seeks to vote all proxies received, unless shares are out on loan. Under certain circumstances, the Division may restrict shares from being loaned, or recall loaned shares in order to preserve the right to vote on proxy issues.

INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

INVESTMENT RETURNS

	2007	ANNUALIZED	
		3-YEAR	5-YEAR
TOTAL PORTFOLIO	17.1%	11.8%	10.5%
Equity Segment			
Domestic Equities (Common Pension Fund A)	20.6	12.7	11.2
S&P 1500 Index	20.2	12.1	11.1
S&P 1500 Index ex-Prohibited	19.6	11.9	11.0
S&P 500 Index	20.6	11.7	10.7
International Equities (Common Pension Fund D)	28.0	23.6	18.4
MSCI EAFE Index ex-Prohibited ¹	27.3	22.4	17.8
Fixed Income Segment			
Domestic Fixed Income (Common Pension Fund B)	5.2	3.9	4.7
Lehman—U.S. Government/Credit Index	6.0	3.8	4.7
Lehman—Long Govt/Credit Index	7.0	5.4	6.6
Mortgages	6.6	4.1	4.2
Lehman Mortgage Index	6.7	5.1	4.6
Cash Management Fund	5.5	4.0	3.0
91-Day Treasury Bills	5.1	3.7	2.7

Note: Performance is calculated using the time-weighted return based on the modified Dietz method. Certain benchmarks have been customized to give effect to divestment legislation ("ex-Prohibited").

¹MSCI EAFE ex-Prohibited return for 2007. Annualized 3-year and 5-year returns are based on MSCI EAFE returns for 2003 and 2006 and MSCI EAFE ex-Prohibited return for 2007

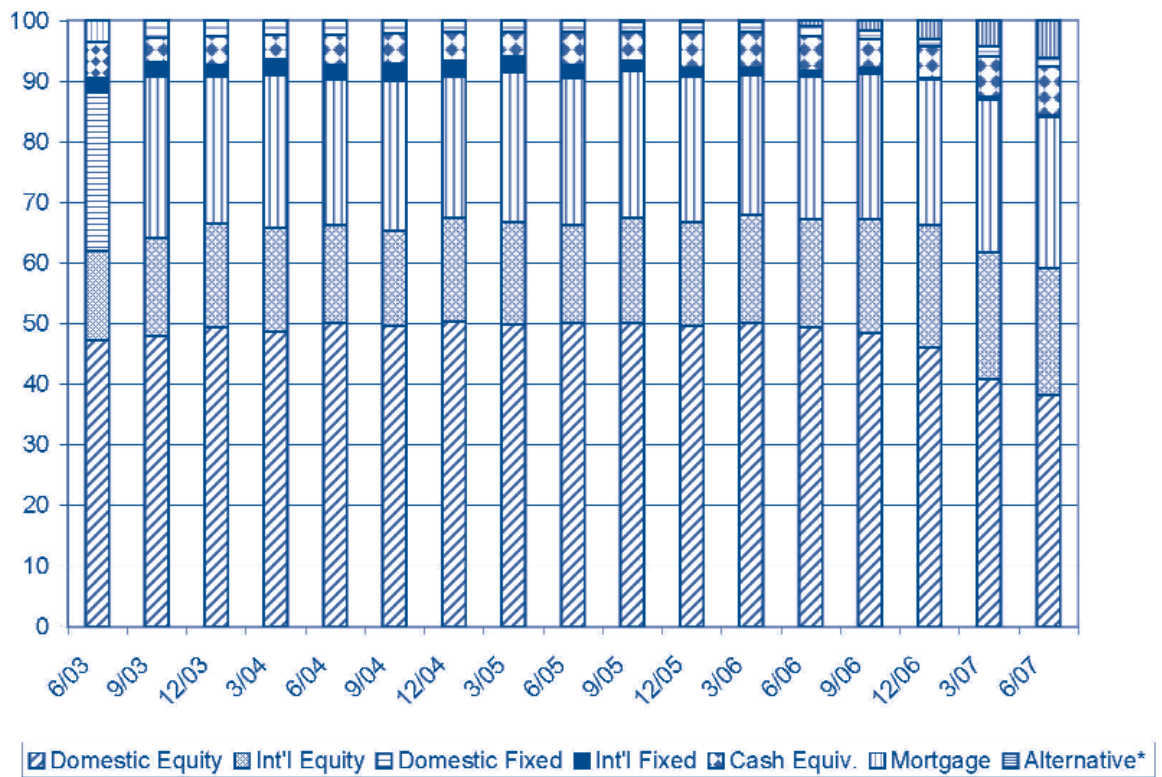
FAIR VALUE AND THE PERCENT OF TOTAL FAIR VALUE FOR EACH MAJOR TYPE OF INVESTMENT

	9/2006		12/2006		3/2007		6/2007	
	(MILS.)	%	(MILS.)	%	(MILS.)	%	(MILS.)	%
Domestic Equity	36,150	48.5	35,803	46.1	32,030	40.9	31,474	38.3
International Equity	13,885	18.6	15,746	20.3	16,381	20.9	17,175	20.9
Domestic Fixed Income	17,978	24.1	18,595	23.9	19,750	25.2	20,367	24.8
International Fixed Income	614	0.8	276	0.4	279	0.4	278	0.3
Alternative Investments	1,216	1.6	2,263	2.9	3,389	4.3	5,008	6.1
Cash Equivalents	3,621	4.9	3,883	5.0	5,317	6.8	6,694	8.2
Police and Firemen's Mortgages	1,021	1.4	1,107	1.4	1,158	1.5	1,109	1.4
Total	74,485	100.0	77,673	100.0	78,304	100.0	82,105	100.0

INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

STATE OF NEW JERSEY COMPOSITE ASSET ALLOCATION HISTORY

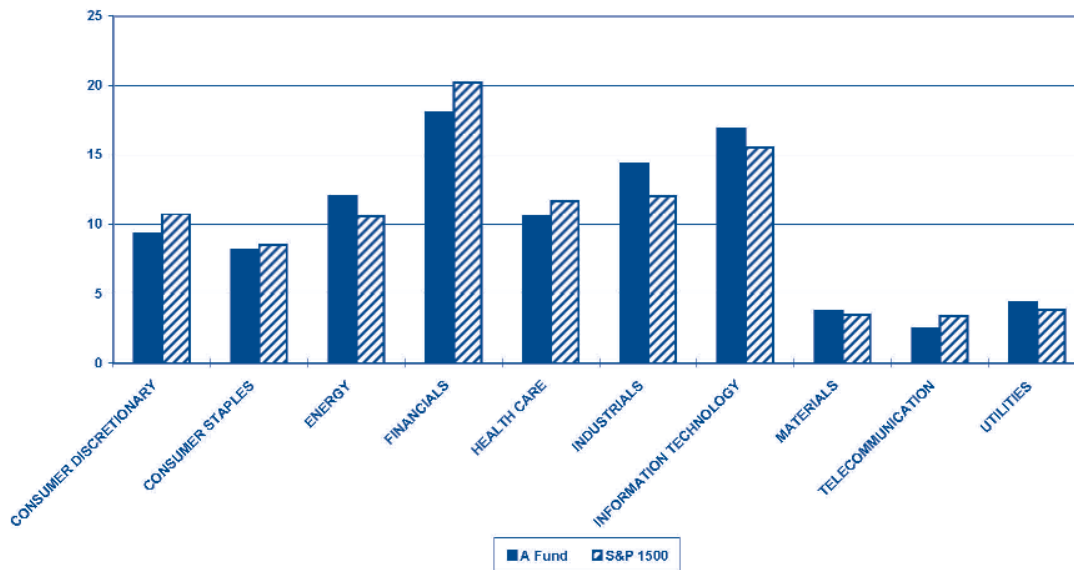


*Alternative Investment Program started 9/05

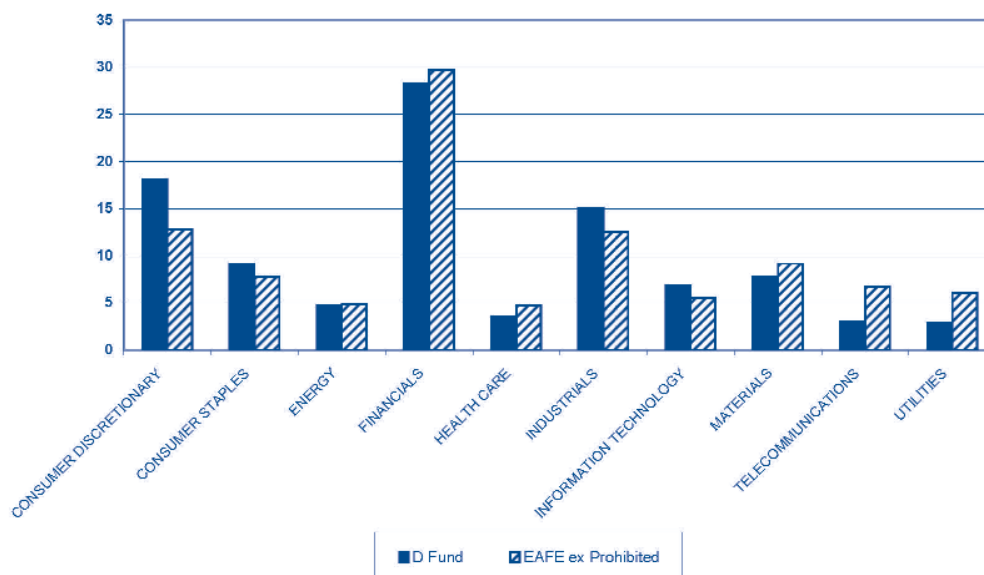
INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

DOMESTIC STOCK HOLDINGS
Portfolio Sector Weightings
June 30, 2007



INTERNATIONAL STOCK HOLDINGS
Portfolio Sector Weightings
June 30, 2007



INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

LIST OF THE LARGEST ASSETS HELD

LARGEST DOMESTIC STOCK HOLDINGS (BY MARKET VALUE)

JUNE 30, 2007

	SHARES	STOCK	MARKET VALUE (MIL)
1)	12,613,264	Exxon Mobil Corp.	\$1,058.0
2)	21,250,000	General Electric Co.	813.5
3)	26,000,000	Microsoft Corp.	766.2
4)	11,576,601	Citigroup Inc.	593.8
5)	10,549,615	Bank of America Corp.	515.8
6)	8,123,370	Proctor & Gamble Co.	497.1
7)	9,546,154	J.P. Morgan Chase & Co.	462.5
8)	6,400,329	American International Group Inc.	448.2
9)	5,242,000	Chevron Corp.	441.6
10)	15,000,000	Cisco Systems, Inc.	417.8

LARGEST DOMESTIC BOND HOLDINGS (BY MARKET VALUE)

JUNE 30, 2007

	PAR	BONDS	COUPON	DUE	RATING	MARKET VALUE (USD)
1)	635,000,000	US Treasury Bonds	6.000%	02/15/26	AAA	\$693,140,600
2)	605,000,000	US Treasury Bonds	5.250%	02/15/29	AAA	609,162,400
3)	590,000,000	US Treasury Bonds	5.375%	02/15/31	AAA	605,859,200
4)	385,000,000	US Treasury Bonds	5.500%	08/15/28	AAA	399,406,700
5)	358,200,000	US Treasury Bonds	6.250%	08/15/23	AAA	397,741,698
6)	405,000,000	US Treasury Bonds	4.500%	02/15/36	AAA	366,715,350
7)	325,000,000	US Treasury Notes	2.375%	01/15/25	AAA	342,588,924
8)	300,000,000	US Treasury Notes	4.250%	08/15/13	AAA	289,665,000
9)	200,000,000	US Treasury Bonds	7.250%	08/15/22	AAA	242,110,000
10)	188,000,000	US Treasury Bonds	7.125%	02/15/23	AAA	225,688,360

A complete list of the portfolio holdings is available from the
Division of Investment, P.O. Box 290, Trenton, NJ 08625-0290.

INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

LARGEST INTERNATIONAL STOCK HOLDINGS (BY MARKET VALUE) JUNE 30, 2007

	SHARES	STOCK	MARKET VALUE (USD)
1)	1,400,000	Allianz SE (REG)	\$328,255,153
2)	4,770,500	Toyota Motor Corp.	304,479,131
3)	25,000,000	BP PLC	302,495,209
4)	5,500,000	SAP AG	282,816,263
5)	15,226,971	Pearson PLC	257,574,150
6)	5,555,555	AXA S.A.	240,199,411
7)	18,000,000	Reuters Group PLC (Tendered)	223,575,564
8)	3,057,436	Julius Baer Holding AG - B	219,332,918
9)	7,500,000	Investor AB B Shares	194,739,836
10)	9,095,758	Diageo PLC	189,268,715

LARGEST INTERNATIONAL BOND HOLDINGS (BY MARKET VALUE) JUNE 30, 2007

	PAR (LOCAL)	BONDS	COUPON	DUE	MARKET VALUE (USD)
1)	65,000,000	Finland, Government of	2.750%	09/15/10	\$83,256,456
2)	35,000,000	Netherlands, Government of	3.000%	01/15/10	45,589,628
3)	30,000,000	Belgium, Kingdom of	3.750%	03/28/09	40,027,041
4)	25,000,000	Ireland, Republic of	5.000%	04/18/13	34,477,286
5)	25,000,000	Spain, Government of	4.000%	01/31/10	33,339,321
6)	16,227,326	Spain, Government of	6.000%	01/31/08	22,117,263
7)	15,000,000	Denmark, Kingdom of	3.250%	11/14/08	19,935,730

A complete list of the portfolio holdings is available from the
Division of Investment, P.O. Box 290, Trenton, NJ 08625-0290.

INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

DOMESTIC EQUITY TRADING

FISCAL YEAR 2007

BROKERAGE FIRM	NUMBER OF SHARES TRADED	TOTAL COMMISSIONS	COMMISSIONS PER SHARE
Bear, Stearns & Co. Inc.	25,457,708	\$1,152,940	\$0.045
Citigroup Global Markets, Inc.	15,538,075	473,295	0.030
Cowen and Co., LLC	11,551,711	493,000	0.043
JP Morgan Securities Inc.	12,333,941	530,600	0.043
Labranche Financial Services, Inc.	15,025,075	546,255	0.036
Lehman Brothers Inc.	26,426,575	813,046	0.031
Prudential Equity Group, LLC	27,766,323	1,209,229	0.044
Sanford C. Bernstein & Co., LLC	14,253,518	586,001	0.041
Soleil Securities Corp.	14,976,062	555,346	0.037
Westminster Research Associates	12,867,400	643,370	0.050

INTERNATIONAL EQUITY TRADING

FISCAL YEAR 2007

BROKERAGE FIRM	NUMBER OF SHARES TRADED	TOTAL COMMISSIONS	COMMISSIONS PER SHARE
Bear, Stearns & Co., Inc.	28,861,312	\$640,160	\$0.022
Citigroup Global Markets, Inc.	30,962,364	512,289	0.017
Credit Agricole Chevreux North America	7,101,785	554,623	0.078
Credit Suisse Securities (USA) LLC	55,416,795	1,467,857	0.026
Goldman, Sachs & Co.	37,378,738	756,730	0.020
Merrill Lynch, Pierce, Fenner & Smith, Inc.	51,492,650	946,891	0.018
Mizuho Securities (USA) Inc.	41,271,000	785,249	0.019
Morgan Stanley & Co.	49,151,010	903,000	0.018
Nomura Securities International, Inc.	32,806,344	575,895	0.018
UBS Securities LLC	44,539,168	879,589	0.020

A complete list of the portfolio holdings is available from the
Division of Investment, P.O. Box 290, Trenton, NJ 08625-0290.

ACTUARIAL SECTION

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October 10, 2006

Board of Trustees
Public Employees' Retirement System
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

An actuarial valuation of the Public Employees' Retirement System of New Jersey (PERS) is performed annually to measure the ongoing costs of the System (with required contributions determined separately for the State and Local employers) and the progress towards the funding goals of the System over time. In general, the financial goals of the PERS are a pattern of contributions which is relatively stable over time as a percentage of pay for a stationary employee population.

In accordance with the New Jersey statutes, employers are required to make two contributions to the System, a normal contribution and an accrued liability contribution. The normal contribution for basic allowances and cost of living adjustments (COLA's) is defined under the Projected Unit Credit funding method as the present value of the benefits accruing during the current year. The unfunded accrued liability contribution for basic allowances and COLA's is determined as a level percentage of pay required to amortize the unfunded accrued liability in annual payments increasing by 4% per year and paid annually for a specific time as determined by the State Treasurer. (Initially, this period was determined to be 40 years as of March 31, 1992. Any actuarial gains or losses for the 10 valuation years following the March 31, 1992 valuation were to increase or decrease the amortization period unless an increase would have caused the amortization period to exceed 40 years, decreasing to 30 years by 2002).

The provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds and to use any excess valuation assets to reduce required normal contributions payable by the State and Local employers by up to 100% of excess assets through the July 1, 2001 valuation, and on a declining maximum percentage of excess assets basis thereafter (50% for the July 1, 2004 valuation). The legislation (as amended by Chapter 415, P.L. 1999) also provided for a reduction from excess assets of the contributions by employees of the State and Local employers of up to 2% in contributions in future valuations under certain conditions. The valuation also reflects the provisions of Chapter 259, P.L. 2001, Chapter 353, P.L. 2001, and Chapter 366, P.L. 2001 which provided benefit improvements for certain members of the System and prescribed the funding policy for additional costs to the System. (In accordance with Chapter 259, P.L. 2001, any required contributions due to this legislation are payable by assets to be transferred from the Second Injury Fund.) In addition, the valuation reflects the provisions of Chapter 108, P.L. 2003 which provided for a reduction with regard to the required Local contribution for fiscal year 2006. The valuation also reflects the potential effect of the Appropriation Act for fiscal year 2006 (for the July 1, 2004 valuation, the State contribution was reduced to 40% of the recommended amount and the Benefit Enhancement Fund was used to fund the reduced contribution). The valuation again reflects the provisions of Chapter 42, P.L. 2002 which allowed Local employers to issue refunding bonds to retire the unfunded accrued liability due to certain early retirement incentive programs. Finally, the valuation reflects the early retirement incentive programs offered under Chapters 127, 128, and 129, P.L. 2003 for non-State locations.

The required contribution for providing postretirement medical costs for State employees was deter-

mined separately. The contribution is comprised of three pieces, an amount necessary to pay anticipated premiums for the current year's benefits less the expected return on Post Retirement Medical Fund assets, plus an amount that will ensure an increase in the fund equal to $\frac{3}{5}$ of 1% of the salary of active State employee members from the current valuation period.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck Consultants for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

As stipulated in the statutes, an actuarial investigation of the mortality, service and compensation experience of the members and beneficiaries of PERS is made once in every three-year period. The contributions for the fiscal year beginning July 1, 2006 were based on the revised actuarial assumptions that were determined from the April 1, 1999 to June 30, 2002 Experience Study (which was approved by the Board of Trustees at the August 19, 2003 Board meeting) and the projected unit credit funding method. The valuation also reflected the revised economic assumptions which were approved by the Treasurer (these include an investment return rate of 8.25% per annum, assumed average future salary increases of 5.45% per annum and a Cost-of-Living Adjustment assumption of 60% of the assumed CPI increase of 3.0% per annum). The asset valuation method used was a five-year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes except that excess assets, if any, were not used to offset required normal cost contributions.

In our opinion, the attached schedules of valuation results fairly represent the status of the PERS and present an accurate view of historical data. The underlying assumptions and methods used for both funding and GASB disclosure purposes are consistent with the statutory specifications and represent a best estimate of the aggregate future experience of the System.

The following supporting schedules in the Actuarial Section were prepared by Buck Consultants:

- Summary of Actuarial Assumptions and Methods
- Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls
- Schedule of Active Member Valuation Data
- Solvency Test
- Analysis of Past Financial Experience
- Reconciliation of Employer Contribution Rates
- Summary of the Benefit and Contribution Provisions as Interpreted for Valuation Purposes

Respectfully submitted,
Buck Consultants



Janet H. Cranna, M.A.A.A., F.S.A., E.A., F.C.A., M.S.P.A.
Principal, Consulting Actuary

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Section 19 of Chapter 15A of the New Jersey Statutes provides that once in every three-year period the actuary shall examine in detail the mortality, service, and compensation experience of the members and beneficiaries of the PERS to assure that the tables used for determining expected liabilities are consistent with recent experience.

The actuarial assumptions used for the July 1, 2005 actuarial valuation of the PERS were based on the results of the experience study which covered the period from April 1, 1999 to June 30, 2002 and the economic assumptions which were approved by the Treasurer.

An outline of the actuarial assumptions and methods used for the July 1, 2005 valuation is as follows:

Valuation Interest Rate: 8.25% per annum, compounded annually.

Separations From Service and Salary Increases: Representative values of the assumed annual rates of separation and annual rates of salary increases are as follows:

AGE	ANNUAL RATES OF									
	SELECT WITHDRAWAL						ULTIMATE WITHDRAWAL *			
	1ST YEAR		2ND YEAR		3RD YEAR		PRIOR TO ELIGIBILITY FOR BENEFIT		AFTER ELIGIBILITY FOR BENEFIT	
	STATE	LOCAL	STATE	LOCAL	STATE	LOCAL	STATE	LOCAL	STATE	LOCAL
25	23.40%	25.06%	18.23%	19.13%	13.06%	13.19%	8.38%	10.03%	—	—
30	22.07	21.88	17.06	16.25	12.05	10.62	5.31	7.56	—	0.11%
35	17.87	19.10	13.37	13.74	8.88	8.37	3.33	4.00	0.10%	0.12
40	16.66	18.26	12.31	12.98	7.96	7.96	2.50	3.43	0.11	0.20
45	15.71	17.67	11.48	12.45	7.24	7.21	1.70	3.05	0.20	0.26
50	14.70	16.99	10.59	11.83	6.48	6.66	1.40	2.28	0.85	0.73
55	14.07	16.58	10.04	11.46	6.33	6.33	1.40	1.89	0.81	1.17

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, Continued

AGE	ANNUAL RATES OF						
	ORDINARY DEATH**		ORDINARY DISABILITY***		SERVICE RETIREMENT		SALARY INCREASES
	STATE	LOCAL	STATE	LOCAL	STATE	LOCAL	
25	0.05%	0.05%	0.01%	—	—	—	6.40%
30	0.07	0.06	0.10	0.05%	—	—	6.15
35	0.09	0.08	0.15	0.13	—	—	5.90
40	0.12	0.12	0.18	0.27	—	—	5.65
45	0.17	0.17	0.42	0.35	—	—	5.40
50	0.25	0.32	0.55	0.48	—	—	5.15
55	0.36	0.41	0.74	0.73	15.4%	11.7%	4.90
60	0.52	0.61	1.56	0.92	8.8	7.8	4.65
65	0.74	0.89	1.57	0.96	23.1	22.1	4.15
69	1.04	1.19	1.93	1.16	15.0	11.6	4.15

* The sum of the rates of withdrawal after eligibility for a benefit and those prior to eligibility are the rates assumed for members withdrawing a benefit.

** A separate rate is used for accidental death.

*** A separate rate is used for accidental disability.

Prosecutors Part (Chapter 366, P.L. 2001): This legislation introduced special retirement eligibility for certain benefits. Since the retirement System has no current assumptions at these eligibilities, the valuation used the following annual rates of service retirement.

AGE	LENGTH OF SERVICE			
	LESS THAN 20 YEARS		20 YEARS	21 TO 24 YEARS
	STATE	LOCAL		
40	0.00%	0.00%	2.50%	0.00%
45	0.00	0.00	2.50	0.00
50	0.00	0.00	3.75	0.00
55	2.59	3.06	5.00	0.00
60	2.63	3.06	5.00	0.00
65	2.63	3.06	37.50	0.00
69	2.63	3.06	37.50	0.00

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

Deaths After Retirement: 1979 George B. Buck Mortality Tables for service retirement and dependent beneficiaries. Special mortality tables are used for the period after disability retirement. Representative values of the assumed annual rates of mortality are as follows:

SERVICE RETIREMENTS			DISABILITY RETIREMENTS		
AGE	MEN	WOMEN	AGE	MEN	WOMEN
55	0.71%	0.34%	35	3.16%	4.25%
60	1.20	0.57	40	3.25	2.74
65	2.06	0.99	45	3.88	3.18
70	3.39	1.74	50	4.12	3.29
75	5.34	2.98	55	4.50	3.70
80	8.31	4.90	60	5.10	4.39
85	12.50	7.84	65	6.04	3.63

Valuation Method: Projected Unit Credit Method. This method essentially funds the System's benefits accrued to valuation date. Experience gains or losses are recognized in future accrued liability contributions.

COLA: Benefits are assumed to increase 1.8% each year.

Expenses: Payable from excess investment return through employer contributions.

Asset Valuation Method: A five year average of market values with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS

STATE

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	* NUMBER	ANNUAL** ALLOWANCE		
7/1/05	2,083	\$41,480,443	1,337	\$20,831,011	38,176	\$678,408,416	4.51%	\$17,771
7/1/04	2,465	41,087,800	2,040	18,123,597	37,430	649,160,674	5.03	17,343
7/1/03	6,051	154,122,311	1,421	16,371,634	37,005	618,042,446	29.84	16,702
7/1/02	2,245	40,460,481	1,388	13,602,265	32,375	475,998,551	17.32	14,703
7/1/01	2,278	35,883,305	1,248	11,826,820	31,518	405,725,967	8.29	12,873
7/1/00	2,795	40,943,697	1,705	15,679,964	30,488	374,653,652	8.48	12,289

LOCAL EMPLOYERS

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	* NUMBER	ANNUAL** ALLOWANCE		
7/1/05	6,268	\$99,893,711	3,211	\$29,264,166	82,990	\$957,531,631	9.38%	\$11,538
7/1/04	5,474	81,309,151	3,238	28,093,121	79,933	875,412,159	8.13	10,952
7/1/03	6,012	85,716,302	3,489	28,120,105	77,697	809,593,263	8.55	10,420
7/1/02	4,976	65,124,052	3,209	23,136,078	75,174	745,795,398	17.79	9,921
7/1/01	4,800	52,657,599	3,148	22,448,803	73,407	633,154,111	7.04	8,625
7/1/00	6,211	65,505,051	4,091	27,237,422	71,755	591,523,823	8.14	8,244

TOTAL SYSTEM

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	* NUMBER	ANNUAL** ALLOWANCE		
7/1/05	8,351	\$141,374,154	4,548	\$50,095,177	121,166	\$1,635,940,047	7.30%	\$13,502
7/1/04	7,939	122,396,951	5,278	46,216,798	117,363	1,524,572,833	6.79	12,990
7/1/03	12,063	239,838,613	4,910	44,491,739	114,702	1,427,635,709	16.85	12,446
7/1/02	7,221	105,584,533	4,597	36,738,343	107,549	1,221,793,949	17.61	11,360
7/1/01	7,078	88,540,904	4,396	34,275,623	104,925	1,038,880,078	7.52	9,901
7/1/00	9,006	106,448,748	5,796	42,917,386	102,243	966,177,475	8.27	9,450

* These values include beneficiaries in receipt but exclude deferred vested terminations.

** The benefit amounts shown are the annualized benefits as of the valuation date and are not the actual benefits paid during the fiscal year.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

STATE

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/05	84,639	\$4,028,028,170	\$47,591	3.24%
7/1/04	81,391	3,751,765,096	46,096	0.68
7/1/03	78,108	3,576,118,300	45,784	1.03
7/1/02	79,127	3,511,151,199	44,374	4.37
7/1/01	77,345	3,288,383,788	42,516	2.79
7/1/00	74,808	3,094,277,064	41,363	3.17

LOCAL EMPLOYERS

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/05	188,901	\$6,416,265,644	\$33,966	2.71%
7/1/04	185,676	6,140,413,756	33,071	3.30
7/1/03	181,528	5,811,726,702	32,016	2.76
7/1/02	177,627	5,534,322,805	31,157	2.35
7/1/01	172,138	5,240,338,738	30,443	3.14
7/1/00	166,388	4,910,966,308	29,515	2.95

TOTAL SYSTEM

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/05	273,540	\$10,444,293,814	\$38,182	3.08%
7/1/04	267,067	9,892,178,852	37,040	2.44
7/1/03	259,636	9,387,845,002	36,158	2.63
7/1/02	256,754	9,045,474,004	35,230	3.05
7/1/01	249,483	8,528,722,526	34,186	3.00
7/1/00	241,196	8,005,243,372	33,190	3.03

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SOLVENCY TEST

STATE

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/05	\$2,966,155,094	\$6,382,531,003	\$4,083,842,786	\$10,631,058,789	100.00%	100.00%	31.40%
7/1/04	2,678,625,495	6,114,590,251	3,827,163,689	10,694,018,235	100.00	100.00	49.67
7/1/03	2,479,268,714	5,882,058,811	3,580,971,645	10,830,479,694	100.00	100.00	68.95
7/1/02	2,602,398,450	4,348,154,633	3,810,004,399	11,073,156,965	100.00	100.00	100.00
7/1/01	2,411,616,329	3,969,922,145	3,504,924,894	11,123,818,861**	100.00	100.00	100.00
7/1/00	2,246,319,591	3,426,353,181	2,866,012,450	9,743,727,383	100.00	100.00	100.00

LOCAL EMPLOYERS

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/05	\$4,139,047,916	\$8,567,422,117	\$5,635,387,271	\$16,604,724,929	100.00%	100.00%	69.17%
7/1/04	3,871,732,121	7,806,043,153	5,400,162,783	16,456,927,812	100.00	100.00	88.50
7/1/03	3,658,588,521	7,269,911,978	4,958,512,247	16,406,284,200	100.00	100.00	100.00
7/1/02	3,453,882,543	6,678,451,349	4,797,000,211	16,503,081,054	100.00	100.00	100.00
7/1/01	3,234,451,958	5,885,278,088	4,699,308,445	16,625,288,260**	100.00	100.00	100.00
7/1/00	3,025,058,034	5,140,058,713	3,842,044,059	14,380,511,913	100.00	100.00	100.00

TOTAL SYSTEM

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/05	\$7,105,203,010	\$14,949,953,120	\$9,719,230,057	\$27,235,783,718	100.00%	100.00%	53.30%
7/1/04	6,550,357,616	13,920,633,404	9,227,326,472	27,150,946,047	100.00	100.00	72.39
7/1/03	6,137,857,235	13,151,970,789	8,539,483,892	27,236,763,894	100.00	100.00	93.06
7/1/02	6,056,280,993	11,026,605,982	8,607,004,610	25,576,238,019	100.00	100.00	100.00
7/1/01	5,646,068,287	9,855,200,233	8,204,233,339	27,749,107,121**	100.00	100.00	100.00
7/1/00	5,271,377,625	8,566,411,894	6,708,056,509	24,124,239,236	100.00	100.00	100.00

* Actuarial Value including receivable amounts but excluding postretirement medical fund assets.

** Reflects the retroactive actuarial value of asset adjustment to the July 1, 1999 valuation as required under the provisions of Chapter 133, P.L. 2001.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF EMPLOYER CONTRIBUTION RATES

STATE						
VALUATION YEAR	JULY 1, 2005	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000
Effective Prior Year Contribution Rate	8.44%	6.52%	4.19%	4.68%	3.74%	3.91%
Net Change Due to:						
Current New Entrants	0.03	0.01	0.02	(0.03)	0.04	0.02
Excess Salary Increases	0.05	(0.02)	0.02	0.01	0.01	0.01
Assumption/Method Changes	0.00	0.72	0.17	0.00	0.00	0.29
COLA Increases and Phase-In	0.00	0.06	0.08	0.03	0.03	0.03
Active Experience	0.02	(0.01)	(0.06)	(0.15)	0.37	(0.11)
Other Experience	0.11	0.07	(0.02)	(0.21)	0.06	(0.07)
Investment Loss/(Gain)	0.59	0.67	0.91	0.03	0.00	0.00
Non-Contributory Group Insurance						
Premium Fund Experience	0.11	(0.08)	0.03	(0.30)	(0.28)	(0.34)
Chapter 133 Benefit Improvements***	0.00	0.12	0.68	0.11	0.71	0.00
Net Effect of Chapter 133**	(0.71)	(0.80)	(0.68)	(0.11)	(0.71)	0.00
Chapter 366 Benefit Improvement	0.00	0.00	0.00	0.02	0.00	0.00
Net Effect of Chapter 366	0.00	0.00	0.06	(0.01)	0.00	0.00
Net Effect of Chapter 115*	0.00	0.00	0.00	0.00	(3.97)	(3.74)
Effect of Chapter 23	0.00	0.19	0.23	N/A	N/A	N/A
Appropriation Act	0.26	0.19	0.21	N/A	N/A	N/A
Actual Contribution Rate	8.90%	7.64%	5.84%	4.07%	0.00%	0.00%

LOCAL EMPLOYERS

VALUATION YEAR	JULY 1, 2005	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000
Effective Prior Year Contribution Rate	5.76%	4.56%	4.50%	4.38%	3.37%	3.70%
Net Change Due to:						
Current New Entrants	0.05	0.03	0.02	(0.01)	0.03	0.04
Excess Salary Increases	0.03	(0.01)	0.01	0.03	0.07	0.01
Assumption/Method Changes	0.00	0.46	0.06	0.00	0.00	0.17
COLA Increases and Phase-In	0.01	0.26	0.00	0.05	0.05	0.03
Active Experience	0.06	(0.02)	(0.06)	(0.10)	0.55	(0.20)
Other Experience	0.02	0.10	(0.11)	0.05	0.06	(0.01)
Investment Loss/(Gain)	0.61	0.16	0.09	0.00	0.00	0.00
Non-Contributory Group Insurance						
Premium Fund Experience	(0.06)	(0.02)	0.02	(0.02)	(0.41)	(0.37)
Chapter 133 Benefit Improvements***	0.05	(0.05)	0.03	0.06	0.66	0.00
Net Effect of Chapter 133**	(0.75)	(0.74)	(0.03)	(0.06)	(0.66)	0.00
Chapter 366 Benefit Improvement	0.00	0.00	0.00	0.06	0.00	0.00
Net Effect of Chapter 366	(0.04)	(0.06)	(0.03)	(0.05)	0.00	0.00
Net Effect of Chapter 115*	0.00	0.00	(0.85)	(4.39)	(3.72)	(3.37)
Chapter 108	0.17	0.29	N/A	N/A	N/A	N/A
Actual Contribution Rate	5.91%	4.96%	3.65%	0.00%	0.00%	0.00%

* Net effect of reduction in normal cost contribution due to use of excess assets and elimination of accrued liability contribution due to surplus position.

** The additional annual employer normal contribution for the increase in benefits is funded by assets accumulated in the Benefit Enhancement Fund.

*** Includes effect of additional cost due to Chapter 353, P.L. 2001.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS
AS INTERPRETED FOR VALUATION PURPOSES

1. DEFINITIONS

Final Compensation (FC): Average annual compensation for the three years of creditable service immediately preceding retirement or the highest three fiscal years of membership service.

Accumulated Deductions: Sum of all required amounts deducted from the compensation of a member or contributed by him.

Class A Member: Any member who contributes towards a 1/64th retirement benefit.

Class B Member: Any member who contributes towards a 1/55th retirement benefit.

2. BENEFITS*

Service Retirement: Eligible at age 60. Benefit equals a member annuity plus an employer pension which, together, equal 1/64th of FC for each year of service for Class A members and 1/55th of FC for each year of service for Class B members.

Ordinary Disability Retirement: Eligible after 10 years of service. Benefit equals a member annuity plus an employer pension which, together, equal 1.64% of FC for each year of service; minimum benefit of 43.6% of FC.

Accidental Disability: Eligible upon total and permanent disability prior to age 70 as a result of a duty injury. Benefit equals a member annuity plus an employer pension which, together, equal 72.7% of contributory compensation at the date of injury.

Lump Sum Withdrawal: Eligible upon service termination prior to age 60 and prior to 10 years of service. Benefit equals refund of accumulated deductions plus, if the member has completed three years of service, interest allowed thereon.

**Special benefits for veterans, law enforcement officers, legislators, prosecutors, and Workers' Compensation judges are summarized at the end of this section.*

Vested Retirement: Eligible after 10 years of service. Benefit equals the lump sum benefit described above or a deferred retirement benefit, commencing at age 60, equal to the service retirement

benefit based on service and FC at date of termination.

Early Retirement: Eligible after 25 years of service. Benefit equals the lump sum benefit described above or the vested benefit reduced by 1/4 percent for each month retirement date precedes age 55.

Ordinary Death (Insured):

BEFORE RETIREMENT

Eligible if active. Benefit equals accumulated deductions with interest plus an amount equal to 1-1/2 times contributory compensation at date of death.

AFTER RETIREMENT

Before Age 60:

Eligible if disabled or vested terminated. Benefit equals 1-1/2 times last contributory compensation if disabled, accumulated deductions only if vested terminated.

After Age 60 or Early Retirement:

Eligible after early retirement or after attainment of age 60 for other types of retirement (if not disabled, 10 years of service credit required on members enrolling after July 1, 1971). Benefit equals 3/16 of last contributory compensation.

Voluntary Death Benefit: An additional, employee-paid, death benefit is also available through the purchase of a group insurance with an outside carrier.

Accidental Death: Eligible upon death resulting during performance of duty. Benefit varies as follows:

Widow(er) - 50% of contributory compensation paid as pension.

Child(ren) - No spouse - 20% (1 child), 35% (2 children), 50% (3 or more children) of contributory compensation pension paid as pension to age 18 or life if disabled.

Surviving dependent parent - No spouse or child - 25% (1 parent) or 40% (2 parents) of contributory compensation paid as pension.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, Continued

No relation above - Accumulated deductions paid to other beneficiary or estate.

In addition, the employer-paid lump sum ordinary death benefit is paid.

Optional Benefits: Various forms of payment of equivalent actuarial value are available to retirees.

Special Benefits:

VETERANS

Service Retirement:

Eligible if member on January 2, 1955, attains age 60, completes 20 years of service. Benefit equals 54.5% of final contributory compensation (veteran members after January 2, 1955 must attain age 62 with 20 years of service or attain age 55 with 25 years of service).

Chapter 220 Benefit:

Eligible if age 55 and completes 35 years of service. Benefit equals 1/55th of the compensation for the 12 month period of membership that provides the largest possible benefit multiplied by the member's total years of service.

LAW ENFORCEMENT

Service Retirement:

Eligible at age 55 after 20 years of service. Benefit equals a member annuity plus an employer pension which, together, equal 2% of final contributory compensation for each of the first 25 years of service plus 1% of such compensation for noncontributory service or service over 25 years plus 1-2/3% for non-law enforcement service.

Chapter 4, P.L. 2001 Special Retirement:

After completion of 25 years of service, an additional retirement benefit equal to 5% of final contributory pay is added to the above service related retirement benefit. There is a maximum total benefit of 70% of final contributory pay.

Ordinary Disability:

Eligible after 5 years of service. Benefit is the same as for regular members.

Death After Retirement:

Eligible upon death after an accidental disability retirement. Benefit is the same as for a regular

member with a \$5,000 minimum.

LEGISLATORS

Service Retirement:

Eligible at age 60 and termination of all public service. Benefit is equal to a member annuity plus an employer pension which, together, equal 3% of final contributory compensation for each year of service to a maximum of 2/3 of final compensation.

Vested Retirement:

Eligible after 8 years of legislative service. Benefit is a service retirement benefit deferred to age 60 or, alternatively, a lump sum equal to his accumulated deductions.

PROSECUTORS PART (Chapter 366, P.L. 2001)

Service Retirement:

Eligibility means age 55 or 20 years of credited service. Mandatory retirement at age 70. Benefit is an annual retirement allowance equal to a member annuity plus an employer pension which together equals the greater of:

- (i) 1/60th of FC for each year service; or
- (ii) 2% of FC multiplied by years of service up to 30 plus 1% of FC multiplied by years of service over 30.
- (iii) 50% of final contributory compensation if the member has 20 or more years of service.

Chapter 366 also requires that, in addition to to the 50% of final contributory compensation benefit, any member as of January 7, 2002 who will have 20 or more years of service and is required to retire upon attaining age 70, shall receive an additional benefit equal to 3% of final contributory compensation for each year of service over 20 years but not over 25 years.

Special Retirement:

After completion of 25 years of service. The annual retirement benefit is equal to a member annuity plus an employer pension which together equal 65% of final contributory compensation plus 1% of final contributory compensation for each year of

STATE OF NEW JERSEY

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

service over 25. There is a maximum benefit of 70% of final contributory compensation.

Vested Termination:

Eligible upon termination of service prior to age 55 and after 10 years of service (but less than 20 years). The benefit is a deferred retirement benefit, commencing at age 55, equal to a member annuity plus an employer pension which together provide a retirement allowance equal to 2% of final contributory compensation multiplied of service up to 30 plus 1% of final contributory compensation multiplied by years of service over 30 years.

Death Benefits:

Ordinary Death Benefit — Lump Sum

After retirement but prior to age 55, the benefit is as follows:

- (i) For death while a Disabled Retiree the benefit is equal to 1-1/2 times compensation.
- (ii) For death while a Deferred Retiree the benefit is equal to his accumulated deductions.
- (iii) For death while a Retiree who has completed 20 years of service, the benefit is equal to 1/2 times final contributory compensation.

WORKERS' COMPENSATION JUDGES

PART (Chapter 259, P.L. 2001)

Service Retirement:

A. Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:

- a. Age 70 and 10 years of service as a judge of compensation;
- b. Age 65 and 15 years of service as a judge of compensation; or
- c. Age 60 and 20 years of service as a judge of compensation.

Benefit is an annual retirement allowance equal to the greater of 75% of final salary or the regular service retirement benefit above.

B. Age 65 while serving as a judge of compensation, 5 consecutive years of service as a judge of compensation and 15 years in the aggregate of public service; or

Age 60 while serving as a judge of compensation, 5 consecutive years of service as a judge of compensation and 20 years in the aggregate of public service.

Benefit is an annual allowance equal to the greater of 50% of final salary or the regular service retirement benefit above.

C. Age 60 while serving as a judge of compensation, 5 consecutive years as a judge of compensation and 15 years in the aggregate of public service. Benefit is an annual retirement allowance equal to the greater of 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years or the regular service retirement benefit above.

D. Age 60 while serving as a judge of compensation. Benefit is an annual retirement allowance equal to the greater of 2% of final salary for each year of service as a judge of compensation up to 25 years plus 1% for each year in excess of 25 years or the regular service retirement benefit above.

Early Retirement:

Prior to age 60 while serving as a judge of compensation, 5 consecutive years of service as a judge of compensation and 25 or more years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year of public service in excess of 25 years, actuarially reduced for commencement prior to age 60.

Vested Termination:

Termination of service prior to age 60, with 5 consecutive years of service as a judge of compensation and 10 years in the aggregate of public service. Benefit is a refund of accumulated deductions, or a deferred life annuity beginning at age 60 equal to 2% of final salary for each year of public service up to 25 years, plus 1% of service in excess of 25 years.

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

Death Benefits (Insured):

Before Retirement:

Death of an active member of the plan. Benefit is equal to

- a. Lump sum payment equal to 1-1/2 times final salary, plus
- b. Spousal life annuity of 25% of final salary plus 10% (15%) to one (two or more) surviving children payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children). If there is no surviving spouse (or dependent children), 20% or 30% of final salary to one or two dependent parents.

After Retirement:

Death of a retired member of the plan. Benefit is equal to a lump sum of 25% of final salary for a member retired under normal, early retirement or vested termination. If a member were receiving a disability benefit, a lump sum 1-1/2 times final salary if death occurred before the member attained age 60 and 1/4 times final salary if death occurred after age 60.

3. CONTRIBUTIONS

By Members:

Members enrolling in the retirement system on or after July 1, 1994 will contribute 5% of compensation. Members enrolled prior to July 1, 1994 will contribute 5% of compensation to the retirement system effective July 1, 1995 unless they previously had contributed less than 6% in which case they will contribute 4% of compensation beginning July 1, 1995 and 5% of compensation beginning July 1, 1996.

The member contribution rate for members who are eligible to retire under the Prosecutors Part of the Retirement System as provided by Chapter 366, P.L. 2001 is to be determined by the System Board of Trustees. For valuation purposes, a 7.5% member contribution rate was used.

By Employers:

NORMAL CONTRIBUTION

The State and Local employers pay annually a normal contribution to the retirement System. This contribution is determined each year on the basis of the annual valuation and represents the value of the benefits to be earned in the year following the valuation date. The normal contributions for active members' COLA are being phased in.

In accordance with the provisions of Chapter 79, P.L. 1960, which provided that the monies appropriated for payment of the noncontributory life insurance coverage shall be held separate from the retirement System monies, the amount required to pay such benefit is deducted from the normal contribution certified for payment to the retirement System and paid to a Group Insurance Premium Fund, which is administered by the State Treasurer.

In accordance with the provisions of Chapter 133, P.L. 2001, the Benefit Enhancement Fund (BEF) was established to fund the additional annual employer normal contribution due to the law's increased benefits. (Chapter 353, P.L. 2001 extended this coverage to this law's additional annual employer normal contribution.) If the assets in the BEF are insufficient to cover the normal contribution for the increased benefits for a valuation period, the State will pay such amount for both the State and local employers.

In accordance with the provisions of Chapter 259, P.L. 2001, the additional normal contributions for increased benefits to judges of compensation for a valuation period will be funded by transfers from the Second Injury Fund.

The Appropriation Act of 2006 reduced the State fiscal year 2006 required normal contribution by 60% and any residual amount was covered by assets from the Benefit Enhancement Fund. The State required normal contribution for subsequent fiscal years could be subject to the Appropriation Act of that fiscal year.

The Local required normal contribution for fiscal

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

year 2006 has been reduced by 60% in accordance with Chapter 108, P.L. 2003.

ACCRUED LIABILITY CONTRIBUTIONS

The State and Local employers pay contributions to cover any unfunded accrued liability. The amortization periods for funding these liabilities were set initially at 40 years. Experience gains or losses for the 10 valuation years following the March 31, 1992 valuation will increase or decrease the unfunded accrued liability. Thereafter, actuarial gains or losses will increase or decrease the amortization period unless an increase will cause it to exceed 30 years.

Chapter 366, P.L. 2001 requires that the State be liable for any increase in pension costs to a county that results from the enrollment of prosecutors in the Prosecutors Part. Any increase in the unfunded accrued liability in the Retirement System arising from the benefits established for the Prosecutors Part are to be amortized over a

period of 30 years in the manner provided for other such liability in the Retirement System.

In accordance with the provisions of Chapter 259, P.L. 2001, the additional accrued liability contribution for increased benefits to judges of compensation for a valuation period will be funded by transfers from the Second Injury Fund.

The valuation reflects the potential effect of the Appropriation Act for fiscal year 2006 which reduced the State fiscal year 2006 required accrued liability contribution by 60% and any residual amount was covered by assets from the Benefit Enhancement Fund. The State required accrued liability contribution for subsequent fiscal years could be subject to the Appropriation Act of that fiscal year.

The Local required accrued liability contribution for fiscal year 2006 has been reduced by 60% in accordance with Chapter 108, P.L. 2003.



1550 Liberty Ridge Drive
Suite 200
Wayne, PA 19087-5572
Tel +1 610 687.5644
Fax +1 610.687.4236
www.milliman.com

October 11, 2006

Board of Trustees
Teachers' Pension and Annuity Fund
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

This letter constitutes the actuary's certification letter for the Comprehensive Annual Financial Report (CAFR) of the Teachers' Pension and Annuity Fund of New Jersey (TPAF). It reflects the results of the June 30, 2005 Annual Actuarial Valuation of TPAF.

The funding objective of the plan, as modified by Chapter 133, P.L. 2001 and Chapter 115, P.L. 1997, is to have the State make sufficient contributions into the plan to cover the normal cost of the plan subject to a phase-in of the pension adjustment benefits (for the 2005 valuation, 51.29% of the cost of such benefits was reflected).

If there are sufficient assets in the Benefit Enhancement Fund (BEF), the State may reduce its contribution up to the additional normal cost of the plan (the difference between the 1/55th formula and the 1/60th formula normal costs). The BEF was established by Chapter 133, P.L. 2001. As of the June 30, 2005 Actuarial Valuation, the assets in the BEF had been eliminated and thus, no reduction to the contribution was available to the state.

In the event there are assets in excess of Actuarial Accrued Liabilities, liabilities for future member contribution reductions, the BEF, and the value of future unphased-in normal costs for pension adjustments, the State may reduce both its contribution and Member contributions. As of the June 30, 2005 Actuarial Valuation, there were no such "excess assets", and neither the State's nor Members' contributions were reduced based on such excess assets. In fact, Unfunded Actuarial Liabilities existed and the State amortized them over a 30-year period as a level percentage of payroll.

The State appropriated \$94,930,000 and \$697,143,000 for the 2006 and 2007 fiscal years respectively. This appropriation covers pension, non-contributory group life insurance and early retirement incentive (ERI) contributions. ERI contributions are not included in the CAFR in accordance with GASB accounting. Therefore, the resulting contributions are \$93,834,999 (7.97% of the ARC) for fiscal year 2006 and \$696,004,200 (49.46% of the ARC) for fiscal year 2007.

The valuation was based on a set of demographic actuarial assumptions (described in detail in the section headed "Summary of Actuarial Assumptions and Methods") which was adopted by the Board of Trustees as a result of a study of actual experience under the Teachers' Pension Annuity Fund during the 3-year period ending June 30, 2003. The valuation was also based on a set of

economic assumptions as prescribed by the State Treasurer. The Treasurer changed the economic assumptions for the current valuation. The actuarial assumptions and methods used for funding purposes meet the parameters set forth in Governmental Accounting Standards Board (GASB) Statement No. 25 except with respect to the phase-in regarding the normal cost of pension adjustment benefits. The Annual Required Contribution shown on the attached reflects the full normal cost of pension adjustment benefits.

The following supporting schedules in the Actuarial Section were prepared by Milliman:

- Summary of Actuarial Assumptions and Methods
- Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls
- Schedule of Active Member Valuation Data
- Solvency Test
- Analysis of Financial Experience
- Summary of Principal Plan Provisions

In addition, Milliman prepared the "Schedule of Funding Progress" and the "Schedule of Employer Contributions" in the Financial Section.

In performing this analysis, we relied on data and other information provided by the Division of Pensions and Benefits. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

This report may only be used for the CAFR and may not be used for other purposes without Milliman's prior written consent.

I am a member of the American Academy of Actuaries and meet its Qualification Standard to render this actuarial opinion.

Respectfully submitted,

MILLIMAN, INC.



By: Scott F. Porter, FSA, MAAA

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

Interest: 8.25% per annum, compounded annually (as prescribed by the State Treasurer).

CPI: 3.0% per annum, compounded annually (as prescribed by the State Treasurer). The pension adjustment is 60% of the cumulative increase.

Future Payroll Growth: 4.0% per annum, compounded annually.

Salary Scale: Salary increases vary by years of employment which average 5.45% (as prescribed by the State Treasurer). Illustrative rates are shown below:

YEARS OF EMPLOYMENT	ANNUAL RATE
0-3	5.70%
4-15	6.60
16	5.70
17-19	4.80
20	5.50
21-25	4.80
26-30	4.60
31+	4.40

Termination: Withdrawal rates vary by age, years of employment, and gender. Illustrative rates are shown below:

EMPLOYMENT	LESS THAN 10 YEARS OF EMPLOYMENT		
	MALE	FEMALE	
		<40	40+
0	8.29%	7.61%	7.61%
1	6.36	6.58	6.58
2	5.61	5.77	5.77
3	4.18	6.68	3.60
4	3.44	6.53	2.38
5	2.90	6.15	1.84
6	2.53	6.15	1.65
7	2.19	5.86	1.65
8	1.65	5.47	1.27
9	1.45	4.35	1.08

AGE	ANNUAL RATES FOR THOSE WITH DEFERRED ANNUITY BENEFITS*		ANNUAL RATES FOR RECEIVING RETURN OF CONTRIBUTIONS	
	MALE	FEMALE	MALE	FEMALE
25	0.83%	2.28%	0.55%	0.76%
30	0.83	2.28	0.55	0.76
35	0.68	1.80	0.46	0.61
40	0.46	0.98	0.30	0.29
45	0.39	0.57	0.18	0.13
50	0.52	0.64	0.11	0.09
55	0.93	1.20	0.08	0.08

*Members must have attained 10 years of service or 60 years of age in order to receive an annuity benefit.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, Continued

A. Actuarial Assumptions, Continued

Retirement: Rates of retirement vary by age, gender, and eligibility for an unreduced pension and post-retirement medical benefits (attainment of age 55 and 25 years of service). Illustrative rates are shown below:

AGE	LESS THAN AGE 55 OR LESS THAN 25 YEARS OF SERVICE		FIRST ELIGIBILITY		AFTER FIRST ELIGIBILITY	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
<47	1.1%	1.3%	N/A	N/A	N/A	N/A
48	1.4	1.5	N/A	N/A	N/A	N/A
49	1.6	1.7	N/A	N/A	N/A	N/A
50	1.9	2.0	N/A	N/A	N/A	N/A
51	2.3	2.5	N/A	N/A	N/A	N/A
52-54	2.8	3.0	N/A	N/A	N/A	N/A
55	N/A	N/A	15.0%	16.0%	N/A	N/A
56	N/A	N/A	18.0	19.0	12.0%	13.0%
57	N/A	N/A	18.0	19.0	13.0	13.5
58	N/A	N/A	20.0	20.0	14.0	14.0
59	N/A	N/A	20.0	20.0	15.0	14.5
60	12.0	10.0	22.0	32.0	21.0	20.0
61	12.0	10.0	23.0	34.0	23.0	22.0
62	12.0	10.0	40.0	48.0	36.0	32.0
63	12.0	10.0	43.0	45.0	30.0	26.5
64	12.0	10.0	43.0	45.0	30.0	26.5
65	17.0	20.0	43.0	57.0	38.0	36.0
66-70	18.0	16.0	50.0	50.0	30.0	30.0
71+	20.0	20.0	50.0	50.0	30.0	30.0

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

A. Actuarial Assumptions, *Continued*

Disability: Incidence of disabilities among active members only apply upon the attainment of 10 years of service until the attainment of age 55 and 25 years of service. The rates vary by age, gender, and type of disability. Illustrative rates are shown below:

AGE	ORDINARY		ACCIDENTAL	
	MALE	FEMALE	MALE	FEMALE
25	0.0301%	0.0379%	0.0090%	0.0060%
30	0.0473	0.0550	0.0090	0.0060
35	0.0609	0.0674	0.0090	0.0060
40	0.0701	0.0893	0.0090	0.0060
45	0.1023	0.1317	0.0090	0.0060
50	0.1421	0.1759	0.0090	0.0060
55	0.3732	0.3506	0.0090	0.0060

Pre-retirement Mortality: Illustrative rates of mortality of active members which vary by age and gender are shown below. No accidental deaths are assumed.

AGE	ORDINARY	
	MALE	FEMALE
25	0.0369%	0.0284%
30	0.0348	0.0291
35	0.0582	0.0351
40	0.0866	0.0478
45	0.1287	0.0709
50	0.1867	0.0973
55	0.2602	0.1428
60	0.4074	0.2294
65	0.6466	0.4439
70	0.9387	0.8636

Post-retirement Mortality: Rates of mortality vary by age, gender, and type of retirement. A generational approach is applied using Scale AA to account for future mortality improvement for non-disabled annuitants. The base year is 2003. Illustrative rates for the base year and Scale AA are shown below:

AGE	SERVICE RETIREMENTS AND BENEFICIARIES		SCALE AA		DISABILITY RETIREMENTS	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
45	0.4158%	0.1565%	1.3%	1.6%	2.2570%	0.7450%
50	0.5593	0.2447	1.8	1.7	2.8975	1.1535
55	0.7210	0.3489	1.9	0.8	3.5442	1.6544
60	1.0556	0.5617	1.6	0.6	4.2042	2.1839
65	1.2047	0.7511	1.4	0.5	5.0174	2.8026
70	1.9959	1.1942	1.5	0.6	6.2583	3.7635
75	3.4828	1.9731	1.4	0.8	8.2067	5.2230
80	6.1521	3.4266	1.0	0.7	10.9372	7.2312
85	10.8381	7.2836	0.7	0.6	14.1603	10.0203

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

Non-contributory Members: 30% are assumed to return to contributory status.

Marriage: Husbands are assumed to be 3 years older than wives. Among the active population, 80% of participants are assumed to be married. No children are assumed. Neither the percentage married nor the number of children assumptions are necessarily individually explicit, but they are considered reasonable, when viewed as a single combined assumption.

Form of Payment: Modified Cash Refund Annuity.

- B. Actuarial Valuation Method:** The projected Unit Credit Method was used as required by Chapter 62, P.L. 1994 as modified by Chapter 115, P.L. 1997 and 133, P.L. 2001.
- C. Asset Valuation Method:** A five year average of market value with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period. Cash flows are based on an accrual accounting approach. This method is prescribed by statute. The market value of assets is used for the Postretirement Medical Fund and the Contributory Group Insurance Premium Fund for GASB purposes.
- D. Changes in Actuarial Assumptions:** There were no changes since the prior actuarial valuation.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE		
6/30/99	3,840	N/A	1,597	N/A	49,060	\$1,052,601,920	4.72%	\$21,455
6/30/00	4,379	N/A	2,074	N/A	51,365	1,159,146,402	5.18	22,567
6/30/01	4,228	N/A	1,701	N/A	53,892	1,282,856,638	5.48	23,804
6/30/02	4,185	N/A	1,840	N/A	56,237	1,534,472,671	14.63	27,286
6/30/03	4,963	N/A	1,869	N/A	59,331	1,684,758,604	4.07	28,396
6/30/04	4,506	N/A	1,844	N/A	61,993	1,831,763,953	4.06	29,548
6/30/05	5,248	N/A	1,796	N/A	65,445	2,016,612,069	4.28	30,814

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

VALUATION DATE	NUMBER OF ACTIVE MEMBERS (a)	ANNUAL COMPENSATION (b)	AVERAGE COMPENSATION (b/a)	% INCREASE IN AVERAGE COMPENSATION
6/30/99	124,823	\$6,540,450,038	\$52,398	1.63%
6/30/00	129,987	6,900,894,090	53,089	1.32
6/30/01	135,850	7,317,893,866	53,867	1.47
6/30/02	142,160	7,766,083,756	54,629	1.41
6/30/03	145,882	8,161,471,273	55,946	2.41
6/30/04	149,097	8,552,030,730	57,359	2.53
6/30/05	151,873	8,990,287,226	59,196	3.20

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS		
	(1) ACTIVE MEMBER CONTRIBUTIONS	(2) RETIREES & DEFERRED VESTED	(3) ACTIVE MEMBERS (EMPLOYER FINANCED)		(1)	(2)	(3)
6/30/99	\$4,663,478,090	\$10,850,247,466	\$10,032,357,733	\$27,457,451,678	100.00%	100.00%	100.00%
6/30/00	5,034,537,874	12,125,009,498	10,245,070,679	30,203,205,322	100.00	100.00	100.00
6/30/01	5,372,735,178	14,623,923,361	12,748,698,646	35,351,379,511	100.00	100.00	100.00
6/30/02	5,718,032,988	16,318,453,947	13,110,104,907	35,148,246,433	100.00	100.00	100.00
6/30/03	5,966,376,950	17,994,420,585	13,422,935,347	34,651,825,932	100.00	100.00	80.00
6/30/04	6,358,150,720	19,279,884,745	14,809,654,874	34,633,790,549	100.00	100.00	61.00
6/30/05	6,738,509,262	21,334,536,203	14,853,713,518	34,688,666,392	100.00	100.00	45.00

*Valuation Assets

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

ANALYSIS OF FINANCIAL EXPERIENCE
GAINS AND LOSSES IN UNFUNDED ACCRUED LIABILITIES
RESULTING FROM DIFFERENCES BETWEEN
ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE

TYPE OF ACTIVITY	ACTUAL VALUATION AS OF	
	JUNE 30, 2005 (\$ MILLIONS)	JUNE 30, 2004 (\$ MILLIONS)
<u>Economic Factors:</u>		
Investment Return	\$(1,269.6)	\$(1,503.8)
Salary Increases	(31.3)	162.9
COLA Adjustments	84.5	222.6
Expenses	(14.6)	(9.2)
<u>Demographic Factors:</u>		
Active Members	7.4	(222.9)
New Entrants	(60.8)	(54.8)
Non-Contributing Members	(23.3)	(24.0)
Retirees and Beneficiaries	(18.0)	36.2
Net Actuarial Gains or (Losses)	\$(1,325.7)	\$(1,393.0)

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF PRINCIPAL PLAN PROVISIONS

1. TYPE OF PLAN

The Plan is a contributory, defined benefit plan. Contributions by Members are 5% of compensation. If the Fund has excess assets, member contributions may be reduced by as much as 2%.

2. EFFECTIVE DATE

The Plan was established in 1919. It was reorganized and integrated with Social Security in 1955. Social Security integration was eliminated in 1966, i.e., reductions in retirement benefits based on Social Security benefits were eliminated.

3. ELIGIBILITY FOR MEMBERSHIP

Employees appointed to positions requiring certification as members of a regular teaching or professional staff of a public school system in New Jersey are required to enroll as a condition of employment. Employees of the Department of Education holding unclassified, professional and certificated titles are eligible for membership. Temporary or substitute employees are not eligible.

4. DEFINITIONS

- a. ***Fiscal Year:*** A Fiscal Year is a 12-month period beginning on July 1 and ending on June 30.
- b. ***Credited Service:*** A year of Credited Service for each year an employee is a Member of the Retirement System plus service, if any, covered by a prior service liability.
- c. ***Final Compensation:*** This is the average annual compensation for the three consecutive years of Creditable Service immediately preceding retirement or the highest three fiscal years of Membership Service.
- d. ***Final Year Compensation:*** This is the compensation upon which contributions by a Member to the Annuity Savings Fund are based in the last year of Membership Service.
- e. ***Aggregate Member Contributions:*** This is the sum of all amounts deducted from the compensation of

a Member or contributed by him or on his behalf without interest.

- f. ***Class A Member:*** Any member who contributes towards retirement allowance based on 1/64th benefit rate per year of creditable service.
- g. ***Class B Member:*** Any member who contributes towards a retirement allowance based on 1/55th benefit rate per year of creditable service.

5. RETIREMENT BENEFITS

a. ***Service Retirement:***

SERVICE RETIREMENT ELIGIBILITY: Eligibility means age 60 with no minimum service requirement.

SERVICE RETIREMENT BENEFIT: An employee's annual service retirement allowance is equal to a member annuity plus an employer pension which together equals 1/64th of Final Compensation for each year of service for Class A members and 1/55th of Final Compensation for each year of service for Class B members.

Note: See Section 12 for special benefits for veteran members.

b. ***Early Retirement:***

EARLY RETIREMENT ELIGIBILITY: A Member may retire after completion of 25 years of Creditable Service.

EARLY RETIREMENT BENEFIT: The benefit may be either:

- (1) the lump sum withdrawal benefit described in 6.a. below; or
- (2) the service retirement benefit reduced by 1/4 of one percent for each month the retirement date precedes age 55.

6. TERMINATION BENEFITS

a. ***Lump Sum Withdrawal:***

ELIGIBILITY: A Member is eligible upon termination of service.

DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

LUMP SUM WITHDRAWAL BENEFIT: The benefit equals a refund of Aggregate Member Contributions plus, if the member has completed three years of service, interest accumulated at 2.0% per annum allowed thereon.

b. *Deferred Retirement:*

ELIGIBILITY: A Member is eligible upon termination of service prior to age 60 and after 10 years of Creditable Service.

DEFERRED RETIREMENT BENEFIT: The benefit may be either:

- (1) the lump sum withdrawal benefit described in 6.a. above, or
- (2) a deferred retirement benefit, commencing at age 60, equal to a member annuity plus an employer pension which together provide a retirement allowance equal to the service retirement benefit based on Final Compensation and Creditable Service at date of termination.

7. DEATH BENEFITS

a. *Ordinary Death (Insured) Benefit - Lump Sum (Non-Contributory):*

PRE-RETIREMENT DEATH BENEFIT ELIGIBILITY: Any current active member is eligible.

PRE-RETIREMENT DEATH BENEFIT: The benefit is a lump sum benefit equal to the Aggregate Contributions with interest allowed thereon plus an amount equal to 1-1/2 times Compensation at date of death.

POST-RETIREMENT DEATH BENEFIT PRIOR TO AGE 60 ELIGIBILITY: Eligible if disabled or retired early.

POST-RETIREMENT DEATH BENEFIT PRIOR TO AGE 60 BENEFIT: The benefit is as follows:

- (1) For death while a Disabled Retiree the benefit is equal to 1-1/2 times Compensation.
- (2) For death while an Early Retiree, the benefit is equal to 3/16 times Compensation.

- (3) For death while vested terminated, the benefit is equal to his Aggregate Contributions with interest allowed thereon.

POST-RETIREMENT DEATH BENEFIT AFTER AGE 60 ELIGIBILITY: Eligible after attainment of age 60 for service, deferred and disabled retirements (if not disabled, 10 years of Creditable Service required for members enrolling on or after July 1, 1971).

POST-RETIREMENT DEATH BENEFIT AFTER AGE 60 BENEFIT: The benefit payable is equal to 3/16 times Compensation.

- b. *Contributory Death Benefit:*** An additional, employee-paid, death benefit is also available through group insurance purchased by the Board of Trustees. Contributions for this benefit are required by Members during the first year of enrollment. Participation may be terminated after the first year. The benefit prior to retirement is 2 times compensation. The benefit after retirement is 1/4 times final year compensation (coverage at retirement, and 10 years of participation for Members enrolling on or after July 1, 1970, is required).

c. *Pre-retirement Accidental Death Benefit:*

ELIGIBILITY: A death resulting from injuries received from an accident during performance of duty and not a result of willful negligence is eligible.

PRE-RETIREMENT LUMP SUM BENEFIT: The benefit is a lump sum equal to 1-1/2 times Compensation.

PRE-RETIREMENT ACCIDENTAL DEATH BENEFIT: The benefit payable is as follows:

- (1) The annuity benefit to a widow or widower is equal to 50% of Compensation, payable for life until remarriage.
- (2) The annuity benefit, when there is no spouse, or the spouse is remarried, is equal to 20% of Compensation for one child, 35% for two children, 50% for three or more children. The benefit is payable while the children are under age 18 and it is payable for life if they are disabled.

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

- (3) The annuity benefit, when there is no spouse or children, is equal to 25% of Compensation for one dependent parent and 40% for two dependent parents.
- (4) The benefit, when there is no relation as stated above, is equal to the Aggregate Contributions with interest allowed thereon and is payable to a beneficiary or to the Member's estate. This is also the minimum benefit payable under (1), (2), and (3) above.

8. DISABILITY BENEFITS

a. *Ordinary Disability Retirement:*

Eligibility: A Member is eligible for Ordinary Disability Retirement if he (she) has 10 years of Creditable Service and is totally and permanently incapacitated from the performance of usual or available duties.

Ordinary Disability Retirement Benefit: The total retirement allowance is equal to the greater of:

- (1) 1.64% of Final Compensation times the number of years of Creditable Service; or
- (2) 43.6% of Final Compensation

Note: See Section 12 for special benefits for veteran members.

b. *Accidental Disability Retirement:*

ELIGIBILITY: A Member is eligible upon total and permanent incapacitation as a direct result of a traumatic event occurring during and as a result of the performance of regular or assigned duties.

ACCIDENTAL DISABILITY RETIREMENT BENEFIT: The benefit payable is equal to a Member annuity plus an employer pension which together equals 72.7% of the Compensation at date of injury.

**9. COST-OF-LIVING PENSION
ADJUSTMENT BENEFITS**

All retirees and eligible beneficiaries will receive an annual adjustment of at least 60% of the cumulative change in the Consumer Price Index. This

adjustment is first available on the 25th month after retirement or death.

10. ADDITIONAL OLD-PLAN BENEFIT

An additional pension is payable to any retirant who was a member of the old Teachers' Retirement Fund. This pension is the actuarial equivalent of his contributions to the old Teachers' Retirement Fund without interest.

11. SPECIAL MINIMUM BENEFIT

A member who retired prior to 1955 with 20 or more years of service may receive a minimum pension of \$500 a month inclusive of any amounts payable under any pension adjustments.

12. SPECIAL BENEFITS FOR VETERANS

- a. ***Service Retirement:*** Eligible if member attains age 60 and completes 20 years of service or attains age 55 and completes 25 years of service. Benefit equals 54.5% of highest 12-month contributory compensation.
- b. ***Chapter 97 Benefit:*** Eligible if age 55 and completes 35 years of service. Benefit equals 1/55th of final year compensation for each year of service.

13. POST RETIREMENT MEDICAL BENEFITS

The Fund pays medical premiums including Medicare for retired members who retire after 25 years of service or under the disability provisions of the Fund.

14. BENEFIT AND COMPENSATION LIMITS

The provisions of IRC Section 415 and IRC Section 401(a)(17), which limit benefits paid and limit compensation used in determining benefits, has been reflected in this report.

The IRC Section 415 limit is \$170,000 and the 401(a)(17) compensation cap is \$210,000 and is applied on a calendar year basis.

15. FORMS OF PAYMENT

- a. ***Maximum Option*** — Single life annuity.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF PRINCIPAL PLAN PROVISIONS, *Continued*

- b. **Option 1** — Single life annuity with return of reserve option.
- c. **Option 2** — 100% joint and survivor annuity.
- d. **Option 3** — 50% joint and survivor annuity.
- e. **Option 4** — Other percentage joint and survivor annuity.
- f. **Option A** — 100% pop-up joint and survivor annuity.
- g. **Option B** — 75% pop-up joint and survivor annuity.
- h. **Option C** — 50% pop-up joint survivor annuity.
- i. **Option D** — 25% pop-up joint survivor annuity.

16. CONTRIBUTIONS

- a. **Member Contributions:** Each member becoming a member on or after January 1, 1956 contributes at the rate of contribution applicable to Class B members.
 - (1) **CLASS B MEMBERSHIP:** Any member on December 31, 1955 may elect to be classified as a Class B member and contribute at the rate of contribution applicable to Class B members at his age at membership. Any such member may elect to increase his accumulated deductions by the amount required by the Board to receive credit as a Class B member for all or part of his service prior to such election.
 - (2) **CLASS A MEMBERSHIP:** Any member who is not a veteran and does not elect to be classified as a Class B member continues to contribute at the rate of contribution applicable to his age at membership which was payable prior to the establishment of the integrated system, except that if he became a member subsequent to June 30, 1946 he will pay after January 1,

1955 at the rate of contribution in effect on June 30, 1946 applicable to his age at membership.

Prior to July 1, 1979 different contribution rates were established for men and women. Effective on that date members contribute at rates intermediate between the rates previously applicable to male and female members, computed to provide the same present value of future employee contributions at each entry age on the basis of the membership as constituted on the effective date.

b. **Local Employer Contributions:**

- (1) **EARLY RETIREMENT INCENTIVE CONTRIBUTIONS:** The State and Local employers which elected to participate in the early retirement incentive programs authorized by Chapters 137, 229 and 231, P.L. 1991 and Chapters 48, 138 and 163, P.L. 1993 and Chapter 23, P.L. 2002 and Chapters 128 and 129, P.L. 2003 pay contributions to cover the additional liability for these programs over amortization periods chosen by the employer (15 years for Chapters 128 and 129) or the amortization period for the Unfunded Accrued Liability of the system (Chapter 23).
- (2) **CHAPTER 113 CONTRIBUTIONS:** Certain School Districts have elected to exempt a select group of employees from the compensation limit under IRC Section 401(A)(17) incorporated under Chapter 113. These school districts will pay the full cost of the exemption at a member's date of retirement.

**17. CHANGES IN PLAN PROVISIONS
SINCE PRIOR EVALUATION**

There have been no changes since the previous valuation.



October 10, 2006

Board of Trustees
Police and Firemen's Retirement System
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

An actuarial valuation of the Police and Firemen's Retirement System is performed annually to measure the ongoing costs of the System (with required contributions determined separately for the State and Local employers) and the progress towards the funding goals of the System over time. In general, the financial goals of the Police and Firemen's Retirement System are a pattern of contributions which is relatively stable over time as a percentage of pay for a stationary employee population.

In accordance with the New Jersey statutes, employers are required to make two contributions to the System, a normal contribution and an accrued liability contribution. The normal contribution for basic allowances and cost of living adjustments (COLA's) is defined under the Projected Unit Credit funding method as the present value of the benefits accruing during the current year. The unfunded accrued liability contribution for basic allowances and COLA's is determined as a level percentage of pay required to amortize the unfunded accrued liability in annual payments increasing by 4% per year and paid annually for a specific time as determined by the State Treasurer. (This period was determined to be 40 years as of July 1, 1992.)

The provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds and to use any excess valuation assets to reduce required normal contributions payable by the State and Local employers by up to 100% of excess assets through the July 1, 2000 valuation, and on a declining maximum percentage of excess assets basis thereafter (50% as of the July 1, 2005 valuation).

Also, the provisions of Chapter 428, P.L. 1999 and Chapter 8, P.L. 2000 made significant changes to the benefit provisions and funding of the System retroactive to the July 1, 1998 valuation. The funding changes included a revision to the actuarial value of assets used for the July 1, 1998 valuation, a change in the definition of excess valuation assets (to cover the expected additional normal cost contributions attributable to the legislation) and elimination of the basic accrued liability contribution payable by the Municipalities and Local Groups for the valuation period ending June 30, 1997.

The July 1, 2005 valuation report reflects the ERI program offered under the provisions of Chapter 130, P.L. 2003 to members of nineteen Local employer locations who adopted the program and the provisions of Chapter 42, P.L. 2002 which allowed for the bonding of existing Local ERI liability.

The valuation also incorporates the provisions of Chapter 108, P.L. 2003 and assumes that the State Treasurer will reduce the required Local employers' normal and accrued liability contributions for fiscal year 2007 to 80% of the recommended amount of \$528,429,022. Accordingly, a fiscal year 2007 receivable Local employer contribution of \$422,743,218 was recognized for purposes of this valuation. For the State, the valuation reflects the potential impact of the Appropriation Act for fiscal year 2007. Similar to the provisions of Chapter 122, P.L. 2003 (the Appropriation Act of 2003 which reduced the required State contribution for fiscal year 2004), the Appropriation Act for fiscal year 2007 is anticipated to allow the State Treasurer to reduce the State normal and accrued liability contributions for fiscal year 2007 to 70% of the recommended amount of \$212,915,981. (This amount excludes the non-contributory group insurance premium of \$4,978,088.) Accordingly, a fis-

cal year 2007 receivable State contribution of \$154,019,275 (which includes the non-contributory group insurance premium of \$4,978,088) was recognized for purposes of this valuation.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck Consultants for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

As stipulated in the statutes, an actuarial investigation of the mortality, service and compensation experience of the members and beneficiaries of the Police and Firemen's Retirement System is made once in every three-year period. The contributions for the fiscal year beginning July 1, 2007 were based on the revised actuarial assumptions that were determined from the July 1, 2001 to June 30, 2004 Experience Study (which was approved by the Board of Trustees at the December 12, 2005 Board meeting), the projected unit credit funding method and the economic assumptions which were approved by the Treasurer (these include an investment return rate of 8.25% per annum, assumed rate of annual payment increase of unfunded accrued liability contribution of 4.0% per annum and a Cost-of-Living Adjustment assumption of 60% of the assumed CPI increase of 3.0% per annum). The asset valuation method used was a five-year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes except that, in the determination of the Annual Required Contribution (ARC), excess assets were not used to offset required normal cost contributions.

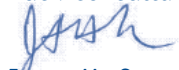
In our opinion, the attached schedules of valuation results fairly represent the status of the Police and Firemen's Retirement System and present an accurate view of historical data. The underlying assumptions and methods used for both funding and GASB disclosure purposes are consistent with the statutory specifications and represent a best estimate of the aggregate future experience of the System.

The following supporting schedules in the Actuarial Section were prepared by Buck Consultants:

- Summary of Actuarial Assumptions and Methods
- Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls
- Schedule of Active Member Valuation Data
- Solvency Test
- Analysis of Past Financial Experience
- Reconciliation of Employer Contribution Rates
- Brief Summary of the Benefit and Contribution Provisions as Interpreted for Valuation Purposes

Respectfully submitted,

Buck Consultants



Janet H. Cranna, M.A.A.A., F.S.A., E.A., F.C.A., M.S.P.A.
Principal, Consulting Actuary

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Section 13, Subsection (13) of Chapter 255, P.L. 1944 as amended by Chapter 157, P.L. 1972 of the New Jersey Statutes provides that once in every three-year period the actuary shall examine in detail the mortality, service and compensation experience of the members and beneficiaries of the Police and Firemen's Retirement System to assure that the tables used for determining expected liabilities are consistent with recent experience.

The July 1, 2005 actuarial valuation of the Police and Firemen's Retirement System reflects the recognition of the revised actuarial assumptions determined from the July 1, 2001 to June 30, 2004 Experience Study which was approved by the Board of Trustees at the December 12, 2005 Board meeting and the economic assumptions which were approved by the Treasurer.

An outline of the actuarial assumptions and methods used for the July 1, 2005 valuation is as follows:

Valuation Interest Rate: 8-1/4% per annum, compounded annually.

Separation from Service and Salary Increases: Representative values of the assumed annual rates of separation and annual rates of salary increases are as follows:

AGE	ANNUAL RATES OF					
	SELECT WITHDRAWAL					ULTIMATE WITHDRAWAL
	UP TO THE 1ST YEAR	2ND YEAR	3RD YEAR	4TH YEAR	5 TO 9 YEARS	AFTER 9 YEARS
25	3.85%	1.91%	1.57%	1.74%	0.70%	0.00%
30	4.40	2.20	1.76	1.74	1.08	0.54
35	4.50	2.25	1.76	1.74	1.28	0.31
40	5.00	2.25	1.85	2.32	1.50	0.32
45	3.50	2.25	1.85	2.32	1.50	0.32
50	0.00	2.25	1.85	2.00	2.00	0.30
55	0.00	0.00	0.00	0.00	0.00	0.00

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, Continued

AGE	ANNUAL RATES OF								SALARY INCREASES
	DEATH		DISABILITY		SERVICE RETIREMENT — LENGTH OF SERVICE				
					LESS THAN 21 YEARS*	21 TO 24 YEARS	25 YEARS	26 OR MORE YEARS	
25	0.050%	0.006%	0.100%	0.029%					10.62%
30	0.065	0.006	0.165	0.107					8.16
35	0.065	0.008	0.300	0.183					6.67
40	0.120	0.008	0.462	0.230	2.50%	0.00%	49.20%	15.40%	6.01
45	0.180	0.009	0.502	0.227	2.50	0.00	52.98	15.40	5.95
50	0.250	0.009	0.545	0.179	3.75	0.00	56.77	15.40	5.95
55	0.350	0.014	0.900	0.161	4.25	0.00	59.04	17.48	5.95
60	0.600	0.013	0.160	0.107	4.25	0.00	77.49	22.78	5.95
64	0.600	0.008	0.300	0.107	37.50	0.00	77.49	37.80	5.95
65 & OVER	0.000	0.000	0.000	0.000	100.00	100.00	100.00	100.00	

* Retirement assumption prior to age 55 is for any member as of January 18, 2000 upon completion of 20 years of service up to age 54.

Deaths After Retirement: Special mortality tables are used for the period after disability retirement. Representative values of the assumed annual rates of mortality are as follows:

AGE	SERVICE RETIREMENTS		BENEFICIARIES		AGE	DISABILITY RETIREMENTS
	MEN	WOMEN	MEN	WOMEN		
55	0.903%	0.254%	0.903%	0.699%	35	1.494%
60	1.416	0.424	1.416	1.027	40	1.584
65	2.169	0.706	2.169	1.563	45	1.674
70	2.753	1.238	2.753	1.981	50	1.764
75	4.460	2.399	4.460	2.639	55	2.016
80	7.407	4.295	7.407	4.725	60	2.376
85	11.484	6.992	11.484	7.691	65	2.736

Marriage: Husbands are assumed to be 3 years older than wives. Among the active population, 90% of participants are assumed to be married. No children are assumed. Neither the percentage married nor the number of children assumptions are necessarily individually explicit, but they are considered reasonable, when viewed as a single combined assumption.

Valuation Method: Projected Unit Credit Method. This method essentially funds the System's benefits accrued to the valuation date. Experience gains or losses are recognized in future accrued liability contributions.

COLA: Benefits are assumed to increase 1.8% each year.

Asset Valuation Method: A five year average of market values with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS

STATE

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL** ALLOWANCE		
7/1/05	293	\$9,712,923	56	\$1,581,013	2,887	\$92,580,543	10.91%	\$32,068
7/1/04	303	10,413,610	52	1,400,032	2,650	83,473,756	14.02	31,500
7/1/03	348	11,490,364	44	1,071,506	2,399	73,208,008	17.49	30,516
7/1/02	307	8,648,702	42	1,045,611	2,095	62,307,941	17.07	29,741
7/1/01	256	7,604,419	34	661,393	1,830	53,224,047	16.06	29,084
7/1/00	216	6,208,112	42	732,185	1,608	45,858,348	16.96	28,519

LOCAL EMPLOYERS

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL** ALLOWANCE		
7/1/05	1,801	\$82,703,130	652	\$17,340,204	26,370	\$976,985,635	8.62%	\$37,049
7/1/04	1,599	68,764,835	661	17,778,633	25,221	899,485,274	7.44	35,664
7/1/03	1,572	63,945,587	695	17,071,934	24,283	837,223,152	6.79	34,478
7/1/02	1,560	60,716,320	643	16,347,238	23,406	784,019,183	8.30	33,497
7/1/01	1,618	62,452,533	553	12,812,463	22,489	723,911,119	9.51	32,190
7/1/00	1,625	64,489,523	547	17,011,684	21,424	661,062,382	11.83	30,856

TOTAL SYSTEM

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL** ALLOWANCE		
7/1/05	2,094	\$92,416,053	708	\$18,921,217	29,257	\$1,069,566,178	8.81%	\$36,558
7/1/04	1,902	79,178,445	713	19,178,665	27,871	982,959,030	7.97	35,268
7/1/03	1,920	75,435,951	739	18,143,440	26,682	910,431,160	7.57	34,122
7/1/02	1,867	69,365,022	685	17,392,849	25,501	846,327,124	8.90	33,188
7/1/01	1,794	70,056,952	587	13,473,856	24,319	777,135,166	9.93	31,956
7/1/00	1,841	70,697,635	589	17,743,869	23,032	706,920,730	12.15	30,693

* These values include beneficiaries in receipt but exclude deferred vested terminations.

** The benefit amounts shown are the annualized benefits as of the valuation date and are not the actual benefits paid during the fiscal year.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

STATE

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/05	8,120	\$498,199,431	\$61,355	5.27%
7/1/04	7,998	466,157,835	58,284	0.61
7/1/03	7,990	462,879,721	57,932	5.85
7/1/02	7,952	435,230,202	54,732	3.42
7/1/01	7,835	414,643,442	52,922	5.08
7/1/00	7,503	377,863,772	50,362	0.99

LOCAL EMPLOYERS

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/05	36,091	\$2,665,823,352	\$73,864	4.31%
7/1/04	36,198	2,563,358,351	70,815	4.71
7/1/03	35,988	2,433,953,717	67,632	3.93
7/1/02	35,639	2,319,108,068	65,072	3.88
7/1/01	35,184	2,204,057,642	62,644	4.59
7/1/00	34,927	2,091,947,933	59,895	3.98

TOTAL SYSTEM

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/05	44,211	\$3,164,022,783	\$71,566	4.40%
7/1/04	44,196	3,029,516,186	68,547	4.06
7/1/03	43,978	2,896,833,438	65,870	4.25
7/1/02	43,591	2,754,338,270	63,186	3.80
7/1/01	43,019	2,618,701,084	60,873	4.58
7/1/00	42,430	2,469,811,705	58,209	3.52

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SOLVENCY TEST

STATE

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/05	\$362,918,072	\$1,140,619,126	\$1,312,083,023	\$2,109,283,199	100.00%	100.00%	46.17%
7/1/04	339,117,363	1,034,973,512	1,135,101,709	2,001,836,285	100.00	100.00	55.30
7/1/03 ^(a)	318,757,994	908,545,557	1,103,606,367	1,940,629,499	100.00	100.00	64.64
7/1/02	300,242,722	780,388,408	966,189,059	1,889,473,235 ^(b)	100.00	100.00	83.71
7/1/01	280,381,468	666,781,730	918,977,193	1,897,865,088	100.00	100.00	100.00
7/1/00	259,428,152	570,067,176	837,347,578	1,796,414,245	100.00	100.00	100.00

LOCAL EMPLOYERS

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/05	\$2,021,211,935	\$11,280,605,230	\$8,087,155,161	\$17,450,715,064	100.00%	100.00%	51.30%
7/1/04	1,919,225,430	10,453,405,141	7,396,416,195	16,833,303,026	100.00	100.00	60.31
7/1/03 ^(a)	1,801,722,545	9,765,120,630	6,855,229,897	16,470,946,424	100.00	100.00	71.54
7/1/02	1,687,453,715	9,268,750,917	6,224,937,678	16,338,075,972 ^(b)	100.00	100.00	86.46
7/1/01	1,574,607,783	8,587,173,988	5,894,664,875	16,176,404,513	100.00	100.00	100.00
7/1/00	1,475,019,276	7,881,569,163	5,568,111,273	15,809,047,487	100.00	100.00	100.00

TOTAL SYSTEM

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/05	\$2,384,130,007	\$12,421,224,356	\$9,399,238,184	\$19,559,998,263	100.00%	100.00%	50.59%
7/1/04	2,258,342,793	11,488,378,653	8,531,517,904	18,835,139,311	100.00	100.00	59.64
7/1/03 ^(a)	2,120,480,539	10,673,666,187	7,958,836,264	18,411,575,923	100.00	100.00	70.58
7/1/02	1,987,696,437	10,049,139,325	7,191,126,737	18,227,549,207 ^(b)	100.00	100.00	86.09
7/1/01	1,854,989,251	9,253,955,718	6,813,642,068	18,074,269,601	100.00	100.00	100.00
7/1/00	1,734,447,428	8,451,636,339	6,405,458,851	17,605,461,732	100.00	100.00	100.00

* Actuarial Value including receivable amounts.

(a) Revised amounts reflecting the change in economic assumptions and a revised receivable contribution for fiscal year 2005 equal to 30% of the contribution recommended for the State (previously, a 40% assumption was used).

(b) Amounts shown differ from the original July 1, 2002 valuation results and reflect the effect of Chapter 122, P.L. 2003 (State) and Chapter 108, P.L. 2003 (Local).

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF EMPLOYER CONTRIBUTION RATES

STATE

VALUATION YEAR	JULY 1, 2005	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000
Effective Prior Year Contribution Rate	48.38%	44.48%	38.05%	31.63%	30.43%	29.51%
Initial Adjustment Due to Chapter 122 ^o	N/A	N/A	1.21	N/A	N/A	N/A
Revised Prior Year Contribution Rate	48.38%	44.48%	39.26	31.63%	30.43%	29.51%
Net Change Due to:						
Current New Entrants	0.08	0.07	0.01	0.02	0.02	0.07
Excess Salary Increases	0.01	(0.08)	0.01	0.01	0.01	0.03
Assumption/Method Changes	2.17	0.00	3.20##	0.00	0.00	0.00
COLA	(0.01)	(0.10)	(0.06)	(0.09)	(0.10)	(0.09)
Active and Other Experience	0.03	3.00	(0.22)	(0.58)	0.57	0.69
Retiree Experience	0.03	0.33	0.63	(0.53)	0.10	0.55
Investment Loss/(Gain)	0.88	(1.09)	0.17	0.10	0.60	(0.33)
Net Effect of Chapter 115*	0.00	0.00	0.00	0.00	(1.96)	(28.65)
Net Effect of Chapter 8**	0.21	0.16	0.06	7.49	(1.77)	(1.78)
Appropriation Act	0.80	1.61	1.42##	N/A	N/A	N/A
Actual Contribution Rate	52.58%	48.38%	44.48%	38.05%	27.90%	0.00%

LOCAL EMPLOYERS

VALUATION YEAR	JULY 1, 2005	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000
Effective Prior Year Contribution Rate	20.93%	19.55%	15.50%	14.70%	13.82%	13.61%
Initial Adjustment Due to Chapter 108	N/A	N/A	0.47	N/A	N/A	N/A
Revised Prior Year Contribution Rate	20.93%	19.55%	15.97%	14.70%	13.82%	13.61%
Net Change Due to:						
Current New Entrants	0.06	0.05	0.02	0.02	0.01	0.05
Excess Salary Increases	0.02	(0.10)	0.01	0.03	0.02	0.03
Assumption/Method Changes	2.16	0.00	2.00##	0.00	0.00	0.00
COLA	(0.02)	(0.18)	(0.21)	(0.37)	(0.10)	(0.09)
Active and Other Experience	1.35	3.55	0.49	0.49	0.14	0.47
Retiree Experience	0.06	0.59	0.62	0.44	0.23	0.59
Investment Loss/(Gain)	1.07	(1.57)	0.23	0.19	0.58	(0.85)
Net Effect of Chapter 115*	0.00	0.00	0.00	0.00	(0.89)	(12.31)
Net Effect of Chapter 8**	(1.46)	(1.38)	(1.38)	(1.38)	(1.47)	(1.48)
Chapter 108	0.25	0.42	0.42##	N/A	N/A	N/A
Actual Contribution Rate#	24.42%	20.93%	18.17%	14.12%	12.34%	0.02%

* Net effect of reduction in normal cost contribution due to use of excess assets and elimination of accrued liability contribution due to surplus position.

** Net effect of the change in the calculation of the July 1, 1998 actuarial value of the System assets and elimination of the Local Employers' accrued liability contribution for the period ending June 30, 1997.

Includes rates attributable to Chapter 204 and Chapter 39 requirements which are billed to specific locations.

The original July 1, 2003 valuation was prepared prior to the change in economic assumptions and anticipated that the Appropriation Act for fiscal year 2005 would reduce the State's fiscal year 2005 contribution to 40% of the contribution recommended as part of the July 1, 2002 valuation rather than 30%. These entries reflect the net effect of these changes.

o Reflects change to prior valuation's receivable contribution due to Chapter 122.

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION
PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

ELIGIBILITY FOR MEMBERSHIP

Enrollment is restricted to eligible policemen and firemen who are permanent and full-time and who pass the physical and mental fitness requirements. The maximum enrollment age is 35.

1. DEFINITIONS

Plan Year: The 12-month period beginning on July 1 and ending on June 30.

Credited Service: A year of service is credited for each year an employee is a Member of the Retirement System plus service, if any, covered by a prior service liability.

Average Final Compensation (AFC): The average annual compensation for the three consecutive years of Service immediately preceding retirement or the highest three consecutive fiscal years of Membership Service.

Compensation: Base salary upon which contributions by a Member to the Annuity Savings Fund were based in the last year of Service. For Accidental Death, benefits are computed at the annual rate of salary.

Final Compensation (FC): Annual compensation received by the member in the last 12 months of Credited Service preceding his retirement.

Accumulated Deductions: The sum of all amounts deducted from the compensation of a Member or contributed by him or on his behalf without interest.

2. BENEFITS

Service Retirement: Eligibility means age 55 or 20 years of credited service for an employee who is a member of the Retirement System as of January 18, 2000 and age 55 for an employee who became a member of the Retirement System after January 18, 2000; mandatory at age 65. Benefit is an annual retirement allowance equal to a member annuity plus an employer pension which together equals the greater of:

- (i) $1/60$ th of FC for each year of Credited Service;
or

- (ii) 2% of FC multiplied by years of Credited Service up to 30 plus 1% of FC multiplied by years of Service over 30. (Prior to January 18, 2000, this benefit was based on AFC rather than FC. However, Policy Memorandum 4-2000, which interpreted the provisions of Chapter 428, P.L. 1999, authorized the change in the salary basis).

- (iii) 50% of FC if the member has 20 or more years of Credited Service.

Chapter 428 also requires that, in addition to the 50% of FC benefit, any member as of January 18, 2000 who will have 20 or more years of Credited Service and is required to retire upon attaining age 65, shall receive an additional benefit equal to 3% of FC for each year of Credited Service over 20 years but not over 25 years.

Special Retirement: After completion of 25 years of Credited Service. The annual retirement benefit is equal to a member annuity plus an employer pension which together equal 65% of FC plus 1% of FC for each year of Credited Service over 25. There is a maximum benefit of 70% of FC except for those members with 30 or more years of Credited Service on June 30, 1979.

Vested Termination:

- a. Eligible upon termination of service prior to age 55 and prior to 10 years of Service. The benefit equals a refund of Accumulated Deductions less any outstanding loans.
- b. Eligible upon termination of service prior to age 55 and after 10 years of Service (but less than 20 years if a member on or prior to January 18, 2000 or less than 25 years of service if a member after January 18, 2000). The benefit is a deferred retirement benefit, commencing at age 55, equal to a member annuity plus an employer pension which together provide a retirement allowance equal to 2% of FC multiplied by years of Credited Service, up to 30 plus 1% of FC multiplied by years of credited service over 30.

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, Continued

Death Benefits:

ORDINARY DEATH BENEFIT - LUMP SUM

- (1) If a member dies prior to retirement, the benefit payable is as follows:
A lump sum amount equal to 3-1/2 times FC payable to the member's beneficiary.
- (2) After retirement but prior to age 55, the benefit is as follows:
 - (i) For death while a Disabled Retiree the benefit is equal to 3-1/2 times Compensation.
 - (ii) For death while a Deferred Retiree the benefit is equal to his Accumulated Deductions.
 - (iii) For death while a Retiree who has completed 20 years of Service, the benefit is equal to 1/2 times FC.
- (3) After retirement and after age 55, the benefit payable is equal to 1/2 times Compensation. (Note: If a Member is not disabled, 10 years of Credited Service is required for Members enrolling after July 1, 1971.)

ORDINARY DEATH BENEFIT - SURVIVOR ANNUITY

- (1) If a member dies prior to retirement, the benefit payable to a widow (widower) is equal to 50% of FC (20% of FC payable to one child, 35% of FC payable to two children or 50% of FC payable to three or more children if there is no surviving widow or widower or if the widow or widower dies or remarries or 25% of FC payable to one parent or 40% of FC payable to two parents if no surviving widow, widower, or child. If no widow, widower, child, or parent, the benefit payable to a beneficiary is the aggregate Accumulated Contributions at the time of death).
- (2) For any member who retired after December 18, 1967, the benefit payable to widow (widower) is equal to 50% of FC plus 15% of FC for one child and 25% of FC for two or more children.

If no spouse, or spouse remarries, the benefit is equal to 20% of FC for one child, 35% for two children, and 50% for three or more children.

There is also a minimum benefit payable to widows (widowers) of \$4,500 a year.

- (3) For any member who retired with an Accidental Disability Benefit, the benefit payable is equal to \$4,500 a year to the widow (widower). If there is no widow (widower) the benefit payable is \$600 a year for 1 child, \$960 a year for 2 children, and \$1,500 a year for 3 or more children. The benefit for children is payable until age 18.

ACCIDENTAL DEATH BENEFIT

A death while active resulting from injuries received from an accident during performance of duty is eligible for a lump sum equal to the Accumulated Deductions plus 3-1/2 times Compensation plus an annuity benefit payable is as follows:

- (i) The benefit to a widow or widower is equal to 70% of Compensation.
- (ii) The benefit, when there is no spouse, or spouse is remarried, is equal to 20% of Compensation for one child, 35% for two children, 50% for three or more children. The benefit is payable while the children are under age 18, or until age 24 if they are full-time students, or it is payable for life if they are disabled.
- (iii) The benefit, when there is no spouse or children, is equal to 25% of Compensation for one parent and 40% for two parents.
- (iv) The benefit, when there is no relation as stated above, is equal to the Accumulated Deductions and is payable to a beneficiary or to the Member's estate. This is also the minimum benefit payable under (i), (ii) and (iii).

Disability Benefits:

ORDINARY DISABILITY RETIREMENT

A Member is eligible for Ordinary Disability

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

Retirement if he (she) has 4 years of Service and is totally and permanently incapacitated from the performance of usual or available duties. The benefit is equal to the greater of:

- (i) 1-1/2% of FC times the number of years of Credited Service; or
- (ii) 40% of FC.

In addition, a member who has at least 20 years but less than 25 years of Credited Service and who is required to retire upon application by the employer on or after January 18, 2000 shall receive a benefit equal to a member annuity plus an employer pension which together provide a total retirement allowance equal to 50% of FC plus 3% of FC multiplied by the number of years of Credited Service over 20 but not over 25.

ACCIDENTAL DISABILITY RETIREMENT

A Member is eligible upon total and permanent incapacitation from the performance of usual or

available duties as a result of injury during the performance of regular duties. The benefit payable is equal to a Member annuity plus an employer pension which together equals 2/3 of the Compensation at date of injury.

SPECIAL DISABILITY RETIREMENT

A member is eligible for Special Disability Retirement if he (she) has 5 years of Credited Service, is under age 55, and has received a heart transplant. The benefit payable is equal to a Member annuity plus an employer pension which together equals 50% of FC.

3. MEMBER CONTRIBUTIONS

Each member contributes 8-1/2% of Compensation.



October 10, 2006

Board of Trustees
State Police Retirement System
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

An actuarial valuation of the State Police Retirement System is performed annually to measure the ongoing costs of the System and the progress towards the funding goals of the System over time. In general, the financial goals of the State Police Retirement System are a pattern of contributions which is relatively stable over time as a percentage of pay for a stationary employee population.

In accordance with the New Jersey statutes, employers are required to make two contributions to the System, a normal contribution and an accrued liability contribution. The normal contribution for basic allowances and cost of living adjustments (COLA's) is defined under the Projected Unit Credit funding method as the present value of the benefits accruing during the current year. The unfunded accrued liability contribution for basic allowances and COLA's is determined as a level percentage of pay required to amortize the unfunded accrued liability in annual payments increasing by 4.0% per year and paid annually for a specific time as determined by the State Treasurer.

The provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds and to use any excess valuation assets to reduce required normal contributions payable by the System up to 100% of excess assets through the July 1, 2001 valuation, and on a declining maximum percentage of excess assets basis thereafter (50% for the July 1, 2005 valuation). In addition, the valuation reflects the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study. The valuation also reflects the potential effect of the Appropriation Act for fiscal year 2006 (30% of the contribution recommended for the July 1, 2004 valuation has been included as a receivable contribution for this valuation).

A contribution of \$51,409,336 is required for the fiscal year beginning July 1, 2006. This amount is comprised of an unfunded accrued liability payment of \$8,501,547 plus a normal contribution of \$42,907,789.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck Consultants for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

As stipulated in the statutes, an actuarial investigation of the mortality, service and compensation experience of the members and beneficiaries of the State Police Retirement System is made once in every three-year period. The contributions for the fiscal year beginning July 1, 2006 were calculated using the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study and the projected unit credit funding method. The valuation also reflected the revised economic assumptions which were approved by the Treasurer (these include an investment return rate of 8.25% per annum, assumed future salary increases of 5.45% per annum and a Cost-of-Living Adjustment assumption of 60% of the assumed CPI increase of 3.0% per annum). The asset valuation method used was a five-year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes.

In our opinion, the attached schedules of valuation results fairly represent the status of the State Police Retirement System and present an accurate view of historical data. The underlying assumptions and methods used for both funding and GASB disclosure purposes are consistent with the statutory specifications and represent a best estimate of the aggregate future experience of the System.

The following supporting schedules in the Actuarial Section were prepared by Buck Consultants:

- Summary of Actuarial Assumptions and Methods
- Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls
- Schedule of Active Member Valuation Data
- Solvency Test
- Analysis of Past Financial Experience
Reconciliation of Employer Contribution Rates
- Summary of the Benefit and Contribution Provisions as Interpreted for Valuation Purposes

Respectfully submitted,

Buck Consultants



Janet H. Cranna, M.A.A.A., F.S.A., E.A., F.C.A., M.S.P.A.

Principal, Consulting Actuary

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
STATE POLICE RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Section 32 of Chapter 89, P.L. 1965 of the New Jersey Statutes provides that once in every three-year period the actuary shall examine in detail the mortality, service and compensation experience of the members and beneficiaries of the State Police Retirement System to assure that the tables used for determining the expected liabilities are consistent with recent experience.

The assumptions used for the July 1, 2005 actuarial valuation of the State Police Retirement System were based on the results of the experience study which covered the period from July 1, 1999 to June 30, 2002 and the revised economic assumptions which were approved by the Treasurer.

An outline of the actuarial assumptions and methods used for the July 1, 2005 valuation is as follows:

Valuation Interest Rate: 8.25% per annum, compounded annually.

COLA: The COLA is 60% of the assumed CPI increase. CPI is assumed to increase 3.0% per annum, compounded annually.

Salary Increases: Salaries are assumed to increase by 5.45% per year.

Termination: Withdrawal rates vary by length of service. Illustrative rates are shown below:

AGE	LIVES PER THOUSAND	
	LESS THAN 5 YEARS OF SERVICE	FIVE TO NINETEEN YEARS OF SERVICE
25	8.3%	0.0%
30	5.0	4.0
35	8.3	1.0
40	0.0	1.5
45	0.0	2.0
50	0.0	0.0

Separations from Service: Representative mortality, disability, and retirement rates are as follows:

AGE	ANNUAL RATES OF*			
	ORDINARY DEATH	ACCIDENTAL DEATH	ORDINARY DISABILITY	ACCIDENTAL DISABILITY
25	0.0%	0.4%	0.6%	0.3%
30	0.7	0.5	0.9	0.4
35	0.5	0.5	1.2	0.5
40	0.8	0.5	1.8	0.7
45	1.0	0.6	3.1	1.3
50	2.5	0.9	5.4	2.2

*Per one thousand lives.

Marriage: Husbands are assumed to be 3 years older than wives. Among the active population, 83.3% of participants are assumed married. No children are assumed. Neither the percentage married or the number of children assumptions are individually explicit but they are as a single combined assumption.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
STATE POLICE RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

Valuation Method: Projected Unit Credit Method. This method essentially funds the System's benefits accrued to the valuation date. Experience gains and losses are recognized in future accrued liability contributions.

Asset Valuation Method: A five year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actuarial over the expected income, on a market value basis, over a five year period.

Health Insurance Benefits: Retiree Health Insurance benefits are funded by the State on a pay-as-you-go basis and are not included in the actuarial valuation.

Deaths After Retirement: For Healthy Inactive Mortality the 1983 Group Annuity Mortality Table for males and females is used. Illustrative rates of mortality for retired members are shown below:

AGE	LIVES PER THOUSAND				
	RETIRED MEMBERS		BENEFICIARIES OF DECEASED MEMBERS		DISABLED MALES AND FEMALES
	MALES	FEMALES	MALES	FEMALES	
55	6.1%	2.5%	6.1%	2.5%	9.6%
60	9.2	4.2	9.2	4.2	13.6
65	15.6	7.1	15.6	7.1	19.8
70	27.5	12.4	27.5	12.4	29.5
75	44.6	24.0	44.6	28.8	44.5
80	74.1	42.9	74.1	51.5	67.3
85	114.8	69.9	114.8	83.9	101.1
90	166.3	111.8	166.3	134.1	149.4

Rates of Retirement: Rates of retirement vary by length of service and age (if more than 24 years of service) with 100% of those remaining at age 55 retiring at age 55. The rates are shown below:

SERVICE	LIVES PER 100
20	2.0%
21	0.5
22	0.0
23	0.0
24	0.0
with 25	
(a) through age 42	25.0
(b) ages 43-54	20.0
greater than 25:	
(a) through age 47	5.0
(b) ages 48-52	15.0
(c) ages 53-54	22.0

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
STATE POLICE RETIREMENT SYSTEM

**SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
 ADDED TO AND REMOVED FROM ROLLS**

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL** ALLOWANCE		
7/1/05	144	\$7,974,607	51	\$1,391,918	2,297	\$100,045,679	8.37%	\$43,555
7/1/04	170	9,133,184	46	1,027,006	2,204	92,315,891	11.10	41,886
7/1/03	151	8,155,381	40	996,340	2,080	83,095,494	10.33	39,950
7/1/02	113	5,019,831	50	1,231,049	1,969	75,314,289	7.67	38,250
7/1/01	123	6,007,487	31	697,270	1,906	69,952,007	10.25	36,701
7/1/00	115	5,342,514	31	836,813	1,814	63,449,663	9.23	34,978

* These values include beneficiaries in receipt but exclude deferred vested terminations.

** The benefit amounts shown are the annualized benefits as of the valuation date and are not the actual benefits paid during the fiscal year.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/05	2,844	\$241,813,372	\$85,026	2.08%
7/1/04	2,684	223,552,154	83,291	3.15
7/1/03	2,693	217,448,864	80,746	4.82
7/1/02	2,793	215,161,126	77,036	3.18
7/1/01	2,675	199,727,203	74,664	3.36
7/1/00	2,609	188,466,237	72,237	8.68

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS		
	(1) ACTIVE MEMBER CONTRIBUTIONS	(2) RETIREES & DEFERRED VESTED	(3) ACTIVE MEMBERS (EMPLOYER FINANCED)		(1)	(2)	(3)
7/1/05	\$139,462,511	\$1,209,833,316	\$725,970,253	\$1,935,384,732	100.00%	100.00%	80.73%
7/1/04	134,121,126	1,117,321,901	697,866,614	1,897,713,119	100.00	100.00	92.61
7/1/03	130,718,799	1,014,285,416	670,721,041	1,865,079,083	100.00	100.00	100.00
7/1/02	126,682,063	917,195,351	695,550,325	1,853,684,177	100.00	100.00	100.00
7/1/01	118,427,463	856,126,296	652,077,897	1,829,414,353	100.00	100.00	100.00
7/1/00	112,610,765	779,919,713	620,379,327	1,752,423,441	100.00	100.00	100.00

*Actuarial value including receivable amounts.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
STATE POLICE RETIREMENT SYSTEM

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF EMPLOYER CONTRIBUTION RATES

VALUATION YEAR	JULY 1, 2005	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000
Effective Prior Year Contribution Rate	19.50%	17.31%	18.98%	18.80%	18.61%	21.80%
Net Change Due to:						
Current New Entrants	0.90	0.51	0.08	0.52	0.49	0.00
Excess Salary Increases	0.53	0.16	0.04	0.03	0.06	0.65
Assumption/Method Changes	N/A	(0.20)	(0.78)	N/A	N/A	(3.44)
COLA	(0.09)	(0.15)	0.00	0.00	0.00	0.00
Retiree Mortality	0.03	0.20	0.00	0.00	0.00	0.00
Active and Other Experience	(1.50)	0.13	(1.01)	(0.37)	(0.36)	(0.40)
Investment Loss/(Gain)	1.12	1.12	0.00	0.00	0.00	0.00
Net Effect of Chapter 115*	0.00	0.00	(16.88)	(18.98)	(18.80)	(18.61)
Appropriation Act	0.77	0.02	N/A	N/A	N/A	N/A
Actual Contribution Rate	21.26%	19.50%	0.43%	0.00%	0.00%	0.00%

*Reflects reduction in normal cost contribution due to use of excess assets.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
STATE POLICE RETIREMENT SYSTEM

**SUMMARY OF THE BENEFIT AND CONTRIBUTION
PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES**

ELIGIBILITY FOR MEMBERSHIP

All members of the former State Police and Benevolent Fund: full-time commissioned officers, non-commissioned officers or troopers of the Division of State Police. Membership is a condition of employment.

1. DEFINITIONS

Plan Year: The 12-month period beginning on July 1 and ending on June 30.

Service: Service rendered while a member as described above.

Credited Service: A year is credited for each year of service as an officer or trooper in the State Police. Service with other State Retirement Systems is included in the calculation of the retirement benefit at the rate of 1% of final compensation for each year of service credit.

Compensation: Based on contractual salary, including maintenance allowance, received by the member in the last 12 months of credited service preceding retirement, termination or death. Compensation does not include individual salary adjustments granted primarily in anticipation of the retirement or for temporary or extracurricular duties beyond the ordinary work day. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code.)

Final Compensation: Average compensation received by member in last 12 months of credited service preceding retirement or death. Such term includes the value of the member's maintenance allowance for the same period.

Aggregate Contributions: The sum of all amounts deducted from the compensation of a member or contributed by him or on his behalf. For contribution purposes, compensation does not include overtime, bonuses, maintenance or any adjustments before retirement.

Adjusted Final Compensation: The amount of final compensation or final compensation as adjusted,

as the case may be, increased by the same percentage increase which is applied in any adjustments of the compensation schedule of active members after the member's death and before the date on which the deceased member of the retirement system would have accrued 25 years of service under an assumption of continuous service, at which time that amount will become fixed. Adjustments to final compensation or adjusted final compensation shall take effect at the same time as any adjustments in the compensation schedule of active members.

2. BENEFITS

Service Retirement: Mandatory retirement at age 55. Voluntary retirement prior to age 55 with 20 years of credited service. Benefit is an annual retirement allowance equal to the greater of (a), (b), or (c), as follows:

- a. 50% of final compensation;
- b. For members retiring with 25 or more years of service, 65% of final compensation, plus 1% for each year of service in excess of 25 years, to a maximum of 70% of final compensation.
- c. For members as of August 29, 1985 who would not have 20 years of service by age 55, benefit as defined in (a) above. For members as of August 29, 1985 who would have 20 years of service but would not have 25 years of service at age 55, benefit as defined in (a) above plus 3% for each year of service in excess of 20 years.

Vested Termination: Termination of service prior to age 55. Benefit for 10 to 20 years of Service - Refund of aggregate contributions, or a deferred life annuity beginning at age 55 equal to 2% of final compensation for each year of service up to 20 years.

Ordinary Death:

BEFORE RETIREMENT

Death of an active member of the plan. Benefit is equal to:

- a. Lump sum payment equal to 3-1/2 times final

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
STATE POLICE RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, Continued

compensation, plus

- b. Spousal life annuity of 50% of final compensation payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 20%, 35% or 50% of final compensation payable to one, two or three dependent children, respectively. If there is no surviving spouse (or dependent children), 25% or 40% of final compensation to one or two dependent parents, respectively.

Minimum benefit: Aggregate contributions.

AFTER RETIREMENT

Death of a retired member of the plan. The benefit is equal to:

- a. Lump sum of 50% of final compensation, plus
- b. Spousal life annuity of 50% of final compensation payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 20%, 35% or 50% of final compensation payable to one, two or three dependent children, respectively.

Accidental Death: Death of an active member of the plan resulting during performance of duties. Benefit is equal to:

- a. Lump sum payment equal to 3-1/2 times final compensation, plus
- b. Spousal life annuity of 70% of final compensation payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 20%, 35% or 50% of adjusted final compensation payable to one, two, or three dependent children, respectively. If there is no surviving spouse (or dependent children), 25% or 40% of final compensation to one or two dependent parents, respectively.

Ordinary Disability Retirement: Mentally or physically incapacitated for the performance of his usual duty and of any other available duty in the Division of State Police and such incapacity is likely to be permanent.

- a. The benefit for members with less than four years of service is a refund of the member's aggregate contributions.
- b. For members with four but less than twenty years of service, the benefit is an immediate life annuity equal to 40% of final compensation plus 1-1/2% of final compensation for years of creditable service in excess of 26-2/3.
- c. For members with 20 but less than 25 years of service, the benefit is 50% of the member's final compensation plus 3% of final compensation for each year of service in excess of 20 years, to a maximum of 65% of final compensation.

For death following disability retirement, a lump sum equal to 3-1/2 times final compensation if death occurs prior to age 55 or 1/2 of final compensation after age 55.

Accidental Disability Retirement: Totally and permanently disabled as a direct result of a traumatic event occurring during and as a result of his regular or assigned duties. Benefit is an immediate life annuity equal to 2/3 of final compensation. Upon death after disability retirement, lump sum benefit of 3-1/2 times final compensation if death occurs before 55 and 1/2 times final compensation if death occurs after 55.

Loan Provision: Eligible if an active member of the State Police Retirement System with at least 3 years of contributory service. If eligible, a member may borrow an amount which is greater than \$50, but not more than 50% of aggregate contributions. The loan accrues interest at 4% per annum.



October 10, 2006

State House Commission
Judicial Retirement System
of New Jersey

Re: Actuary's Certification Letter

Members of the Commission:

An actuarial valuation of the Judicial Retirement System is performed annually to measure the ongoing costs of the System and the progress towards the funding goals of the System over time. In general, the financial goals of the Judicial Retirement System are a pattern of contributions which is relatively stable over time as a percentage of pay for a stationary employee population.

In accordance with the New Jersey statutes, employers are required to make two contributions to the System, a normal contribution and an accrued liability contribution. The normal contribution for basic allowances and cost of living adjustments (COLA's) is defined under the Projected Unit Credit funding method as the present value of the benefits accruing during the current year. The unfunded accrued liability contribution for basic allowances and COLA's is determined as a level percentage of pay required to amortize the unfunded accrued liability in annual payments increasing by 4.0% per year and paid annually for a specific time as determined by the State Treasurer.

The provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds and to use any excess valuation assets to reduce required normal contributions payable by the System up to 100% of excess assets through the July 1, 2001 valuation, and on a declining maximum percentage of excess assets basis thereafter (50% for the July 1, 2005 valuation). In addition, the valuation was prepared on the basis of the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study. The valuation also reflects the potential effect of the Appropriation Act for fiscal year 2006 (40% of the contribution recommended for the July 1, 2004 valuation has been included as a receivable contribution for this valuation).

A contribution of \$22,771,091 was required for the fiscal year beginning July 1, 2006. This was comprised of an unfunded accrued liability payment of \$5,389,845 and a normal contribution of \$17,381,246.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck Consultants for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

As stipulated in the statutes, an actuarial investigation of the mortality, experience of the members and beneficiaries of the Judicial Retirement System is made once in every three-year period. The contributions for the fiscal year beginning July 1, 2006 were calculated using the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study and the projected unit credit funding method. The valuation also reflected the revised economic assumptions which were approved by the Treasurer (these include an investment return rate of 8.25% per annum, assumed future salary increases of 5.45% per annum and a Cost-of-Living Adjustment assumption of 60% of the assumed CPI increase of 3.0% per annum). The asset valuation method used was a five-year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes.

In our opinion, the attached schedules of valuation results fairly represent the status of the Judicial Retirement System and present an accurate view of historical data. The underlying assumptions and methods used for both funding and GASB disclosure purposes are consistent with the statutory specifications and represent a best estimate of the aggregate future experience of the System.

The following supporting schedules in the Actuarial Section were prepared by Buck Consultants:

- Summary of Actuarial Assumptions and Methods
- Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls
- Schedule of Active Member Valuation Data
- Solvency Test
- Analysis of Past Financial Experience
Reconciliation of Employer Contribution Rates
- Summary of the Benefit and Contribution Provisions as Interpreted for Valuation Purposes

Respectfully submitted,

Buck Consultants



Janet H. Cranna, M.A.A.A., F.S.A., E.A., F.C.A., M.S.P.A.

Principal, Consulting Actuary

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Section 31 of Chapter 40, P.L. 1973 of the New Jersey Statutes provides that once in every three-year period the actuary shall examine in detail the mortality, service, and compensation experience of the members and beneficiaries of the Judicial Retirement System to assure that the tables used for determining expected liabilities are consistent with recent experience.

The assumptions used for the July 1, 2005 actuarial valuation of the Judicial Retirement System were based on the results of the experience study which covered the period from July 1, 1999 to June 30, 2002 and the revised economic assumptions which were approved by the Treasurer.

An outline of the actuarial assumptions and methods used for the July 1, 2005 valuation is as follows:

Valuation Interest Rate: 8.25% per annum, compounded annually.

COLA: The COLA is 60% of the assumed CPI increase. CPI is assumed to increase at 3.0% per annum, compounded annually.

Salary Increases: Salaries are assumed to increase by 5.45% per year for inflation.

Separations From Service: Representative mortality and disability rates are as follows:

AGE	LIVES PER THOUSAND		
	DEATH		DISABILITY
	MALE	FEMALE	
30	0.46%	0.34%	0.22%
35	0.61	0.48	0.26
40	0.86	0.67	0.33
45	1.24	1.01	0.64
50	2.18	1.65	1.14
55	3.91	2.54	1.97
60	6.13	4.24	3.26
65	9.16	7.06	4.73

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, Continued

Deaths After Retirement: Illustrative rates of mortality for retired members are shown below:

AGE	LIVES PER THOUSAND				
	RETIRED MEMBERS		BENEFICIARIES OF DECEASED MEMBERS		DISABLED MALES AND FEMALES
	MALES	FEMALES	MALES	FEMALES	
55	4.8%	2.5%	4.8%	2.5%	11.1%
60	7.1	4.2	7.1	4.2	19.8
65	11.1	7.1	11.1	7.1	33.4
70	19.8	12.4	19.8	12.4	54.8
75	33.4	24.0	33.4	24.0	89.3
80	39.6	39.7	39.6	39.7	133.9
85	59.8	59.6	59.8	59.6	190.5
90	109.6	79.3	109.6	79.3	264.0

Retirement: It was assumed that the probability of retirement at age 65 for those judges who have 12 or more years of judicial service at age 65 is at 25% per year. In addition, retirement for members who have attained age 60 with 20 years of judicial service or attained age 65 with 15 years of judicial service is at 30% at age 60, 25% at age 65, and 10% for all other ages between ages 60 and 70. At age 70, all remaining active members are assumed to retire.

Valuation Method: Projected Unit Credit Method. This method essentially funds the System's benefits accrued to the valuation date. Experience gains and losses are recognized in future accrued liability contributions.

Health Insurance Benefits: Retiree Health Insurance benefits are funded by the State on a pay-as-you-go basis and are not included in the actuarial valuation.

Asset Valuation Method: A five year average of market values with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five-year period.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

**SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS**

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL ** ALLOWANCE		
7/1/05	28	\$2,579,760	19	\$1,352,509	426	\$29,487,686	7.45%	\$69,220
7/1/04	28	2,769,616	13	1,231,030	417	27,442,244	7.16	65,809
7/1/03	36	2,526,962	18	1,022,984	402	25,609,088	4.53	63,704
7/1/02	26	1,749,451	10	516,107	384	24,499,032	7.00	63,800
7/1/01	31	2,395,394	23	979,909	368	22,895,875	8.33	62,217
7/1/00	42	2,945,702	23	1,398,405	360	21,135,815	8.99	58,711

* These values include beneficiaries in receipt but exclude deferred vested terminations.

** The benefit amounts shown are the annualized benefits as of the valuation date and are not the actual benefits paid during the fiscal year.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/05	426	\$60,506,750	\$142,035	(0.12)%
7/1/04	433	61,576,750	142,210	(0.04)
7/1/03	433	61,600,500	142,264	0.04
7/1/02	438	62,288,830	142,212	2.84
7/1/01	418	57,800,334	138,278	3.12
7/1/00	414	55,514,214	134,092	15.48

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE & INACTIVE MEMBERS		(1)	(2)	(3)
7/1/05	\$13,796,392	\$279,050,350	\$173,299,170	\$377,463,366	100.00%	100.00%	48.83%
7/1/04	13,289,489	259,849,101	172,783,768	377,892,239	100.00	100.00	60.63
7/1/03	12,213,449	242,660,854	176,575,915	376,190,703	100.00	100.00	68.70
7/1/02	11,048,668	216,290,946	161,611,189	381,698,485	100.00	100.00	95.51
7/1/01	9,728,331	203,342,902	159,688,836	379,592,346	100.00	100.00	100.00
7/1/00	8,655,005	186,540,969	155,724,371	374,486,433	100.00	100.00	100.00

*Actuarial value including receivable amounts.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF EMPLOYER CONTRIBUTION RATES

VALUATION YEAR	JULY 1, 2005	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000
Effective Prior Year Contribution Rate	34.22%	33.57%	27.25%	27.83%	28.24%	28.25%
Net Change Due to:						
Current New Entrants	1.13	0.80	1.10	2.07	1.26	0.94
Excess Salary Increases	(0.23)	(0.84)	(2.18)	(0.97)	(0.68)	1.22
Assumption/Method Changes	0.00	1.68	4.74	0.00	0.00	0.28
COLA	(0.02)	0.05	(0.50)	(0.80)	0.00	0.00
Retiree Mortality	0.27	0.09	(0.27)	(0.18)	0.00	0.00
Active and Other Experience	(0.11)	(3.24)	0.74	(2.11)	(0.99)	(2.45)
Investment Loss/(Gain)	1.05	1.00	1.55	1.41	0.00	0.00
Net Effect of Chapter 115*	0.00	0.00	0.00	0.00	(13.01)	(28.24)
Appropriation Act	1.32	1.11	1.14	N/A	N/A	N/A
Actual Contribution Rate	37.63%	34.22%	33.57%	27.25%	14.82%	0.00%

*Reflects reduction in normal cost contribution due to use of excess assets.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION
PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

ELIGIBILITY FOR MEMBERSHIP

Chief Justice and associate justices of the Supreme Court, judges of the Superior Court and tax courts of the State of New Jersey.

1. DEFINITIONS

Plan Year: The 12-month period beginning on July 1 and ending on June 30.

Service: A year is credited for each year of service as a public employee in the State of New Jersey. Any service, for which member did not receive annual salary of at least \$500, shall be excluded.

Final Salary: Annual salary received by the member at the time of retirement or other termination of service. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code).

Accumulated Deductions: The sum of all amounts deducted from the compensation of a member or contributed by him or on his behalf.

Retirement Allowance: Pension derived from contributions of the State plus the annuity derived from employee contributions.

2. BENEFITS

Service Retirement:

- a. Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:
 - (1) Age 70 and 10 years of judicial service;
 - (2) Age 65 and 15 years of judicial service; or
 - (3) Age 60 and 20 years of judicial service.Benefit is an annual retirement allowance equal to 75% of final salary.
- b. Age 65 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service; or
Age 60 while serving as a judge, 5 consecutive years of judicial service and 20 years in the

aggregate of public service.

Benefit is an annual retirement allowance equal to 50% of final salary.

- c. Age 60 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate to public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years.
- d. Age 60 while serving as a judge. Benefit is an annual retirement allowance equal to 2% of final salary for each year of judicial service up to 25 years plus 1% for each year in excess of 25 years.

Early Retirement: Prior to age 60 while serving as a judge, 5 consecutive years of judicial service and 25 or more years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year of public service in excess of 25 years, actuarially reduced for commencement prior to age 60.

Vested Termination: Termination of service prior to age 60, with 5 consecutive years of judicial service and 10 years in the aggregate of public service. Benefit is a refund of accumulated deductions, or a deferred life annuity beginning at age 60 equal to 2% of final salary for each year of public service up to 25 years, plus 1% for service in excess of 25 years.

Death Benefits:

BEFORE RETIREMENT: Death of an active member of the plan. Benefit is equal to:

- a. Lump sum payment equal to 1-1/2 times final salary, plus
- b. Spousal life annuity of 25% of final salary plus 10% (15%) to one (two or more) surviving children payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 15% (20%,

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

30%) of final salary payable to one (two, three or more) dependent child (children). If there is no surviving spouse (or dependent children), 20% or 30% of final salary to one or two dependent parents.

AFTER RETIREMENT: Death of a retired member of the plan. Benefit is equal to:

- a. Lump sum of 25% of final salary for a member retired under normal or early retirement. If a member were receiving a disability benefit, a lump sum 1-1/2 times final salary if death occurred before the member attained age 60 and ¾ times final salary if death occurred after age 60.
- b. Spousal life annuity of 25% of final salary plus 10% (15%) to one (two or more) surviving children payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children).

Disability Retirement: Physically or otherwise incapacitated for a full and efficient service to State in his judicial capacity and such incapacity is likely to be permanent. Benefit is an annual retirement allowance of 75% of final salary.

3. MEMBER CONTRIBUTIONS

Any member enrolled prior to January 1, 1996 contributes 3% of the difference between current salary and salary for that position on January 18, 1982. Members enrolled on and after January 1, 1996 contribute 3% of their full salary.



October 10, 2006

Commission
Consolidated Police and Firemen's Pension Fund
of New Jersey

Re: Actuary's Certification Letter

Members of the Commission:

An actuarial valuation of the Consolidated Police and Firemen's Pension Fund is performed annually to measure the ongoing costs of the Fund and the progress towards the funding goals of the Fund over time. Since the Retirement System is closed to new entrants and there are no active participants, the financial goals of the Consolidated Police and Firemen's Pension Fund are to ensure that the combination of future State appropriations and current Trust assets, both projected forward with expected investment earnings, are sufficient to provide for all future benefit payments.

The unfunded accrued liability for basic allowances was initially determined as of June 30, 1990 and was to be amortized over a 9 year period. However, the provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds.

A contribution of \$1,783,902 was required for the fiscal year beginning July 1, 2006. The required normal cost contribution is \$0 and the unfunded accrued liability contribution is \$1,783,902. As noted above, the latest unfunded accrued liability payment schedule required the amortization of any plan gains or losses over the remainder of the 9 year period that began on June 30, 1991. Without additional guidance, we have assumed the immediate payment of any unfunded accrued liability.

The contribution requirement for the fiscal year beginning July 1, 2006 was based on the method described above using an interest rate of 2.00% per annum. The asset valuation method used was a five-year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck Consultants for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes.

In our opinion, the attached schedules of valuation results fairly represent the status of the Consolidated Police and Firemen's Pension Fund and present an accurate view of historical data. The underlying assumptions and methods used for both funding and GASB disclosure purposes are consistent with the statutory specifications and represent a best estimate of the aggregate future experience of the Fund.

The following supporting schedules in the Actuarial Section were prepared by Buck Consultants:

- Summary of Actuarial Assumptions and Methods
- Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls
- Schedule of Active Member Valuation Data
- Solvency Test
- Analysis of Past Financial Experience
Reconciliation of Unfunded Accrued Liability/(Surplus)
- Summary of the Benefit and Contribution Provisions as Interpreted for Valuation Purposes

Respectfully submitted,

Buck Consultants



Janet H. Cranna, M.A.A.A., F.S.A., E.A., F.C.A., M.S.P.A.

Principal, Consulting Actuary

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

An outline of the actuarial assumptions and methods used for the July 1, 2005 valuation is as follows:

Valuation Interest Rate: 2.00% per annum, compounded annually for development of costs.

Deaths After Retirement: Rates vary by age. Representative values of the assumed rates of mortality are as follows:

AGE	LIVES PER 1,000		
	SERVICE PENSIONERS	DISABILITY PENSIONERS	WIDOWS
50	6.2%	12.8%	2.2%
55	9.9	17.4	3.3
60	15.6	24.5	5.5
65	23.9	35.7	9.6
70	30.3	53.2	16.5
75	49.1	80.2	32.4
80	81.5	121.1	56.1
85	126.3	182.0	89.2

Marriage: Males are assumed to be 4 years older than females, no assumption was made as to children.

For those participants with listed beneficiaries, the beneficiary allowance was assumed to be the greater of twice the amount contained in the record or the minimum benefit of \$4,500/yr. (The information contained in the record has not been updated for the change from 25% to 50% payment to the survivor.)

For those participants without listed beneficiaries, 65% were assumed to be married and the beneficiary amount was assumed to be the minimum benefit payable (\$4,500/yr.).

Actuarial Method: The unfunded accrued liability was measured as of June 30, 1990 and the accrued liability contribution rate was then determined such that the unfunded accrued liability was to be amortized over a period of 9 years with contributions expected to remain constant.

In determining the unfunded accrued liability and the contribution rate, the actuarial value of assets as of June 30, 1990 was based upon 100% of the market value of system assets. For subsequent actuarial valuations, the actuarial value of assets is adjusted to reflect actual contributions and benefit payments, an assumed rate of return on the previous years' assets and current years' cash flow at an annual rate of 2.00% with an adjustment to reflect 20% of the difference between the resulting value and the actual market value of Fund assets.

In developing the unfunded accrued liability contribution rate as of June 30, 1991 and subsequent years, the contribution rate is adjusted to amortize any gains or losses over the remainder of the 9-year period. (Without additional guidance, we have assumed that the unfunded accrued liability determined as of June 30, 2005 will be amortized over 1 year.)

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE*		
7/1/05	14	\$93,688	121	\$785,814	841	\$5,733,629	(10.77)%	\$6,818
7/1/04	18	137,823	132	983,127	948	6,425,755	(11.63)	6,778
7/1/03	13	107,909	149	992,671	1,062	7,271,059	(10.85)	6,847
7/1/02	10	82,279	176	1,026,521	1,198	8,155,821	(10.36)	6,808
7/1/01	20	148,516	154	1,035,622	1,364	9,098,678	(7.25)	6,671
7/1/00	28	169,790	187	1,076,510	1,498	9,809,706	(8.46)	6,549

*The benefit amounts shown are the annualized benefits as of the valuation date and are not the actual benefits paid during the fiscal year.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

THERE HAVE BEEN NO ACTIVE PARTICIPANTS IN THE FUND SINCE JULY 1, 1992.

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE & INACTIVE MEMBERS		(1)	(2)	(3)
7/1/05	\$0	\$30,031,591	\$0	\$28,282,667	N/A	94.18%	N/A
7/1/04	0	35,052,202	0	28,781,396	N/A	82.11	N/A
7/1/03	0	41,396,376	0	29,574,010	N/A	71.44	N/A
7/1/02	0	36,350,384	0	34,556,890	N/A	95.07	N/A
7/1/01	0	41,658,355	0	39,162,802	N/A	94.01	N/A
7/1/00	0	46,544,429	0	46,078,644	N/A	99.00	N/A

*Actuarial value including receivable amounts.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF UNFUNDED ACCRUED LIABILITY/(SURPLUS)

VALUATION YEAR	JULY 1, 2005	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000
Prior Year Unfunded/(Surplus)	\$6,270,806	\$11,822,366	\$1,793,494	\$2,495,553	\$465,785	\$(1,792,452)
Net Change Due to:						
Interest in Prior Year						
Unfunded/(Surplus)	125,416	236,447	156,931	218,361	40,756	(156,840)
Investment Loss/(Gain)	1,313,936	1,589,030	1,898,244	1,824,534	1,767,982	1,923,399
Retiree Experience	434,988	(331,037)	(10,906)	(31,040)	139,610	491,678
State Appropriations	(6,396,222)	(7,046,000)	(1,950,425)	(2,713,914)	(506,541)	0
Assumption, Benefit, or						
Method Changes	N/A	N/A	9,935,028*	N/A	587,961**	N/A
Actual Unfunded/(Surplus)	\$1,748,924	\$6,270,806	\$11,822,366	\$1,793,494	\$2,495,553	\$465,785

* Increase in the unfunded accrued liability due to the change in valuation interest rate assumption which has been changed from 8.75% per annum to 2.00% per annum.

** Increase in the unfunded accrued liability due to recognition of Chapter 4, P.L. 2001.

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

**SUMMARY OF THE BENEFIT AND CONTRIBUTION
PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES**

ELIGIBILITY FOR MEMBERSHIP

Member of a municipal police department, municipal paid or part-paid fire department or county police department, or a paid or part-paid fire department of a fire district located in a township who has contributed to this pension fund; and who is not covered by the Police and Firemen's Retirement System which became effective on July 1, 1994.

Active Member: Any member who is a policeman, fireman, detective, lineman, driver of police van, fire alarm operator, or inspector of combustibles and who is subject to call for active service as such.

Employee Member: Any member who is not subject to active service or duty.

1. DEFINITIONS

Plan Year: The 12-month period beginning on July 1 and ending on June 30.

Service: Service rendered while a member as described above.

Compensation: Base salary; not including individual salary adjustments which are granted primarily in anticipation of retirement or additional remuneration for performing temporary duties beyond the regular work day. (Effective June 30, 1996 Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code.)

Final Compensation: Compensation received during the last 12 months of service preceding retirement or termination of service.

Average Salary: Salary averaged over the last three years prior to retirement or other termination of service.

2. BENEFITS

Service Retirement: Mandatory retirement at age 65 with 25 years of service (a municipality may retain the Chief of Police until age 70). Voluntary

retirement after 25 years of service for an active member and after age 60 with 25 years of service for an employee member. Benefit is life annuity equal to 60% of final compensation, plus 1% of final compensation for years of service in excess of 25.

Death benefit:

WHILE ON DUTY: Immediate life annuity equal to 70% of average salary payable to the spouse. If there is no spouse or if the spouse dies or remarries, 20% of final compensation will be payable to one surviving child and 35% (50%) of final compensation will be payable, to two (three) surviving children. If there is no surviving spouse or child, 25% (40%) of final compensation will be payable to one (two) surviving dependent parent(s). The minimum spousal annuity is \$4,500 per annum.

WHILE NOT ON DUTY AFTER RETIREMENT: Life annuity equal to 50% of the member's average salary payable to the spouse, plus 15% (25%) to one (two or more) surviving child (children). If there is no surviving spouse or if the surviving spouse dies or remarries, 20% (35%, 50%) of the member's average salary to one (two, three or more) surviving child (children). In the event that there is no surviving spouse or child, 25% (40%) of the member's average salary will be payable to one (two) dependent parent(s). The minimum spousal annuity is \$4,500 per annum.

Ordinary Disability Retirement: Totally and permanently incapacitated from service for any cause other than as a direct result of a traumatic event occurring during the performance of duty. Benefit is an immediate life annuity equal to 1/2 of average salary.

Accidental Disability Retirement: Totally and permanently incapacitated as a direct result of a traumatic event occurring while performing regular or assigned duties. Benefit is an immediate life annuity equal to 2/3 of average salary.



October 10, 2006

Commission
Prison Officers' Pension Fund
of New Jersey

Re: Actuary's Certification Letter

Members of the Commission:

An actuarial valuation of the Prison Officers' Pension Fund is performed annually to measure the ongoing costs of the Fund and the progress towards the funding goals of the Fund over time. Since the retirement system is closed to new entrants and there are no active participants, the financial goals of the Prison Officers' Pension Fund are to ensure that the combination of future State appropriations and current Trust assets, both projected forward with expected investment earnings, are sufficient to provide for all future benefit payments.

The unfunded accrued liability for basic allowances was initially determined as of July 1, 1989 and was to be amortized over the 14-year period beginning July 1, 1989 and ending on July 1, 2002. However, the provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liability from the proceeds of pension obligation bonds. The net effect of this legislation and plan experience was that no contributions were required for the fiscal year beginning July 1, 2006. (There were no required unfunded accrued liability payments due to the fact that a net surplus existed as of July 1, 2005.)

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck Consultants for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

The contribution requirement for the fiscal year beginning July 1, 2006 was based on the method described above using an interest rate of 5.00%. Assets are valued at book value which is equivalent to market value.

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes.

In our opinion, the attached schedules of valuation results fairly represent the status of the Prison Officers' Pension Fund and present an accurate view of historical data. The underlying assumptions and methods used for both funding and GASB disclosure purposes are consistent with the statutory specifications and represent a best estimate of the aggregate future experience of the Fund.

The following supporting schedules in the Actuarial Section were prepared by Buck Consultants:

- Summary of Actuarial Assumptions and Methods
- Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls

- Schedule of Active Member Valuation Data
- Solvency Test
- Analysis of Past Financial Experience
Reconciliation of Unfunded Accrued Liability/(Surplus)
- Summary of the Benefit and Contribution Provisions as Interpreted for Valuation Purposes

Respectfully submitted,

Buck Consultants



Janet H. Cranna, M.A.A.A., F.S.A., E.A., F.C.A., M.S.P.A.

Principal, Consulting Actuary

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PRISON OFFICERS' PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

An outline of the actuarial assumptions and methods used for the July 1, 2005 valuation is as follows:

Valuation Interest Rate: 5.0% per annum, compounded annually.

Deaths After Retirement: Representative values of the assumed annual rates of mortality for current retirees are as follows:

AGE	SERVICE RETIREMENT	DISABILITY RETIREMENT	WIDOWS
40	0.21%	0.90%	0.56%
45	0.34	1.10	0.68
50	0.56	1.42	0.87
55	0.90	1.93	1.18
60	1.42	2.72	1.67
65	2.17	3.97	2.43
70	2.75	5.91	3.63
75	4.46	8.91	5.50
80	7.41	13.46	8.39
85	11.48	20.22	12.80

Marriage: Husbands are assumed to be 3 years older than wives.

Valuation Method: The unfunded accrued liability (the difference between the present value of benefits and the valuation assets) was determined as of July 1, 1988. This liability was amortized over the 14-year period beginning July 1, 1989, and ending on July 1, 2002. Each year the amortization payments were adjusted to reflect any experience gains or losses that occurred during the previous plan year. All gains and losses will be amortized over the remaining original amortization period. (Without guidance, we have assumed that any unfunded accrued liability that develops after the July 1, 2001 valuation will be amortized over 1 year.)

Asset Valuation Method: Assets are valued at book value which is equivalent to market value.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PRISON OFFICERS' PENSION FUND

SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE*		
7/1/05	4	\$18,376	18	\$128,080	191	\$1,382,265	(7.35)%	\$7,237
7/1/04	3	14,394	12	50,358	205	1,491,969	(2.35)	7,278
7/1/03	2	7,870	19	100,109	214	1,527,933	(5.69)	7,140
7/1/02	7	28,788	25	149,834	231	1,620,172	(6.95)	7,014
7/1/01	10	51,395	19	147,997	249	1,741,218	(5.26)	6,993
7/1/00	6	28,174	16	103,882	258	1,837,820	(3.96)	7,123

*The benefit amounts shown are the annualized benefits as of the valuation date and are not the actual benefits paid during the fiscal year.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

THERE HAVE BEEN NO ACTIVE PARTICIPANTS IN THE FUND SINCE JULY 1, 1994.

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1)	(2)	(3)		(1)	(2)	(3)
	AGGREGATE MEMBER CONTRIBUTIONS	CURRENT RETIREES & BENEFICIARIES	ACTIVE & INACTIVE MEMBERS				
7/1/05	\$0	\$9,077,157	\$0	\$14,783,465	N/A	100.00%	N/A
7/1/04	0	10,060,710	0	15,884,428	N/A	100.00	N/A
7/1/03	0	10,727,647	0	17,277,953	N/A	100.00	N/A
7/1/02	0	11,781,734	0	17,908,452	N/A	100.00	N/A
7/1/01	0	12,994,567	0	18,269,899	N/A	100.00	N/A
7/1/00	0	14,216,588	0	18,268,489	N/A	100.00	N/A

*Market value including receivable amounts.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PRISON OFFICERS' PENSION FUND

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF UNFUNDED ACCRUED LIABILITY/(SURPLUS)

VALUATION YEAR	JULY 1, 2005	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000
Prior Year Unfunded/(Surplus)	\$(5,823,718)	\$(6,550,306)	\$(6,126,718)	\$(5,275,332)	\$(4,051,901)	\$(3,845,290)
<u>Net Change Due to:</u>						
Interest in Prior Year						
Unfunded/(Surplus)	(291,186)	(327,515)	(306,336)	(263,767)	(202,595)	(192,265)
Investment Loss/(Gain)	433,531	1,052,564	(73,377)	(419,953)	(888,341)	(65,701)
Retiree Experience	(24,935)	1,539	(43,875)	(167,666)	(132,495)	51,355
Assumption/Method Changes	N/A	N/A	N/A	N/A	N/A	N/A
Actual Unfunded/(Surplus)	\$(5,706,308)	\$(5,823,718)	\$(6,550,306)	\$(6,126,718)	\$(5,275,332)	\$(4,051,901)

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PRISON OFFICERS' PENSION FUND

SUMMARY OF THE BENEFIT AND CONTRIBUTION
PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

Eligibility for Membership

Employees of State penal institutions, employed prior to January 1, 1960 who did not transfer to the Police & Firemen's Retirement System in accordance with Chapter 205 of Public Law 1989. The System no longer accepts new members.

1. DEFINITIONS

Plan Year: The 12-month period beginning on July 1 and ending on June 30.

Service: A year is credited for each year an employee is a member of the retirement system.

Average Final Compensation (AFC): Average annual compensation (or base salary) for 3 years of Service immediately preceding retirement. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code.)

Accumulated Deductions: The sum (without interest) of all required amounts deducted from the compensation of a member or contributed by him or on his behalf.

2. BENEFITS

Service Retirements: 25 years of service, or age 55 and 20 years of service. The benefit is a life annuity equal to the greater of (a), (b), and (c) below:

- a. 2% of AFC up to 30 years of service plus 1% for each year in excess of 30 and prior to age 65;
- b. 50% of final pay; and
- c. For member with 25 years of service, 2% of AFC up to 30 years of service plus 1% for each year in excess of 30.

Vested Retirements: Eligible upon termination of employment. Benefits are summarized as follows:

Termination with 10 or more years of service: Benefit is a deferred life annuity equal to 2% of AFC for service up to 30 years plus 1% for service over 30 years.

Termination with less than 10 years of service: Refund of accumulated deductions.

Ordinary Disability Retirement: Permanent and total disability for causes other than as a direct result of a traumatic event occurring during the performance of regular or assigned duties. Benefit is an immediate life annuity equal to 1/2 of AFC.

Accidental Disability Retirement: Permanent and total disabled as a direct result of a traumatic event occurring while performing regular or assigned duties. Benefit is an immediate life annuity equal to 2/3 of AFC.

Death Benefits: Death of member of system. Spouse must be married to member prior to retirement, or at least five years before member's death. Benefit is an annuity equal to 25% of member's AFC plus an additional 15% (25%) for one (two or more) surviving dependent child (children). If there is no spouse or if the spouse dies or remarries, 20% (35%, 50%) of AFC to one (two, three or more) surviving child (children). If there is no surviving spouse or children, 25% (40%) of AFC to one (two) dependent parent(s). The provision for a survivor annuity payable to dependent parents does not apply in the death of a retired member of the system. Minimum benefits: Minimum spousal annuity is \$1,600 per annum. If no other benefit is payable prior to retirement, the member's beneficiary shall receive the accumulated deductibles.



October 10, 2006

Council
Supplemental Annuity Collective Trust
of New Jersey

Re: Actuary's Certification Letter

Members of the Council:

An actuarial valuation of the Supplemental Annuity Collective Trust is performed at least once in every three-year period to measure the ongoing costs of the Trust and the progress towards the funding goals of the Trust over time. The financial goals of the Supplemental Annuity Collective Trust are to ensure that current Trust assets are sufficient to provide for all future annuity payments. The most recent valuation was prepared as of June 30, 2003.

The Supplemental Annuity Collective Trust of New Jersey was established under the provisions of Chapter 123, P.L. 1963, which was approved July 1, 1963. The act permits active members of the following retirement systems administered by the State of New Jersey to make voluntary additional contributions through their retirement systems to purchase either a variable or fixed annuity to supplement the benefits provided by their systems:

- Public Employees' Retirement System
- Teachers' Pension and Annuity Fund
- The Police and Firemen's Retirement System
- Consolidated Police and Firemen's Pension Fund
- Prison Officers' Pension Fund
- State Police Retirement System
- Judicial Retirement System

As of the July 1, 2003 valuation, only the variable annuity program was in operation. It was inaugurated July 1, 1964. Chapter 123, P.L. 1963 was amended June 6, 1965 by Chapter 90, P.L. 1965, to permit eligible employees to enter into an agreement with their employers to reduce their salaries and purchase annuities on their behalf which will qualify for the tax sheltered treatment permitted under Section 403(b) of the Internal Revenue Code of 1954, as amended. The rules were revised in 1982 to permit contributions in the form of qualified voluntary employee contributions. These contributions are treated as IRA contributions for tax purposes.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck Consultants for internal completeness and consistency and compared with the prior valuation data to again ensure consistency.

The Trust status as of the fiscal year beginning July 1, 2003 was based on the actuarial assumptions and methods summarized on the following page. There were no other changes in actuarial assumptions and methods since the previous valuation.

In our opinion, the attached schedules of valuation results fairly represent the status of the Supplemental Annuity Collective Trust and present an accurate view of historical data. The underlying assumptions and methods used for the valuation are consistent with the statutory specifications and represent a best estimate of the aggregate future experience of the Trust.

Respectfully submitted,

Buck Consultants

A handwritten signature in blue ink, appearing to read 'JH Cranna', is positioned above the printed name.

Janet H. Cranna, M.A.A.A., F.S.A., E.A., F.C.A., M.S.P.A.

Principal, Consulting Actuary

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

An outline of the actuarial assumptions and methods used for the July 1, 2003 valuation is as follows:

In valuing the liabilities of the Variable Benefit Account for service annuitants and dependent beneficiaries, an interest rate of 4% per year was used. Illustrative rates of mortality (varying by age) used for valuation purposes are as follows:

AGE	RATE PER 1,000			
	SERVICE RETIREMENT		DISABILITY	
	MALE	FEMALE	MALE	FEMALE
40	0.97%	0.84%	33.17%	10.02%
45	1.53	1.45	34.91	11.12
50	2.79	2.45	37.64	13.37
55	4.76	3.75	41.98	16.90
60	7.14	5.46	48.81	22.49
65	11.13	8.60	59.52	31.27
70	19.80	14.23	76.29	45.02
75	33.37	24.02	102.24	66.44
80	54.76	40.79	141.72	99.38
85	89.32	68.28	200.93	149.23
90	133.87	109.97	286.68	222.62
95	190.46	163.28	403.95	326.18

There were no other changes in actuarial assumptions and methods since the previous valuation.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
ADDED TO AND REMOVED FROM ROLLS

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN ANNUAL VARIABLE EQUITY UNITS	AVERAGE NUMBER OF ANNUAL VARIABLE EQUITY UNITS
	NUMBER	NUMBER OF ANNUAL VARIABLE EQUITY UNITS	NUMBER	NUMBER OF ANNUAL VARIABLE EQUITY UNITS	NUMBER	NUMBER OF ANNUAL VARIABLE EQUITY UNITS*		
6/30/03	47	6,040.8276	118	10,755.7560	668	63,565.0212	(6.91)%	95.1572
6/30/00	57	5,584.7820	122	10,275.5556	739	68,279.9496	(6.43)	92.3951
6/30/97	53	2,282.7816	108	5,385.3372	804	72,970.7232	(4.08)	90.7596
6/30/94	101	8,683.0407	23	1,977.3261	859	76,073.2788	16.82	88.5603
6/30/91	97	7,805.7598	43	3,460.2853	781	65,120.6028	N/A	83.3811

*The monthly number of variable equity units shown are the benefits of the valuation date and are not the actual benefits paid during the succeeding three fiscal years.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	EQUITY SHARES	AVERAGE UNITS PER PERSON	% INCREASE IN AVERAGE EQUITY UNITS
6/30/03	3,910	1,902,053.0982	486.4586	(9.34)%
6/30/00	4,023	2,158,681.7328	536.5851	(21.74)
6/30/97	3,907	2,678,839.2241	685.6512	(8.15)
6/30/94	4,137	3,088,303.4047	746.5080	(14.55)
6/30/91	5,034	4,397,944.4245	873.6481	N/A

**These values exclude suspended members.

SOLVENCY TEST

VALUATION DATE	PRESENT VALUE OF BENEFITS FOR			(4) FUND BALANCES	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE CONTRIBUTIONS	(2) CURRENT BENEFICIARIES	(3) ACTIVE & INACTIVES		(1)	(2)	(3)
6/30/03	\$52,666,675	\$26,582,925	\$48,099,954	\$127,186,109	100.00%	100.00%	99.66%
6/30/00	45,026,249	46,341,126	124,548,634	216,985,359	100.00	100.00	100.00
6/30/97	40,015,582	36,811,600	98,695,306	176,280,772	100.00	100.00	100.00
6/30/94	25,682,515	22,939,117	63,343,916	111,595,383	100.00	100.00	99.42
6/30/91	33,038,297	15,902,423	81,846,377	129,536,326	100.00	100.00	98.91

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF UNFUNDED ACCRUED LIABILITY/(SURPLUS)

VALUATION YEAR	JULY 1, 2003	JULY 1, 2000	JULY 1, 1997	JULY 1, 1994
Prior Year Deficit/(Surplus)	\$(1,069,350)	\$(758,284)	\$370,165	\$890,771
<u>Net Change Due to:</u>				
Retiree Experience	1,232,795	1,919,537	(1,128,449)	(250,000)
Assumption/Method Changes	N/A	(2,230,603)	N/A	(270,606)
Current Valuation Deficit/(Surplus)	\$163,445	\$(1,069,350)	\$(758,284)	\$370,165

DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

SUMMARY OF THE BENEFIT AND CONTRIBUTION
PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

A summary of the benefit and contribution provisions of the Trust in effect on the valuation date is presented in the following digest. Participants' accounts are expressed in terms of equity units. The value of an equity unit was initially set at \$10. The dollar value of the unit is computed at the end of each month. It varies as a result of mortality experience and gains and losses and dividend earnings on the Variable Division's investments.

Eligibility: Member of a State-administered retirement system may become a participant upon filing an application for enrollment.

Participant Accounts: Although contributions are permitted in either fixed or variable accounts, only the variable system is currently in place.

- (a) Three optional participant accounts:
- (1) Variable annuity account.
 - (2) Tax sheltered annuity account under Section 403(b) of the Internal Revenue Code.
 - (3) Qualified voluntary employee contribution account (QVEC) – eliminated January 1, 1987.
- (b) Value of Account: The total number of equity units in force in the variable account at the end of each month shall be determined as follows:
- (1) The number of equity units in force at the start of the month; plus
 - (2) The number of equity units credited as of the first of the month for participant's contributions received during the preceding quarter, if any; less
 - (3) The number of equity units paid out in the current month on account of terminations for death or withdrawal during the preceding month; less
 - (4) The number of equity units transferred as of the first of the month for retirement during the preceding month; plus
 - (5) One third of one percent of the balance so obtained.

BENEFITS

Retirement: Upon retirement a participant is paid a life annuity which is the fixed number of variable equity units per month computed as the actuarial equivalent of the number of equity units in his account at the close of the month of retirement, multiplied by the value of each unit as of the end of the quarter preceding the month of payment.

At retirement the participant may elect in lieu of the variable life annuity either (1) a single cash payment, or (2) an equivalent reduced annuity with the provision that:

- (a) In case of death prior to 5 years from the effective date of the annuity, the annuity will be continued to his designated beneficiary for the remainder of the 5-year period, or
- (b) In case of death prior to 10 years from the effective date of the annuity, the annuity will be continued to his designated beneficiary for the remainder of the 10-year period, or
- (c) At the death of the participant, his variable annuity will be continued throughout the life of such other person as the participant shall have designated at the time of retirement, or
- (d) At the death of the participant, one-half of his variable annuity will be continued throughout the life of such other person as the participant shall have designated at the time of retirement.

In the event the value of the participant's account at retirement results in an annuity with initial monthly payments of less than \$10, the benefit shall be paid in a single cash payment.

Death Before Retirement: If a participant dies before retirement, a lump sum payment equal to the value of his account on the last day of the month of his death is paid to his designated beneficiary or to his estate. If the beneficiary is a natural person, he may elect, in lieu of a lump sum payment, an annuity under any of the methods of settlement available to a retiree.

Withdrawal: Withdrawal is permitted only if membership in the basic State administered retirement system

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

is terminated. However, the Council may terminate an inactive account if the value of the account is less than \$100. The amount paid on withdrawal is the value of the participant's account as of the end of the month of termination.

CONTRIBUTIONS

Participants: Each participant contributes through payroll deductions integral dollar amounts not in excess of 10% of his salary. He may also make lump sum contributions by direct payments in integral dollar amounts of not less than \$50, provided that total

contributions for any one year may not exceed 10% of his annual salary. Up to \$2,000 per year may be contributed in the form of qualified voluntary employee contributions.

Employers: Employers may contribute, on behalf of eligible employees who agree to a salary reduction equivalent to the amount of the contribution, even dollar amounts which shall be from 1% to 10% of base salary.

The amounts by which the employee's salary is reduced must be within the exclusion allowance provided under Section 403(b) of the Internal Revenue Code.

STATISTICAL SECTION

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STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

(Based on the most recent actuarial valuation prepared as of 6/30/05)

GROUP	PERS (STATE)	PERS (LOCAL)	TPAF	PFRS	SPRS	JRS	CPPF	POPF	TOTAL
SERVICE RETIREMENTS									
Number	31,258	69,411	59,301	19,207	1,759	283	118	67	181,404
Annual Allowance	\$582,662,482	\$808,724,160	\$1,892,492,477	\$843,664,743	\$84,078,930	\$24,285,010	\$1,392,664	\$856,342	\$4,238,156,808
Average Annual Allowance	\$18,640	\$11,651	\$31,913	\$43,925	\$47,799	\$85,813	\$11,802	\$12,781	\$23,363
ORDINARY DISABILITY RETIREMENTS									
Number	3,511	5,541	2,177	2,310	111	6	8	8	13,672
Annual Allowance	\$54,066,239	\$73,790,491	\$46,892,093	\$47,792,754	\$2,859,217	\$532,979	\$31,338	\$50,806	\$226,015,917
Average Annual Allowance	\$15,399	\$13,317	\$21,540	\$20,690	\$25,759	\$88,830	\$3,917	\$6,351	\$16,531
ACCIDENTAL DISABILITY RETIREMENTS									
Number	323	491	193	1,622	96	—	1	4	2,730
Annual Allowance	\$6,728,944	\$9,716,360	\$6,421,191	\$52,726,185	\$4,001,705	—	\$5,950	\$33,554	\$79,633,889
Average Annual Allowance	\$20,833	\$19,789	\$33,270	\$32,507	\$41,684	—	\$5,950	\$8,389	\$29,170
ACTIVE MEMBERS' DEATH BENEFITS									
Number	35	89	9	405	77	23	152	18	808
Annual Allowance	\$420,536	\$1,129,348	\$86,832	\$11,346,720	\$2,356,490	\$654,286	\$774,865	\$65,481	\$16,834,558
Average Annual Allowance	\$12,015	\$12,689	\$9,648	\$28,017	\$30,604	\$28,447	\$5,098	\$3,638	\$20,835
RETIRED MEMBERS' DEATH BENEFITS									
Number	3,049	7,458	3,765	5,713	254	114	562	94	21,009
Annual Allowance	\$34,530,215	\$64,171,272	\$70,719,476	\$114,035,776	\$6,749,337	\$4,015,411	\$3,528,812	\$376,082	\$298,126,381
Average Annual Allowance	\$11,325	\$8,604	\$18,783	\$19,961	\$26,572	\$35,223	\$6,279	\$4,001	\$14,190
DEFERRED TERMINATION VESTED									
Number	521	1,329	903	64	—	4	—	—	2,821
Annual Allowance	\$5,596,644	\$10,837,704	\$9,563,112	\$912,540	—	\$130,582	—	—	\$27,040,582
Average Annual Allowance	\$10,742	\$8,155	\$10,590	\$14,258	—	\$32,646	—	—	\$9,585

Note: See "Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls" in the Actuarial Section for Average Annual Allowance for the last five fiscal years.

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS SCHEDULE OF REVENUES BY SOURCE

	FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	PERCENTAGE OF ANNUAL COVERED COMPENSATION	INVESTMENT AND OTHER REVENUES	TOTAL
PUBLIC EMPLOYEES' RETIREMENT SYSTEM	1997	412,729,797	315,374,644	4.46	3,316,721,345	4,044,825,786
	1998	412,345,804	51,336,169	.72	4,134,555,086	4,598,237,059
	1999	401,374,967	16,887,862	.23	3,490,937,590	3,909,200,419
	2000	345,462,658	57,282,988	.76	2,913,614,685	3,316,360,331
	2001	314,235,958	86,099,027	1.08	(2,569,536,756)	(2,169,201,771)
	2002	340,363,504	1,208,577	0.01	(1,889,813,125)	(1,548,241,044)
	2003	354,900,256	70,822,302	0.78	717,963,666	1,143,686,224
	2004	374,864,048	774,456,965	8.25	2,778,643,257	3,927,964,270
	2005	533,862,353	410,736,970	4.15	1,928,822,241	2,873,421,564
	2006	630,322,617	534,146,738	5.11	2,338,531,507	3,503,000,862
TEACHERS' PENSION AND ANNUITY FUND	1997	327,980,876	1,747,001,558	31.23	3,976,089,516	6,051,071,950
	1998	340,170,480	101,625,768	1.76	5,107,667,149	5,549,463,397
	1999	343,423,617	375,532,163	6.26	4,304,402,267	5,023,358,047
	2000	349,654,313	122,528,636	1.96	3,752,666,882	4,224,849,831
	2001	371,618,136	177,542,203	2.70	(3,394,654,946)	(2,845,494,607)
	2002	331,060,403	4,134,785	0.06	(2,509,722,711)	(2,174,527,523)
	2003	303,570,787	301,344,033	4.10	787,190,897	1,392,105,717
	2004	405,695,555	456,411,646	5.93	3,652,597,813	4,514,705,014
	2005	488,861,870	550,722,913	6.84	2,471,563,713	3,511,148,496
	2006	507,106,612	656,731,164	7.77	2,980,823,472	4,144,661,248
POLICE AND FIREMEN'S RETIREMENT SYSTEM	1997	183,222,535	964,953,912	49.03	1,943,581,395	3,091,757,842
	1998	196,837,955	379,946,171	18.23	2,567,346,432	3,144,130,558
	1999	206,734,066	230,332,291	10.39	2,257,163,794	2,694,230,151
	2000	213,362,233	38,053,275	1.63	1,899,789,314	2,151,204,822
	2001	228,714,280	1,295,929	0.05	(1,627,111,008)	(1,397,100,799)
	2002	240,012,580	286,887,105	11.20	(1,258,970,598)	(732,070,913)
	2003	252,281,888	(79,875,166)	(2.96)	430,240,420	602,647,142
	2004	263,173,065	264,164,091	9.30	1,943,638,309	2,470,975,465
	2005	276,195,076	473,227,921	15.91	1,383,396,386	2,132,819,383
	2006	290,681,716	714,210,999	23.03	1,675,380,936	2,680,273,651
STATE POLICE RETIREMENT SYSTEM	1997	10,412,007	120,312,579	84.50	219,377,581	350,102,167
	1998	15,999,870	12,916,482	9.05	283,478,541	312,394,893
	1999	12,079,791	112,418	0.07	245,595,153	257,787,362
	2000	12,563,753	318,326	0.18	214,155,533	227,037,612
	2001	12,796,153	99,201	0.05	(191,175,391)	(178,280,037)
	2002	13,758,972	389,092	0.19	(135,318,494)	(121,170,430)
	2003	14,198,794	193,099	0.09	48,430,409	62,822,302
	2004	14,682,524	45,339	0.02	216,209,057	230,936,920
	2005	15,450,745	437,652	0.20	140,386,795	156,275,192
	2006	16,917,317	13,015,093	5.38	173,767,121	203,699,531

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS SCHEDULE OF REVENUES BY SOURCE

	FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	PERCENTAGE OF ANNUAL COVERED COMPENSATION	INVESTMENT AND OTHER REVENUES	TOTAL
JUDICIAL RETIREMENT SYSTEM	1997	1,013,367	110,483,753	232.16	33,629,781	145,126,901
	1998	1,550,943	14,053,520	29.95	56,431,549	72,036,012
	1999	1,150,466	238,564	0.50	52,232,630	53,621,660
	2000	1,384,587	223,946	0.46	45,304,419	46,912,952
	2001	1,818,915	173,556	0.31	(40,392,369)	(38,399,898)
	2002	2,323,835	579,630	1.00	(28,754,613)	(25,851,148)
	2003	2,578,620	9,065,435	14.65	7,700,448	19,344,503
	2004	1,795,721	5,084,315	8.25	43,476,173	50,356,209
	2005	1,480,942	6,162,076	10.01	26,763,410	34,406,428
	2006	1,583,469	7,972,000	13.18	32,475,105	42,030,574
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	1997	—	44,133,378	—	18,075,965	62,209,343
	1998	—	105,882	—	19,032,736	19,138,618
	1999	—	66,610	—	16,988,031	17,054,641
	2000	—	90,137	—	15,456,548	15,546,685
	2001	—	82,355	—	15,240,052	15,322,407
	2002	—	563,793	—	13,180,008	13,743,801
	2003	—	2,776,011	—	11,424,375	14,200,386
	2004	—	2,000,402	—	10,206,935	12,207,337
	2005	—	7,074,835	—	9,368,766	16,443,601
	2006	—	6,450,118	—	8,637,363	15,087,481
PRISON OFFICERS' PENSION FUND	1997	—	21,688,219	—	1,536,389	23,224,608
	1998	—	—	—	2,618,476	2,618,476
	1999	—	—	—	2,446,333	2,446,333
	2000	—	—	—	2,434,818	2,434,818
	2001	—	—	—	3,194,401	3,194,401
	2002	—	—	—	2,641,594	2,641,594
	2003	—	—	—	2,223,922	2,223,922
	2004	—	—	—	1,363,329	1,363,329
	2005	—	—	—	1,544,971	1,544,971
	2006	—	—	—	1,682,105	1,682,105
PENSION TRUST FUNDS	1997	935,358,582	3,323,948,043	22.43	9,509,011,972	13,768,318,597
	1998	966,905,052	559,983,992	3.69	12,171,129,969	13,698,019,013
	1999	964,762,907	623,169,908	3.94	10,369,765,798	11,957,698,613
	2000	922,427,544	218,497,308	1.32	8,843,422,199	9,984,347,051
	2001	929,183,442	265,292,271	1.54	(7,804,436,017)	(6,609,960,304)
	2002	927,519,294	293,762,982	1.61	(5,806,757,939)	(4,585,475,663)
	2003	927,530,345	304,325,714	1.57	2,005,174,137	3,237,030,196
	2004	1,060,210,913	1,502,162,758	7.43	8,646,134,873	11,208,508,544
	2005	1,615,850,986	1,448,362,367	6.83	5,961,846,282	9,026,059,635
	2006	1,446,611,731	1,932,526,112	8.67	7,211,297,609	10,590,435,452

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS SCHEDULE OF EXPENSES BY TYPE

	FISCAL YEAR	BENEFITS		WITHDRAWALS, ADMINISTRATIVE AND OTHER EXPENSES	TRANSFERS TO OTHER RETIREMENT SYSTEMS	TOTAL
		RETIREMENT	OTHER			
PUBLIC EMPLOYEES' RETIREMENT SYSTEM	1997	665,382,560	225,158,866	86,290,194	11,094,076	987,925,696
	1998	720,471,861	231,259,847	77,682,393	12,016,848	1,041,430,949
	1999	786,056,682	243,292,530	79,082,242	10,583,135	1,119,014,589
	2000	842,332,716	263,314,394	81,900,016	11,373,329	1,198,920,455
	2001	908,535,003	282,754,727	76,344,177	14,325,482	1,281,959,389
	2002	1,036,242,359	321,913,258	74,311,705	16,203,972	1,448,671,294
	2003	1,256,269,524	391,337,785	73,681,006	13,153,810	1,734,442,125
	2004	1,342,672,462	429,133,774	69,093,929	15,202,812	1,856,102,977
	2005	1,430,518,096	469,353,256	77,859,834	13,229,171	1,990,960,357
	2006	1,527,004,088	492,158,051	67,232,871	20,404,379	2,106,799,389
TEACHERS' PENSION AND ANNUITY FUND	1997	746,522,580	298,953,221	23,059,591	1,788,380	1,070,323,772
	1998	814,840,526	288,707,561	21,708,411	1,727,638	1,126,984,136
	1999	906,686,068	318,152,389	25,944,573	2,482,967	1,253,265,997
	2000	1,005,848,093	340,381,641	52,184,484	1,226,046	1,399,640,264
	2001	1,118,484,119	420,933,207	29,182,131	2,473,707	1,571,073,164
	2002	1,301,023,793	490,491,474	29,708,217	2,565,759	1,823,789,243
	2003	1,477,951,606	587,364,087	33,649,450	2,114,920	2,101,080,063
	2004	1,615,493,787	690,695,012	34,115,575	3,411,106	2,343,715,480
	2005	1,778,364,298	777,410,393	40,688,935	2,603,363	2,599,066,989
	2006	1,943,588,309	850,824,537	40,311,056	3,289,349	2,838,013,251
POLICE AND FIREMEN'S RETIREMENT SYSTEM	1997	456,752,610	88,417,802	10,322,684	198,172	555,691,268
	1998	491,352,903	96,934,255	9,429,666	18,022,184	615,739,008
	1999	532,195,764	106,001,916	11,807,597	653,265	650,658,542
	2000	586,744,099	110,656,186	13,272,663	1,006,855	711,679,803
	2001	648,621,718	117,801,144	158,469,703	830,329	925,722,894
	2002	711,972,889	130,078,692	9,407,227	754,516	852,213,324
	2003	766,321,314	150,561,160	10,428,854	424,583	927,735,911
	2004	828,110,553	158,945,146	9,998,813	680,232	997,734,724
	2005	899,263,678	165,199,575	10,978,333	594,778	1,076,036,364
	2006	969,680,617	183,810,179	11,037,817	537,733	1,165,066,346
STATE POLICE RETIREMENT SYSTEM	1997	39,435,676	9,915,265	316,123	—	49,667,064
	1998	42,975,870	10,814,040	223,345	—	54,013,255
	1999	46,463,359	10,759,457	379,811	—	57,602,627
	2000	51,227,196	11,233,585	325,463	383	62,786,627
	2001	57,124,125	12,144,123	305,093	238,969	69,812,310
	2002	60,822,507	13,986,105	319,500	57,837	75,185,949
	2003	67,100,468	14,971,851	306,511	5,856	82,384,686
	2004	74,612,608	14,659,455	307,349	11,477	89,590,889
	2005	83,114,429	15,755,321	536,941	32,016	99,438,707
	2006	87,425,434	17,512,726	478,723	—	105,416,883

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS SCHEDULE OF EXPENSES BY TYPE

	FISCAL YEAR	BENEFITS		WITHDRAWALS, ADMINISTRATIVE AND OTHER EXPENSES	TRANSFERS TO OTHER RETIREMENT SYSTEMS	TOTAL
		RETIREMENT	OTHER			
JUDICIAL RETIREMENT SYSTEM	1997	14,797,214	3,818,079	60,372	—	18,675,665
	1998	16,074,349	2,966,037	60,337	—	19,100,723
	1999	16,730,580	3,176,784	80,339	—	19,987,703
	2000	17,491,090	3,218,845	85,285	—	20,795,220
	2001	19,744,957	3,124,585	43,793	—	22,913,335
	2002	21,103,047	3,483,177	76,943	—	24,663,167
	2003	22,512,788	3,038,212	171,486	—	25,722,486
	2004	23,787,469	3,276,925	309,713	—	27,374,107
	2005	25,775,961	3,242,394	169,357	—	29,187,712
	2006	27,411,244	3,726,355	199,592	—	31,337,191
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	1997	30,221,538	106,527	—	—	30,328,065
	1998	28,213,699	66,819	—	—	28,280,518
	1999	26,094,004	—	93,378	—	26,187,382
	2000	23,924,006	—	82,924	—	24,006,930
	2001	22,065,779	—	57,343	—	22,123,122
	2002	20,721,197	—	62,095	—	20,783,292
	2003	18,664,638	—	49,980	—	18,714,618
	2004	16,829,838	—	28,831	—	16,858,669
	2005	15,137,682	—	54,494	—	15,192,176
	2006	13,478,301	—	25,777	—	13,504,078
PRISON OFFICERS' PENSION FUND	1997	3,530,615	11,226	—	—	3,541,841
	1998	3,486,834	12,605	—	—	3,499,439
	1999	3,378,965	—	16,521	—	3,404,486
	2000	3,285,303	—	18,945	—	3,304,248
	2001	3,175,985	—	17,006	—	3,192,991
	2002	2,990,730	—	12,311	—	3,003,041
	2003	2,843,716	—	10,705	—	2,854,421
	2004	2,750,556	—	6,298	—	2,756,854
	2005	2,631,732	—	14,202	—	2,645,934
	2006	2,443,222	—	7,630	—	2,450,852
PENSION TRUST FUNDS	1997	1,956,642,793	626,380,986	120,048,964	13,080,628	2,716,153,371
	1998	2,117,416,042	630,761,164	109,104,152	31,766,670	2,889,048,028
	1999	2,317,614,422	681,383,076	117,404,461	13,719,367	3,130,121,326
	2000	2,530,852,503	728,804,651	147,869,780	13,606,613	3,421,133,547
	2001	2,777,751,686	836,757,786	264,419,246	17,868,487	3,896,797,205
	2002	3,154,876,522	959,952,706	113,897,998	19,582,084	4,248,309,310
	2003	3,611,664,054	1,147,273,095	118,297,992	15,699,169	4,892,934,310
	2004	3,904,257,253	1,296,710,312	113,860,508	19,305,627	5,334,133,700
	2005	4,234,805,876	1,430,960,939	130,302,096	16,459,328	5,812,528,239
	2006	4,571,031,215	1,548,031,848	119,293,466	24,231,461	6,262,587,990

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS

ABERDEEN TWP	BRADLEY BEACH BORO (*)	DELANCO TWP (*)	FLORHAM PARK BORO
ABSECON CITY (*)	BRANCHBURG TWP (*)	DELAWARE TWP (*)	FOLSOM BORO (*)
ALEXANDRIA TWP	BRANCHVILLE BORO (*)	DELTRAN TWP	FORT LEE BORO (*)
ALLAMUCHY TWP (*)	BRICK TWP	DEMAREST BORO	FRANKFORD TWP (*)
ALLENDALE BORO (*)	BRIDGETON CITY (*)	DENNIS TWP (*)	FRANKLIN BORO (*)
ALLENHURST BORO (*)	BRIDGEWATER TWP	DENVILLE TWP (*)	FRANKLIN LAKES BORO (*)
ALLETOWN BORO	BRIELLE BORO	DEPTFORD TWP (*)	FRANKLIN TWP (GLOUCESTER)
ALLOWAY TWP	BRIGANTINE CITY	DOVER TOWN	FRANKLIN TWP (HUNTERDON)
ALPHA BORO	BROOKLAWN BORO BD OF ED	DOVER TWP	FRANKLIN TWP (SOMERSET)
ALPINE BORO	BUENA BORO (*)	DOWNE TWP	FRANKLIN TWP (WARREN)
ANDOVER BORO	BUENA VISTA TWP (*)	DUMONT BORO (*)	FREDON TWP
ANDOVER TWP (*)	BURLINGTON CITY (*)	DUNELLEN BORO (*)	FREEHOLD BORO (*)
ASBURY PARK CITY	BURLINGTON COUNTY	E AMWELL TWP (*)	FREEHOLD TWP
ATLANTIC CITY	BURLINGTON TWP	E BRUNSWICK TWP	FRELINGHUYSEN TWP
ATLANTIC COUNTY (*)	BUTLER BORO	E GREENWICH TWP	FRENCHTOWN BORO (*)
ATLANTIC HIGHLANDS	BYRAM TWP	E HANOVER TWP (*)	GALLOWAY TWP
AUDUBON BORO (*)	CALDWELL BORO(*)	E NEWARK BORO	GARFIELD CITY (*)
AUDUBON PARK BORO (*)	CALIFON BORO (*)	E ORANGE CITY	GARWOOD BORO (*)
AVALON BORO	CAMDEN CITY	E RUTHERFORD BORO (*)	GIBBSBORO BORO
AVON BY THE SEA	CAMDEN COUNTY	E WINDSOR TWP	GLASSBORO BORO (*)
BARNEGAT LIGHT BORO (*)	CAPE MAY CITY (*)	EAGLESWOOD TWP (*)	GLEN GARDNER BORO (*)
BARNEGAT TWP	CAPE MAY COUNTY	EASTAMPTON TWP (*)	GLEN RIDGE BORO (*)
BARRINGTON BORO	CAPE MAY POINT BORO (*)	EATONTOWN BORO	GLEN ROCK BORO (*)
BASS RIVER TWP	CARLSTADT BORO	EDGEWATER BORO	GLOUCESTER CITY
BAY HEAD BORO (*)	CARNEYS POINT TWP	EDGEWATER PARK TWP (*)	GLOUCESTER COUNTY
BAYONNE CITY (*)	CARTERET BORO	EDISON TWP (*)	GLOUCESTER TWP
BEACH HAVEN BORO (*)	CEDAR GROVE TWP (*)	EGG HARBOR CITY	GREEN BROOK TWP (*)
BEACHWOOD BORO (*)	CHATHAM BORO (*)	EGG HARBOR TWP (*)	GREEN TWP (*)
BEDMINSTER TWP (*)	CHATHAM TWP (*)	ELIZABETH CITY (*)	GREENWICH TWP (CUMBERLAND)
BELLEVILLE TWP	CHERRY HILL TWP	ELK TWP (*)	GREENWICH TWP (GLOUCESTER)
BELLMAWR BORO	CHESILHURST BORO	ELMER BORO	GREENWICH TWP (WARREN) (*)
BELMAR BORO (*)	CHESTER BORO (*)	ELMWOOD PARK BORO (*)	GUTTENBERG TOWN
BELVIDERE TOWN (*)	CHESTER TWP (*)	ELSINBORO TWP	HACKENSACK CITY
BERGEN COUNTY	CHESTERFIELD TWP (*)	EMERSON BORO	HACKETTSTOWN TOWN (*)
BERGENFIELD BORO (*)	CINNAMINSON TWP	ENGLEWOOD CITY (*)	HADDON HEIGHTS BORO (*)
BERKELEY HEIGHTS TWP	CLARK TWP (*)	ENGLEWOOD CLIFFS BORO (*)	HADDON TWP
BERKELEY TWP (*)	CLAYTON BORO (*)	ENGLISHTOWN BORO	HADDONFIELD BORO
BERLIN BORO (*)	CLEMENTON BORO (*)	ESSEX COUNTY	HAINESPORT TWP (*)
BERLIN TWP (*)	CLIFFSIDE PARK BORO (*)	ESSEX FELS BOROUGH (*)	HALEDON BORO (*)
BERNARDS TWP	CLIFTON CITY	ESTELL MANOR CITY (*)	HAMBURG BORO (*)
BERNARDSVILLE BORO (*)	CLINTON TOWN (*)	EVESHAM TWP	HAMILTON TWP (ATL) (*)
BETHLEHEM TWP	CLINTON TWP (*)	EWING TWP (*)	HAMILTON TWP (MERCER)
BEVERLY CITY	CLOSTER BORO (*)	FAIR HAVEN BORO (*)	HAMMONTON TOWN (*)
BLAIRSTOWN TWP (*)	COLLINGSWOOD BORO	FAIR LAWN BORO	HAMPTON BORO (*)
BLOOMFIELD TWP(*)	COLTS NECK TWP	FAIRFIELD TWP (CUMBERLAND)	HAMPTON TWP (*)
BLOOMINGDALE BORO (*)	COMMERCIAL TWP (*)	FAIRFIELD TWP (ESSEX)	HANOVER TWP
BLOOMSBURY BORO	CORBIN CITY (*)	FAIRVIEW BORO (*)	HARDING TWP
BOGOTA BORO	CRANBURY TWP (*)	FANWOOD BORO	HARDWICK TWP (*)
BOONTON TOWN (*)	CRANFORD TWP (*)	FAR HILLS BORO (*)	HARDYSTON TWP
BOONTON TWP (*)	CRESKILL BORO (*)	FARMINGDALE BORO (*)	HARMONY TWP (*)
BORDENTOWN CITY (*)	CUMBERLAND COUNTY	FIELDSBORO BORO	HARRISON TWP (*)
BORDENTOWN TWP	DEAL BORO (*)	FLEMINGTON BORO	HARVEY CEDARS BORO (*)
BOUND BROOK BORO (*)	DEERFIELD TWP (*)	FLORENCE TWP (*)	HASBROUCK HEIGHTS BORO (*)

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STATISTICAL INFORMATION

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS, *Continued*

HAWORTH BORO (*)	LINDENWOLD BORO (*)	MERCHANTVILLE BORO	NORTH HALEDON BORO (*)
HAWTHORNE BORO	LINWOOD CITY	MERCHANTVILLE BORO	NORTH HANOVER TWP (*)
HAZLET TWP	LITTLE EGG HARBOR TWP	METUCHEN BORO	NORTH PLAINFIELD BORO (*)
HELMETTA BORO (*)	LITTLE FALLS TWP (*)	METUCHEN BORO	NORTH WILDWOOD CITY
HIGH BRIDGE BORO	LITTLE FERRY BORO	MIDDLE TWP (*)	NORTHFIELD CITY (*)
HIGH POINT REG HIGH SCHOOL	LITTLE SILVER BORO	MIDDLE TWP (*)	NORTHVALE BORO (*)
HIGHLAND PARK BORO (*)	LIVINGSTON TWP (*)	MIDDLESEX BORO (*)	NORWOOD BORO (*)
HIGHLANDS BORO	LOCH ARBOUR VILLAGE	MIDDLESEX BORO (*)	NUTLEY TWP (*)
HIGHTSTOWN BORO (*)	LODI BORO	MIDDLESEX COUNTY	OAKLAND BORO
HILLSBOROUGH TWP	LOGAN TWP	MIDDLETOWN TWP	OAKLYN BORO
HILLSDALE BORO (*)	LONG BEACH TWP (*)	MIDLAND PARK BORO (*)	OCEAN CITY
HILLSIDE TWP (*)	LONG BRANCH CITY	MILFORD BORO (*)	OCEAN COUNTY (*)
HI-NELLA BORO	LONG HILL TWP (*)	MILLBURN TWP (*)	OCEAN GATE BORO (*)
HO HO KUS BORO (*)	LONGPORT BORO (*)	MILLSTONE BORO	OCEAN TWP (MON) (*)
HOBOKEN CITY	LOPATCONG TWP	MILLSTONE TWP (*)	OCEAN TWP (OCEAN)
HOLLAND TWP	LOWER ALLOWAYS CREEK TWP	MILLTOWN BORO (*)	OCEANPORT BORO
HOLMDEL TWP	LOWER TWP	MILLVILLE CITY	OGDENSBURG BORO
HOPATCONG BORO	LUMBERTON TWP (*)	MINE HILL TWP (*)	OLD BRIDGE TWP
HOPE TWP (*)	LYNDHURST TWP	MONMOUTH BEACH BORO (*)	OLD TAPPAN BORO
HOPEWELL BORO (*)	MADISON BORO	MONMOUTH COUNTY	OLDSMANS TWP
HOPEWELL TWP (CUMB)	MAGNOLIA BORO	MONROE TWP (GLOUCESTER)	ORADELL BORO (*)
HOPEWELL TWP (MER)	MAHWAH TWP	MONROE TWP (MIDDLESEX)	ORANGE CITY (*)
HOWELL TWP (*)	MANALAPAN TWP (*)	MONTAGUE TWP (*)	OXFORD TWP (*)
HUDSON COUNTY (*)	MANASQUAN BORO	MONTCLAIR TWP (*)	PALISADES PARK BORO
HUNTERDON COUNTY	MANCHESTER TWP	MONTGOMERY TWP (*)	PALMYRA BORO
INDEPENDENCE TWP (*)	MANNINGTON TWP (*)	MONTVALE BORO	PARAMUS BORO (*)
INTERLAKEN BORO	MANSFIELD TWP (BUR)	MONTVILLE TWP (*)	PARK RIDGE BORO
IRVINGTON TOWN	MANSFIELD TWP (WAR) (*)	MOONACHIE BORO (*)	PARSHIPANNY TROY HILLS TWP (*)
IRVINGTON TWP	MANTALOKING BORO (*)	MOORESTOWN TWP	PASSAIC CITY (*)
ISLAND HEIGHTS BORO (*)	MANTUA TWP (*)	MORRIS COUNTY	PASSAIC COUNTY
JACKSON TWP (*)	MANVILLE BORO (*)	MORRIS PLAINS BORO (*)	PATERSON CITY
JAMESBURG BORO (*)	MANVILLE BORO (*)	MORRIS TWP (*)	PAULSBORO BORO
JEFFERSON TWP (*)	MAPLE SHADE TWP	MORRISTOWN TOWN	PEAPACK GLADSTONE BORO (*)
KEANSBURG BORO	MAPLE SHADE TWP	MOUNT ARLINGTON BORO (*)	PEMBERTON BORO (*)
KEARNY TOWN (*)	MAPLEWOOD TWP (*)	MOUNT EPHRAIM BORO	PEMBERTON TWP
KENILWORTH BORO (*)	MAPLEWOOD TWP (*)	MOUNT HOLLY TWP (*)	PENNINGTON BORO (*)
KEYPORT BORO (*)	MARGATE CITY	MOUNT LAUREL TWP (*)	PENNS GROVE BORO
KINGWOOD TWP (*)	MARGATE CITY	MOUNTAIN LAKES BORO (*)	PENNSAUKEN TWP
KINNELON BORO (*)	MARLBORO TWP (*)	MOUNTAINSIDE BORO (*)	PENNSVILLE TWP
KNOWLTON TWP (*)	MARLBORO TWP (*)	MT OLIVE TWP	PEQUANNOCK TWP
LACEY TWP (*)	MATAWAN BORO	MULLICA TWP (*)	PERTH AMBOY CITY
LAFAYETTE TWP (*)	MATAWAN BORO	NATIONAL PARK BORO	PHILLIPSBURG TOWN
LAKEHURST BORO (*)	MAURICE RIVER TWP	NEPTUNE CITY BORO	PILES GROVE TWP (*)
LAKEWOOD TWP	MAURICE RIVER TWP	NEPTUNE TWP (*)	PINE BEACH BORO (*)
LAMBERTVILLE CITY (*)	MAYWOOD BORO	NETCONG BORO (*)	PINE HILL BORO
LAUREL SPRINGS BORO (*)	MAYWOOD BORO	NEW BRUNSWICK CITY	PINE VALLEY BORO (*)
LAVALLETTE BORO (*)	MEDFORD LAKES BORO (*)	NEW HANOVER TWP (*)	PISCATAWAY TWP
LAWNSIDE BORO	MEDFORD LAKES BORO (*)	NEW MILFORD BORO	PITMAN BORO
LAWRENCE TWP (CUMB) (*)	MEDFORD TWP (*)	NEW PROVIDENCE BORO	PITTSBURG TWP (*)
LAWRENCE TWP (MERCER) (*)	MEDFORD TWP (*)	NEWARK CITY	PLAINFIELD CITY (*)
LEBANON BORO (*)	MENDHAM BORO (*)	NEWFIELD BORO (*)	PLAINSBORO TWP
LEBANON TWP (*)	MENDHAM BORO (*)	NEWTON TOWN (*)	PLEASANTVILLE CITY
LEONIA BORO (*)	MENDHAM TWP (*)	NORTH ARLINGTON BORO	PLUMSTEAD TWP
LIBERTY TWP (*)	MENDHAM TWP (*)	NORTH BERGEN TWP	POHATCONG TWP
LINCOLN PARK BORO	MERCER COUNTY (*)	NORTH BRUNSWICK TWP	POMPTON LAKES BORO (*)
LINDEN CITY (*)	MERCER COUNTY (*)	NORTH CALDWELL BORO (*)	PORT REPUBLIC CITY (*)

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STATISTICAL INFORMATION

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS, *Continued*

PRINCETON BORO	SOMERSET COUNTY	VERONA TWP	WOODYLYNNE BORO (*)
PRINCETON TWP	SOMERVILLE BORO (*)	VICTORY GARDENS BORO	WOOD-RIDGE BORO (*)
PROSPECT PARK BORO (*)	SOUTH AMBOY CITY (*)	VILLAGE OF RIDGEFIELD PARK	WOODSTOWN BORO (*)
PT PLEASANT BEACH BORO	SOUTH BELMAR BORO (*)	VINELAND CITY	WOOLWICH TWP
PT PLEASANT BORO	SOUTH BOUND BROOK BORO (*)	VOORHEES TWP (*)	WRIGHTSTOWN BORO (*)
QUINTON TWP	SOUTH BRUNSWICK TWP (*)	WALDWICK BORO (*)	WYCKOFF TWP (*)
RAHWAY CITY	SOUTH HACKENSACK TWP	WALL TWP	
RAMSEY BORO	SOUTH HARRISON TWP	WALLINGTON BORO	
RANDOLPH TWP	SOUTH ORANGE VILLAGE (*)	WALPACK TWP	
RARITAN BORO (*)	SOUTH PLAINFIELD BORO	WANAQUE BORO (*)	
RARITAN TWP	SOUTH RIVER BORO (*)	WANTAGE TWP	
READINGTON TWP (*)	SOUTH TOMS RIVER BORO (*)	WARREN COUNTY	
RED BANK BORO	SOUTHAMPTON TWP (*)	WARREN TWP (*)	
RIDGEFIELD BORO (*)	SPARTA TWP	WASHINGTON BORO (*)	
RIDGEWOOD VILLAGE (*)	SPOTSWOOD BORO (*)	WASHINGTON TWP (BERGEN)	
RINGWOOD BORO	SPRING LAKE BORO	WASHINGTON TWP (BURL)	
RIVER EDGE BORO (*)	SPRING LAKE HEIGHTS BORO (*)	WASHINGTON TWP (GLOUC) (*)	
RIVERDALE BORO (*)	SPRINGFIELD TWP (BUR) (*)	WASHINGTON TWP (MERCER) (*)	
RIVERSIDE TWP	SPRINGFIELD TWP (UNION)	WASHINGTON TWP (MORRIS) (*)	
RIVERTON BORO (*)	STAFFORD TWP (*)	WASHINGTON TWP (WARREN)	
RIVERVALE TWP (*)	STANHOPE BORO (*)	WATCHUNG BORO (*)	
ROCHELLE PARK TWP (*)	STILLWATER TWP (*)	WATERFORD TWP (*)	
ROCKAWAY BORO (*)	STOCKTON BORO	WAYNE	
ROCKAWAY TWP (*)	STONE HARBOR BORO	WAYNE TWP	
ROCKLEIGH BORO	STOW CREEK TWP	WEEHAWKEN TWP (*)	
ROCKY HILL BORO	STRATFORD BORO (*)	WENONAH BORO	
ROOSEVELT BORO (*)	SUMMIT CITY (*)	WEST AMWELL TWP (*)	
ROSELAND BORO (*)	SURF CITY BORO	WEST CALDWELL TWP	
ROSELLE BORO (*)	SUSSEX BORO (*)	WEST CAPE MAY BORO (*)	
ROSELLE PARK BORO	SUSSEX COUNTY (*)	WEST DEPTFORD TWP	
ROXBURY TWP	SWEDESBORO BORO	WEST LONG BRANCH BORO (*)	
RUMSON BORO (*)	TABERNACLE TWP (*)	WEST MILFORD TWP	
RUNNEMEDE BORO	TAVISTOCK BORO	WEST NEW YORK TOWN	
RUTHERFORD BORO	TEANECK TWP (*)	WEST ORANGE TWP (*)	
SADDLE BROOK TWP	TENAFLY BORO (*)	WEST PATERSON BORO	
SADDLE RIVER BORO	TETERBORO BORO (*)	WEST WILDWOOD BORO (*)	
SALEM CITY (*)	TEWKSBURY TWP (*)	WEST WINDSOR TWP	
SALEM COUNTY (*)	TINTON FALLS BORO (*)	WESTAMPTON TWP (*)	
SANDYSTON TWP	TOTOWA BORO (*)	WESTFIELD TOWN	
SAYREVILLE BORO (*)	TOWN OF WESTFIELD	WESTVILLE BORO	
SCOTCH PLAINS TWP	TRENTON CITY (*)	WESTWOOD BORO	
SEA BRIGHT BORO (*)	TUCKERTON BORO (*)	WEYMOUTH TWP (*)	
SEA GIRT BORO (*)	UNION BEACH BORO (*)	WHARTON BORO (*)	
SEA ISLE CITY	UNION CITY	WHITE TWP (*)	
SEASIDE HEIGHTS BORO (*)	UNION COUNTY	WILDWOOD CITY (*)	
SEASIDE PARK BD OF ED (*)	UNION TWP (HUNT)	WILDWOOD CREST BORO (*)	
SEASIDE PARK BORO	UNION TWP (SUSSEX) (*)	WILLINGBORO TWP	
SECAUCUS TOWN	UNION TWP (UNION)	WINFIELD TWP (*)	
SHAMONG TWP	UPPER DEERFIELD TWP	WINSLOW TWP	
SHILOH BORO	UPPER FREEHOLD TWP (*)	WOODBINE BORO (*)	
SHIP BOTTOM BORO	UPPER PITTSBORO TWP (*)	WOODBURY CITY	
SHREWSBURY BORO	UPPER SADDLE RIVER BORO (*)	WOODBURY HGHTS BORO	
SHREWSBURY TWP	UPPER TWP	WOODCLIFF LAKE BORO (*)	
SOMERDALE BORO (*)	VENTNOR CITY	WOODLAND TWP (*)	
SOMERS POINT CITY	VERNON TWP		

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STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PARTICIPATING EDUCATION EMPLOYERS

ABSECON CITY BD OF ED (*)	BORDENTOWN REG SCH DIST (*)	CLINTON TOWN BD OF ED
ACADEMY CHARTER HIGH SCH	BOUND BROOK BORO BD OF ED (*)	CLINTON TWP BD OF ED
ALEXANDRIA TWP BD OF ED (*)	BRADLEY BEACH BD OF ED	CLOSTER BD OF ED (*)
ALLAMUCHY BD OF ED	BRANCHBURG TWP BD OF ED	COLLEGE OF NEW JERSEY (*)
ALLENDALE BORO BD OF ED (*)	BRANCHVILLE BD OF ED	COLLINGSWOOD BORO BD ED
ALLENHURST BORO BD OF ED (*)	BRICK TWP BD OF ED	COLTS NECK TWP BD OF ED
ALLOWAY TWP BD OF ED	BRIDGETON BD OF ED (*)	COMMERCIAL TWP BD OF ED
ALPHA BD OF ED	BRIDGEWATR-RARITAN REG SCH DIST	CORBIN CITY BD OF ED (*)
ALPINE BORO BD OF ED (*)	BRIELLE BORO BD OF ED	CRANBURY TWP BD OF ED
ANDOVER REG BD OF ED (*)	BRIGANTINE CITY BD OF ED (*)	CRANFORD TWP BD OF ED (*)
ASBURY PARK CITY BD OF ED (*)	BROOKDALE COMM COLL (*)	CREATE CHARTER HS (*)
ATLANTIC CAPE COMM COLL (*)	BROOKLAWN BORO BD OF ED	CRESKILL BD OF ED
ATLANTIC CITY BD OF ED	BUENA REGIONAL SCH DIST	CUMBERLAND CO BD VOC ED (*)
ATLANTIC CO AUDIO VIS COM (*)	BURLINGTON CITY BD OF ED	CUMBERLAND CO COLL (*)
ATLANTIC CO SPEC SERV (*)	BURLINGTON CO AVA COMM (*)	CUMBERLAND REG SCH DIST
ATLANTIC CO VOC SCH (*)	BURLINGTON CO BD SPEC SERV	DEAL BORO BD OF ED (*)
ATLANTIC COMM COLL (*)	BURLINGTON CO COLL (*)	DEERFIELD TWP BD OF ED (*)
ATLANTIC HGLNDS BD OF ED (*)	BURLINGTON CO INST TECH	DELANCO TWP BD OF ED
AUDUBON BORO BD OF ED	BURLINGTON TWP BD OF ED (*)	DELAWARE TWP BD OF ED (*)
AUDUBON PARK BD OF ED	BUTLER BORO BD OF ED	DELAWARE VALLEY REG H S (*)
AVALON BORO BD OF ED	BYRAM TWP BD OF ED (*)	DELTRAN TWP BD OF ED
AVON BY THE SEA BD OF ED (*)	CALDWELL W CALDWELL BD OF ED (*)	DELSEA REG HIGH SCH DIST
BARNEGAT TWP BD OF ED	CALIFON BORO BD OF ED (*)	DEMAREST BORO BD OF ED (*)
BARRINGTON BORO BD OF ED (*)	CALLA CHARTER SCH (*)	DENNIS TWP BD OF ED
BASS RIVER TWP BD OF ED (*)	CAMDEN ACAD CHART HS	DENVILLE TWP BD OF ED
BAY HEAD BD OF ED	CAMDEN CITY BD OF ED (*)	DEPTFORD TWP BD OF ED
BAYONNE CITY BD OF ED	CAMDEN CO AUDIO VIS AIDS	DISCOVERY CHARTER SCH (*)
BEACH HAVEN BORO BD OF ED (*)	CAMDEN CO COLL	DOVER TOWN BD OF ED
BEDMINSTER TWP BD OF ED (*)	CAMDEN CO ED SERV COMM	DOWNE TWP BD OF ED
BELLEVILLE BD OF ED	CAMDEN CO TECH SCHS (*)	DUMONT BORO BD OF ED (*)
BELLMAWR BORO BD OF ED (*)	CAMDEN'S PROMISE CHART SCH	DUNELLEN BD OF ED
BELMAR BORO BD OF ED	CAPE MAY CITY BD OF ED (*)	E AMWELL TWP BD OF ED (*)
BELVIDERE TOWN BD OF ED	CAPE MAY CO SPEC SERV SCH DIST(*)	E BRUNSWICK TWP BD ED
BERGEN CO AUDIO-VIS COMM	CAPE MAY CO TECH SCH	E GREENWICH BD OF ED (*)
BERGEN CO BD OF SPEC SERV (*)	CAPE MAY PT BORO BD OF ED	E HANOVER TWP BD ED (*)
BERGEN CO VOC SCHOOL (*)	CARLSTADT BORO BD OF ED (*)	E NEWARK BD OF ED (*)
BERGEN COMM COLL (*)	CARLSTADT-E RUTH BD OF ED (*)	E ORANGE BD OF ED (*)
BERGENFIELD BORO BD OF ED (*)	CARTERET BORO BD OF ED	E ORANGE COMM CHART SCH
BERKELEY HGHTS BD OF ED	CEDAR GROVE TWP BD OF ED (*)	E RUTHERFORD BORO BD OF ED (*)
BERKELEY TWP BD OF ED	CENTRAL REGIONAL H S DIST	E WINDSOR REG SCH
BERLIN BORO BD OF ED	CHARTER TECHNICAL SCH (*)	EAGLESWOOD TWP BD OF ED (*)
BERLIN TWP BD OF ED	CHERRY HILL TWP BD OF ED	EASTAMPTON TWP BD OF ED
BERNARDS TWP BD OF ED	CHESILHURST BD OF ED (*)	EASTERN CAMDEN CO REG SCH
BETHLEHEM TWP BD OF ED	CHESTER TWP BD OF ED	EATONTOWN BD OF ED (*)
BEVERLY CITY BD OF ED (*)	CHESTERFIELD TWP BD OF ED (*)	EDGEWATER BORO BD OF ED (*)
BLACK HORSE PIKE REG SCH	CINNAMINSON TWP BD OF ED	EDGEWATER PARK TWP BD ED (*)
BLAIRSTOWN TWP BD OF ED	CLARK TWP BD OF ED	EDISON TWP BD OF ED
BLOOMFIELD TWP BD OF ED	CLASSICAL ACAD CHARTER SCH (*)	EDUCA INFOR & RSRCE CTR (*)
BLOOMINGDALE BORO BD OF ED	CLAYTON BORO BD OF ED	EGG HARBOR CITY BD OF ED (*)
BLOOMSBURY BORO BD OF ED (*)	CLEARVIEW REG BD OF ED (*)	EGG HARBOR TWP BD OF ED (*)
BOGOTA BORO BD OF ED (*)	CLEMENTON BORO BD OF ED (*)	ELIZABETH BD OF ED (*)
BOONTON TOWN BD OF ED (*)	CLIFFSIDE PARK BD OF ED	ELK TWP BD OF ED
BOONTON TWP BD OF ED (*)	CLIFTON CITY BD OF ED	ELMER BD OF ED

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STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *Continued*

ELMWOOD PARK BD OF ED (*)	GLOUCESTER CO SPEC SERV SCH DIST	HOLMDEL TWP BD OF ED (*)
ELSBORO TWP BD OF ED (*)	GLOUCESTER CO VOC SCH	HOPATCONG BD OF ED
ELYSIAN CHARTER SCH HOBOKEN (*)	GLOUCESTER COUNTY COLL	HOPE TWP BD OF ED (*)
EMERSON BORO BD OF ED (*)	GLOUCESTER TWP BD OF ED	HOPEWELL TWP BD OF ED (CUMB)
EMILY FISHER CHART SCH (*)	GRANVILLE CHARTER SCH (*)	HOPEWELL VALLEY REG SCH
ENGLEWOOD CITY BD OF ED (*)	GRAY CHARTER SCH (*)	HOWELL TWP BD OF ED
ENGLEWOOD CLIFFS BORO BD OF ED (*)	GREAT MEADOWS REG BD ED	HUDSON CO COMM COLL (*)
ENGLEWOOD/PALIS CHART SCH (*)	GREATER BRUNSWICK CHAR SCH (*)	HUDSON CO TEC SCHOOL
ESSEX & UNION JNT MTG UN EMP (*)	GREATER EGG HARBOR REG	HUNTERDON CENTRAL HIGH
ESSEX & UNION JOINT MEETING (*)	GREATER TRENTON AREA ACAD (*)	HUNTERDON CO AUDIO VIS (*)
ESSEX CO EDUC SRV COMM	GREEN BROOK BD OF ED (*)	HUNTERDON CO EDUC SERV
ESSEX CO VOC SCH (*)	GREEN BROOK REG CENTER	HUNTERDON COUNTY VOC (*)
ESSEX COUNTY COLL (*)	GREEN TWP BD OF ED (*)	INTERLAKEN BORO BD OF ED
ESSEX FELS BD OF ED	GREENWICH TWP BD ED (CUMB) (*)	INTERNATIONAL CHARTER SCH
ESTELL MANOR BD OF ED (*)	GREENWICH TWP BD ED (GLO) (*)	IRVINGTON BD OF ED
EVESHAM TWP BD OF ED	GREENWICH TWP BD ED (WARREN)	ISLAND HEIGHTS BORO BD OF ED (*)
EWING TWP BD OF ED (*)	GUTTENBERG BORO BD OF ED	JACKSON TWP BD OF ED
FAIR HAVEN BORO BD OF ED (*)	HACKENSACK CITY BD OF ED (*)	JERSEY CITY BD OF ED (*)
FAIR LAWN BD OF ED	HACKETTSTOWN BD OF ED	JERSEY CITY COMM CHART SCH (*)
FAIRFIELD TWP BD ED (CUMB) (*)	HADDON HGHTS BORO BD ED	JERSEY CITY GOLDEN DOOR CHT SC
FAIRFIELD TWP BD ED (ESSEX)	HADDON TWP BD OF ED	JOINT MEETING ESSEX & UNION
FAIRVIEW BORO BD OF ED (*)	HADDONFIELD BORO BD OF ED	KEANSBURG BD OF ED
FARMINGDALE BD OF ED (*)	HAINESPORT TWP BD OF ED	KEARNY TOWN BD OF ED (*)
FLEMINGTON RARITAN BD OF ED	HALEDON BORO BD OF ED (*)	KENILWORTH BORO BD OF ED
FLORENCE TWP BD OF ED	HAMBURG BORO BD OF ED	KEYPORT BORO BD OF ED
FLORHAM PARK BD OF ED (*)	HAMILTON TWP BD ED (ATL) (*)	KINGSWAY REGIONAL H S DIST
FOLSOM BORO BD OF ED (*)	HAMILTON TWP BD ED (MER)	KINGWOOD TWP BD OF ED (*)
FORT LEE BD OF ED (*)	HAMMONTON TOWN BD OF ED (*)	KINNELON BORO BD OF ED (*)
FRANKFORD TWP BD OF ED (*)	HAMPTON BORO BD OF ED (*)	KITTATINNY REGIONAL HS
FRANKLIN BORO BD OF ED (*)	HAMPTON TWP BD OF ED (*)	KNOWLTON TWP BD OF ED (*)
FRANKLIN BORO BD OF ED CUST (*)	HANOVER PARK REG H S DIST (*)	LACEY TWP BD OF ED (*)
FRANKLIN LAKES BD OF ED (*)	HANOVER TWP BD OF ED (*)	LAFAYETTE TWP BD OF ED
FRANKLIN TWP BD ED (GLOUC)	HARDING TWP BD OF ED	LAKEHURST BORO BD OF ED (*)
FRANKLIN TWP BD ED (HUNT) (*)	HARDWICK TWP SCH DIST	LAKELAND REGIONAL HS DIST
FRANKLIN TWP BD ED (SOMER)	HARDYSTON TWP BD OF ED	LAKEWOOD TWP BD OF ED (*)
FRANKLIN TWP BD ED (WARREN)	HARMONY TWP BD OF ED	LAMBERTVILLE CITY BD OF ED (*)
FREDON TWP BD OF ED	HARRINGTON PARK BD OF ED (*)	LAUREL SPRINGS BORO BD OF ED
FREEHOLD BORO BD OF ED	HARRISON TOWN BD OF ED	LAVALLETT BORO BD OF ED
FREEHOLD REG H S DIST	HARRISON TWP BD OF ED	LAWNSIDE BORO BD OF ED
FREEHOLD TWP BD OF ED	HASBROUCK HGHTS BD OF ED (*)	LAWRENCE TWP BD ED (CUMB)
FRELINGHUYSEN TWP BD OF ED (*)	HAWORTH BORO BD OF ED (*)	LAWRENCE TWP BD ED (MER)
FRENCHTOWN BORO BD OF ED (*)	HAWTHORNE BORO BD OF ED (*)	LEAP ACADEMY CHARTER SCH (*)
GALLOWAY CHARTER SCH	HAZLET TWP BD OF ED	LEARNING CENTER CHARTER SCH
GALLOWAY TWP BD OF ED	HELMETTA BORO BD OF ED (*)	LEARNING COMM CHARTER SCH (*)
GARFIELD CITY BD OF ED (*)	HENRY HUDSON REG SCH	LEBANON BORO BD OF ED (*)
GARWOOD BORO BD OF ED	HIGH BRIDGE BORO BD OF ED (*)	LEBANON TWP BD OF ED
GATEWAY CHARTER SCH (*)	HIGH POINT REG HIGH SCH	LENAPE REG H S DIST
GATEWAY REG HIGH SCH	HIGHLAND PARK BD OF ED (*)	LENAPE VALLEY REG H S DIST
GIBBSBORO BD OF ED	HILLSBOROUGH TWP BD OF ED	LEONIA BORO BD OF ED (*)
GLASSBORO BORO BD OF ED	HILLSDALE BORO BD OF ED (*)	LIBERTY ACADEMY CHARTER SCH
GLEN GARDNER BORO BD OF ED (*)	HILLSIDE TWP BD OF ED (*)	LINCOLN PARK BD OF ED
GLEN RIDGE BD OF ED (*)	HO HO KUS BORO BD OF ED (*)	LINDEN CITY BD OF ED
GLEN RIDGE BORO (*)	HOBOKEN CHARTER SCH (*)	LINDENWOLD BORO BD OF ED
GLEN ROCK BORO BD OF ED (*)	HOBOKEN CITY BD OF ED (*)	LINWOOD CITY BD OF ED (*)
GLOUCESTER CITY BD OF ED (*)	HOLLAND TWP BD OF ED	LITTLE EGG HARBOR TWP BD ED

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STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *Continued*

LITTLE FALLS BD OF ED (*)	MILFORD BORO BD OF ED (*)	NJ INSTITUTE OF TECHNOLOGY (*)
LITTLE SILVER BORO BD ED (*)	MILLBURN TWP PUB SCH	NJ SCHOOL BOARDS ASSOC (*)
LIVINGSTON BD OF ED	MILLSTONE BORO BD OF ED	NJ SCHOOL BOARDS INS GROUP (*)
LODI BD OF ED	MILLSTONE TWP BD OF ED	NJ SCHOOLS CONST CORP (*)
LOGAN TWP BD OF ED	MILLTOWN BORO BD OF ED	NORTH ARLINGTON BD OF ED (*)
LONG BEACH ISLAND BD ED (*)	MILLVILLE BD OF ED	NORTH ARLINGTON LYNDH JT MTG (*)
LONG BRANCH CITY BD ED (*)	MINE HILL TWP BD OF ED (*)	NORTH BERGEN TWP BD OF ED (*)
LONG HILL TWP BD OF ED	MONMOUTH BEACH BD OF ED (*)	NORTH BRUNSWICK TWP BD OF ED
LONGPORT BORO BD OF ED (*)	MONMOUTH CO AUDIO VISUAL (*)	NORTH CALDWELL BD OF ED (*)
LOPATCONG TWP BD OF ED	MONMOUTH CO VOC SCH (*)	NORTH HALEDON BORO BD ED (*)
LOWER ALLOWAYS CRK BD ED (*)	MONMOUTH REG SCH	NORTH HANOVER TWP BD OF ED
LOWER CAPE MAY REG SCH (*)	MONMOUTH-OCEAN ED SERV	NORTH HUNTERDON-VOORHEES REG HS
LOWER TWP BD OF ED (*)	MONROE TWP BD OF ED (GLO)	NORTH STAR ACAD CHART SCH (*)
LUMBERTON TWP BD OF ED	MONROE TWP BD OF ED (MID)	NORTH WARREN REG H S
LYNDHURST TWP BD OF ED	MONTAGUE BD OF ED	NORTH WILDWOOD CITY BD ED (*)
MADISON BORO BD OF ED	MONTCLAIR BD OF ED	NORTHERN BURLINGTON CO REG
MAGNOLIA BORO BD OF ED	MONTCLAIR STATE UNIVERSITY (*)	NORTHERN HGLHND S REG H S (*)
MAHWAH BD OF ED	MONTGOMERY TWP BD OF ED	NORTHERN VALLEY REG H S (*)
MAINLAND REGIONAL HS (*)	MONTVALE BORO BD OF ED (*)	NORTHFIELD BD OF ED
MANALAPAN ENGLISHTOWN REG SCHS (*)	MONTVILLE TWP BD OF ED	NORTHFIELD CITY (*)
MANASQUAN BORO BD OF ED	MOONACHIE BORO BD OF ED	NORTHVALE BORO (*)
MANCHESTER TWP BD OF ED	MORRIS AUDIO VIS COMM (*)	NORTHVALE BORO BD OF ED (*)
MANNINGTON TWP BD OF ED	MORRIS CO ED SERV COMM	NORWOOD BD OF ED (*)
MANSFIELD TWP BD OF ED (WAR) (*)	MORRIS CO VOC SCH DIST (*)	NUTLEY BD OF ED (*)
MANSFIELD TWP BD OF ED (BUR)	MORRIS COUNTY COLL (*)	OAKLAND BORO BD OF ED
MANTALOKING BORO BD OF ED	MORRIS HILLS REG DIST	OAKLYN BORO BD OF ED
MANTUA TWP BD OF ED	MORRIS PLAINS BORO BD ED	OCEAN CITY BD OF ED (*)
MANVILLE BORO BD OF ED	MORRIS SCHOOL DIST (*)	OCEAN CITY CHARTER TECH HS
MAPLE SHADE BD OF ED	MORRIS-UNION JOINTURE COMM	OCEAN CO AUD VIS AIDS COMM (*)
MARGATE CITY BD OF ED (*)	MOUNT ARLINGTON BD OF ED (*)	OCEAN CO JOINT TRN PART ACT
MARIA L V RODGER CHAR SCH (*)	MOUNT EPHRAIM BORO BD ED	OCEAN CO NORTH SHORE JNT
MARION P. THOMAS CHAR SCH (*)	MOUNT HOLLY TWP BD ED	OCEAN CO VOC SCH (*)
MARLBORO TWP BD OF ED	MOUNT LAUREL TWP BD OF ED	OCEAN COUNTY COLL (*)
MATAWAN-ABERDEEN SCH	MOUNTAIN LAKES BD OF ED (*)	OCEAN GATE BD OF ED (*)
MAURICE RIVER TWP BD OF ED	MOUNTAINSIDE BD OF ED (*)	OCEAN TWP BD OF ED (MON)
MAYWOOD BD OF ED (*)	MT OLIVE TWP BD OF ED	OCEAN TWP BD OF ED (OCEAN)
MEDFORD LAKES BD OF ED	MULLICA TWP BD OF ED (*)	OCEANPORT SCH
MEDFORD TWP BD OF ED	N PLAINFIELD BORO BD OF ED (*)	OCEANSIDE CHARTER SCH
MENDHAM BORO BD OF ED (*)	NATIONAL PARK BORO BD OF ED	OGDENSBURG BD OF ED (*)
MENDHAM TWP BD OF ED (*)	NEPTUNE CITY BORO BD OF ED (*)	OLD BRIDGE BD OF ED
MENDHAM TWP BD OF ED (*)	NEPTUNE TWP BD OF ED	OLD TAPPAN BD OF ED
MERCER CO AUDIO VISUAL (*)	NETCONG BORO BD OF ED (*)	OLDSMANS TWP BD OF ED
MERCER CO COMM COLL (*)	NEW BRUNSWICK BD OF ED	ORADELL BORO BD OF ED (*)
MERCER CO SPEC SERV	NEW HANOVER TWP BD OF ED	ORANGE CITY BD OF ED (*)
MERCER CO VOC SCH	NEW HORIZON COMM CHART SCH	OXFORD TWP BD OF ED (*)
MERCHANTVILLE BD OF ED (*)	NEW MILFORD BD OF ED (*)	PACE CHARTER SCH OF HAMILTON
METUCHEN BORO BD OF ED	NEW PROVIDENCE BORO BD OF ED	PALISADES PARK BD ED (*)
MIDDLE TWP BD OF ED (*)	NEWARK BD OF ED (*)	PALMYRA BORO BD OF ED
MIDDLESEX BORO BD OF ED	NEWARK CHARTER SCH	PARK RIDGE BD OF ED
MIDDLESEX CO AUDIO VISUAL (*)	NEWARK PUBLIC SCH	PARSIPANNY TROY HILLS BD ED
MIDDLESEX CO ED SERV COMM	NEWARK TEACHERS UNION	PASCACK VALLEY REG H S (*)
MIDDLESEX CO VOC SCH	NEWTON TOWN BD OF ED	PASSAIC CITY BD OF ED (*)
MIDDLESEX COUNTY COLL	NJ CITY STATE UNIVERSITY (*)	PASSAIC CO COMM COLL (*)
MIDDLETOWN TWP BD OF ED	NJ EDUC ASSOCIATION ¹	PASSAIC CO ED SERV COMM (*)
MIDLAND PARK BD OF ED (*)	NJ EDUC FACILITIES AUTH (*)	PASSAIC CO MANCHESTER REG HS (*)

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¹Reporting authority only per N.J.S.A. 18A:66-14.2

STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *Continued*

PASSAIC CO REG HS BOE (*)	RIVER EDGE BORO BD OF ED (*)	SOUTH BERGEN JOINTURE COMM (*)
PASSAIC CO VOC SCH	RIVERDALE BORO BD OF ED (*)	SOUTH BOUND BROOK BORO BD ED (*)
PASSAIC PUBLIC SCH	RIVERSIDE TWP BD OF ED	SOUTH BRUNSWICK TWP BD OF ED
PATERSON BD OF ED (*)	RIVERTON BORO SCH BD	SOUTH HACKENSACK TWP BD ED (*)
PATERSON CHART SCH/URB LEADER	RIVERVALE TWP BD OF ED (*)	SOUTH HARRISON TWP BD ED
PAULSBORO BORO BD OF ED	ROBERT TREAT ACAD CHART SCH (*)	SOUTH HUNTERDON REG BD OF ED (*)
PEMBERTON BORO BD OF ED	ROCHELLE PARK TWP BD ED (*)	SOUTH ORNGE-MPLWD BD OF ED (*)
PEMBERTON TWP BD OF ED (*)	ROCKAWAY BORO BD OF ED (*)	SOUTH PLAINFIELD BD OF ED
PENNS GROVE-CRNYS BD OF ED	ROCKAWAY TWP BD OF ED	SOUTH RIVER BORO BD OF ED
PENNSAUKEN TWP BD OF ED	ROCKY HILL BD OF ED	SOUTHAMPTON TWP BD OF ED (*)
PENNSVILLE TWP BD OF ED	ROOSEVELT BORO BD OF ED (*)	SOUTHERN REGIONAL HS DIST
PEQUANNOCK TWP BD ED	ROSELAND BD OF ED	SPARTA TWP BD OF ED
PERTH AMBOY CITY BD OF ED	ROSELLE BORO BD OF ED	SPOTSWOOD BORO BD OF ED
PHILLIPSBURG TOWN BD OF ED	ROSELLE PARK BORO BD ED	SPRING LAKE BORO BD OF ED
PINE HILL BORO BD OF ED	ROWAN UNIVERSITY (*)	SPRING LAKE HGHTS BD OF ED
PINELANDS REG SCH DIST (*)	ROWAN UNIVERSITY FOUNDATION	SPRINGFIELD TWP BD ED (BUR)
PISCATAWAY BD OF ED	ROXBURY TWP BD OF ED	SPRINGFIELD TWP BD ED (UN)
PISCATAWAY TWP ED ASSOC	RUMSON BORO BD OF ED	STAFFORD TWP BD OF ED
PITMAN BD OF ED	RUMSON FAIR HAVEN REG BOE (*)	STANHOPE BORO BD OF ED (*)
PITTSBGROVE TWP BD OF ED	RUNNEMEDE BORO BD OF ED (*)	STERLING HIGH SCH DIST (*)
PLAINFIELD CITY BD OF ED	RUTGERS UNIVERSITY (*)	STILLWATER TWP BD OF ED (*)
PLAINFIELD DNLEN JOINT (*)	RUTHERFORD BORO BD OF ED	STOCKTON BORO BD OF ED (*)
PLEASANTV TECH ACAD CHART SC	SADDLE BROOK TWP BD OF ED (*)	STOCKTON STATE COLL (*)
PLEASANTVILLE CHART SCH ACAD	SADDLE RIVER BORO BD OF ED (*)	STONE HARBOR BORO BD OF ED (*)
PLEASANTVILLE CITY BD OF ED	SALEM CITY BD OF ED	STOW CREEK TWP BD OF ED (*)
PLUMSTEAD TWP BD OF ED (*)	SALEM CITY BD OF ED (*)	STRATFORD BD OF ED
POHATCONG TWP BD OF ED	SALEM CO SPEC SERV DIST (*)	SUMMIT CITY BD OF ED
POMPTON LAKES BD OF ED	SALEM CO VOCATIONAL SCH (*)	SUSSEX CO AUDIO VISUAL (*)
PORT REPUBLIC CITY BD OF ED (*)	SALEM COMMUNITY COLL (*)	SUSSEX CO CHARTER SCH
PRINCETON CHARTER SCH	SANDYSTON-WALPACK SCH (*)	SUSSEX CO COMM COLL (*)
PRINCETON REG SCH	SAYREVILLE BORO BD OF ED	SUSSEX CO EDUC SERV COMM (*)
PROSPECT PARK BD OF ED (*)	SCHOMBURG CHARTER SCH	SUSSEX CO VOCATIONAL SCH
PT PLEASANT BEACH BD OF ED	SCHOOL DIST OF THE CHATHAMS	SUSSEX-WANTAGE REG SCH
PT PLEASANT BORO BD OF ED	SCOTCH PLAINS FANWOOD BD OF ED	SWEDESBORO WOOLWICH BD OF ED
QUEEN CITY ACADEMY CHART SCH	SEA BRIGHT BORO BD OF ED (*)	TABERNACLE TWP BD OF ED
QUINTON TWP BD OF ED (*)	SEA GIRT BORO BD OF ED (*)	TEAM ACAD CHART SCHO
RAHWAY CITY BD OF ED (*)	SEA ISLE CITY BD OF ED (*)	TEANECK COMM CHARTER SCH
RAHWAY CITY BD OF ED TEACH AIDES (*)	SEASIDE HEIGHTS BORO BD ED	TEANECK TWP BD OF ED (*)
RAMAPO COLL OF NJ (*)	SEASIDE PARK BD OF ED (*)	TENAFLY BORO BD OF ED (*)
RAMAPO INDIAN HILLS HS	SECAUCUS TOWN BD OF ED	TEWKSBURY TWP BD OF ED
RAMSEY BORO BD OF ED	SECOND RIVER JNT MEETING	THE COLLEGE OF NJ (*)
RANCOCAS VALLEY REG (*)	SHAMONG TWP BD OF ED	THOMAS EDISON STATE COLL
RANDOLPH TWP BD OF ED	SHILOH BORO BD OF ED	TINTON FALLS BORO BD OF ED (*)
RARITAN TWP	SHORE REG HS DIST	TOMS RIVER SCHOOL DIST
RARITAN VALL COMM COLL (*)	SHREWSBURY BORO BD OF ED	TOTOWA BORO BD OF ED (*)
READINGTON TWP BD OF ED	SO BRUNSWICK TWP BD ED (*)	TRENTON CITY BD OF ED
RED BANK BORO BD OF ED (#)	SOARING HEIGHTS CHARTER SCH (*)	TRENTON COMM CHART SCH (*)
RED BANK BORO BD OF ED (*)	SOMERDALE BORO BD OF ED	TRENTON EDUCATION ASSOC
RED BANK CHARTER SCHOOL	SOMERS POINT CITY BD OF ED (*)	TUCKERTON BORO BD OF ED
RED BANK REG HS DIST (*)	SOMERSET CO AUD VIS AID COM (*)	UMDNJ - NEW BRUNSWICK (*)
RICHARD STOCKTON COLL OF NJ (*)	SOMERSET CO ED SERV COMM (*)	UMDNJ - NEWARK (*)
RIDGEFIELD BORO BD OF ED (*)	SOMERSET CO VOC SCH (*)	UMDNJ - STRATFPRD (*)
RIDGEFIELD PARK BD OF ED (*)	SOMERSET HILLS BD OF ED	UNION BEACH BORO (*)
RIDGEWOOD TWP BD OF ED	SOMERVILLE BD OF ED	UNION BEACH BORO BD OF ED
RINGWOOD BORO BD OF ED (*)	SOUTH AMBOY BD OF ED	UNION CITY BD OF ED
RIVER DELL REG SCH DIST (*)	SOUTH BELMAR BORO BD OF ED	UNION CO COLL (*)

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STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *Continued*

UNION CO ED SERV COMM (*)	WHARTON BORO BD OF ED (*)
UNION CO VOCATIONAL SCH (*)	WHITE TWP BD OF ED
UNION TWP BD OF ED (HUNT)	WILDWOOD CITY BD OF ED (*)
UNION TWP BD OF ED (UNION) (*)	WILDWOOD CREST BORO BD OF ED (*)
UNITY CHARTER SCH	WILDWOODS JNT CONST OFF (*)
UNIVERSITY ACAD CHARTER SCH	WILLIAM PATERSON UNIV OF NJ (*)
UPPER DEERFIELD TWP BD ED	WILLINGBORO TWP BD OF ED (*)
UPPER FREEHOLD REG SCH	WINFIELD TWP BD OF ED (*)
UPPER PITTSBORO TWP BD OF ED	WINSLOW TWP BD OF ED
UPPER SADDLE RIVER BORO BD OF ED (*)	WOODBINE BORO BD OF ED (*)
UPPER TWP BD OF ED	WOODBURY CITY BD OF ED (*)
VENTNOR CITY BD OF ED (*)	WOODBURY HGHTS BORO BD OF ED (*)
VERNON TWP BD OF ED	WOODCLIFF LAKE BORO BD OF ED (*)
VERONA BORO BD OF ED (*)	WOODLAND TWP BD OF ED (*)
VICTORY GARDENS BORO BD ED (*)	WOODLYNNE BORO BD OF ED (*)
VILLAGE CHARTER SCH (*)	WOOD-RIDGE BORO BD OF ED (*)
VINELAND CITY BD OF ED	WOODSTOWN PILESGROVE REG
VOORHEES TWP BD OF ED	WYCKOFF TWP BD OF ED (*)
WALDWICK BORO BD OF ED (*)	
WALL TWP BD OF ED	
WALLINGTON BORO BD OF ED (*)	
WALLKILL VALL REG HS	
WANAQUE BD OF ED	
WARREN CO AUDIO VIS AIDS	
WARREN CO COMM COLL (*)	
WARREN CO SPEC SERV SCH DIST (*)	
WARREN CO VOC SCH (*)	
WARREN HILLS REG SCH	
WARREN TWP BD OF ED	
WASHINGTON BORO BD OF ED	
WASHINGTON TWP BD ED (BUR)	
WASHINGTON TWP BD ED (GLO)	
WASHINGTON TWP BD ED (MER) (*)	
WASHINGTON TWP BD ED (MOR) (*)	
WASHINGTON TWP BD ED (WAR)	
WATCHUNG BORO BD OF ED	
WATCHUNG HILLS REG H S (*)	
WATERFORD TWP BD OF ED	
WAYNE BD OF ED	
WEEHAWKEN TWP BD OF ED (*)	
WENONAH BORO BD OF ED (*)	
WEST AMWELL TWP BD OF ED (*)	
WEST CAPE MAY BORO BD ED (*)	
WEST DEPTFORD TWP BD ED	
WEST ESSEX REG BD OF ED	
WEST ESSEX REG SCH DIST (*)	
WEST LONG BRANCH BD ED	
WEST MILFORD TWP BD OF ED	
WEST MORRIS REG H S DIST (*)	
WEST NEW YORK BD OF ED (*)	
WEST ORANGE TWP BD ED	
WEST PATERSON BORO BD ED (*)	
WEST WINDSOR-PLAINSBORO REG	
WESTAMPTON TWP BD OF ED	
WESTFIELD TOWN BD OF ED	
WESTVILLE BORO BD OF ED (*)	
WESTWOOD REG SCH DIST (*)	
WEYMOUTH TWP BD OF ED (*)	

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PARTICIPATING AGENCIES AND AUTHORITIES

ABERDEEN TWP FIRE DIST 1 (*)	MOUNT LAUREL FIRE DIST 1 (*)	SOUTH RIVER PARKING AUTH
ABERDEEN TWP FIRE DIST 2	NEPTUNE TWP FIRE DIST #1 (*)	TRENTON CITY PARKING AUTH (*)
BORDENTOWN FIRE DIST 1 (*)	NEPTUNE TWP FIRE DIST #2 (*)	UNION CITY PARKING AUTH
BORDENTOWN TWP FIRE #2 (*)	NORTH HUDSON REG FIRE & RESCUE	WEST NEW YORK PARKING
BRICK TWP FIRE DIST #1	NORTHWEST BERGEN CENT DISPTCH	WEST WINDSOR TWP PARK AUTH (*)
BRICK TWP JNT BD OF FIRE COMM (*)	OCEAN TWP FIRE #1 (MON) (*)	
BURLINGTON TWP FIRE DIST 1	OCEAN TWP FIRE #2 (MON) (*)	ASBURY PARK HOUS AUTH (*)
CHERRY HILL FIRE DIST #13	OCEAN GROVE BD OF FIRE	ATLANTIC CITY HOUS AUTH (*)
CINNAMINSON TWP FIRE DIST 1	OLD BRIDGE TWP FIRE #1	BAYONNE CITY HOUS AUTH (*)
DELRAN FIRE DIST 1 (*)	OLD BRIDGE TWP FIRE #2	BELMAR HOUS AUTH
DEPTFORD TWP FIRE DIST	OLD BRIDGE TWP FIRE #3 (*)	BERKELEY TWP HOUS AUTH (*)
DOVER TWP FIRE DIST 1	PINE HILL FIRE #1	BEVERLY HOUS AUTH (*)
DOVER TWP FIRE DIST 2	PLAINSBORO TWP FIRE DIST #1 (*)	BOONTON TOWN HOUS AUTH (*)
E BRUNSWICK TWP FIRE #1	TOWACO FIRE DIST #2	BRICK TWP HOUS AUTH (*)
E BRUNSWICK TWP FIRE #2	VOORHEES TWP FIRE DIST	BRIDGETON CITY HOUS AUTH (*)
FLORENCE TWP FIRE DIST #1	WASHINGTON TWP FIRE (GLO)	BUENA BORO HOUS AUTH (*)
GLOUCESTER TWP FIRE #2 (*)	WASHINGTON TWP FIRE (MER) (*)	BURLINGTON CITY HOUSE AUTH (*)
GLOUCESTER TWP FIRE #3 (*)	WASHINGTON TWP MUA (MER) (*)	CAMDEN CITY HOUS AUTH (*)
GLOUCESTER TWP FIRE #4	WASHINGTON TWP MUA (MOR) (*)	CAPE MAY CITY HOUS AUTH (*)
GLOUCESTER TWP FIRE #5 (*)	WASHINGTON TWP MUA (WAR) (*)	CARTERET HOUS AUTH (*)
GLOUCESTER TWP FIRE #6 (*)	WESTVILLE FIRE DIST #1	CLEMENTON HOUS AUTH
HADDON TWP FIRE DIST 1 (*)	WINSLOW TWP FIRE DIST #1 (*)	CLIFFSIDE PARK HOUS (*)
HAMILTON TWP FIRE #2 (MER) (*)	WOODBIDGE TWP FIRE #1 (*)	COLLINGSWOOD BORO HOUS (*)
HAMILTON TWP FIRE #3 (MER) (*)	WOODBIDGE TWP FIRE #2 (*)	DOVER TOWN HOUS AUTH
HAMILTON TWP FIRE #4 (MER) (*)	WOODBIDGE TWP FIRE #5	E ORANGE HOUS AUTH (*)
HAMILTON TWP FIRE #5 (MER) (*)	WOODBIDGE TWP FIRE #7 (*)	EDGEWATER HOUS AUTH (*)
HAMILTON TWP FIRE #6 (MER) (*)	WOODBIDGE TWP FIRE #8	EDISON TWP HOUS (*)
HAMILTON TWP FIRE #7 (MER) (*)	WOODBIDGE TWP FIRE #9	ELIZABETH HOUS AUTH (*)
HAMILTON TWP FIRE #8 (MER) (*)	WOODBIDGE TWP FIRE #11	ENGLEWOOD CITY HOUS AUTH (*)
HAMILTON TWP FIRE #9 (MER) (*)	WOODBIDGE TWP FIRE #12	FLORENCE TWP HOUS AUTH
HANOVER TWP FIRE DIST 2		FORT LEE HOUS AUTH (*)
HANOVER TWP FIRE DIST 3	BAYONNE CITY PARKING AUTH (*)	FRANKLIN TWP HOUS AUTH
HAZLET TWP FIRE DISTRICT #1	CAMDEN CITY PARKING AUTH (*)	FFREEHOLD BORO HOUS AUTH (*)
HOPEWELL TWP FIRE DIST 1 (*)	ELIZABETH PARKING AUTH (*)	GARFIELD HOUS AUTH (*)
HOWELL TWP FIRE DIST 3 (*)	DOVER TWP PARKING AUTH	GLASSBORO HOUS (*)
HOWELL TWP FIRE DIST 4	E ORANGE PARKING AUTH (*)	GLOUCESTER CO HOUS (*)
HOWELL TWP FIRE DIST 1	FORT LEE PARKING AUTH	GLOUCESTER TWP HOUS
JACKSON FIRE DIST #2	HACKETTSTOWN PARKING AUTH	GUTTENBERG HOUS (*)
JACKSON FIRE DIST #3 (*)	HOBOKEN CITY PARKING	HACKENSACK HOUS AUTH
JACKSON FIRE DIST #4	JERSEY CITY PARKING (*)	HADDON TWP HOUS AUTH (*)
JACKSON TWP FIRE PREV (*)	METUCHEN PARKING AUTH	HARRISON HOUS AUTH
JERSEY CITY FIRE (*)	MORRISTOWN PARKING AUTH	HIGHLAND PARK HOUS AUTH(*)
JERSEY CITY POLICE (*)	NEW BRUNSWICK PARKING (*)	HIGHLANDS HOUS AUTH (*)
LAKEWOOD TWP FIRE DIST #1	NEWARK PARKING AUTHORITY	HIGHTSTOWN BORO HOUS (*)
MARLBORO TWP FIRE DIST 1	NORTH BERGEN PARKING AUTH	HOBOKEN CITY HOUS AUTH (*)
MONROE TWP FIRE DIST #1 (MID)	NORTH PLAINFIELD BORO PRKG AUTH (*)	IRVINGTON HOUS AUTH (*)
MONROE TWP FIRE DIST #2 (MID)	PERTH AMBOY CITY PARKING (*)	JERSEY CITY HOUS (*)
MONROE TWP FIRE DIST #3 (MID)	PATERSON PARKING AUTH (*)	KEANSBURG BORO HOUS (*)
MONTCLAIR TWP POLICE & FIRE (*)	PHILLIPSBURG PARKING AUTH	LAKEWOOD HOUS AUTH
MONTVILLE TWP FIRE DIST #2 (*)	RAHWAY CITY PARKING AUTH (*)	LINDEN CITY HOUS AUTH (*)
MOORESTOWN TWP FIRE #1 (*)	SOUTH ORANGE TWP PARKING AUTH	LODI HOUS AUTH (*)
MOORESTOWN TWP FIRE #2	SOUTH ORANGE VILLAGE PARKING (*)	LONG BRANCH CITY HOUS (*)

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STATISTICAL INFORMATION

PARTICIPATING AGENCIES AND AUTHORITIES, *Continued*

MADISON BORO HOUS AUTH	CLINTON TWP SEWERAGE AUTH (*)	NORTH BERGEN MUN UTIL AUTH
MIDDLETOWN TWP HOUS (*)	CUMBERLAND CO UTIL AUTH (*)	NORTH HUDSON SEWERAGE AUTH (*)
MILLVILLE HOUS AUTH	DELANCO TWP SEWERAGE AUTH (*)	NORTHWEST BERGEN CO UTIL (*)
MORRIS COUNTY HOUS AUTH	DELAWARE TWP MUN UTIL AUTH	NORTH JERSEY WATER SUPPLY (*)
MORRISTOWN HOUS AUTH (*)	DELRAN TWP SEWERAGE AUTH (*)	OCEAN TWP SEWERAGE (MON) (*)
NEPTUNE CITY HOUS AUTH	DEPTFORD TWP MUN UTIL (*)	OCEAN CO UTILITIES AUTH (*)
NEPTUNE TWP HOUS AUTH (*)	DOVER TWP MUN UTIL AUTH (*)	OCEAN TWP MUA (OCEAN) (*)
NEW BRUNSWICK HOUS (*)	E BRUNSWICK SEWERAGE AUTH	OLD BRIDGE MUN UTIL AUTH
NEWTON TOWN HOUS (*)	E WINDSOR MUN UTIL AUTH (*)	PASSAIC COUNTY UTIL AUTH
NEWARK HOUS AUTHORITY (*)	EATONTOWN SEWERAGE AUTH	PASSAIC VALLEY SEWERAGE (*)
NORTH BERGEN TWP HOUSE AUTH (*)	EDGEWATER PARK SEWERAGE AUTH	PASSAIC VALLEY WATER COMM (*)
OCEAN CITY HOUS AUTH (*)	EGG HARBOR TWP MUN UTIL (*)	PEMBERTON TWP MUN UTIL
ORANGE CITY HOUS (*)	ELK TWP MUN UTIL AUTH	PENNS GROVE SEWERAGE
PASSAIC CITY HOUS (*)	EVESHAM MUN UTIL AUTH	PENNSAUKEN TWP SEWERAGE (*)
PATERSON HOUS AUTH	EWING LAWRENCE SEWERAGE (*)	PENNSVILLE SEWERAGE
PENNS GROVE BORO HOUS (*)	FLORHAM PARK SEWERAGE	PEQ LIN PK & FLD SEWERAGE (*)
PERTH AMBOY CITY HOUS	FRANKLIN TWP SEWERAGE (*)	PLAINFIELD AREA SEWERAGE AUTH (*)
PHILLIPSBURG HOUS AUTH	GLOUCESTER CO UTIL AUTH	PLAINFIELD MUN UTIL AUTH
PLAINFIELD CITY HOUS (*)	GLOUCESTER TWP MUN UTIL	POMPTON LAKES MUN UTIL (*)
PLEASANTVILLE HOUS (*)	HACKETTSTOWN TOWN MUA (*)	RAHWAY VALLEY SEWERAGE (*)
PRINCETON HOUS AUTH	HAMILTON TWP MUN UTIL (ATL) (*)	RARITAN TWP MUN UTIL (*)
RAHWAY HOUS AUTH (*)	HANOVER SEWERAGE AUTH (*)	READINGTON-LEBANON SEWERAGE (*)
RED BANK BORO HOUS (*)	HAZLET TWP SEWERAGE (*)	RIVERSIDE SEWERAGE
SALEM CITY HOUS (*)	HILLSBOROUGH TWP MUN UTIL (*)	ROCKAWAY VALL SEWERAGE (*)
SAYREVILLE HOUS AUTH (*)	HACKETTSTOWN MUN UTIL (*)	ROCKLEIGH BORO SEWERAGE
SOUTH AMBOY CITY HOUS AUTH (*)	HUDSON CO UTIL AUTH (*)	RUNNEMEDE SEWERAGE
TRENTON HOUS AUTH (*)	JACKSON TWP MUN UTIL AUTH (*)	SALEM CO UTILITIES AUTH (*)
UNION CITY HOUS AUTH (*)	JERSEY CITY MUA	SOMERS POINT SEWERAGE AUTH
VINELAND CITY HOUS	KEANSBURG MUN UTIL AUTH	SOMERSET RARITAN VALL SEWERAGE (*)
WEEHAWKEN TWP HOUS (*)	KEARNY TOWN MUN UTIL AUTH (*)	SOUTH MONMOUTH REG SEWERAGE(*)
WEST NEW YORK HOUS	LACEY TWP MUN UTIL AUTH (*)	SOUTH TOMS RIVER SEWERAGE
WILDWOOD CITY HOUS (*)	LAKEWOOD TWP MUN UTIL AUTH	SOUTHEAST MORRIS CO MUA (*)
WOODBIDGE TWP HOUS (*)	LAMBERTVILLE SEWERAGE (*)	STAFFORD MUN UTIL AUTH
	LANDIS SEWERAGE AUTH	STRATFORD BORO SEWERAGE AUTH (*)
ATL HGHLNDS-HGH REG SEWERAGE AUTH (*)	LAUREL SPRINGS SEWERAGE AUTH	STONY BROOK REG SEWERAGE (*)
ATLANTIC CITY MUN UTIL AUTH (*)	LEBANON BORO SEWERAGE AUTH	SUSSEX CO MUN UTIL AUTH (*)
ATLANTIC CO UTIL AUTH (*)	LINDEN ROSELLE SEWERAGE (*)	UNION CO UTILITIES AUTH
BAYONNE MUN UTIL AUTH (*)	LITTLE EGG HARBOR TWP MUA (*)	WANAQUE BORO SEWERAGE
BAYSHORE REG SEWERAGE AUTH (*)	LOGAN TOP MUN UTIL AUTH	WANAQUE VALL REG SEWERAGE AUTH
BEACH HAVEN SEWERAGE AUTH (*)	LONG BRANCH SEWERAGE (*)	WARREN CO MUN UTIL AUTH (*)
BEACHWOOD BORO SEWERAGE AUTH (*)	LOWER TWP MUN UTIL AUTH (*)	WATERFORD TWP MUA (*)
BERGEN CO UTIL AUTH	MANASQUAN RIVER REG SEWERAGE	WEST MILFORD TWP MUA (*)
BERKELEY TWP MUN UTIL (*)	MANVILLE BORO PUB WORKS (*)	WESTERN MONMOUTH UTIL (*)
BERKELEY TWP SEWERAGE AUTH (*)	MANTUA TWP MUN UTIL (*)	WEYMOUTH TWP MUA
BERNARDS TWP SEWERAGE AUTH	MANTUA TWP MUN UTIL (*)	WILLINGBORO TWP MUN UTIL (*)
BEVERLY SEWERAGE AUTH	MANVILLE BORO PUB WORKS (*)	WOODBINE MUN UTIL AUTH (*)
BORDENTOWN SEWERAGE AUTH (*)	MARLBORO TWP MUN UTIL (*)	WOODSTOWN SEWERAGE AUTH
BRICK TWP MUN UTIL AUTH (*)	MIDDLESEX CO UTIL AUTH	WRIGHTSTOWN MUN UTIL (*)
BUENA BORO MUN UTIL AUTH (*)	MIDDLETOWN TWP SEWERAGE (*)	
BURLINGTON WATER COMM	MONROE TWP MUA (GLO) (*)	BERGEN CO SOIL CONSERV (*)
CAMDEN CO MUN UTIL AUTH	MONROE TWP MUA (MID) (*)	BERGEN CO SOIL CONSERV (*)
CAPE MAY CO MUN UTIL AUTH	MONTVILLE TWP MUN UTIL	BURLINGTON CO SOIL CONS (*)
CARLSTADT SEWERAGE AUTH	MOUNT HOLLY TWP MUA	CAMDEN CO SOIL CONSERV (*)
CARNEYS PT TWP SEWERAGE	MOUNT LAUREL TWP MUA	CAPE ATLANTIC SOIL CONS (*)
CINNAMINSON SEWERAGE AUTH	MUSCONETCONG SEWERAGE AUTH (*)	CUMBERLAND SOIL CONSERV (*)
CLEMENTON SEWERAGE AUTH (*)	NEPTUNE TWP SEWERAGE (*)	FREEHOLD SOIL CNSRVTN DIST (*)

**In addition to participating in the retirement system, also participates in the State Health Benefits Program*

STATISTICAL INFORMATION

PARTICIPATING AGENCIES AND AUTHORITIES, Continued

GLOUCESTER CO SOIL CON DIST (*)	PARSIPPANY TROY HILLS TWP LIBR (*)	LAKE HOPATCONG COMM (*)
HUDSON-ESSEX PASSAIC SOIL (*)	PASSAIC CITY PUBLIC LIBRARY (*)	MERCER CO PARK COMM (*)
HUNTERDON CO SOIL CONS (*)	PRINCETON JNT PUB LIBRARY	MERCER CO PARK COMM (*)
MERCER CO SOIL CONSERV (*)	RAHWAY PUBLIC LIBRARY	MERCHANTVL PENNSKN WATER COMM
MORRIS CO SOIL CONSERV DIST (*)	RIDGEWOOD LIBRARY (*)	MIDDLESEX CO MUN JT INS (*)
OCEAN CO SOIL CONS (*)	ROSELLE BORO LIBRARY	MONMOUTH CO BAYSHORE OUTFALL (*)
SALEM COUNTY SOIL CONSRV DST (*)	SALEM CITY FREE PUB LIBRARY (*)	MORRIS COUNTY PARK COMM
SUSSEX CO SOIL CONSERV (*)	SUSSEX CO LIBRARY (*)	NEWARK MANPOWER TRAINING
WARREN CO SOIL CONSERV (*)	TRENTON CITY LIBRARY (*)	NJ ASSOC OF COUNTIES
	UNION TWP LIBRARY (UNION)	NJ BUILDING AUTH (*)
ATLANTIC CO IMPRVMT AUTH (*)	WEST ORANGE TWP LIBRARY (*)	NJ COMM & ECON GROW COMM (*)
BERGEN CO IMPROV AUTH (*)	WYCKOFF TWP LIBRARY (*)	NJ DEV AUTH SM BUS (*)
CAMDEN CO IMPROVEMENT AUTH		NJ ECON DEV AUTH (*)
CUMBERLAND CO IMPRVMT (*)	CAMDEN CO HEALTH SERV CTR	NJ HIGHWAY AUTH
ESSEX CO IMPROVMNT AUTH (*)	ESSEX REG HEALTH COMM (*)	NJ HOUS/MORT FIN (*)
GLOUCESTER CO IMPROVEMENT	HUDSON REG HEALTH COMM (*)	NJ MEADOWLANDS COMM (*)
HUDSON CO IMPROVEMENT AUTH (*)	MID BERGEN REG HEALTH COMM (*)	NJ STATE LEAG MUNIC (*)
MERCER CO IMPROVEMENT (*)	MIDDLE BROOK REG HEALTH (*)	NJ TRANSIT CORPORATION
MERCER CO IMPROVEMENT (*)	MONMOUTH CO REG HEALTH DEPT	NJ TURNPIKE AUTH
MIDDLESEX CO IMPROVE AUTH	MONMOUTH CO REG HEALTH (*)	NJ URBAN DEVELOPMENT CORP (*)
	NJ FIREMEN'S HOME (*)	NJ WATER SUPPLY AUTH (*)
ATLANTIC CO WELFARE BD	NJ HEALTH CARE FACIL FIN AUTH (*)	NORTH HUDSON REG COMM CENTER
CAMDEN CO BD SOC SERV (*)	NORTHWEST BERGEN REG HLTH (*)	NORTH HUNTERDON MUN COURT (*)
BERGEN CO BD OF SOC SERV (*)	OCEAN CO BD OF HEALTH	NORTH JERSEY WATER SUPPLY (*)
BURLINGTON CO BD SOC SERV (*)	SUSSEX CO HEALTH & PUB SAFE (*)	NORTH WARREN MUN COURT (*)
CAPE MAY CO BD OF SOC SERV		OCEAN COUNTY PIC (*)
CUMBERLAND CO BD SOC SERV (*)	CAPE MAY CO MOSQUITO EXT COM	OLD BRIDGE ECON DEV CORP
GLOUCESTER CO BD SOC SERV	MIDDLESEX CO MOSQ EXTERM COMM	PALISADES INTERSTATE PK COMM (*)
MERCER CO BD OF SOC SERV (*)	MONMOUTH CO MOSQ EXTERM COMM (*)	PATERSON POLICE & FIRE COMM
MIDDLESEX CO BD SOC SERV	OCEAN CO MOSQUITO COMM (*)	PENSIONERS GROUP (*)
MONMOUTH COUNTY DIV SOC SERV	SALEM CO MOSQUITO COMM (*)	PERTH AMBOY PORT AUTH
OCEAN CO BD OF SOC SERV (*)	WARREN CO MOSQUITO EXTER COMM	PINELANDS COMMISSION (*)
PASSAIC CO BD SOC SERV		POLLUTION CO FIN AUTH UNION CO
SALEM CO BD OF SOC SERV (*)	BAYONNE LOCAL REDEVEL AGENCY (*)	RAHWAY WATER COMM
SOMERSET CO BD SOC SERV (*)	CARTERET BORO REDEVEL AGENCY (*)	SALEM CITY MUN PORT AUTH (*)
SUSSEX CO BD SOC SERV (*)	HUDSON CO ECON DEV CORP	SOMERSET CO PARK COMM
UNION CO BD OF SOC SERV	JERSEY CITY REDEV AGENCY (*)	SOMERSET REG ANIMAL SHEL (*)
WARREN CO WELFARE BD	MONTCLAIR REDEV AGEN (*)	SOUTH JERSEY PORT CORP
	NJ REDEVELOPMENT AUTH (*)	SOUTH JERSEY TRANS AUTHORITY
BEDMIN & FAR HILLS PUB LIB (*)	RAHWAY REDEV AGENCY	STATE LEGISLATURE - SENATE (*)
BLOOMFIELD TWP PUB LIBRARY (*)	SAYREVILLE BORO ECON & REDEV AGY (*)	STATE LEGISLATURE - ASSEMBLY (*)
CHESTER BORO/TWP PUB LIB (*)	SOUTH JERSEY ECON DEV AUTH (*)	STATEWIDE INSURANCE FUND
CHATHAMS JNT PUBLIC LIBRARY (*)		SUSSEX CO ADMIN CTR
ELIZABETH LIBRARY (*)	ATLANTIC CITY CONVEN CTR (*)	TRENTON DOWNTOWN ASSOC
HILLSIDE PUBLIC LIBRARY	CAMDEN CO BD OF FREEHOLDERS	TWO RIVERS RECLAM AUTH (*)
JERSEY CITY LIBRARY (*)	CAMDEN CO POLLUTION CONTROL	VINELAND/MILLVILLE URB ENT ZN (*)
LINDEN CITY PUBLIC LIBRARY	CAPE MAY CO BRIDGE COMM (*)	WARREN CO BD OF CHOSEN FRHLDRS
MANVILLE BORO PUB LIBRARY (*)	CASINO REINVESTMENT DEV AUTH (*)	WARREN CO POLLUTION CNTRL
MATAWAN-ABERDEEN LIB (*)	COMP RATING & INSP BUR (*)	WATERFRONT COMM OF NY HARBOR (*)
MONTCLAIR TWP LIBRARY (*)	DELAWARE RVR BASIN COMM (*)	
MORRISTOWN/MORRIS LIB (*)	DELAWARE RVR JNT TOLL BRDG	
MOUNTAINSIDE BORO PUB LIB (*)	GREATER WILDWOOD TOUR IMP (*)	
MONTVILLE TWP PUB LIBRARY (*)	INTERSTATE ENVIRON COMM(*)	
OCEAN COUNTY LIBRARY (*)	JERSEY CITY INCINERATOR	
ORANGE CITY LIBRARY	JOINT CONST OF THE WILDWOODS	

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STATISTICAL INFORMATION

ALL NEW JERSEY STATE GOVERNMENT DEPARTMENTS AND THEIR ASSOCIATED DIVISIONS

THE FOLLOWING LOCATIONS PARTICIPATE IN THE STATE HEALTH BENEFITS PROGRAM ONLY:

ESSEX COUNTY PENSION FUND

HUDSON COUNTY PENSION FUND

JERSEY CITY PENSION FUND

UMDNJ PENSION FUND

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