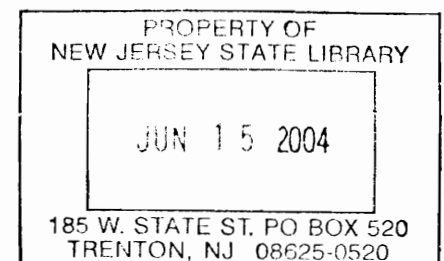




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TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

2000 Annual Report



DEPARTMENT OF
THE TREASURY

Roland M. Machold
State Treasurer

DIVISION OF PENSIONS
AND BENEFITS

Thomas P. Bryan
Director



State of New Jersey
DIVISION OF PENSIONS AND BENEFITS
PO Box 295 • Trenton, NJ 08625-0295

TEACHERS' PENSION
AND ANNUITY FUND
OF NEW JERSEY

BOARD OF TRUSTEES
as of June 30, 2000

HARRY BALDWIN
Chairperson

MINDY SMITH-SOPKO
State Treasurer Representative

John Keeler

Grace Haislip

Marie Flynn

Deborah Rivosia

James Clemente

REGINA TRAUNER
Secretary

MILLIMAN &
ROBERTSON, INC.
Actuaries and Consultants

MEDICAL BOARD

William Coleman, M.D.

David Jenkins, M.D.

William E. Ryan, M.D.

TO THE HONORABLE
CHRISTINE TODD WHITMAN
GOVERNOR of the STATE OF NEW JERSEY

The Board of Trustees of the

TEACHERS' PENSION AND ANNUITY FUND

is pleased to present the Fiscal Year 2000 Annual Report in accordance with the provisions of N.J.S.A. 18A:66-59.

Respectfully submitted,

A handwritten signature in cursive script, reading "Harry W. Baldwin".

HARRY BALDWIN
Chairperson

SIGNIFICANT LEGISLATION

CHAPTER 230, PUBLIC LAW OF 1999

This law permits retired as well as active members of the Teachers' Pension and Annuity Fund (TPAF) to serve as delegates to the TPAF annual convention.

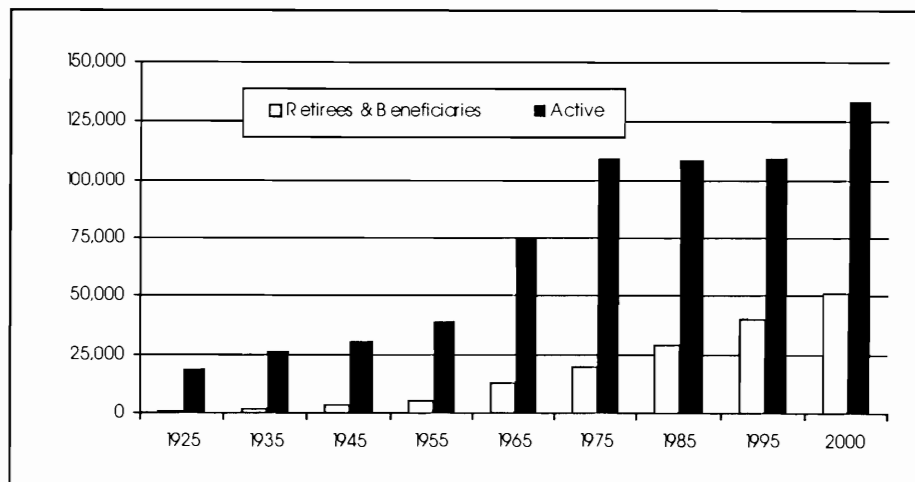
The statute establishing the membership of the TPAF board of trustees provides that three of the board's seven members will be "active or retired members of the retirement system, elected by the membership or by the delegates elected for this purpose by the membership, ..., in such manner as the board of trustees may prescribe" (N.J.S.A.18A:66-56). However, a regulation of the TPAF board of trustees (N.J.A.C.17:3-1.4e) does not allow retirees to be delegates and specifies that "delegates to the convention must be active members of the Fund". This law permits TPAF retirees to serve as delegates.

This law was approved October 4, 1999.

MEMBERSHIP

- As of June 30, 2000, the active membership of the Fund totaled 134,199*. This includes 490 State employees and 133,709 employees from 670 participating local employers.
- There were 51,191 retirees and beneficiaries receiving annual pensions totaling \$1,153,285,890*. (*This includes cost-of-living increases paid under the provisions of the Pension Adjustment Act*).
- Beneficiaries of 161 active and 541 retired members received lump sum death benefits in the amount of \$51,399,340.
- The Fund's assets totaled \$35,782,147,950 at the close of the fiscal year 2000.

**Total Inactive Membership as of June 30, 2000 was 11,791.*



MEMBERSHIP ACTIVITY

During fiscal year 2000, the following transactions were processed by the Division of Pensions and Benefits on behalf of the membership of the Teachers' Pension and Annuity Fund of New Jersey.

- **LOANS** - 21,521 loans were issued to members. The total loans receivable as of June 30, 2000 is \$241,312,260.
- **RETIREMENT** - 3,741 members retired under the following retirement types:

<u>TYPE OF RETIREMENT</u>	
Service	1,477
Early	535
Deferred	138
Ordinary Disability	180
Accidental Disability	15
Veteran	194
TOTAL	3,741

<u>OPTION SELECTION</u>	
Maximum	1,660
Option 1	560
Option 2	587
Option 3	896
Option 4	38
TOTAL	3,741

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

Independent Auditors' Report

Board of Trustees
State of New Jersey

Teachers' Pension and Annuity Fund:

We have audited the accompanying statements of plan net assets of the State of New Jersey Teachers' Pension and Annuity Fund as of June 30, 2000 and 1999, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide a reasonable basis for our opinion.

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 Teachers' Pension and Annuity Fund as of June 30, 2000 and 1999, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The supplementary information included in the schedule of funding progress and schedule of employer contributions are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of changes in plan net assets by fund is presented for purposes of additional analysis and is not a required part of the financial statements of the State of New Jersey Teachers' Pension and Annuity Fund. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

September 8, 2000

KPMG LLP

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND

Statements of Plan Net Assets

June 30, 2000 and 1999

	2000			1999		
	PENSION FUND	POST-RETIREMENT MEDICAL FUND	TOTAL	PENSION FUND	POST-RETIREMENT MEDICAL FUND	TOTAL
Assets:						
Cash	\$ 83,118,013	—	\$ 83,118,013	\$ —	—	\$ —
Investments, at fair value:						
Cash Management Fund	935,049,109	264,572,858	1,199,621,967	1,469,397,088	262,353,192	1,731,750,280
Bonds	113,914,136	—	113,914,136	124,406,209	—	124,406,209
Common Pension Fund A	17,400,585,676	—	17,400,585,676	16,257,412,125	—	16,257,412,125
Common Pension Fund B	7,545,119,460	—	7,545,119,460	6,794,716,164	—	6,794,716,164
Common Pension Fund D	7,234,689,548	—	7,234,689,548	6,295,223,375	—	6,295,223,375
Mortgages	1,496,135,065	—	1,496,135,065	1,101,716,277	—	1,101,716,277
Total investments	34,725,492,994	264,572,858	34,990,065,852	32,042,871,238	262,353,192	32,305,224,430
Receivables:						
Contributions:						
Members	68,506,498	—	68,506,498	68,779,122	—	68,779,122
Employers	222,078,120	—	222,078,120	253,248,042	—	253,248,042
Accrued interest and dividends	177,030,185	—	177,030,185	161,849,984	—	161,849,984
Members' loans	241,312,260	—	241,312,260	221,635,848	—	221,635,848
Other	37,022	—	37,022	188,859	—	188,859
Total receivables	708,964,085	—	708,964,085	705,701,855	—	705,701,855
Total assets	35,517,575,092	264,572,858	35,782,147,950	32,748,573,093	262,353,192	33,010,926,285
Liabilities:						
Accounts payable and accrued expenses	8,176,850	—	8,176,850	68,230,334	—	68,230,334
Retirement benefits payable	97,976,997	—	97,976,997	89,005,362	—	89,005,362
Death benefits payable	2,974,725	—	2,974,725	1,733,097	—	1,733,097
Cash overdraft	—	—	—	4,147,681	—	4,147,681
Total liabilities	109,128,572	—	109,128,572	163,116,474	—	163,116,474
Net assets held in trust for pension and post-retirement health benefits	\$ 35,408,446,520	264,572,858	\$ 35,673,019,378	\$ 32,585,456,619	262,353,192	\$32,847,809,811

See schedule of funding progress on page 13.

See accompanying notes to financial statements.

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND

Statements of Changes in Plan Net Assets

Years ended June 30, 2000 and 1999

	2000			1999		
	PENSION FUND	POST-RETIREMENT MEDICAL FUND	TOTAL	PENSION FUND	POST-RETIREMENT MEDICAL FUND	TOTAL
Revenues and additions:						
Contributions:						
Members	\$ 349,654,314	—	\$ 349,654,314	\$ 343,423,617	—	\$ 343,423,617
Employers	1,718,360	120,810,276	122,528,636	260,437,960	115,094,203	375,532,163
Other	2,011	—	2,011	2,170	—	2,170
Total contributions	351,374,685	120,810,276	472,184,961	603,863,747	115,094,203	718,957,950
Investment income:						
Net appreciation in fair value of investments	2,725,719,146	—	2,725,719,146	3,356,564,234	—	3,356,564,234
Interest	823,953,785	22,955,904	846,909,689	734,722,880	21,998,036	756,720,916
Dividends	183,839,492	—	183,839,492	194,321,558	—	194,321,558
	3,733,512,423	22,955,904	3,756,468,327	4,285,608,672	21,998,036	4,307,606,708
Less investment expense	3,803,457	—	3,803,457	3,206,611	—	3,206,611
Net investment income	3,729,708,966	22,955,904	3,752,664,870	4,282,402,061	21,998,036	4,304,400,097
Total revenues and additions	4,081,083,651	143,766,180	4,224,849,831	4,886,265,808	137,092,239	5,023,358,047
Expenditures and deductions:						
Benefits	1,204,685,231	141,546,514	1,346,231,745	1,098,695,449	126,145,179	1,224,840,628
Refunds of Contributions	21,555,188	—	21,555,188	17,945,811	—	17,945,811
Adjustment to employer receivable	22,026,543	—	22,026,543	—	—	—
Administrative expenses	9,826,788	—	9,826,788	10,479,558	—	10,479,558
Total expenditures and deductions	1,258,093,750	141,546,514	1,399,640,264	1,127,120,818	126,145,179	1,253,265,997
Net increase	2,822,989,901	2,219,666	2,825,209,567	3,759,144,990	10,947,060	3,770,092,050
Net assets held in trust for pension and post- retirement health benefits:						
Beginning of year	32,585,456,619	262,353,192	32,847,809,811	28,826,311,629	251,406,132	29,077,717,761
End of year	\$ 35,408,446,520	264,572,858	\$35,673,019,378	\$ 32,585,456,619	262,353,192	\$32,847,809,811

See accompanying notes to financial statements.

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND

Notes to Financial Statements

June 30, 2000 and 1999

(1) DESCRIPTION OF THE FUND

The Teachers' Pension and Annuity Fund (the Fund) is a cost-sharing contributory defined benefit plan with a special funding situation which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The Fund is included along with other state-administered pension trust and agency funds in the general purpose financial statements of the State of New Jersey.

The Fund's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the Fund 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. The Fund's Board of Trustees is primarily responsible for the administration of the Fund.

According to the State of New Jersey Administrative Code, all obligations of the Fund will be assumed by the State of New Jersey should the Fund terminate.

Vesting and benefit provisions

The vesting and benefit provisions are set by N.J.S.A. 18A:66. The Fund 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. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 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.

The Fund provides specific medical benefits for members who retire after 25 years of qualified service, as defined, or under the disability provisions of the Fund.

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.

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.

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND

Notes to Financial Statements, Continued

(1) DESCRIPTION OF THE FUND, Continued

Membership and Contributing Employers

Membership and contributing employers of the Fund consisted of the following at March 31:

	1999	
	PENSION BENEFITS	POST-RETIREMENT MEDICAL BENEFITS
Retirees and beneficiaries currently receiving benefits and employees entitled to benefits but not yet receiving them	50,291	32,766
Active members:		
Vested	78,595	29,474
Nonvested	46,228	95,349
Total active members	124,823	124,823
Total	175,114	157,589
Contributing Employers	123	1

	1998	
	PENSION BENEFITS	POST-RETIREMENT MEDICAL BENEFITS
Retirees and beneficiaries currently receiving benefits and employees entitled to benefits but not yet receiving them	48,119	30,734
Active members:		
Vested	76,636	26,227
Nonvested	44,615	95,024
Total active members	121,251	121,251
Total	169,370	151,985
Contributing Employers	129	1

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Fund are prepared on the accrual basis of accounting and conform to the provisions of Governmental Accounting Standards Board (GASB) Statements No. 25, "Financial Reporting for

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND

Notes to Financial Statements, Continued

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Defined Benefit Plans and Note Disclosures for Defined Contribution Plans" and No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered By Defined Benefit Pension Plans". Plan assets and liabilities are recorded at fair value. Employer contributions are recognized when payable to the Fund. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

Investment Valuation

Investments, including short-term investments (State of New Jersey Cash Management Funds), are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

The State of New Jersey Division of Investment, under the jurisdiction of the State Investment Council, has the investment responsibility for all funds administered by the State of New Jersey Division of Pensions and Benefits. All investments must conform to standards set by state law.

The State of New Jersey Division of Investment administers three common pension funds which are utilized by the Fund. A brief description of each common pension fund is as follows:

Common Pension Fund A - The operations of Common Pension Fund A are governed by the provisions of Article 62 of the State of New Jersey Investment Council regulations for the purpose of investing in corporate common stocks, securities convertible into corporate common stocks or covered call options.

Common Pension Fund B - The operations of Common Pension Fund B are governed by the provisions of Article 63 of the State of New Jersey Investment Council regulations for the purpose of investing in fixed income and debt securities.

Common Pension Fund D - The operations of Common Pension Fund D are governed by the provisions of Article 67 of the State of New Jersey Investment Council regulations for the purpose of investing in international debt and equity securities, currencies, currency futures, and options.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Funds, Common Pension Fund A, Common Pension Fund B and Common Pension Fund D. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

The purchase, sale, receipt of income, and other transactions affecting investments are governed by custodial agreements between the Fund, through the State Treasurer, and custodian banks as agents for the Fund. State laws and policies set forth the requirements of such agreements and other particulars as to the size of the custodial institutions, amount of the portfolio to be covered by the agreements, and other pertinent matters.

GASB Statement No. 3 requires disclosure of the level of risk assumed by the Fund. Category 1 includes investments that are insured or registered or for which the securities are held by the Fund or its agent in the Fund's

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND

Notes to Financial Statements, Continued

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

name. As of June 30, 2000 and 1999, all investments held by the Fund (other than mortgages and the State of New Jersey Cash Management Funds which are not categorized) are classified as Category 1.

Federal securities are maintained at Federal Reserve Banks in Philadelphia and New York through the custodian banks in trust for the Fund. A significant portion of corporate equity and debt securities are maintained by the Depository Trust Company (DTC) through the custodian banks in trust for the Fund. The custodian banks, as agents for the Fund, maintain internal accounting records identifying the securities maintained by the Federal Reserve Banks and the DTC as securities owned by or pledged to the Fund.

Securities not maintained by the Federal Reserve Banks or DTC are in the name of a designated nominee representing the securities of the Fund, which establishes the Fund's unconditional right to the securities.

Member Loans

Members can borrow up to 50% of their accumulated member contributions. To obtain a loan, a member must have at least three years of service credit in the Fund. 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 repayment schedule into retirement.

Administrative Expenses

The Fund is administered by the State of New Jersey Division of Pensions and Benefits. Administrative expenses are paid by the Fund to the State of New Jersey, Department of the Treasury, and are included in the accompanying statements of changes in plan net assets.

Cash and Cash Equivalents

GASB Statement No. 3 also requires that deposits held in financial institutions be categorized to indicate the level of risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name. Category 3 consists of deposits which are uncollateralized.

Based upon aggregate collateral levels maintained for all State bank accounts as a whole, substantially all cash balances maintained in financial institutions as of June 30, 2000, which includes funding for the July 1, 2000 retirement payroll, are designated category 3.

The categorization of cash and cash equivalents for all State funds, including the pension trust funds, can be found in the notes to the general purpose financial statements of the State of New Jersey.

(3) **CONTRIBUTIONS**

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. In accordance with Chapter 115, P.L. 1997, referred to below, the current employee contribution rate is 4.5%. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND

Notes to Financial Statements, Continued

3) CONTRIBUTIONS, Continued

and noncontributory death benefits. 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 benefits are funded on a pay-as-you-go basis plus an additional contribution that will ensure an increase in the Post-Retirement Medical Reserve Fund equal to 1/2 of 1% of the salary of active employees. During 2000, the State eliminated \$22,026,543 in contribution obligations to the Fund through the use of excess plan assets.

Legislation passed in 1997 (Chapter 115, P.L. 1997) provided for the use of excess valuation assets to offset the required normal contributions of the State of New Jersey. Through FY 2002, excess assets may be used to the extent possible to offset normal contributions. Thereafter, a certain percentage of available excess assets may be used as specified in the legislation. Chapter 115 also provided for a reduction in the employee contribution rate in calendar years 1998 and 1999 from 5% to 4.5% and for a similar reduction after calendar year 1999 providing excess assets are available.

As a result of Chapter 115, the State of New Jersey's contribution to the Fund for the year ending June 30, 2000 was reduced to \$120,810,276, the required funding for post-retirement medical benefits. Employer contributions for basic pension benefits, noncontributory death benefits and cost-of-living adjustments were funded by excess assets. For the year ended June 30, 1999, excess assets of \$30,536,438 were available to partially reduce required funding by the State of New Jersey.

(4) RESERVES

This Fund maintains the following legally required reserves, which are fully funded:

Members' Annuity Savings and Accumulative Interest Fund (2000 - \$5,034,537,875; 1999 - \$4,663,478,091)

The Members' Annuity Savings Fund is credited with all contributions made by active members of the Fund. Interest earned on member contributions is credited to the Accumulated Interest Fund. The annual rate of interest on member contributions, as required by Chapter 62, P.L. 1994, is 8.75%.

Contingent Reserve Fund (2000 - \$18,252,655,276; 1999 - \$16,933,772,989)

The Contingent Reserve Fund is credited with the contributions of employers other than post-retirement medical contributions. Interest earnings, after crediting the Accumulated Interest Fund, Retirement Reserve Fund, and Special Reserve Fund, are credited to this account. Additionally, payments for life insurance premiums are made from this Fund.

Retirement Reserve Fund (2000 - \$11,701,005,388; 1999 - \$10,597,724,286)

The Retirement Reserve Fund is the account from which retirement benefits other than life insurance premiums, contributory group insurance premiums, and post-retirement medical premiums, including cost-of-living benefits and medical benefits for certain retirees, are paid. Upon retirement of a member, accumulated contributions, together with accumulated regular interest, are transferred to the Retirement Reserve Fund from the Annuity Savings Fund. Any additional reserves needed for the retirement and cost-of-living benefits are transferred from the Contingent Reserve Fund. Annually, interest as determined by the State Treasurer (8.75% for 2000 and 1999) is credited to the Retirement Reserve Fund.

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND

Notes to Financial Statements, Continued

(4) **RESERVES, Continued**

Special Reserve Fund (2000 - \$349,168,164; 1999 - \$322,365,414)

The Special Reserve Fund is the fund to which excess interest earnings and gains from sales and maturities of investments are transferred and against which any losses from the sales of securities are charged. The maximum limit on the accumulation of this account is 1% of the market value of the investments allocated to the Fund, excluding Cash Management Fund investments and bonds allocated to the Contributory Group Insurance Premium Fund which amounted to \$73,249,378 and \$68,682,962 as of June 30, 2000 and 1999, respectively. Amounts in excess of 1% are credited to the Contingent Reserve Fund.

Contributory Group Insurance Premium Fund (2000 - \$71,079,817; 1999 - \$68,115,839)

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 carrier. 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, as defined.

Post-Retirement Medical Fund (2000 - \$264,572,858; 1999 - \$262,353,192)

The Post-Retirement Medical Fund is credited with employer contributions for post-retirement medical benefits, interest earnings on post-retirement medical reserves, and from which post-retirement medical premiums are paid.

(5) **INCOME TAX STATUS**

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the Fund is a qualified plan as described in Section 401(a) of the Internal Revenue Code.

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND

Required Supplementary Information

Schedule of Funding Progress

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)
March 31, 1995	\$16,942,637,259	\$18,410,393,538	\$1,467,756,279	92.0%	\$5,358,893,876	27.39%
March 31, 1996	20,843,247,418	19,828,428,735	(1,014,818,683)	105.12	5,594,150,132	(18.14)
March 31, 1997	22,045,481,579	21,224,484,588	(820,996,991)	103.9	5,771,763,164	(14.2)
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)

**STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND**

Required Supplementary Information, Continued

Schedule of Funding Progress - Additional Actuarial Information

Significant actuarial methods and assumptions used in the June 30, 1999 and March 31, 1998 actuarial valuations included the following:

	June 30, 1999	March 31, 1998
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, closed	Level percent, closed
Payroll growth rate for amortization	5.00%	5.00%
Remaining amortization period	33 years	19 years
Actuarial assumptions:		
Interest rate	8.75%	8.75%
Salary range	5.95%	5.95%
Cost-of-living adjustments	2.40%	2.40%

Annual covered payroll is an estimate based upon annualizing one quarter's actual payroll.

Effective with the most recent valuation, the annual valuation date has been changed from March 31 to June 30.

**STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND**

Required Supplementary Information, Continued

Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS ⁽¹⁾	PERCENTAGE CONTRIBUTED
1997	\$ 372,060,546	\$ 1,601,688,633 ⁽²⁾	430.5%
1998	297,219,482	0	0.0
1999	314,671,482	258,816,649	82.2
2000	368,904,564	0	0.0

Notes to Schedule

- (1) Excludes post-retirement medical contributions and contributions received from other State of New Jersey retirement systems or funds for certain members who transferred their eligible prior service credit to the Teachers' Pension and Annuity Fund.

In accordance with Chapter 115, P.L. 1997, available excess valuation assets were used to fund, in full or in part, required employer contributions.

- (2) For the year ended June 30, 1997, the employer contributions exceeded the annual required contributions as a result of legislation that was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.

STATE OF NEW JERSEY
TEACHERS' PENSION AND ANNUITY FUND
 Schedule of Changes in Plan Net Assets by Fund
 Year ended June 30, 2000

	MEMBERS' ANNUITY SAVINGS AND ACCUMULATIVE INTEREST FUND	CONTINGENT RESERVE FUND	RETIREMENT RESERVE FUND	SPECIAL RESERVE FUND	CONTRIBUTORY GROUP INSURANCE PREMIUM FUND	POST RETIREMENT MEDICAL FUND	OTHER	TOTAL
Additions:								
Contributions:								
Members	\$ 324,277,387	—	—	—	25,376,927	—	—	\$ 349,654,314
Employers	—	1,718,360	—	—	—	120,810,276	—	122,528,636
Other	—	—	—	—	—	—	2,011	2,011
Total contributions	324,277,387	1,718,360	—	—	25,376,927	120,810,276	2,011	472,184,961
Distribution of net investment income	376,023,510	2,380,700,029	942,650,812	26,802,750	3,531,865	22,955,904	—	3,752,664,870
Total additions	700,300,897	2,382,418,389	942,650,812	26,802,750	28,908,792	143,766,180	2,011	4,224,849,831
Deductions:								
Benefits	—	25,454,526	1,153,283,880	—	25,944,814	141,546,514	2,011	1,346,231,745
Refunds of contributions	21,268,673	286,515	—	—	—	—	—	21,555,188
Adjustment to employer receivable	—	22,026,543	—	—	—	—	—	22,026,543
Administrative expenses	—	9,826,788	—	—	—	—	—	9,826,788
Total deductions	21,268,673	57,594,372	1,153,283,880	—	25,944,814	141,546,514	2,011	1,399,640,264
Net increase (decrease) before transfers among reserves	679,032,224	2,324,824,017	(210,633,068)	26,802,750	2,963,978	2,219,666	—	2,825,209,567
Transfers among reserves:								
Retirements	(309,035,039)	(833,685,458)	1,142,720,497	—	—	—	—	—
Other	1,062,599	(172,256,272)	171,193,673	—	—	—	—	—
Net increase	371,059,784	1,318,882,287	1,103,281,102	26,802,750	2,963,978	2,219,666	—	2,825,209,567
Net assets held in trust for pension benefits:								
Beginning of year	4,663,478,091	16,933,772,989	10,597,724,286	322,365,414	68,115,839	262,353,192	—	32,847,809,811
End of year	\$ 5,034,537,875	18,252,655,276	11,701,005,388	349,168,164	71,079,817	264,572,858	—	\$35,673,019,378

Contacting the Division of Pensions and Benefits

The Division of Pensions and
Benefits **INTERNET HOMEPAGE**

address (URL) is **www.state.nj.us/treasury/pensions**

You can send **e-mail** to the Division of
Pensions and Benefits through our

HOMEPAGE or directly to **nj_pensions@tre.state.nj.us**

You can **CONTACT CLIENT SERVICES** of

the Division of Pensions and Benefits at **(609) 292-7524**
Monday through Friday
from 9:00 am until 4:00 pm

The telephone number for individuals
who are hearing impaired and use a

TELECOMMUNICATION DEVICE FOR THE DEAF (TDD) is **(609) 292-7718**

You can hear personalized information about
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is available 24 hours a day, seven days a week. You will
need your Social Security number and a touch-tone phone.

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You can **WRITE** to the Division of

Pensions and Benefits at **DIVISION OF PENSIONS AND BENEFITS**
P.O. BOX 295
TRENTON, NJ 08625-0295

You can **VISIT** the Division of Pensions
and Benefits, without appointment,

on the first floor at **50 West State Street**
in downtown Trenton, New Jersey
on Monday through Friday
from 8:40 am until 4:00 pm.

We are on the corner of West State and
Willow Streets, a block east of the
State House. Directions to our location
can be downloaded from our Internet

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TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

2000 ANNUAL REPORT

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DEPARTMENT OF THE TREASURY
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