

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

A DEPARTMENT OF THE STATE OF NEW JERSEY

48th **COMPREHENSIVE** **ANNUAL FINANCIAL REPORT** ***For the Fiscal Year Ended June 30, 2003***

James E. McGreevey
Governor

John E. McCormac, CPA
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
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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

SEDP State Employee Dental Program

Tax\$ave Premium Option Plan, Unreimbursed Medical Expense Plan Flexible Account Plan, and Dependent Care Spending Account Plan

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

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1550 Liberty Ridge Drive
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Wayne, PA 19087-5527



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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Jersey Division of Pensions & Benefits

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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.



A handwritten signature in cursive script.

President

A handwritten signature in cursive script.

Executive Director





James E. McGreevey
Governor



John E. McCormac, CPA
State Treasurer



Frederick J. Beaver
*Director, Division of
Pensions and Benefits*



State of New Jersey
Department of the Treasury
Division of Pensions and Benefits
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PO Box 295
Trenton, NJ 08625-0295
Location:
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Trenton, New Jersey

Letter of Transmittal

December 2003

To the Honorable

James E. McGreevey, Governor
John E. McCormac, CPA, State Treasurer
Members of the State Legislature
Members of the Boards of Trustees

On behalf of the Division of Pensions and Benefits, I am pleased to submit the 48th Comprehensive Annual Financial Report (CAFR) of the New Jersey state-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2003. 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 our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner that fairly presents the financial position and results of the Division's operations.

STRUCTURE OF THE CAFR

This comprehensive annual financial report is divided into the following 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



LETTER OF TRANSMITTAL

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 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 the second largest non-federal public benefits program in the nation, consisting of nine 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 700,000 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, 1,710 local public employers participate in the retirement systems and 953 local public employers participate in the SHBP.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance and Accounting Organization (GFAO) recognized the Division's CAFR of last year for Excellence in Financial Reporting. A copy of the Certificate of Achievement is included in the CAFR.

MAJOR INITIATIVES

Changes to Pension Systems - There were very few changes made to the pension systems in fiscal year '03 and they were relatively minor, such as adding retirement options to the Judicial Retirement System. The Division did acquire responsibility for administering the retirement benefit for survivors of volunteer emergency workers who died while performing their duties under the provisions of Chapter 134, P.L. 2002.

State Early Retirement Incentive Program - The State early retirement incentive program (ERI) enacted late in the fiscal year '02 continued throughout fiscal year '03 by virtue of the extensions granted. Almost 5,600 employees took the incentive offer with 1,116 being extended. The ERI was also extended to 24 independent State authorities during fiscal year '03. Thirteen authorities opted to participate.

Investment Study - The State contracted with an independent consultant, Independent Fiduciary Services, Inc., to conduct an in-depth study of the pension investment program of the Division of Investment. The study will offer suggestions to improve the return on investment of the retirement system funds. The study was completed in fiscal year '04.

Developments in the State Health Benefits Program (SHBP) - There were also very few changes made to the SHBP this year and they, also, were minor.

FINANCIAL INFORMATION

The Financial reports of the Governmental Funds, Proprietary Funds, and the Fiduciary Funds of the Division have been prepared in conformity with generally accepted accounting principals 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



LETTER OF TRANSMITTAL

the Financial Statements found in the Financial Section.

- The Governmental Funds include the three separate State programs for Health Benefits, Prescription Drug, and Dental Expense.
- The Proprietary Funds include the two separate Local Group programs for Health Benefits and Prescription Drug.
- The Fiduciary Funds include eleven separate pension funds and two agency funds, the Alternate Benefit Program Fund and the Pension Adjustment Fund.

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 36 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, 2002. 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 '03, investment returns on pension funds were 3.3 percent. When combined with the returns for previous years, the annualized returns over the past three, five, and ten-year periods were -5.6 percent, +1.8 percent, and +8.5 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 excellent financial condition despite the disappointing market returns over the past several years. The liabilities of the actuarially based pension systems are 101.4 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 87 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.

ACKNOWLEDGMENTS

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,



LETTER OF TRANSMITTAL

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 **521,406 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,710 PARTICIPATING EMPLOYERS** in the combined retirement systems; 12 new employers began participating this year.
- There are **466,560 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **57,920 MEMBER ACCOUNTS** were audited internally.
- A total of **205,458 RETIREES AND BENEFICIARIES RECEIVED MONTHLY PENSIONS** totaling in excess of **\$4.8 BILLION ANNUALLY**.
- **OVER 6,937 BENEFICIARY CLAIMS** were processed. Premiums in excess of \$115.1 million were paid to the insurance carrier on behalf of active and retired members.
- Over **1.8 MILLION TELEPHONE CALLS** were received in Client Services. Counselors handled over 304,000 calls; over 1.10 million calls were handled by our automated telephone systems.
- Over **13,000 PERSONAL INTERVIEWS** were conducted by pensions counselors.
- **703 RETIREMENT SEMINARS** were conducted for over 14,107 members.
- **15,199 SERVICE PURCHASE REQUESTS** were processed.
- Over **70,238 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- **There were 10,435 WITHDRAWALS** from the retirement systems.
- **18,044 MEMBERS RETIRED**.
- Over **121,000 PENSION LOANS** totalling **\$415,638,932** were processed.
- State and local membership in the State Health Benefits Program was **350,667 MEMBERS** with **780,188 LIVES COVERED**.
- A total of over **\$2.3 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers. 953 local employers elected to participate in the SHBP this year.

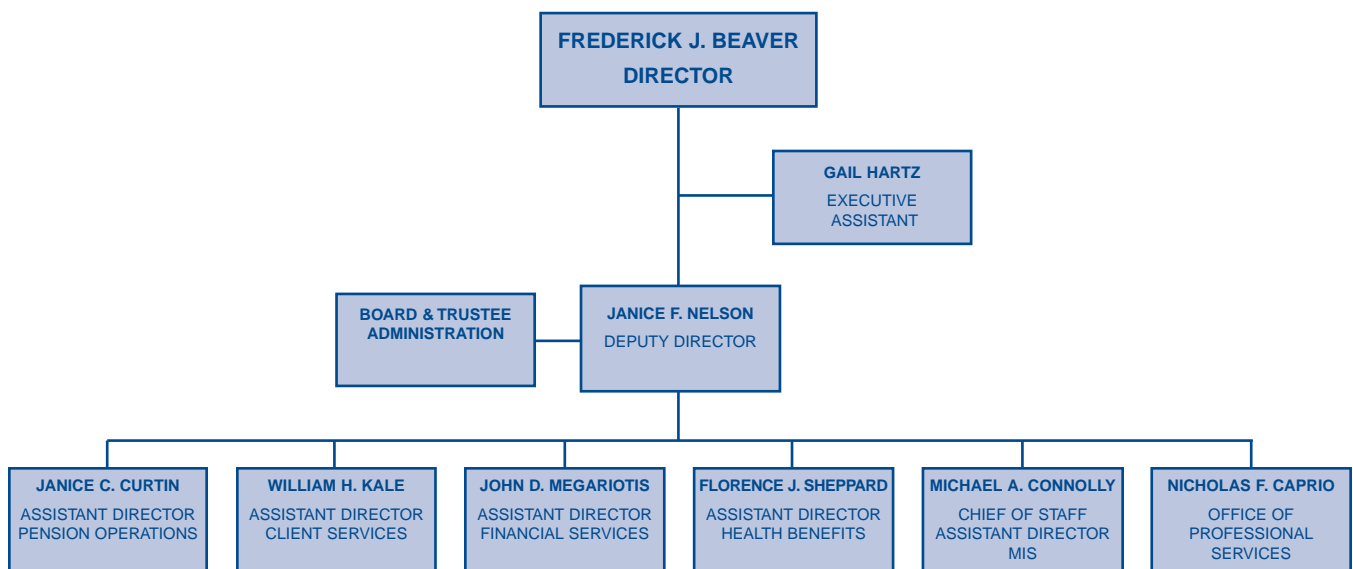
ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

Seated (left to right): Gail Hartz, *Executive Assistant*
William H. Kale, *Assistant Director, Client Services*
Frederick J. Beaver, *Director, Division of Pensions and Benefits*
Michael A. Connolly, *Chief of Staff and Assistant Director, MIS*
Janice C. Curtin, *Assistant Director, Pension Operations*

Standing (left to right): Nicholas F. Caprio, *Assistant Director, Professional Services*
Janice F. Nelson, *Deputy Director, Division of Pensions and Benefits*
Joseph Riley, *Procurement Associate*
Florence J. Sheppard, *Assistant Director, Health Benefits*
John D. Megariotis, *Assistant Director, Financial Services*



ORGANIZATION



CHIEFS AND MANAGERS

Seated (left to right): Timothy Rooney - *Information Technology*, David Pointer - *Retirements*, Frank Corliss - *MIS*, Joseph Zisa - *Defined Benefit and Contribution Plans*, Christine Servis - *Health Benefits*

Standing (left to right): Michael Weik - *Administrative Services*, Rita Partyka - *Client Services*, Leonard Leto - *Health Benefits Policy and Planning*, Janice Vasil - *Operations*, Sandra Horan - *Enrollments and Purchases*, Mary Ellen Conway - *Financial Reporting and Collections*, Wendy Jamison - *Boards of Trustees*, Virginia Martucci - *Claims*, 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 Assistant

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 an Assistant Director, consists of two elements: the Health Benefits Bureau and the Office of Policy and 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 responsible for the administration of benefits under the federal COBRA law, and enrollments, changes and ter-



ORGANIZATION

minations 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 an Assistant 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 \$65 billion and include over 725,000 individual member accounts. These combined systems place the Division of Pensions and Benefits second among the top public pensions and benefits administrators in the nation. This office is responsible for the accounting 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 an Assistant 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, benefit 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 the Deputy Director, provides administrative services for the various defined benefit plans



ORGANIZATION

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 compliance with statute and advice of the Attorney General. The Boards may grant hearings 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
George Babula, *Chairperson*
James Bray
Suzanna Buriani-DeSantis

Standing: Roderick Lewis
(l to r) Martin M. McElroy
Susanne Culliton, *Deputy Attorney General*
Ronald Winthers
Jackie Bussanich, *Support Staff*
Frederick J. Beaver
Treasurer's Representative
Edward Thomson, III



TEACHERS' PENSION AND ANNUITY FUND

Seated: Grace Haislip
(l to r) Marie Flynn
Harry Baldwin, *Chairperson*
Jackie Bussanich, *Support Staff*

Standing: Kathleen Coates, *Board Secretary*
(l to r) Deborah Rivosa
John Keeler
Frederick J. Beaver, *Treasurer's Representative*
James Clemente

Absent: Susanne Culliton



POLICE AND FIREMEN'S RETIREMENT SYSTEM

Seated: Nicole Fava
(l to r) Frank Casey
Mark Kandrac
Alan Levine

Standing: Frederick J. Beaver, *Treasurer's Representative*
(l to r) John Sandella
Joseph Boucher
Jackie Bussanich, *Support Staff*
Vincent Foti
Wendy Jamison, *Board Secretary*
Susanne Culliton, *Deputy Attorney General*
John Sierchio
Frank Leake

Absent: Marty Barrett, *Chairperson*



ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Standing: Peter Gorman, *Treasurer's Representative*
(l to r) Susanne Culliton, *Deputy Attorney General*
Jackie Bussanich, *Support Staff*
John K. Sayers

Seated: Major Randall Richardson, *Chairperson*
(l to r) Wendy Jamison, *Board Secretary*
Captain Fred Bucci

Absent: John M. Mitch

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

Spencer H. Smith, Jr., *Chairperson*
Louis J. Risacher
George A. Castro, II
Thomas Tighe
William H. Schlueter
William A. Nagy, Jr.
Mary Sibley, *Treasurer's Representative*

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

John E. McCormac, *State Treasurer*
Holly C. Bakke, *Commissioner of Banking & Insurance*
Charlene Holzbaur, *Director & State Comptroller, Office of Management and Budget,*
Department of the Treasury

STATE HEALTH BENEFITS COMMISSION

John E. McCormac, *State Treasurer*
Holly C. Bakke, *Commissioner of Banking & Insurance*
Ida L. Castro, *Commissioner of Personnel*

DEFERRED COMPENSATION BOARD

John E. McCormac, *State Treasurer*
Holly C. Bakke, *Commissioner of Banking & Insurance*
Charlene Holzbaur, *Director & State Comptroller,*
Office of Management & Budget, Department of the Treasury



SIGNIFICANT LEGISLATION

Chapter 42, P.L. 2002

This law allows units of local governments (municipalities, counties, authorities, school boards, etc.) to issue refunding bonds to retire their unfunded accrued liability owed to the State's various pension systems created through the granting of early retirement benefits to their employees. Refunding bonds may be issued to retire the pension liabilities for a local governmental unit's participation in an early retirement incentive program established pursuant to P.L. 1991, c. 229, P.L. 1991, c. 230, P.L. 1991, c. 231, P.L. 1993, c. 138, P.L. 1993, c. 181, P.L. 1993, c. 163 and P.L. 1993, c. 99. The law would also allow units of local governments to use refunding bonds when they offer early retirement incentive programs for employees affected by consolidation agreements authorized by Chapter 59, P.L. 1999. The adoption and issuance procedures would be the same as procedures that exist under current law for the issuance of refunding bonds by the local unit.

This law also permits county improvement authorities and the Economic Development Authority to pool early retirement benefit refunding bonds from local units in order to obtain better interest rates and terms.

This law was effective July 12, 2002.

Chapter 54, P.L. 2002

This law allows members of the Judicial Retirement System (JRS) to elect to receive a reduced retirement allowance in order to provide a benefit to a named beneficiary. The five optional settlements in this law are the same as those available to members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund.

The law also provides that within six months of its effective date, a retired JRS member may elect an optional settlement which will be applicable to the member's retirement allowance payable after the election is made.

These options, which allow JRS members to reduce their retirement allowance to provide benefits to a named beneficiary, are in addition to the JRS survivor benefits currently provided by law.

This law was effective September 2, 2002.

Chapter 109, P.L. 2002

This law authorizes the Hudson County Pension Fund to adjust annually, by resolution of its board of chosen freeholders, the pension benefits paid to retired county employees or their survivors, in order to reflect annual increases in the cost of living. The cost of living adjustment in the pension benefits paid shall be 60% of the change in the index.

In addition to notifying the secretary of the Hudson County pension commission annually of the percentage of adjustment for the applicable year, the Division of Pensions and Benefits shall promulgate such rules and regulations as deemed necessary for the effective operation of this act. The State Treasurer shall include a report of the operation of this act in the annual report submitted to the Governor and the Legislature regarding all of the operations of the Division of Pensions and Benefits.

This law was effective December 4, 2002.

Chapter 134, P.L. 2002

This law revises the statute authorizing municipalities to pay pensions to the widow and minor children of local volunteer personnel who die in the course of volunteer service.

Under this law:

1. The class of personnel eligible for the pension, which presently includes volunteer firefighters, first aid workers, and rescue squad workers, is expanded to include emergency medical technicians;
2. The class of survivors eligible to receive the pension is expanded to include widowers as well as widows, children if the widow remarries and parents if there is no widow or children.
3. The pension will be paid by the State for volunteers dying on or after January 1, 2000. The municipality is to determine the survivors' eligibility for the benefit, and must file a resolution with the State Treasurer within days 10 after adoption. The pension will commence in the first calendar year after the year of death or the year following this law's enactment, whichever is later.



SIGNIFICANT LEGISLATION

4. The amount of the annual pension payable under this law is increased from \$5,000 per year to \$15,000 per year for unmarried widows, widowers and minor children. An annual pension of \$10,000 shall be payable to the minor children if the widow or widower remarries. A \$5,000 annual pension shall be payable to the parents if there is no surviving spouse or minor children.

This law was effective January 9, 2003, and is retroactive to January 1, 2000.

Chapter 3, P.L. 2003

This law amends the statutes that allow a county, municipality, or contracting unit, as defined in the "Local Public Contracts Law" P.L. 1971 c. 198 (C. 40A:11-1 et seq.) that participates in the State Health Benefits Program or another group health benefits plan to allow an employee who is eligible for other health care coverage to waive coverage to which the employee is entitled as an employee of the county, municipality, or contracting unit.

The new law amends these statutes in two ways:

1. The ability to waiver is no longer limited to employees who have other coverage as a dependent of a spouse. It extends the waiver of coverage provisions to apply to any situation in which an employee is eligible for other health care coverage, and
2. The waiver provisions are extended to county colleges in the State Health Benefits Program or another group health benefits plan.

This law was effective January 27, 2003.

Chapter 27, P.L. 2003

This law requires:

- an employer that provides a health benefits plan

to its employees or their dependents to provide 30 days' prior written notice to its employees if the plan is terminated, and

- a health insurer that increases premium rates upon the renewal of a health benefits plan to provide 60 days' prior written notice of the amount of a proposed increase to the employer that purchased the plans.

The provisions of this law apply to health benefits plans impacted by P.L. 1997, c. 192, otherwise known as the "Health Care Quality Act" (N.J.S.A. 26:2S-1 et seq.).

Although there is a question whether this law impacts the SHBP, the SHBP already meets or exceeds the notification provisions of this law.

This law was effective May 9, 2003.

Chapter 71, P.L. 2003

This law provides for the addition of two members to the membership of the State Health Benefits Commission. The current members are the State Treasurer who serves as the Chairman, the Commissioner of Banking and Insurance and the Commissioner of Personnel.

One of the additional members will be a State employees' representative chosen by the Public Employees' Committee of the AFL-CIO; the other will be a representative chosen by the New Jersey Education Association.

This law was effective May 5, 2003.



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 are 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. This 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.

ALTERNATE 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 Co., Teachers' Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Variable Annuity Life Insurance Co. (VALIC). The ABP is a "defined contribution" plan as



SCOPE OF OPERATIONS

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 on 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 may 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 are found in Title 17, Chapter 9, of the New Jersey Administrative Code.

STATE EMPLOYEE DENTAL PROGRAM (SEDP)

The program was initially established February 1, 1978 and further expanded in June 1984. All eligible State employees may enroll for themselves and their eligible dependents by paying the premium calculated to meet half of the cost of the plan. The New Jersey State Dental Expense Benefits Program is a traditional indemnity plan. The State of New Jersey Dental Plan Organization Program consists of ten separate 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 Unreimbursed Medical Expense Plan Flexible Spending Account Plan 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 Plan 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 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

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 New Jersey Statutes Annotated 52:14-15.9a and 34:11-4.4b(10).



MEMBERSHIP

| ACTIVE MEMBERSHIP | RETIREMENT SYSTEM | 2002 | 2003 |
|---|--|----------------|----------------|
| | Public Employees' Retirement System | 296,895* | 307,474* |
| | Teachers' Pension & Annuity Fund | 145,762* | 148,915* |
| | Police & Firemen's Retirement System | 44,479* | 44,848* |
| | State Police Retirement System | 2,838 | 2,792 |
| | Judicial Retirement System | 436 | 436 |
| | Alternate Benefit Program | 17,081 | 16,941 |
| | Prison Officers' Pension Fund | 0 | 0 |
| | Consolidated Police & Firemen's Pension Fund | 0 | 0 |
| | Central Pension Fund | NA | NA |
| | TOTAL | 507,491 | 521,406 |
| <p><i>*Both the 2002 and 2003 figures represent the total number of Active and Inactive accounts.</i></p> <p><i>The 2003 Inactive (noncontributing) accounts are as follows:</i></p> <p><i>PERS Inactive — 48,895, TPAF Inactive — 13,071, PFRS Inactive — 1,750, SPRS Inactive — 104</i></p> | | | |
| RETIRED MEMBERSHIP AND BENEFICIARIES | RETIREMENT SYSTEM | 2002 | 2003 |
| | Public Employees' Retirement System | 107,671 | 115,427 |
| | Teachers' Pension & Annuity Fund | 56,102 | 59,290 |
| | Police & Firemen's Retirement System | 25,517 | 26,642 |
| | State Police Retirement System | 1,987 | 2,080 |
| | Judicial Retirement System | 379 | 399 |
| | Alternate Benefit Program | NA | NA |
| | Prison Officers' Pension Fund | 230 | 210 |
| | Consolidated Police & Firemen's Pension Fund | 1,194 | 1,055 |
| | Central Pension Fund | 359 | 355 |
| | TOTAL | 193,439 | 205,458 |
| <p><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></p> | | | |
| PARTICIPATION IN HEALTH BENEFITS PROGRAM | HEALTH PROGRAM | 2002 | 2003 |
| | State Health Benefits Program | 339,716 | 350,667 |
| | Prescription Drug Plan | 133,424 | 141,339 |
| | State Employee Dental Expense Plan | 94,836 | 96,911 |



MEMBERSHIP

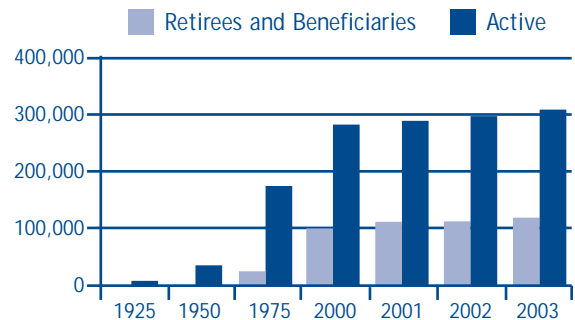
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

As of June 30, 2003, the active membership of the system totaled 307,474. There were 115,427 retirees and beneficiaries receiving annual pensions totaling \$1,414,899,860*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$96,314,762.

The system's assets totaled \$21,103,328,107 at the close of the fiscal year 2003.

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



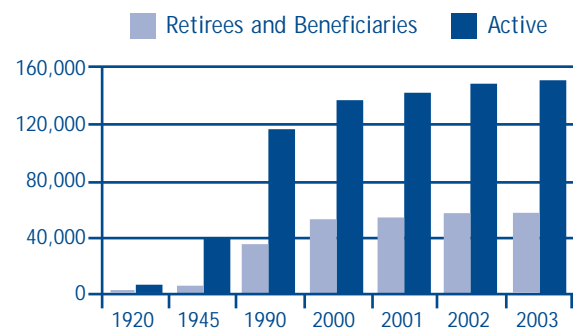
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2003, the active membership of the fund totaled 148,915. There were 59,290 retirees and beneficiaries receiving annual pensions totaling \$1,676,566,493*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$46,568,761.

The fund's assets totaled \$26,703,636,553 at the close of the fiscal year 2003.

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



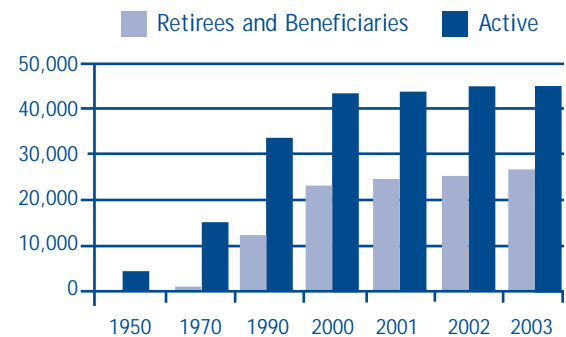
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2003, the active membership of the system totaled 44,848. There were 26,642 retirees and beneficiaries receiving annual pensions totaling \$887,223,507*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$29,658,967.

The system's assets totaled \$14,960,120,605 at the close of the fiscal year 2003.

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



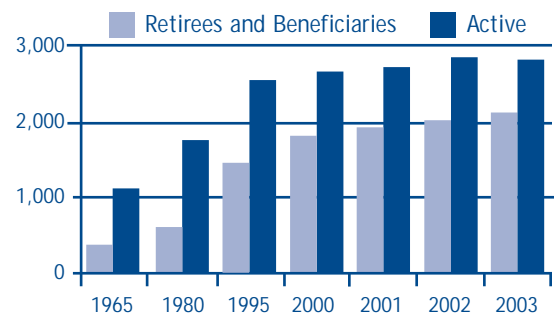
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2003, the active membership of the system totaled 2,792. There were 2,080 retirees and beneficiaries receiving annual pensions totaling \$80,407,522*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$1,664,797.

The system's assets totaled \$1,552,704,181 at the close of the fiscal year 2003.

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

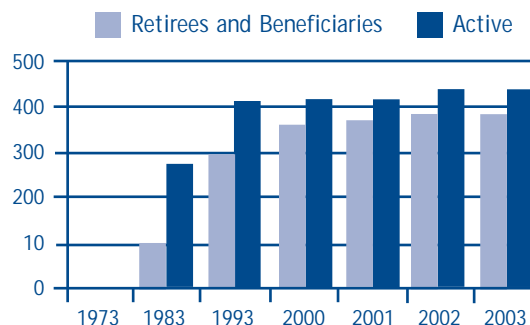


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2003, the active membership of the system totaled 436. There were 399 retirees and beneficiaries receiving annual pensions totaling \$25,310,117.

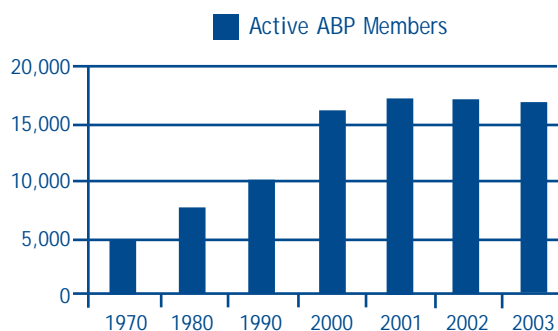
The system's assets totaled \$301,503,713 at the close of the fiscal year 2003.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2003, the State paid \$101,814,059 on behalf of 16,941 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$13,007,658 in lump sum death benefits.



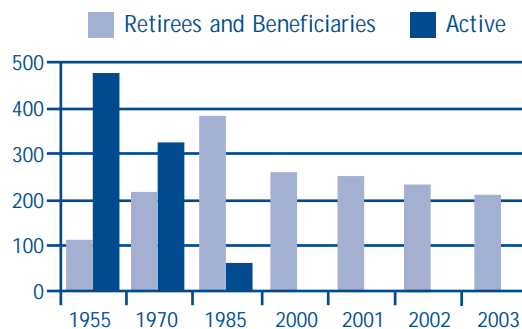
PRISON OFFICERS' PENSION FUND

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, 2003, the active membership of the fund totaled zero. There were 210 retirees and beneficiaries receiving annual pensions totaling \$2,843,716.

The fund's assets totaled \$17,505,077 at the close of the fiscal year 2003.

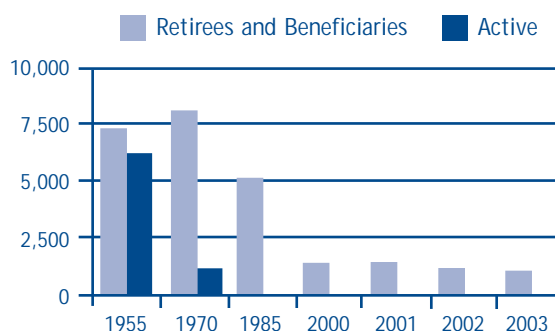


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

As of June 30, 2003, the active membership of the fund totaled zero. There were 1,055 retirees and beneficiaries receiving annual pensions totaling \$18,664,638.

The fund's assets totaled \$21,554,863 at the close of the fiscal year 2003.



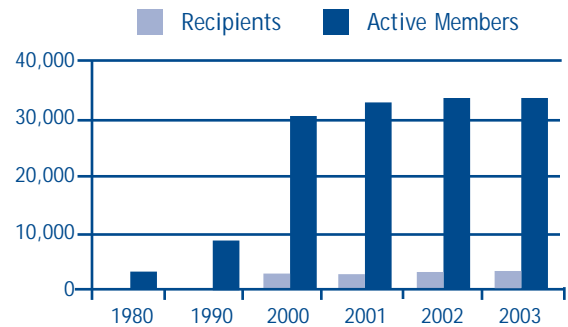
MEMBERSHIP

NJ STATE EMPLOYEES DEFERRED COMPENSATION PLAN

Fiscal year 2003 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, 2003, the membership of the New Jersey State Employees Deferred Compensation Plan totaled 33,079. There were 2,678 members receiving monthly installment payments.

The plan's net assets (participants' balances) were \$1,136,320,122 at the close of the fiscal year 2003.

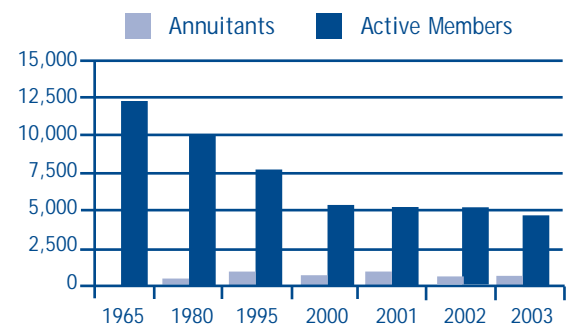


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2003, the active membership of the trust totaled 4,537. The unit value was \$47.9323, a decrease of \$2.5881 from the June 30, 2002 value of \$50.5204.

There were 670 annuitants.

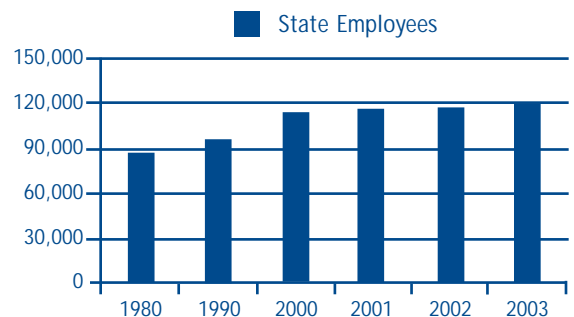
The trust's assets totaled \$131,858,026 at the close of the fiscal year 2003.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

As of June 30, 2003, the Unemployment Compensation Program for State employees covered as many as 119,426 persons, and the Division remitted \$8,682,394 on behalf of the State. There were 4,829 requests for unemployment benefits filed, and \$14,846,086 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 123,001 employees, and the Division remitted \$21,323,992 on behalf of the State. Claims paid totaled \$24,361,444.



CENTRAL PENSION FUND

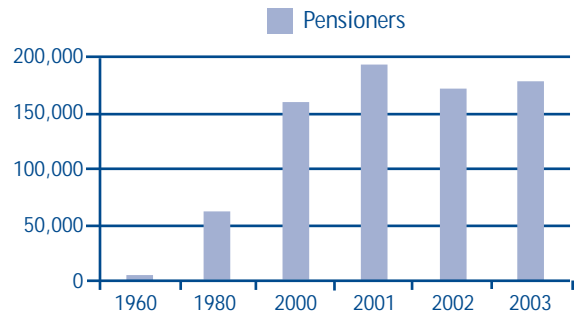
As of June 30, 2003, there were 355 beneficiaries receiving annual pensions totaling \$420,484.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

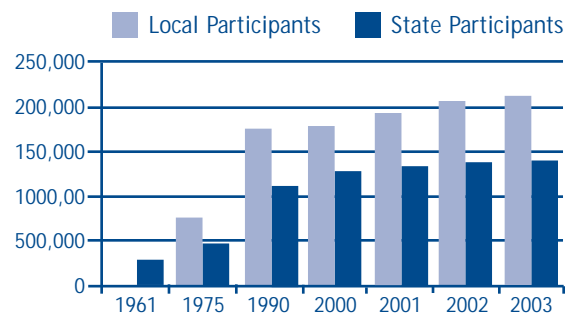
There were 176,822 pensioners who were paid \$506,368,823 during fiscal year 2003.



STATE HEALTH BENEFITS PROGRAM

As of June 30, 2003, there were 350,667 covered participants (active and retired) consisting of 138,671 State participants and 211,996 participants of 949 local participating employers.

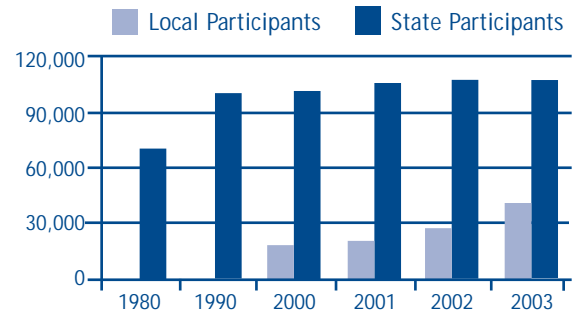
The State and state employee contributions were \$815,788,562 while payment made by local employers and employees was \$1,420,940,613.



PRESCRIPTION DRUG PLAN

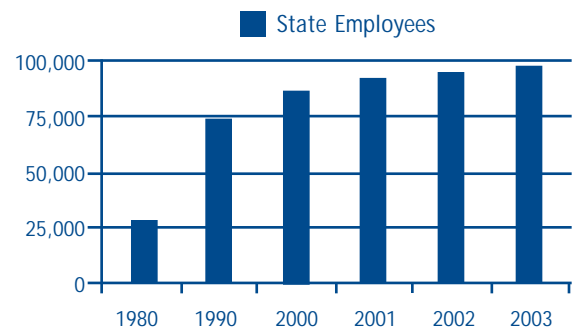
The Prescription Drug Plan covered as many as 106,391 State employees and 34,948 local employees during fiscal year 2003.

The State's contribution was \$189,910,876 while payment made by local employers was \$65,292,271.



STATE EMPLOYEE DENTAL PROGRAM

The State Employee Dental Program covered as many as 96,911 eligible State employees during fiscal year 2003. The State of New Jersey as the employer expended \$26,190,783 on their behalf during that period.



Financial Section

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

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 governmental activities, the business-type activities, and each major fund of the State of New Jersey Division of Pensions and Benefits (the Division) as of and for the year ended June 30, 2003, which collectively comprise the Division's basic financial statements as listed in the accompanying index. These financial statements are the responsibility of the Division's management. Our responsibility is to express opinions 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 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 opinions.

As discussed in Note 1, the financial statements of the Division are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, and each major fund, 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, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the State of New Jersey Division of Pensions and Benefits as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Management's Discussion and Analysis and 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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 audit was made for the purpose of forming opinions on the financial statements taken as a whole. The combining schedules and schedule of administrative expenses, schedule of investment expenses, and schedule of expenses for consultants are presented for purposes of additional analysis and are not a required part of the financial statements of the Division. Such information has been subjected to the auditing procedures applied in the audit 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.

The information included in the schedule of loss development information and the Introductory, Investment, Actuarial, and Statistical sections of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

September 19, 2003

KPMG LLP



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

June 30, 2003

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STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Management's Discussion and Analysis

June 30, 2003

Our discussion and analysis of the financial performance of the governmental funds, proprietary funds, and 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, 2003. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

Governmental Activities:

- For Health Benefits Program-State, net assets decreased by \$2.8 million as a result of operations from (\$92.5) million to (\$95.3) million. For Prescription Drug Program-State, net assets increased by \$18.5 million from \$6.1 million to \$24.6 million. For Dental Expense Program, net assets decreased by \$0.8 million from \$17.1 million to \$16.3 million.
- Revenues recognized during the year were as follows: \$816.4 million for the Health Benefits Program-State; \$191.3 million for the Prescription Drug Program-State; \$56.1 million for the Dental Expense Program.
- Expenses incurred during the year were as follows: \$816.2 million for the Health Benefits Program-State; \$175.8 million for the Prescription Drug Program-State; \$56.9 million for the Dental Expense Program.

Business-Type Activities:

- For Health Benefits Program-Local, net assets increased by \$117.8 million as a result of operations from (\$59.7) million to \$58.1 million. For Prescription Drug Program-Local, net assets increased by \$3.1 million from \$5.2 million to \$8.3 million.
- For the Health Benefits Program-Local and the Prescription Drug Program-Local, revenues recognized during the year were \$1.4 billion and \$65.7 million, respectively.
- For Health Benefits Program-Local and the Prescription Drug Program-Local, expenses incurred during the year were \$1.3 billion and \$62.6 million, respectively.

Fund Financial Statements

Fiduciary Funds:

Pension Trust Funds:

- Fiduciary net assets decreased by \$1.6 billion as a result of this year's operations from \$67.1 billion to \$65.5 billion.
- Additions for the year were \$3.4 billion, which are comprised of member and employer pension contributions of \$1.4 billion and investment income of \$ 2.0 billion.
- Deductions for the year were \$5 billion, which are comprised of benefit and refund payments of \$4.9 billion and administrative expenses of \$34.5 million.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Management's Discussion and Analysis, Continued

June 30, 2003

- The Funds utilized net assets (excess assets above the required funding level) to meet this year's normal pension contribution requirements.
- Net assets held in trust for post-retirement medical benefits were partially used this year to pay part of premiums and other periodic charges for health care benefits for qualified retirees and their dependents in the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) in the amount of \$66.5 million and \$43.9 million, respectively.

Agency Funds:

- For Alternate Benefit Program Fund and Pension Adjustment Fund, total additions were \$130.4 million mostly consisting of member and employer contributions of \$130 million and investment income of \$0.4 million.
- For Alternate Benefit Program Fund and Pension Adjustment Fund, total deductions were \$130.4 million consisting of pension and insurance benefit charges of \$128.4 million and other expenses of \$2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide financial statements

Government-wide financial statements include the following governmental activities and business-type activities:

Governmental Activities:

Health Benefits Program - State
Prescription Drug Program - State
Dental Expense Program

Business-Type Activities:

Health Benefits Program - Local
Prescription Drug Program - Local

The government-wide financial statements consist of the statement of net assets (deficit) and the statement of activities. The statement of net assets (deficit) presents information on all of the assets and liabilities of the Funds, with the difference between the two reported as net deficit. Over time, increases or decreases in the net assets (deficit) provide one indication of whether the financial health of the Funds is improving or declining. The statement of activities presents information showing how the Funds' net assets (deficit) changed during the most recent fiscal year. All changes in net assets (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Management's Discussion and Analysis, Continued
June 30, 2003

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. All of the funds of the Division can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds:

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Funds' long-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds:

Proprietary funds include funds that are classified as Enterprise funds. Enterprise funds account for operations that are financed and operated in a manner similar to business enterprises where the intent is that the costs of providing services on a continuing basis be financed or recovered primarily through user charges.

Like government-wide financial statements, the financial statements of the proprietary funds were prepared using the accrual basis of accounting. The basic proprietary fund financial statements consist of the statement of net assets, the statement of revenues, expenses, and changes in net assets (deficit), and the statement of cash flows. The statement of cash flows provides detail about the individual sources and uses of cash associated with operating activities and noncapital financing activities.

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 thirteen fiduciary funds, eleven pension trust funds and two 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 government-wide and fund 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 funds.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2003

FINANCIAL ANALYSIS

Government-wide:

STATEMENT OF NET ASSETS (DEFICIT)

Governmental Activities:

Assets mainly consist of cash, investments, and contributions due from members, participating employers and former members who are covered under the rules of the Federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), and contributions due from the PERS and the TPAF to provide funding for post-retirement medical benefits. Between fiscal years 2002 and 2003, total assets increased by \$20.1 million or 27.7% from \$72.5 million to \$92.6 million. The increase in total assets is mainly due to increase in contributions from members and the State.

Liabilities mainly consist of outstanding medical and long-term disability claim payments, including incurred but not reported (IBNR) claims. Total liabilities increased by \$5.3 million or 3.7% from \$141.7 million to \$147 million due to the increase in IBNR.

Net assets increased by \$14.8 million or 21.4% from (\$69.2) million to (\$54.4) million due to increase in revenues.

Business-Type Activities:

Assets mainly consist of cash, investments, contributions due from members, participating employers, and former members who are covered under the rules of COBRA. Between fiscal years 2002 and 2003, total assets increased by \$133.8 million or 93.2% from \$143.7 million to \$277.5 million. The increase in total assets is mainly due to increase in contributions from members and local employers.

Liabilities mainly consist of outstanding claim payments and IBNR claims. Total liabilities increased by \$13.0 million or 6.5% since the prior year from \$198.1 million to \$211.1 million due to increase in incurred claims.

Net assets increased by \$120.9 million or 221.9% from (\$54.5) million to \$66.4 million due to revenues exceeding expenses.

STATEMENT OF ACTIVITIES

REVENUES - ADDITIONS TO NET ASSETS (DEFICIT)

Governmental Activities:

| | 2003 | 2002 | Increase (Decrease) |
|------------------------|-------------------------|-----------------------|------------------------|
| Member Contributions | \$ 98,538,421 | \$ 92,615,336 | \$ 5,923,085 |
| Employer Contributions | 964,089,279 | 783,945,829 | 180,143,450 |
| CMF Investment & Other | 1,157,744 | 2,403,464 | (1,245,720) |
| Totals | \$ 1,063,785,444 | \$ 878,964,629 | \$ 184,820,815 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2003

Business-Type Activities:

| | 2003 | 2002 | Increase (Decrease) |
|------------------------|-------------------------|-------------------------|------------------------|
| Member Contributions | \$ 75,340,822 | \$ 62,065,953 | \$ 13,274,869 |
| Employer Contributions | 1,411,263,887 | 1,098,924,109 | 312,339,778 |
| CMF Investment & Other | 1,378,803 | 2,484,915 | (1,106,112) |
| Totals | \$ 1,487,983,512 | \$ 1,163,474,977 | \$ 324,508,535 |

Revenues primarily consist of member and employer contributions and earnings from Cash Management Fund (CMF) Investment activities. For the Governmental Activities, revenues increased by 21% from \$879 million to \$1 billion. For the Business-Type Activities, total revenues increased by 27.9% from \$1.2 billion to \$1.5 billion. The increase in revenues is attributable to an increase in the premium rates for the health, dental, and prescription drug plans. Member contributions increased by 6.4% for the Governmental Activities and by 21.4% for the Business-Type Activities for the same reason. The reduction in investment and other revenues is primarily due to lower interest earnings from CMF holdings.

EXPENSES - DEDUCTIONS FROM NET ASSETS (DEFICIT)

Governmental Activities:

| | 2003 | 2002 | Increase (Decrease) |
|-------------------------|-------------------------|-----------------------|------------------------|
| Benefits | \$ 1,046,043,657 | \$ 924,003,561 | \$ 122,040,096 |
| Administrative Expenses | 2,919,206 | 2,346,803 | 572,403 |
| Totals | \$ 1,048,962,863 | \$ 926,350,364 | \$ 122,612,499 |

Expenses primarily consist of claim charges for the self-insured health, prescription drug, and dental plans, premium charges for the insured health and dental programs, and administrative expenses. During the year, expenses increased by \$122.6 million or 13.2% for the Governmental Activities. For the insured plans, expenses increased due to the higher premium rates for calendar year 2003. The average premium rate increase for all plans is 17.5% for active members and 24.2% for retirees in calendar year 2003. For the self-insured plans, the increase in benefit expenses was due to higher claim charges, which is attributable to the rising cost of health services.

Business-Type Activities:

| | 2003 | 2002 | Increase (Decrease) |
|-------------------------|-------------------------|-------------------------|------------------------|
| Benefits | \$ 1,362,676,860 | \$ 1,212,090,971 | \$ 150,585,889 |
| Administrative Expenses | 4,378,810 | 5,475,874 | (1,097,064) |
| Totals | \$ 1,367,055,670 | \$ 1,217,566,845 | \$ 149,488,825 |

Expenses primarily consist of claim charges for the self-insured health and prescription drug plans, premium charges for the insured health and administrative expenses. During the year, expenses increased by \$149.5 mil-



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2003

lion or 12.3% for the Business-Type Activities. For the insured plans, expenses increased due to higher premium rates for calendar year 2003. The average premium rate increase for all plans is 20.2% for active members and 26.6% for retirees in calendar year 2003. For the self-insured plans, the increase in benefit expenses was due to higher claim charges, which is attributable to the rising cost of health services.

Fiduciary Funds:

STATEMENT OF FIDUCIARY NET ASSETS

Pension Trust Funds:

Assets mainly consist of cash, investments, and contributions due from members and participating employers. Between fiscal years 2002 and 2003, total assets decreased by \$1.6 billion or 2.4% from \$67.5 billion to \$65.9 billion. The total assets decreased because pension benefit payments to retirees and beneficiaries exceeded the revenues received by the Funds.

Liabilities consist of pension and death benefit payments owed to members and beneficiaries, outstanding insurance premium payments, and other payables. Total liabilities decreased by \$8.2 million or 2.0% over last year from \$405.7 million to \$397.5 million. This is mainly due to a decrease in insurance premium payable.

Net assets decreased by \$1.6 billion or 2.4%.

Agency Funds:

The Funds' assets mainly consist of cash, investments and contributions due from the State and local employers. Between fiscal years 2002 and 2003, total assets increased by \$0.8 million or 3.0% from \$26.6 million to \$27.4 million. This is mainly due to an increase in contributions due from the State to cover pension and life insurance charges in the Alternate Benefit Program Fund.

Liabilities mainly consist of benefits payable to eligible recipients in the Pension Adjustment Fund; pension reimbursements owed by the State of New Jersey to state/county colleges and outstanding life and long-term disability insurance premium charges in the Alternate Benefit Program Fund. Between fiscal year 2002 and 2003, total liabilities increased by \$0.8 million or 3.0% from \$26.6 million to \$27.4 million. The increase in the liabilities is mainly related to the increase in the State's reimbursement liability to state/county colleges for employer share in the Alternate Benefits Program.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

Pension Trust Funds:

| | 2003 | 2002 | Increase (Decrease) |
|------------------------|------------------|--------------------|------------------------|
| Member Contributions | \$ 1,062,340,136 | \$ 1,057,608,080 | \$ 4,732,056 |
| Employer Contributions | 318,288,644 | 308,986,925 | 9,301,719 |
| Investment & Other | 2,013,921,753 | (5,961,572,768) | 7,975,494,521 |
| Totals | \$ 3,394,550,533 | \$ (4,594,977,763) | \$ 7,989,528,296 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2003

Additions primarily consist of member and employer contributions and earnings from investment activities. There was only a slight increase of 0.5% in total member contributions. In all pension trust funds other than Supplemental Annuity Collective Trust (SACT) and TPAF, member contributions increased between 2002 and 2003 partly due to normal salary increases or increased membership. The increases ranged from 3.2% in State Police Retirement System to 11.0% in Judicial Retirement System (JRS). SACT decreased by 7.3%, and TPAF decreased by 8.3%. The decrease in TPAF is related to the reduction in employee contribution rate in TPAF from 4.5% to 3%, effective January 1, 2002. (The new rate affected only half of the year in the prior fiscal year.)

Employer contributions (excluding pension adjustment fund) increased by 3.6%.

The State made a contribution of \$298.3 million for TPAF and \$69.9 million for PERS fiscal year 2003 post-retirement medical (PRM). In addition, the PRM reserve of \$43.9 million for TPAF and \$66.5 million for PERS were used to cover additional premiums due in fiscal year 2003. Legislation passed in 2002 (Chapter 11, P.L. 2002) allowed the State to use net assets in the PRM Fund to cover required pay-as-you-go medical premiums.

The State made a contribution of \$8.5 million to JRS and \$2.7 million to Consolidated Police and Firemen's Pension Fund to satisfy the actuarially accrued liabilities in fiscal year 2003.

Employer contributions recognized by Police and Firemen's Retirement System (PFRS) decreased by 127.8% mainly due to reduction of the previous appropriations down to 20% of the normal and accrued liability contributions, based on the new legislation, Chapter 108 (P.L. 2003).

Chapter 108 provides that the State Treasurer will reduce local employer PERS and PFRS normal and accrued liability contributions to be a percentage of the amount certified annually by PERS and PFRS as follows: 20% for PERS payments due in State fiscal year 2005; 20% for PFRS payments due in State fiscal year 2004. According to the Budget Appropriations Act of 2004, the State as well will pay pension obligations through a five-year phase-in.

For fiscal year 2003, the 84% of TPAF and PERS and the 68% of PFRS available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to TPAF, PERS, and PFRS from 1997 to 2003. The normal contribution for basic pension benefits, non-contributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997.

After the prior two consecutive years of investment losses, the Funds had investment gains in fiscal year 2003. The total investment gain for all pension funds was estimated to be 3.3% compared to 9.0% loss in the prior year.

Agency Funds:

| | 2003 | 2002 | Increase (Decrease) |
|------------------------|-----------------------|-----------------------|------------------------|
| Member Contributions | \$ 673,034 | \$ 651,432 | \$ 21,602 |
| Employer Contributions | 129,345,617 | 121,669,465 | 7,676,152 |
| Investment & Other | 409,218 | 2,378,235 | (1,969,017) |
| Totals | \$ 130,427,869 | \$ 124,699,132 | \$ 5,728,737 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2003

For the Alternate Benefits Program Fund, additions primarily consist of member and employer contributions and earnings from investment activities. During the year, employer contributions increased by 8.3% due to higher base salaries. Investment earning decreased by \$1.8 million or 87.5% due to a reduction in the Cash Management Fund rate of return.

For the Pension Adjustment Fund, additions consist of employer contributions and earnings from investment activities. Contributions recognized by the Pension Adjustment Fund decreased over last year due to decrease in number of retirees and beneficiaries. Investment earnings dropped by \$0.1 million or 46.6% due to a reduction in the Cash Management Fund rate of return.

DEDUCTIONS FROM FIDUCIARY NET ASSETS

Pension Trust Funds:

| | 2003 | 2002 | Increase (Decrease) |
|-------------------------|-------------------------|-------------------------|------------------------|
| Benefits | \$ 4,840,497,014 | \$ 4,201,860,059 | \$ 638,636,955 |
| Refunds & Adjustments | 100,119,056 | 99,592,876 | 526,180 |
| Administrative Expenses | 34,545,410 | 34,602,649 | (57,239) |
| Totals | \$ 4,975,161,480 | \$ 4,336,055,584 | \$ 639,105,896 |

Deductions are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members, and administrative costs incurred by the Funds. Benefit payments increased by 15.2%. It is partly due to an increased number of retirees and beneficiaries. Also, it is partly due to the benefit enhancements in PERS and TPAF, effective with the November 1, 2001 retirement checks. (The new rate affected only eight months in the prior fiscal year.) The number of refunds processed has slightly increased compared to last year. Administrative expenses have slightly decreased.

Agency Funds:

| | 2003 | 2002 | Increase (Decrease) |
|--|-----------------------|-----------------------|------------------------|
| Benefits | \$ 128,400,036 | \$ 121,542,876 | \$ 6,857,160 |
| Refunds & Amounts Due the General Fund | 2,027,833 | 3,156,256 | (1,128,423) |
| Totals | \$ 130,427,869 | \$ 124,699,132 | \$ 5,728,737 |

The increase in benefit payments is mainly due to the increase in the State reimbursement expense to state/county colleges based on 8% of the base salaries of active participants. Also, the increase is related to higher life insurance benefit payments in the Alternate Benefits Program Fund. The number of active and retired claims processed was higher as compared to the prior year.

Refunds and amounts due the general fund primarily represent contributions received from the State of New Jersey in excess of the amount required to cover benefit charges incurred by the Agency Funds. There was a decrease in this expense between 2003 and 2002.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Management's Discussion and Analysis, Continued
June 30, 2003

OVERALL FINANCIAL CONDITION OF THE FUNDS

For the pension benefit funds, the combined funded ratios of 101.4% for fiscal year 2003 and 109.2% for 2002 indicate that these funds have assets sufficient to meet their benefit obligations.

For the State Health Benefits Program Fund - State and Local, contributions received by the Funds to pay the premiums for covered members are now keeping pace with the rising health costs and produce a necessary reserve. Management anticipates that through further rate actions and other initiatives, the Funds will maintain sufficient reserves.

The Prescription Drug - State and Local received contributions to meet this year's benefit obligations and to maintain a sufficient reserve. Through further rate actions and other initiatives, management anticipates that the financial condition of these benefit programs will remain stable.

During the year, the Alternate Benefits Program Fund and the Pension Adjustment Fund received sufficient funding to meet their 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 Net Assets (Deficit)
June 30, 2003

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|---|----------------------------|-----------------------------|-------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 102,911 | 3,392,152 | \$ 3,495,063 |
| Investments, at fair value: | | | |
| Cash Management Fund | 60,247,655 | 189,665,008 | 249,912,663 |
| Total investments | 60,247,655 | 189,665,008 | 249,912,663 |
| Receivables: | | | |
| Other | 1,096,798 | 80,076,833 | 81,173,631 |
| Due from other funds | 31,183,937 | 4,391,212 | 35,575,149 |
| Total receivables | 32,280,735 | 84,468,045 | 116,748,780 |
| Total assets | \$ 92,631,301 | 277,525,205 | \$ 370,156,506 |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 31,259,555 | 17,976,104 | \$ 49,235,659 |
| Incurred but not reported claims | 110,281,000 | 187,210,000 | 297,491,000 |
| Deferred revenue | 5,212,436 | 4,540,421 | 9,752,857 |
| Due to other funds | 257,065 | 1,366,006 | 1,623,071 |
| Total liabilities | 147,010,056 | 211,092,531 | 358,102,587 |
| Net assets (deficit) - unrestricted | (54,378,755) | 66,432,674 | 12,053,919 |
| Total liabilities and net assets (deficit) - unrestricted | \$ 92,631,301 | 277,525,205 | \$ 370,156,506 |

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Statement of Activities
Year Ended June 30, 2003

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets (Deficit) | |
|--|------------------|--------------------------------------|-------------------------|---|----------------|
| | | Charges for Services (Contributions) | Governmental Activities | Business-Type Activities | TOTAL |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| Health Benefits Program - State | \$ 816,181,188 | 815,788,562 | (392,626) | — | \$ (392,626) |
| Dental Expense Program | 56,978,567 | 55,792,287 | (1,186,280) | — | (1,186,280) |
| Prescription Drug Program - State | 175,803,108 | 191,046,851 | 15,243,743 | — | 15,243,743 |
| Total governmental activities | 1,048,962,863 | 1,062,627,700 | 13,664,837 | — | 13,664,837 |
| Business-type activities: | | | | | |
| Health Benefits Program - Local | 1,304,442,508 | 1,420,940,613 | — | 116,498,105 | 116,498,105 |
| Prescription Drug Program - Local | 62,613,162 | 65,664,096 | — | 3,050,934 | 3,050,934 |
| Total business-type activities | 1,367,055,670 | 1,486,604,709 | — | 119,549,039 | 119,549,039 |
| Total primary government | \$ 2,416,018,533 | 2,549,232,409 | 13,664,837 | 119,549,039 | \$ 133,213,876 |
| General Revenues: | | | | | |
| Investment Earnings | | | 1,157,744 | 1,378,803 | \$ 2,536,547 |
| Total general revenues | | | 1,157,744 | 1,378,803 | 2,536,547 |
| Change in Net Assets | | | 14,822,581 | 120,927,842 | 135,750,423 |
| Net assets (deficit) - Beginning of year | | | (69,201,336) | (54,495,168) | (123,696,504) |
| Net assets (deficit) - End of year | | | \$ (54,378,755) | 66,432,674 | \$ 12,053,919 |

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Balance Sheet
Governmental Funds

June 30, 2003

| | HEALTH BENEFITS PROGRAM FUND STATE | DENTAL EXPENSE PROGRAM FUND | PRESCRIPTION DRUG PROGRAM FUND STATE | TOTAL |
|---|--|--------------------------------------|--|-----------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 102,789 | — | 122 | \$ 102,911 |
| Investments, at fair value: | | | | |
| Cash Management Fund | 17,642,381 | 17,792,443 | 24,812,831 | 60,247,655 |
| Total investments | 17,642,381 | 17,792,443 | 24,812,831 | 60,247,655 |
| Receivables: | | | | |
| Other | 661,782 | 398,205 | 36,811 | 1,096,798 |
| Due from other funds | 23,091,939 | 3,502,313 | 4,589,685 | 31,183,937 |
| Total receivables | 23,753,721 | 3,900,518 | 4,626,496 | 32,280,735 |
| Total assets | \$ 41,498,891 | 21,692,961 | 29,439,449 | \$ 92,631,301 |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 25,031,880 | 1,517,675 | 4,710,000 | \$ 31,259,555 |
| Deferred revenue | 4,693,084 | 515,612 | 3,740 | 5,212,436 |
| Due to other funds | 182,937 | — | 74,128 | 257,065 |
| Total liabilities | 29,907,901 | 2,033,287 | 4,787,868 | 36,729,056 |
| Fund balances: | | | | |
| Unreserved | 11,590,990 | 19,659,674 | 24,651,581 | 55,902,245 |
| Total liabilities and fund balances | \$ 41,498,891 | 21,692,961 | 29,439,449 | \$ 92,631,301 |
| Amounts reported in the statement of net assets are different because: Long term liabilities including IBNR are not due and payable in the current period and therefore not reported in the funds. | (106,931,000) | (3,350,000) | | (110,281,000) |
| Fund Balances (Deficiencies) | \$ (95,340,010) | 16,309,674 | | \$ (54,378,755) |

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2003

| | HEALTH BENEFITS PROGRAM FUND STATE | DENTAL EXPENSE PROGRAM FUND | PRESCRIPTION DRUG PROGRAM FUND STATE | TOTAL |
|---|--|--------------------------------------|--|---------------|
| Revenues: | | | | |
| Contributions: | | | | |
| Members | \$ 67,800,942 | 29,601,504 | 1,135,975 | \$ 98,538,421 |
| Employers | 747,987,620 | 26,190,783 | 189,910,876 | 964,089,279 |
| Total contributions | 815,788,562 | 55,792,287 | 191,046,851 | 1,062,627,700 |
| Investment income: | | | | |
| Net appreciation (depreciation) in fair value of investments | (47,165) | (33,668) | (38,384) | (119,217) |
| Interest | 630,691 | 363,523 | 282,747 | 1,276,961 |
| Total investment income | 583,526 | 329,855 | 244,363 | 1,157,744 |
| Total revenues | 816,372,088 | 56,122,142 | 191,291,214 | 1,063,785,444 |
| Expenditures: | | | | |
| Benefits | 798,840,982 | 56,898,567 | 175,803,108 | 1,031,542,657 |
| Administrative expense | 2,919,206 | — | — | 2,919,206 |
| Total expenditures | 801,760,188 | 56,898,567 | 175,803,108 | 1,034,461,863 |
| Excess (deficiency) of revenues over (under) expenditures | 14,611,900 | (776,425) | 15,488,106 | 29,323,581 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | — | — | 3,030,000 | 3,030,000 |
| Transfers out | (3,030,000) | — | — | (3,030,000) |
| Total other financing sources and uses | (3,030,000) | — | 3,030,000 | — |
| Net change in fund balances | 11,581,900 | (776,425) | 18,518,106 | 29,323,581 |
| Fund Balances: | | | | |
| Beginning of year | 9,090 | 20,436,099 | 6,133,475 | 26,578,664 |
| End of year | \$ 11,590,990 | 19,659,674 | 24,651,581 | \$ 55,902,245 |

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Net Assets
Proprietary Funds

June 30, 2003

| | HEALTH BENEFITS PROGRAM FUND LOCAL | PRESCRIPTION DRUG PROGRAM FUND LOCAL | TOTAL |
|---------------------------------------|--|--|----------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 3,338,135 | 54,017 | \$ 3,392,152 |
| Investments, at fair value: | | | |
| Cash Management Fund | 182,874,683 | 6,790,325 | 189,665,008 |
| Total investments | 182,874,683 | 6,790,325 | 189,665,008 |
| Receivables: | | | |
| Other | 72,952,113 | 7,124,720 | 80,076,833 |
| Due from other funds | 4,391,212 | — | 4,391,212 |
| Total receivables | 77,343,325 | 7,124,720 | 84,468,045 |
| Total assets | \$ 263,556,143 | 13,969,062 | \$ 277,525,205 |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 17,976,104 | — | \$ 17,976,104 |
| Incurred but not reported claims | 182,510,000 | 4,700,000 | 187,210,000 |
| Deferred revenue | 4,540,421 | — | 4,540,421 |
| Due to other funds | 416,639 | 949,367 | 1,366,006 |
| Total liabilities | 205,443,164 | 5,649,367 | 211,092,531 |
| Net Assets | \$ 58,112,979 | 8,319,695 | \$ 66,432,674 |

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Revenues, Expenses, and Changes in Net Assets (Deficit)
Proprietary Funds

Year Ended June 30, 2003

| | HEALTH BENEFITS PROGRAM FUND LOCAL | PRESCRIPTION DRUG PROGRAM FUND LOCAL | TOTAL |
|---|--|--|---------------|
| Operating Revenues: | | | |
| Contributions: | | | |
| Members | \$ 74,968,997 | 371,825 | \$ 75,340,822 |
| Employers | 1,345,971,616 | 65,292,271 | 1,411,263,887 |
| Total operating revenues | 1,420,940,613 | 65,664,096 | 1,486,604,709 |
| Operating Expenses: | | | |
| Benefits | 1,300,063,698 | 62,613,162 | 1,362,676,860 |
| Administrative expense | 4,378,810 | — | 4,378,810 |
| Total operating expenses | 1,304,442,508 | 62,613,162 | 1,367,055,670 |
| Operating income (loss) | 116,498,105 | 3,050,934 | 119,549,039 |
| Non-operating revenue: | | | |
| Investment income: | | | |
| Net appreciation (depreciation) in fair value of investments | (32,272) | (6,774) | (39,046) |
| Interest | 1,347,162 | 70,687 | 1,417,849 |
| Total non-operating revenue | 1,314,890 | 63,913 | 1,378,803 |
| Change in net assets (deficit) | 117,812,995 | 3,114,847 | 120,927,842 |
| Net Assets (deficit): | | | |
| Beginning of year | (59,700,016) | 5,204,848 | (54,495,168) |
| End of year | \$ 58,112,979 | 8,319,695 | \$ 66,432,674 |

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2003

| | HEALTH BENEFITS PROGRAM FUND LOCAL | PRESCRIPTION DRUG PROGRAM FUND LOCAL | TOTAL |
|---|--|--|------------------|
| Cash flows from operating activities: | | | |
| Receipts - Employer Contributions | \$ 1,343,967,055 | 62,708,972 | \$ 1,406,676,027 |
| Receipts - Member Contributions | 74,660,607 | 363,234 | 75,023,841 |
| Benefit payments | (1,239,041,323) | (60,274,461) | (1,299,315,784) |
| Premium payments | (50,419,180) | — | (50,419,180) |
| Administrative expense | (4,369,731) | — | (4,369,731) |
| Net cash provided by operating activities | 124,797,428 | 2,797,745 | 127,595,173 |
| Cash flows from investing activities: | | | |
| Interest and dividends | 1,347,162 | 70,687 | 1,417,849 |
| Sale/purchase of investments | (126,833,748) | (2,914,966) | (129,748,714) |
| Net cash provided by investing activities | (125,486,586) | (2,844,279) | (128,330,865) |
| Increase/decrease in cash equivalents | (689,158) | (46,534) | (735,692) |
| Cash and cash equivalents beginning of year | 4,027,293 | 100,551 | 4,127,844 |
| Cash and cash equivalents end of year | \$ 3,338,135 | 54,017 | \$ 3,392,152 |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating Income | \$ 116,498,105 | 3,050,934 | \$ 119,549,039 |
| Adjustments to reconcile operating income to net cash used by operating activities: | | | |
| Changes in assets and liabilities: | | | |
| (Increase)/decrease in accounts receivable | (1,403,035) | (2,591,890) | (3,994,925) |
| (Increase)/decrease in interfund receivable | (909,917) | — | (909,917) |
| Increase/(decrease) in accounts payable | 11,151,310 | 1,428,783 | 12,580,093 |
| Increase/(decrease) in service charges payable | — | — | 0 |
| Increase/(decrease) in due to other funds | (539,035) | 909,918 | 370,883 |
| Total adjustments | 8,299,323 | (253,189) | 8,046,134 |
| Net cash provided by operating activities | \$ 124,797,428 | 2,797,745 | \$ 127,595,173 |

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2003

| | PENSION TRUST FUNDS |
|---------------------------------------|------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 3,641,789 |
| Investments, at fair value: | |
| Cash Management Fund | 2,651,330,102 |
| Bonds | 612,115,588 |
| Common Pension Fund A | 29,669,719,913 |
| Common Pension Fund B | 17,051,907,985 |
| Common Pension Fund D | 10,938,755,788 |
| Common and preferred stocks | 769,808,650 |
| Mortgages | 2,082,304,400 |
| Total investments | 63,775,942,426 |
| Receivables: | |
| Contributions: | |
| Members | 168,239,233 |
| Employers | 412,870,458 |
| Accrued interest and dividends | 353,235,908 |
| Members' loans | 1,186,105,045 |
| Other | 38,587,934 |
| Due from other funds | — |
| Total receivables | 2,159,038,578 |
| Total assets | \$ 65,938,622,793 |
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 35,859,580 |
| Retirement benefits payable | 350,270,987 |
| NCGI premiums payable | 10,142,884 |
| Cash overdraft | 1,290,290 |
| Total liabilities | 397,563,741 |
| Net Assets: | |
| Held in trust for pension benefits | \$ 65,541,059,052 |

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2003

| | AGENCY FUNDS |
|---------------------------------------|----------------------|
| Assets: | |
| Cash and cash equivalents | \$ 476,904 |
| Investments, at fair value: | |
| Cash Management Fund | 19,033,768 |
| Total investments | 19,033,768 |
| Receivables: | |
| Contributions: | |
| Employers | 2,779,531 |
| Other | 28,170 |
| Due from other funds | 5,115,011 |
| Total receivables | 7,922,712 |
| Total assets | \$ 27,433,384 |
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 18,598,669 |
| Participant distributions payable | 3,807,568 |
| Pension adjustment payroll payable | 991,440 |
| Due to State of New Jersey | 2,064,373 |
| Due to other funds | 1,971,334 |
| Total liabilities | 27,433,384 |
| Net Assets: | |
| Held in trust for pension benefits | \$ — |

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, 2003

| | PENSION TRUST FUNDS |
|--|--------------------------------|
| Additions: | |
| Contributions: | |
| Members | \$ 1,062,340,136 |
| Employers | 305,913,721 |
| Other | 12,374,992 |
| Total contributions | 1,380,628,849 |
| Investment income: | |
| Net appreciation in fair value of investments | 16,762,909 |
| Interest | 1,501,101,246 |
| Dividends | 505,310,345 |
| | 2,023,174,500 |
| Less: investment expense | 9,252,816 |
| Net investment income | 2,013,921,684 |
| Total additions | 3,394,550,533 |
| Deductions: | |
| Benefits | 4,840,497,014 |
| Refunds of contributions and due General Fund | 100,119,056 |
| Administrative expenses | 34,545,410 |
| Total deductions | 4,975,161,480 |
| Change in net assets | (1,580,610,947) |
| Net assets - Beginning of year | 67,121,669,999 |
| Net assets - End of year | \$ 65,541,059,052 |

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, 2003

| | AGENCY FUNDS |
|---|---------------------|
| Additions: | |
| Contributions: | |
| Members | \$ 673,034 |
| Employers | 129,345,617 |
| Total contributions | 130,018,651 |
| Investment income: | |
| Net (depreciation) in fair value of investments | (17,612) |
| Interest | 426,830 |
| Total investment income | 409,218 |
| Total additions | 130,427,869 |
| Deductions: | |
| Benefits | 128,400,036 |
| Refunds of contributions and due General Fund | 2,027,833 |
| Total deductions | 130,427,869 |
| Change in net assets | — |
| Net assets - Beginning of year | — |
| Net assets - End of year | \$ — |

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Notes to Financial Statements

June 30, 2003

(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):

Governmental funds:

State Health Benefits Program Fund (SHBP) - State
Dental Expense Program Fund (DEPF)
Prescription Drug Program Fund (PDPF) - State

Proprietary funds:

State Health Benefits Program Fund (SHBP) - Local
Prescription Drug Program Fund (PDPF) - Local

Fiduciary funds:

Pension trust funds:

Consolidated Police and Firemen's Pension Fund (CPFPPF)
Judicial Retirement System (JRS)
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)

Agency funds:

Pension Adjustment Fund (PAF)
Alternate Benefit Program Fund (ABP)

Individual financial reports have been prepared for the above funds. 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 3 and 4.

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

The financial statements of the State of New Jersey Division of Pensions and Benefits have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Division's accounting policies are described below.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2003

(1) DESCRIPTION OF THE FUNDS, Continued

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 the funds 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. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds:

Governmental funds account for proceeds of specific revenue sources that are legally restricted for expenditure for specified purposes.

Proprietary funds:

Proprietary funds account for operations that are financed and operated in a manner similar to business enterprises where the intent is that the costs of providing services on a continuing basis be financed or recovered primarily through user charges.

Fiduciary funds:

Pension trust 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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to government-wide statements and funds is determined by its measurement focus. All funds, except for the governmental funds and the agency funds, are accounted for using an economic resources measurement focus. Funds that focus on total economic resources employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs.

The governmental funds are accounted for using a current financial resources measurement focus and modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases, i.e.,



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2003

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

revenues and other financing additions, and decreases, i.e., expenditures and other deductions, in net assets.

The accrual basis of accounting is used for measuring financial position and changes in net assets of pension trust 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 Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contributions Plans" and No. 26, "Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans." Plan assets are recorded at fair value. Employer contributions are recognized when payable to the funds. Benefits and refunds are recognized when payable in accordance with the terms of the funds.

The modified accrual basis of accounting is used for measuring financial position and changes in financial position for the governmental funds. Under this method, revenues are recognized when measurable and available, and expenditures are recognized when incurred and measurable.

Incurred but not reported (IBNR) claims are recognized as expenses and liabilities in the government-wide financial statements under the full accrual basis. For the governmental funds, IBNR claims are recognized to the extent matured.

The focus of proprietary funds measurement is upon determination of changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

The Division applied all governmental standards of accounting and financial reporting prior to November 30, 1989.

Financial Reporting Model:

In fiscal year 2002, the Division adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*

Statement No. 37 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires governmental-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Statement No. 34 also requires as required supplementary information Management's Discussion and Analysis which includes an analytical overview of the Funds' financial activities.

Capital Assets:

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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2003

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. Mortgage backed securities 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 values.

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 Funds. 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 Fund, 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 Funds, through the State Treasurer, and custodian banks as agents for the Funds. 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.

In 2001, the Board of Trustees approved that the Post-Retirement Medical Fund earn a rate of return consistent with the Funds and henceforth. In prior years, the Post-Retirement Medical Fund earned a statutorily determined fixed rate of return of 8.75%.

GASB Statement No. 3 requires disclosure of the level of custodial risk assumed by the Funds. Category 1 includes investments that are insured or registered or for which the securities are held by the Funds or its agent in the Funds' name. As of June 30, 2003, all investments held by the Funds (other than mortgage



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2003

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

backed securities 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 Funds. 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 Funds. The custodian banks as agents for the Funds maintain internal accounting records identifying the securities maintained by the Federal Reserve Banks and the DTC as securities owned by or pledged to the Funds.

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

Significant Legislation:

Chapter 108, P.L. 2003, effective July 1, 2003, provides 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. According to the Budget Appropriations Act of 2004, the State as well will pay pension obligations through a five-year phase-in. In fiscal year 2004, the State will pay only 20% of the normal and accrued liability pension costs by using the benefit enhancement fund.

The Chapter 108, P.L. 2003 also provides 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. According to the Budget Appropriations Act of 2004, the State as well will pay pension obligations through a five-year phase-in.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire an unfunded accrued liability resulting from early retirement benefits under TPAF, PERS, or PFRS, effective July 12, 2002.

Chapter 54, P.L.2002 allows members of the JRS to elect to receive a reduced retirement allowance in order to provide a benefit to a named beneficiary, effective September 2, 2002. The new option (option 5) pays benefit equivalent to the full amount, three-quarters, one-half, or one-quarter of the retirement allowance to the beneficiary. If the beneficiary predeceases the member, the retirement allowance increases to the maximum retirement allowance for member's lifetime, provided that the benefit is certified by the actuary to be of equivalent actuarial value.

Chapter 23, P.L. 2002 provided early retirement incentive benefits, under TPAF, PERS, or ABP, to State employees, who meet specified age and service requirements and who retire 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,



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2003

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Chapter 11, P.L. 2002, effective March 26, 2002, allowed the State to use net assets in post-retirement medical (PRM) fund to cover required pay-as-you-go medical premiums under TPAF and PERS. This legislation also suspended in fiscal years 2002 and 2003 the additional PRM contribution to increase the fund balance by 1/2 of 1% of active member salaries for the valuation period. The additional PRM contribution will resume in fiscal year 2004 and will be computed to provide an increase in the reserve fund of 3/5 of 1% of active member salaries for the valuation period.

Subsequent Events:

The new legislations P.L. 2003, effective July 14, 2003, provide employees of local employers with additional retirement benefits through early retirement incentive programs: Chapter 127 for a public agency other than State agencies under PERS; Chapter 128 for a county, a county college, or a municipality under PERS, TPAF, or ABP; Chapter 129 for a local school board or educational services commission under PERS or TPAF; and Chapter 130 for PFRS local. Any employee who was eligible, or could have been if the employer elected, to participate in the State early retirement incentive program offered in 2002 pursuant to Chapter 23, P.L. 2002, is not eligible for the early retirement incentive benefits under this law.

Membership and Contributing Employers:

Membership and contributing employers of the Pension Trust Funds consisted of the following at 6/30/02, the date of the most recent actuarial valuations (6/30/03 for SACT, CPF, NJSEDCP, and ABPLTD):

| | JRS | PFRS | PERS | SPRS | TPAF | POPF | CPFPF | SACT | CPF |
|--|------------|---------------|----------------|--------------|----------------|------------|--------------|--------------|------------|
| Retiree members: | | | | | | | | | |
| Retirees and beneficiaries receiving benefits currently | 384 | 25,501 | 107,549 | 1,969 | 56,237 | 231 | 1,198 | 670 | 355 |
| Terminated employees entitled to benefits but not yet receiving them | 2 | 66 | 1,997 | — | 1,161 | — | — | — | — |
| Total retiree members | 386 | 25,567 | 109,546 | 1,969 | 57,398 | 231 | 1,198 | 670 | 355 |
| Active members: | | | | | | | | | |
| Vested | 223 | 26,073 | 155,861 | 1,825 | 77,054 | — | — | 4,537 | — |
| Non-vested | 215 | 17,518 | 135,108 | 968 | 65,106 | — | — | — | — |
| Total active members | 438 | 43,591 | 290,969 | 2,793 | 142,160 | — | — | 4,537 | — |
| Total | 824 | 69,158 | 400,515 | 4,762 | 199,558 | 231 | 1,198 | 5,207 | 355 |
| Contributing Employers | 1 | 588 | 1,672 | 1 | 114 | 1 | 1 | — | 1 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2003

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

| | NJSEDCP | ABPLTD |
|--|---------------|------------|
| Retiree members: | | |
| Retirees and beneficiaries receiving benefits currently | 2,678 | — |
| Terminated employees entitled to benefits but not yet receiving them | — | — |
| Total retiree members | 2,678 | — |
| Active members: | | |
| Vested | 30,401 | 105 |
| Non-vested | — | — |
| Total active members | 30,401 | 105 |
| Total | 33,079 | 105 |
| Contributing Employers | — | 1 |

Membership in the other funds, systems, and trusts administered by the Division consisted of the following as of June 30, 2003:

| | STATE | LOCAL | TOTAL |
|----------------------------------|---------|---------|---------|
| Health Benefits Program Fund* | 138,671 | 211,996 | 350,667 |
| Prescription Drug Program Fund | 106,391 | 34,948 | 141,339 |
| Dental Expense Program Fund | 96,911 | — | 96,911 |
| Alternate Benefit Program Fund** | 14,134 | 2,807 | 16,941 |
| Pension Adjustment Fund | 84,286 | 92,536 | 176,822 |

* active and retired participants

** including those receiving long-term disability benefits

Members' Loans:

Members of JRS, PFRS, SPRS, PERS and TPAF who have at least three years of service in the 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.

Administrative Expenses:

Administrative expenses are paid by the funds, systems, and trusts to the State of New Jersey, Department of the Treasury and are included in the accompanying statements of changes in net assets and fund balances, except for administrative expenses of the CPF which are expensed by the State of New Jersey, who is responsible for such costs.



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DIVISION OF PENSIONS AND BENEFITS
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(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 uninsured and uncollateralized.

Based upon aggregate collateral levels maintained for all State bank accounts as a whole, all cash balances maintained in financial institutions as of June 30, 2003, which includes funding for the July 1, 2003 retirement payroll, are designated category 3. The cash balances of all funds total \$7,613,756.

(3) 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 contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

Legislation passed in 1997 (Chapter 115, P.L. 1997) provided for the use of actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey. As a result of this legislation, the State of New Jersey was not required to make a contribution to the JRS for the years between 1997 and 2002.

The State made a contribution of \$8,467,287 to satisfy the actuarially accrued liability in fiscal year 2003.

Contribution Requirements - CPFPF

The contribution policy is set by N.J.S.A. 43:16 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. Contributions by active members are based on 7% of their salary. Employers are required to contribute at an actuarially determined rate.

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 contribution includes 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.



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Notes to Financial Statements, Continued
June 30, 2003

(3) CONTRIBUTIONS, Continued

For fiscal year 2003, the 68% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions of the State of New Jersey and the local participating employers.

In 2003 and 2002, excess valuation assets were utilized to fund required State contributions of \$110,568,773 and \$107,098,598, respectively.

In 2003, actuarially determined excess valuation assets also covered required local employer contributions of \$283,657,654. In accordance with legislation passed in 2001 (Chapter 44, P.L. 2001), excess valuation assets were recognized to reduce 2001 local employer contributions by \$150 million to approximately \$75 million. This legislation required that the savings realized by counties and municipalities as a result of this reduction be used for property tax relief.

Chapter 108 (P.L. 2003), effective July 1, 2003, provides 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. According to the Budget Appropriations Act of 2004, the State as well will pay pension obligations through a five-year phase-in.

Contribution Requirements - POPF

The contribution policy is set by N.J.S.A. 43:7 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. Contributions by active members are based on 6% of their salary. Employers are required to contribute at an actuarially determined rate.

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. However, as a result of special legislation (Chapter 415, P.L. 1999), the employee rate was reduced to 3% of base salary effective January 1, 2000. The rate will remain at 3% for as long as actuarially determined excess valuation assets are available in the PERS. On the other hand, the rate for members who are eligible for the Prosecutors Part of the PERS (Chapter 366, P.L. 2001) is 7.5% of base salary, and the rate for the Workers' Compensation Judges Part of the PERS (Chapter 259, P.L. 2001) is 5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, 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 have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were fund-



STATE OF NEW JERSEY
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Notes to Financial Statements, Continued
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(3) CONTRIBUTIONS, Continued

ed on an actuarial reserve basis. Beginning in 1996, the State has made an additional contribution to the Post-Retirement Medical Reserve Fund to ensure an increase in the fund balance of 1/2 of 1% of the salary of active state employees.

For fiscal year 2003, the 84% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to the PERS between the years 1997 and 2003. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions of the State of New Jersey and the local participating employers.

The State made a contribution of \$69.9 million for fiscal year 2003 post-retirement medical (PRM). In addition, the PRM reserve of \$66.5 million was used to cover additional premiums due in fiscal year 2003. The State made no PRM contribution in fiscal year 2002. Legislation passed in 2002 (Chapter 11, P.L. 2002) allowed the State to use net assets in PRM Fund to cover required pay-as-you-go medical premiums. This legislation also suspended in fiscal years 2002 and 2003 the additional PRM contribution to increase the fund balance by 1/2 of 1% of active member salaries for the valuation period. The additional PRM contribution will resume in fiscal year 2004 and will be computed to provide an increase in the reserve fund of 3/5 of 1% of active member salaries for the valuation period.

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 PERS, 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 will also provide funding for the benefit increases under Chapter 353, P.L. 2001. Actuarially determined excess valuation assets will cover the additional accrued liability incurred by the retirement system. No additional formula State contribution is required in fiscal year 2004; instead, that contribution will be covered by the BEF.

Chapter 108 (P.L. 2003) provides 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. According to the Budget Appropriations Act of 2004, the State as well will pay pension obligations through a five-year phase-in. In fiscal year 2004, the State will pay 20% of the normal and accrued liability pension cost by using the benefit enhancement fund.

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 con-



STATE OF NEW JERSEY
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Notes to Financial Statements, Continued
June 30, 2003

(3) CONTRIBUTIONS, Continued

tribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

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. In accordance with legislation passed in 2001 (Chapter 133, P.L. 2001), the employee contribution rate was lowered to 3% effective January 1, 2003. Prior to this date, employees had been contributing at a rate of 4.5%. The rate will remain at 3% for as long as surplus assets are available in the TPAF. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, 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 have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial reserve basis. Beginning 1996, the State has made an additional contribution to the Post-Retirement Medical Reserve Fund to ensure an increase in the fund balance of 1/2 of 1% of the salary of active state employees.

For fiscal year 2003, the 84% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to the TPAF in between the years 1997 and 2003. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions of the State of New Jersey and the local participating employers.

The State made a contribution of \$298.3 million for fiscal year 2003 post-retirement medical (PRM). In addition, the PRM reserve of \$43.9 million was used to cover additional premiums due in fiscal year 2003. The State made no PRM contribution in fiscal year 2002. Legislation passed in 2002 (Chapter 11, P.L. 2002) allowed the State to use net assets in PRM Fund to cover required pay-as-you-go medical premiums. This legislation also suspended in fiscal years 2002 and 2003 the additional PRM contribution to increase the fund balance by 1/2 of 1% of active member salaries for the valuation period. The additional PRM contribution will resume in fiscal year 2004 and will be computed to provide an increase in the reserve fund of 3/5 of 1% of active member salaries for the valuation period.

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 TPAF, 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 will also provide funding for the benefit increases under Chapter 353, P.L. 2001. Actuarially determined excess valuation assets will cover the additional accrued liability incurred by the retirement fund.



STATE OF NEW JERSEY
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Notes to Financial Statements, Continued
June 30, 2003

(3) CONTRIBUTIONS, Continued

No additional formula State contribution is required in fiscal year 2004; instead, that contribution will be covered by the BEF.

According to the Budget Appropriations Act of 2004, the State will pay pension obligations through a five-year phase-in.

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, 2003 was \$393,692.

Contribution Requirements - SHBP- State and Local

Contributions to pay for the health premiums of participating employees in the State Health Benefits Program (SHBP) are collected from the State of New Jersey, participating local employers, active members, retired members, the Public Employees' Retirement System (PERS), and the Teachers' Pension and Annuity Fund (TPAF). 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. Local employer payments, active and retired member contributions, and payments from the PERS and TPAF 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. Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996.

Contribution Requirements - PDPF- State and Local

Contributions to pay for the premiums of participating employees in the Prescription Drug Plan are collected from the State of New Jersey, participating local employers, and former active and retired members



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(3) CONTRIBUTIONS, Continued

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 Prescription Drug Plan on a monthly basis. Local employer payments as well as COBRA contributions are also received on a monthly basis.

Contribution Requirements - DEPF

Contributions to pay for the premiums of participating employees in the State Employee Dental Program are collected from the State of New Jersey, active employees, and former and retired members who have elected to participate under the rules of COBRA. The cost of the premiums is shared equally 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 State of New Jersey provides contributions through State appropriations. These appropriations are distributed to the SHBP on a biweekly and monthly basis. The active member share of the cost of premiums is paid to the State on a biweekly and monthly basis. Members participating under COBRA remit their payments on a monthly basis.

Contribution Requirements - NJSEDCP

Participants may defer between 1% and 100% of their salary and less any 414h reductions or \$12,000 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.

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.

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 Consolidated Police and Firemen's Pension Fund, Prison Officers' Pension Fund and the Central Pension Fund. Funding is on a pay-as-you-go basis.

(4) 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



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(4) VESTING AND BENEFITS, Continued

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 and 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 is 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension 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 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



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(4) VESTING AND BENEFITS, Continued

service. The annual benefit under special retirement is 65% of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70 percent 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.

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 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 is 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension 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.

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



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(4) VESTING AND BENEFITS, Continued

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 retire within a specified time period that generally extends 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.

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.

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



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(4) VESTING AND BENEFITS, Continued

retirement benefits comparable to those provided to members of the Judicial Retirement System. 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.

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.



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(4) VESTING AND BENEFITS, Continued

Chapter 23, P.L. 2002 provided early retirement incentive benefits to State employees who meet specified age and service requirements and who retire within a specified time period that generally extends 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.

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.

Vesting and Benefit Provisions - SHBP - State and Local

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. The State of New Jersey also provides free coverage to members



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(4) VESTING AND BENEFITS, Continued

of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, and the Alternate Benefit Program 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. 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.

Benefit Provisions - PDPF - State and Local

The Program provides 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 and local employees are eligible for coverage after 60 days of employment.

Benefit Provisions - DEPF

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

Vesting and Benefit Provisions - NJSEDCP

Assets in the Plan are held in trust for the exclusive benefit of Plan members and their beneficiaries as required in Government Accounting Standards Board Statement No. 32. 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 non-occupational 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 - ABP

The Alternate Benefit Program 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.

Benefit Provisions - PAF

The pension adjustment program covers eligible retirees and survivors of the Consolidated Police and Firemen's Pension Fund, Prison Officers' Pension Fund, and Central Pension Fund. 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



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Notes to Financial Statements, Continued
June 30, 2003

(4) VESTING AND BENEFITS, Continued

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 is 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65% to 70% of final compensation.

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

(5) FUNDS

The Funds maintain the following legally required funds as follows:

Members' Annuity Savings Fund - JRS (\$22,943,223); TPAF (\$6,038,217,700); PERS (\$6,246,682,986); PFRS (\$2,134,093,084); SPRS (\$133,657,431)

The Members' Annuity Savings Fund is credited with all contributions made by active members of the Funds.

Contingent Reserve Fund - JRS (\$144,763,034); TPAF (\$2,058,849,317); PERS (\$1,137,846,163); SPRS (\$936,731,005)

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

Retirement Reserve Fund - JRS (\$131,691,801); TPAF (\$17,667,357,328); PERS (\$12,722,540,303); PFRS (\$7,513,073,555); SPRS (\$475,350,429)

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, 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 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 (8.75% for 2003) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund - POPF (\$17,277,953)

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

Special Reserve Fund - TPAF (\$0); PERS (\$0); PFRS (\$0)

The Special Reserve Fund is a fund to which any excess interest earnings and gains from sales and matu-



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Notes to Financial Statements, Continued
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(5) FUNDS, Continued

rities 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 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 (\$101,541,730); PERS (\$183,936,841)

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.

Pension Accumulation Fund - PFRS (\$5,232,788,952)

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

Pension Reserve Fund - CPFPF (\$20,030,610)

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

Reserve Fund - SHBP - State (\$11,590,990); PDPF - State (\$24,651,581); and DEPF (\$19,659,674)

The fund balances of the SHBP - State, PDPF - State, and DEPF are available to pay claims of future periods. These reserves are maintained by the Funds to stabilize rates and to meet unexpected increase in claims. Since these funds are classified as governmental funds, IBNR claims as of June 30, 2003 are reported in the State's general long-term debt account group.

Reserve Fund - SHBP - Local (\$58,112,979); PDPF - Local (\$8,319,695)

The SHBP - local has net assets of \$58,112,979 as of June 30, 2003. The deficit of the prior fiscal year was made up by a rate action.

The PDPF - local has net assets, which are available to pay claims of future periods.

Reserve Fund - Alternate Benefit - Long Term Disability (\$2,919,322)

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

Post-Retirement Medical Fund - TPAF (\$317,185); PERS (\$954,217)

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.

Benefit Enhancement Reserve Fund - TPAF (\$682,877,236); PERS (\$669,530,604)

The Benefit Enhancement Reserve Fund is a special reserve fund from which required normal contributions to provide benefit increases under Chapter 353, P.L. 2001 and Chapter 133, P.L. 2001 will be charged. The



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 Notes to Financial Statements, Continued
 June 30, 2003

(5) FUNDS, Continued

fund was established in 2003 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. The State will be required to make contributions to the Benefit Enhancement Fund on behalf of State and local employers if excess valuation assets are not available.

Various Reserve Fund Balances as of June 30, 2003:

| FUNDS | PENSION TRUST FUNDS | GOVERNMENTAL FUNDS | PROPRIETARY FUNDS |
|---|-------------------------|---------------------|---------------------|
| Members' Annuity Savings Fund | \$14,575,594,424 | | |
| Contingent Reserve Fund | 4,278,189,520 | | |
| Retirement Reserve Fund | 38,527,291,369 | | |
| Contributory Group Insurance Premium Fund | 285,478,571 | | |
| Pension Accumulation Fund | 5,232,788,952 | | |
| Pension Reserve Fund | 20,030,610 | | |
| Reserve Fund | 2,919,322 | 55,902,245 | 66,432,674 |
| Post-Retirement Medical Fund | 1,271,402 | | |
| Benefit Enhancement Reserve Fund | 1,352,407,840 | | |
| Variable Accumulation Reserve Account | 1,238,667,564 | | |
| Variable Benefits Reserve Account | 26,419,479 | | |
| Total | \$65,541,059,053 | \$55,902,245 | \$66,432,674 |



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(6) UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the Division establishes a liability for both reported and unreported claims, which includes estimates of future payments of claims and related claim adjustment expenses. The following represent changes in those aggregate liabilities for Governmental Activities and Business-Type Activities during the fiscal years 2003 and 2002:

Fiscal Year 2003

| LOCAL | HEALTH BENEFITS PROGRAM FUND | PRESCRIPTION DRUG PROGRAM FUND |
|--|---|---|
| Unpaid claims at beginning of year | \$ 194,423,330 | \$ 3,250,000 |
| Incurred claims: | | |
| Provision for insured events of current year | 1,300,063,699 | 62,613,162 |
| Payments | (1,294,000,925) | (61,163,162) |
| Unpaid claims at end of year | \$ 200,486,104 | \$ 4,700,000 |

Fiscal Year 2002

| LOCAL | HEALTH BENEFITS PROGRAM FUND | PRESCRIPTION DRUG PROGRAM FUND |
|--|---|---|
| Unpaid claims at beginning of year | \$ 185,526,140 | \$ 2,245,015 |
| Incurred claims: | | |
| Provision for insured events of current year | 1,172,431,169 | 39,654,401 |
| Payments | (1,163,533,979) | (38,649,416) |
| Unpaid claims at end of year | \$ 194,423,330 | \$ 3,250,000 |



STATE OF NEW JERSEY
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| 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, 1997 | \$ 317,289,094 | \$ 295,150,638 | \$ (22,138,456) | 107.5% | \$ 46,912,950 | (47.2%) |
| 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% |
| CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND (CPFPF) | | | | | | |
| June 30, 1997 | \$ 70,420,937 | \$ 66,004,245 | \$ (4,416,692) | 106.7% | N/A | N/A |
| 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 |
| POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS) | | | | | | |
| State | | | | | | |
| June 30, 1997 | \$ 1,183,747,522 | \$ 1,234,959,165 | \$ 51,211,643 | 95.9% | \$ 315,690,310 | 16.2% |
| 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% |
| Local | | | | | | |
| June 30, 1997 | 10,854,173,290 | 11,746,169,752 | 891,996,462 | 92.4% | 1,767,762,346 | 50.5% |
| 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% |
| PRISON OFFICERS' PENSION FUND (POPF) | | | | | | |
| June 30, 1997 | \$ 20,977,035 | \$ 17,479,545 | \$ (3,497,490) | 120.0% | N/A | N/A |
| 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 |



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| 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) |
|---|-------------------------------|---------------------------------|---|----------------------|---------------------|--|
| PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) | | | | | | |
| State | | | | | | |
| March 31, 1997 | \$ 6,987,217,172 | \$ 6,606,707,924 | \$ (380,509,248) | 105.8% | \$ 2,714,991,457 | (14.0%) |
| 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%) |
| Local | | | | | | |
| March 31, 1997 | 10,523,061,499 | 9,599,816,842 | (923,244,657) | 109.6% | 4,407,751,955 | (20.9%) |
| 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%) |
| STATE POLICE RETIREMENT SYSTEM (SPRS) | | | | | | |
| June 30, 1997 | \$ 1,322,406,703 | \$ 1,272,242,451 | \$ (50,164,252) | 103.9% | \$ 142,636,260 | (35.2%) |
| 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%) |
| TEACHERS' PENSION AND ANNUITY FUND (TPAF) | | | | | | |
| 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%) |
| 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% |



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 Schedule of Funding Progress - Additional Actuarial Information

Significant actuarial methods and assumptions used in the most recent 2002 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 dollar, closed | Level dollar, closed |
| Remaining amortization period | 30 years | 1 year |
| Actuarial assumptions: | | |
| Interest rate | 8.75% | 8.75% |
| Salary range | 5.95% | — |
| Cost-of-living adjustments | 2.40% | — |
| Valuation date | June 30, 2002 | June 30, 2002 |
| | 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, closed | Level dollar, closed |
| Remaining amortization period | 30 years | 1 year |
| Actuarial assumptions: | | |
| Interest rate | 8.75% | 5.00% |
| Salary range | 5.95% | — |
| Cost-of-living adjustments | 2.40% | — |
| Valuation date | June 30, 2002 | June 30, 2002 |



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 Schedule of Funding Progress - Additional Actuarial Information

| | 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, closed | Level dollar, closed |
| Payroll growth rate for amortization | 5.00% | — |
| Remaining amortization period | 39 years for UAAL balance 9 years for asset method change | 30 years |
| Actuarial assumptions: | | |
| Interest rate | 8.75% | 8.75% |
| Salary range | 5.95% | 5.95% |
| Cost-of-living adjustments | 2.40% | 2.40% |
| Valuation date | June 30, 2002 | June 30, 2002 |
| TPAF | | |
| Actuarial cost method | Projected unit credit | |
| Asset valuation method | 5 year average of market value | |
| Amortization method | Level percent, closed | |
| Payroll growth rate for amortization | 5.00% | |
| Remaining amortization period | 1 year | |
| Actuarial assumptions: | | |
| Interest rate | 8.75% | |
| Salary range | 5.95% | |
| Cost-of-living adjustments | 2.40% | |
| Valuation date | June 30, 2002 | |



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Schedule of Employer Contributions

| YEAR ENDED JUNE 30, | ANNUAL REQUIRED CONTRIBUTION | EMPLOYER CONTRIBUTIONS | PERCENTAGE CONTRIBUTED |
|---|------------------------------------|---------------------------|---------------------------|
| JUDICIAL RETIREMENT SYSTEM | | | |
| 1997 | \$ 18,406,865 | \$ 110,483,753 | 600.2% |
| 1998 | 14,658,095 | 13,478,708 | 92.0% |
| 1999 | 13,416,851 | — | 0.0% |
| 2000 | 13,407,153 | — | 0.0% |
| 2001 | 12,816,557 | — | 0.0% |
| 2002 | 15,575,602 | — | 0.0% |
| 2003 | 16,913,237 | 8,467,287 | 50.1% |
| CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND | | | |
| 1997 | \$ 10,580,991 | \$ 43,995,746 | 415.8% |
| 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% |
| POLICE AND FIREMEN'S RETIREMENT SYSTEM | | | |
| State | | | |
| 1997 | \$ 111,775,028 | \$ 715,344,385 | 640.0% |
| 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 | — | 0.0% |
| 2002 | 103,580,989 | — | 0.0% |
| 2003 | 104,998,547 | — | 0.0% |
| Local | | | |
| 1997 | 250,220,580 | 234,963,865 | 93.9% |
| 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% |
| PRISON OFFICERS' PENSION FUND | | | |
| 1997 | \$ 2,949,604 | \$ 21,688,219 | 735.3% |
| 1998 | — | — | N/A |
| 1999 | — | — | N/A |
| 2000 | — | — | N/A |
| 2001 | — | — | N/A |
| 2002 | — | — | N/A |
| 2003 | — | — | N/A |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Required Supplementary Information, Continued
Schedule of Employer Contributions

| YEAR ENDED JUNE 30, | ANNUAL REQUIRED CONTRIBUTION | EMPLOYER CONTRIBUTIONS | PERCENTAGE CONTRIBUTED |
|--|------------------------------------|---------------------------|---------------------------|
| PUBLIC EMPLOYEES' RETIREMENT SYSTEM | | | |
| State | | | |
| 1997 | \$ 134,878,582 | \$ 241,106,642 | 178.8% |
| 1998 | 78,833,287 | — | 0.0% |
| 1999 | 86,945,810 | — | 0.0% |
| 2000 | 103,033,425 | — | 0.0% |
| 2001 | 85,078,620 | — | 0.0% |
| 2002 | 88,911,187 | — | 0.0% |
| 2003 | 44,636,619 | — | 0.0% |
| Local | | | |
| 1997 | 142,672,255 | 67,476,771 | 47.3% |
| 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 |
| STATE POLICE RETIREMENT SYSTEM | | | |
| 1997 | \$ 44,384,679 | \$ 120,308,862 | 271.1% |
| 1998 | 33,317,314 | — | 0.0% |
| 1999 | 33,116,255 | — | 0.0% |
| 2000 | 33,598,843 | — | 0.0% |
| 2001 | 35,341,259 | — | 0.0% |
| 2002 | 24,990,652 | — | 0.0% |
| 2003 | 29,449,164 | — | 0.0% |
| TEACHERS' PENSION AND ANNUITY FUND | | | |
| 1997 | \$ 372,060,546 | \$ 1,601,688,633 | 430.5% |
| 1998 | 297,219,462 | — | 0.0% |
| 1999 | 314,671,482 | 258,816,649 | 82.2% |
| 2000 | 368,904,564 | — | 0.0% |
| 2001 | — | — | N/A |
| 2002 | — | — | N/A |
| 2003 | 194,435,594 | — | 0.0% |

Notes to schedule:

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.

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

The local employer contribution to the PERS from 1998 to 2003 represents required contributions under the early retirement incentive programs.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Schedule of Loss Development Information
June 30, 2003

| HEALTH BENEFITS PROGRAM FUND - LOCAL | FISCAL YEAR ENDED JUNE 30, 2003 |
|---|---------------------------------------|
| Premiums and investment revenue Earned | \$ 1,422,255,503 |
| Estimated losses and expenses | 1,304,442,508 |
| | |
| PRESCRIPTION DRUG PROGRAM FUND - LOCAL | FISCAL YEAR ENDED JUNE 30, 2003 |
| Premiums and investment revenue Earned | \$ 65,664,096 |
| Estimated losses and expenses | 62,613,162 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Administrative Expenses
Year ended June 30, 2003

| | PERS | TPAF | PFRS | CPFFP | POPF | SPRS | JRS | NJSEDCP | TOTAL |
|------------------------------|--------------|-----------|-----------|--------|--------|---------|--------|---------|---------------|
| Personnel Services | | | | | | | | | |
| Salaries & Wages | \$ 8,973,474 | 4,444,297 | 1,526,948 | 22,533 | 4,486 | 104,060 | 21,090 | 353,067 | \$ 15,449,955 |
| Employee Benefits | 2,167,094 | 1,073,298 | 368,758 | 5,442 | 1,083 | 25,134 | 4,614 | 83,674 | 3,729,097 |
| Total Personnel Services | 11,140,568 | 5,517,595 | 1,895,706 | 27,975 | 5,569 | 129,194 | 25,704 | 436,741 | 19,179,052 |
| Professional Services | | | | | | | | | |
| Actuarial Services | 701,789 | 141,864 | 286,515 | 4,089 | 943 | 19,499 | 3,460 | — | 1,158,159 |
| Data Processing | 1,377,561 | 682,264 | 234,409 | 1,728 | 344 | 15,975 | 2,738 | 48,830 | 2,363,849 |
| Information Systems | 2,406,510 | 1,191,870 | 409,496 | 3,019 | 601 | 27,907 | 4,782 | 123,795 | 4,167,980 |
| Other Professional** | 241,506 | 119,812 | 42,373 | 302 | 60 | 3,183 | 479 | — | 407,715 |
| Medical Review* | 248,858 | 34,849 | 195,144 | — | — | 34,122 | — | — | 512,973 |
| Internal Audit & Legal | 573,492 | 284,032 | 97,586 | 718 | 143 | 6,650 | 1,140 | — | 963,761 |
| Total Professional Services | 5,549,716 | 2,454,691 | 1,265,523 | 9,856 | 2,091 | 107,336 | 12,599 | 172,625 | 9,574,437 |
| Communication | | | | | | | | | |
| Travel | 17,188 | 22,079 | 7,925 | 18 | 4 | 534 | 29 | 4,793 | 52,570 |
| Telephone | 373,518 | 184,991 | 63,558 | 469 | 93 | 4,331 | 742 | 2,800 | 630,502 |
| Postage | 588,168 | 291,302 | 100,084 | 738 | 147 | 6,821 | 1,169 | 42,000 | 1,030,429 |
| Motor Pool | 12,608 | 6,244 | 2,145 | 16 | 3 | 146 | 25 | — | 21,187 |
| Printing & Office | 358,424 | 175,427 | 60,221 | 436 | 87 | 4,039 | 2,245 | 3,892 | 604,771 |
| Total Communication | 1,349,906 | 680,043 | 233,933 | 1,677 | 334 | 15,871 | 4,210 | 53,485 | 2,339,459 |
| Miscellaneous | | | | | | | | | |
| Office Space | 1,284,056 | 793,257 | 272,543 | 2,009 | 400 | 18,574 | 183 | — | 2,371,022 |
| Maintenance | 34,090 | 16,884 | 5,801 | 43 | 9 | 395 | 68 | — | 57,290 |
| Equipment | 90,169 | 44,658 | 15,343 | 113 | 23 | 1,046 | 179 | — | 151,531 |
| Other Services & Charges | 132,631 | 379,577 | 338,670 | 8,307 | 2,279 | 10,891 | 264 | — | 872,619 |
| Total Miscellaneous | 1,540,946 | 1,234,376 | 632,357 | 10,472 | 2,711 | 30,906 | 694 | — | 3,452,462 |
| Total Administrative Expense | \$19,581,136 | 9,886,705 | 4,027,519 | 49,980 | 10,705 | 283,307 | 43,207 | 662,851 | \$34,545,410 |

* Consulting

**Portion of Consulting



Schedule 5

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Schedule of Investment Expenses
 Year ended June 30, 2003

| | PERS | TPAF | PFRS | CPFPF | POPF | SPRS | JRS | NJSEDCP | TOTAL |
|----------------------------------|--------------------|------------------|------------------|---------------|--------------|----------------|---------------|----------------|--------------------|
| Investment Expense | \$3,854,136 | 1,924,908 | 667,458 | 11,385 | 2,193 | 46,010 | 7,772 | 161,087 | \$6,674,949 |
| Global Custody, Fees | 805,886 | 1,134,997 | 553,242 | — | — | 69,143 | 14,599 | — | 2,577,867 |
| Total Investment Expenses | \$4,660,022 | 3,059,905 | 1,220,700 | 11,385 | 2,193 | 115,153 | 22,371 | 161,087 | \$9,252,816 |



Schedule 6

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Schedule of Expenses for Consultants
 Year ended June 30, 2003

| | PERS | TPAF | PFRS | CPFPF | POPF | SPRS | JRS | TOTAL |
|---------------------------------------|------------------|----------------|----------------|--------------|------------|---------------|--------------|--------------------|
| Actuarial | | | | | | | | |
| Buck Consultants | \$701,789 | — | 286,515 | 4,089 | 943 | 19,499 | 3,460 | \$1,016,295 |
| Milliman USA | — | 141,864 | — | — | — | — | — | 141,864 |
| Exams/Hearings | 248,858 | 34,849 | 195,144 | — | — | 34,122 | — | 512,973 |
| Unemployment Contract | | | | | | | | |
| TALX | 31,334 | 15,178 | 4,579 | — | — | 309 | 51 | 51,451 |
| Total Expenses for Consultants | \$981,981 | 191,891 | 486,238 | 4,089 | 943 | 53,930 | 3,511 | \$1,722,583 |

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2003

| | PENSION TRUST FUNDS | POST-RETIREMENT MEDICAL FUNDS | TOTAL |
|--|---------------------------|-------------------------------------|-------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 3,641,789 | — | \$ 3,641,789 |
| Investments, at fair value: | | | |
| Cash Management Fund | 2,651,292,345 | 37,757 | 2,651,330,102 |
| Bonds | 612,102,093 | 13,495 | 612,115,588 |
| Common Pension Fund A | 29,669,116,843 | 603,070 | 29,669,719,913 |
| Common Pension Fund B | 17,051,529,343 | 378,642 | 17,051,907,985 |
| Common Pension Fund D | 10,938,538,719 | 217,069 | 10,938,755,788 |
| Common and preferred stocks | 769,808,650 | — | 769,808,650 |
| Mortgages | 2,082,283,030 | 21,370 | 2,082,304,400 |
| Total investments | 63,774,671,023 | 1,271,403 | 63,775,942,426 |
| Receivables: | | | |
| Contributions: | | | |
| Members | 168,239,233 | — | 168,239,233 |
| Employers | 412,870,458 | — | 412,870,458 |
| Accrued interest and dividends | 353,235,908 | — | 353,235,908 |
| Members' loans | 1,186,105,045 | — | 1,186,105,045 |
| Other | 38,587,934 | — | 38,587,934 |
| Total receivables | 2,159,038,578 | — | 2,159,038,578 |
| Total assets | \$ 65,937,351,390 | 1,271,403 | \$ 65,938,622,793 |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 35,859,580 | — | \$ 35,859,580 |
| Retirement benefits payable | 350,270,987 | — | 350,270,987 |
| NCGI premiums payable | 10,142,884 | — | 10,142,884 |
| Cash overdraft | 1,290,290 | — | 1,290,290 |
| Total liabilities | 397,563,741 | — | 397,563,741 |
| Net assets held in trust for pension and post-retirement medical benefits | \$ 65,539,787,649 | 1,271,403 | \$ 65,541,059,052 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2003

| | PENSION TRUST FUNDS | POST-RETIREMENT MEDICAL FUNDS | TOTAL |
|---|---------------------------|-------------------------------------|------------------------|
| Additions: | | | |
| Contributions: | | | |
| Members | \$ 1,062,340,136 | — | \$ 1,062,340,136 |
| Employers | (62,326,388) | 368,240,109 | 305,913,721 |
| Other | 12,374,992 | — | 12,374,992 |
| Total contributions | 1,012,388,740 | 368,240,109 | 1,380,628,849 |
| Investment income: | | | |
| Net appreciation in fair value of investments | 15,606,700 | 1,156,209 | 16,762,909 |
| Interest | 1,501,101,246 | — | 1,501,101,246 |
| Dividends | 505,310,345 | — | 505,310,345 |
| | 2,022,018,291 | 1,156,209 | 2,023,174,500 |
| Less: investment expense | 9,252,816 | — | 9,252,816 |
| Net investment income | 2,012,765,475 | 1,156,209 | 2,013,921,684 |
| Total additions | 3,025,154,215 | 369,396,318 | 3,394,550,533 |
| Deductions: | | | |
| Benefits | 4,361,923,890 | 478,573,124 | 4,840,497,014 |
| Refunds of contributions | 100,119,056 | — | 100,119,056 |
| Administrative expenses | 34,545,410 | — | 34,545,410 |
| Total deductions | 4,496,588,356 | 478,573,124 | 4,975,161,480 |
| Net decrease | (1,471,434,141) | (109,176,806) | (1,580,610,947) |
| Net assets held in trust for pension and post-retirement medical benefits: | | | |
| Beginning of year | 67,011,221,790 | 110,448,209 | 67,121,669,999 |
| End of year | \$ 65,539,787,649 | 1,271,403 | \$ 65,541,059,052 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Combining Statement of Fiduciary Net Assets
 Pension Trust and Post-Retirement Medical Funds
 June 30, 2003

| | 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 | \$ — | 5,519 | 96,668 | 340,818 | 59,056 | — | 52,363 |
| Investments, at fair value: | | | | | | | |
| Cash Management Fund | 2,788,753 | 9,924 | 12,544,944 | 250,919,149 | 22,479,982 | 678,099,545 | 5,902,985 |
| Bonds | — | — | 3,905,498 | 240,208,585 | — | 12,669,144 | 7,855,300 |
| Common Pension Fund A | — | — | — | — | 142,307,752 | 6,650,424,087 | — |
| Common Pension Fund B | — | — | — | — | 62,087,154 | 3,118,811,410 | — |
| Common Pension Fund D | — | — | — | — | 62,440,207 | 2,358,943,811 | — |
| Common and Preferred Stocks | — | — | — | 648,273,725 | — | — | — |
| Mortgages | — | — | 1,998,006 | — | 10,092,359 | 1,260,874,507 | 3,411,743 |
| Total investments | 2,788,753 | 9,924 | 18,448,448 | 1,139,401,459 | 299,407,454 | 14,079,822,504 | 17,170,028 |
| Receivables: | | | | | | | |
| Contributions: | | | | | | | |
| Members | — | — | — | 110,014 | 67,924 | 47,455,802 | — |
| Employers | — | 22,000 | — | — | — | 256,931,014 | — |
| Accrued interest and dividends | — | 8 | 88,099 | 3,600,035 | 1,419,864 | 76,884,636 | — |
| Members' loans | — | — | — | — | 549,415 | 468,255,038 | — |
| Other | 130,569 | 2,569 | 2,921,648 | — | — | 30,771,611 | 282,686 |
| Total receivables | 130,569 | 24,577 | 3,009,747 | 3,710,049 | 2,037,203 | 880,298,101 | 282,686 |
| Total assets | \$ 2,919,322 | 40,020 | 21,554,863 | 1,143,452,326 | 301,503,713 | 14,960,120,605 | 17,505,077 |
| Liabilities: | | | | | | | |
| Accounts payable and accrued expenses | \$ — | 4,490 | 26,396 | 358,728 | 20,428 | 2,142,026 | 1,323 |
| Retirement benefits payable | — | 35,530 | 1,497,857 | 6,773,476 | 2,085,227 | 74,250,504 | 225,801 |
| NCGI premiums payable | — | — | — | — | — | 3,044,899 | — |
| Cash overdraft | — | — | — | — | — | 727,585 | — |
| Total liabilities | — | 40,020 | 1,524,253 | 7,132,204 | 2,105,655 | 80,165,014 | 227,124 |
| Net assets held in trust for pension and post-retirement medical benefits | \$ 2,919,322 | — | 20,030,610 | 1,136,320,122 | 299,398,058 | 14,879,955,591 | 17,277,953 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Statement of Fiduciary Net Assets
Pension Trust and Post-Retirement Medical Funds

June 30, 2003

| | PUBLIC EMPLOYEES' RETIREMENT SYSTEM | PERS POST- RETIREMENT MEDICAL FUND | STATE POLICE RETIREMENT SYSTEM | SUPPLEMENTAL ANNUITY COLLECTIVE TRUST | TEACHERS' PENSION AND ANNUITY FUND | TPAF POST- RETIREMENT MEDICAL FUND | TOTAL |
|--|--|--|---|--|---|--|--------------------------|
| Assets: | | | | | | | |
| Cash | — | — | — | — | 3,087,365 | — | \$ 3,641,789 |
| Investments, at fair value: | | | | | | | |
| Cash Management Fund | 546,045,650 | 25,564 | 118,411,814 | 7,191,603 | 1,006,897,996 | 12,193 | 2,651,330,102 |
| Bonds | 267,594,519 | 12,528 | — | — | 79,869,047 | 967 | 612,115,588 |
| Common Pension Fund A | 9,647,348,735 | 451,657 | 724,828,258 | — | 12,504,208,011 | 151,413 | 29,669,719,913 |
| Common Pension Fund B | 6,189,402,157 | 289,768 | 341,691,041 | — | 7,339,537,581 | 88,874 | 17,051,907,985 |
| Common Pension Fund D | 3,388,626,257 | 158,644 | 303,650,811 | — | 4,824,877,633 | 58,425 | 10,938,755,788 |
| Common and Preferred Stocks | — | — | — | 121,534,925 | — | — | 769,808,650 |
| Mortgages | 342,951,140 | 16,056 | 24,127,966 | — | 438,827,309 | 5,314 | 2,082,304,400 |
| Total investments | 20,381,968,458 | 954,217 | 1,512,709,890 | 128,726,528 | 26,194,217,577 | 317,186 | 63,775,942,426 |
| Receivables: | | | | | | | |
| Contributions: | | | | | | | |
| Members | 54,743,195 | — | 924,340 | 483,956 | 64,454,002 | — | 168,239,233 |
| Employers | 100,372,530 | — | — | — | 55,544,914 | — | 412,870,458 |
| Accrued interest and dividends | 119,243,689 | — | 7,380,519 | 160,382 | 144,458,676 | — | 353,235,908 |
| Members' loans | 444,068,570 | — | 31,689,432 | — | 241,542,590 | — | 1,186,105,045 |
| Other | 1,977,448 | — | — | 2,487,160 | 14,243 | — | 38,587,934 |
| Total receivables | 720,405,432 | — | 39,994,291 | 3,131,498 | 506,014,425 | — | 2,159,038,578 |
| Total assets | 21,102,373,890 | 954,217 | 1,552,704,181 | 131,858,026 | 26,703,319,367 | 317,186 | \$ 65,938,622,793 |
| Liabilities: | | | | | | | |
| Accounts payable and accrued expenses | 19,679,321 | — | 142,010 | 2,024,518 | 11,460,340 | — | \$ 35,859,580 |
| Retirement benefits payable | 116,673,568 | — | 6,804,058 | 887,136 | 141,037,830 | — | 350,270,987 |
| NCGL premiums payable | 5,120,098 | — | — | — | 1,977,887 | — | 10,142,884 |
| Cash overdraft | 364,006 | — | 19,248 | 179,451 | — | — | 1,290,290 |
| Total liabilities | 141,836,993 | — | 6,965,316 | 3,091,105 | 154,476,057 | — | 397,563,741 |
| Net assets held in trust for pension and post-retirement medical benefits | 20,960,536,897 | 954,217 | 1,545,738,865 | 128,766,921 | 26,548,843,310 | 317,186 | \$ 65,541,059,052 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Combining Statement of Changes in Fiduciary Net Assets
 Pension Trust and Post-Retirement Medical Funds
 Year Ended June 30, 2003

| | 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 | \$ — | — | — | 127,006,020 | 2,578,620 | 252,281,888 | — |
| Employers | 1,200,000 | 393,692 | 2,776,011 | — | 9,065,435 | (79,875,166) | — |
| Other | — | 30,290 | 11,045,283 | — | — | — | 1,293,665 |
| Total contributions | 1,200,000 | 423,982 | 13,821,294 | 127,006,020 | 11,644,055 | 172,406,722 | 1,293,665 |
| Investment income: | | | | | | | |
| Net appreciation (depreciation) in fair value of investments | (10,572) | — | (182,817) | (1,078,920) | (951,113) | (25,962,866) | 134,270 |
| Interest | 79,898 | 955 | 573,294 | 14,569,343 | 6,347,676 | 347,301,479 | 798,180 |
| Dividends | — | — | — | 9,679,980 | 2,326,256 | 110,122,507 | — |
| Less: investment expense | 69,326 | 955 | 390,477 | 23,170,403 | 7,722,819 | 431,461,120 | 932,450 |
| | — | — | 11,385 | 161,087 | 22,371 | 1,220,700 | 2,193 |
| Net investment income | 69,326 | 955 | 379,092 | 23,009,316 | 7,700,448 | 430,240,420 | 930,257 |
| Total additions | 1,269,326 | 424,937 | 14,200,386 | 150,015,336 | 19,344,503 | 602,647,142 | 2,223,922 |
| Deductions: | | | | | | | |
| Benefits | 1,661,335 | 420,483 | 18,664,638 | 61,619,829 | 25,551,000 | 916,882,474 | 2,843,716 |
| Refunds of contributions | — | 4,454 | — | — | 128,278 | 6,825,918 | — |
| Administrative expenses | — | — | 49,980 | 662,851 | 43,207 | 4,027,519 | 10,705 |
| Total deductions | 1,661,335 | 424,937 | 18,714,618 | 62,282,680 | 25,722,485 | 927,735,911 | 2,854,421 |
| Net increase (decrease) | (392,009) | — | (4,514,232) | 87,732,656 | (6,377,982) | (325,088,769) | (630,499) |
| Net assets held in trust for pension and post-retirement medical benefits: | | | | | | | |
| Beginning of year | 3,311,331 | — | 24,544,842 | 1,048,587,466 | 305,776,040 | 15,205,044,360 | 17,908,452 |
| End of year | \$ 2,919,322 | — | 20,030,610 | 1,136,320,122 | 299,398,058 | 14,879,955,591 | 17,277,953 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust and Post-Retirement Medical Funds
Year Ended June 30, 2003

| | PUBLIC EMPLOYEES' RETIREMENT SYSTEM | PERS POST- RETIREMENT MEDICAL FUND | STATE POLICE RETIREMENT SYSTEM | SUPPLEMENTAL ANNUITY COLLECTIVE TRUST | TEACHERS' PENSION AND ANNUITY FUND | TPAF POST- RETIREMENT MEDICAL FUND | TOTAL |
|--|--|--|---|--|---|--|-------------------|
| Additions: | | | | | | | |
| Contributions: | | | | | | | |
| Members | 354,900,256 | — | 14,198,794 | 7,803,771 | 303,570,787 | — | \$ 1,062,340,136 |
| Employers | 899,789 | 69,917,899 | 193,099 | — | 3,020,752 | 298,322,210 | 305,913,721 |
| Other | 4,614 | — | 69 | — | 1,071 | — | 12,374,992 |
| Total contributions | 355,804,659 | 69,917,899 | 14,391,962 | 7,803,771 | 306,592,610 | 298,322,210 | 1,380,628,849 |
| Investment income: | | | | | | | |
| Net appreciation (depreciation) | | | | | | | |
| In fair value of investments | 37,060,277 | 914,573 | 3,858,584 | (4,376,793) | 7,116,650 | 241,636 | 16,762,909 |
| Interest | 523,444,265 | — | 32,973,670 | 63,473 | 574,949,013 | — | 1,501,101,246 |
| Dividends | 161,204,573 | — | 11,713,239 | 2,320,287 | 207,943,503 | — | 505,310,345 |
| | 721,709,115 | 914,573 | 48,545,493 | (1,993,033) | 790,009,166 | 241,636 | 2,023,174,500 |
| Less: investment expense | 4,660,022 | — | 115,153 | — | 3,059,905 | — | 9,252,816 |
| Net investment income | 717,049,093 | 914,573 | 48,430,340 | (1,993,033) | 786,949,261 | 241,636 | 2,013,921,684 |
| Total additions | 1,072,853,752 | 70,832,472 | 62,822,302 | 5,810,738 | 1,093,541,871 | 298,563,846 | 3,394,550,533 |
| Deductions: | | | | | | | |
| Benefits | 1,511,214,623 | 136,392,686 | 82,072,319 | 17,858,219 | 1,723,135,254 | 342,180,438 | 4,840,497,014 |
| Refunds of contributions | 67,253,681 | — | 29,060 | — | 25,877,665 | — | 100,119,056 |
| Administrative expenses | 19,581,136 | — | 283,307 | — | 9,886,705 | — | 34,545,410 |
| Total deductions | 1,598,049,440 | 136,392,686 | 82,384,686 | 17,858,219 | 1,758,899,624 | 342,180,438 | 4,975,161,480 |
| Net increase (decrease) | (525,195,688) | (65,560,214) | (19,562,384) | (12,047,481) | (665,357,753) | (43,616,592) | (1,580,610,947) |
| Net assets held in trust for pension and post-retirement medical benefits: | | | | | | | |
| Beginning of year | 21,485,732,585 | 66,514,431 | 1,565,301,249 | 140,814,402 | 27,214,201,063 | 43,933,778 | 67,121,669,999 |
| End of year | 20,960,536,897 | 954,217 | 1,545,738,865 | 128,766,921 | 26,548,843,310 | 317,186 | \$ 65,541,059,052 |



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Balance Sheet
Fiduciary Funds - Agency Funds

June 30, 2003

| | ALTERNATE BENEFIT PROGRAM FUND | PENSION ADJUSTMENT FUND | TOTAL |
|---|---|-------------------------------|---------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 344,780 | 132,124 | \$ 476,904 |
| Investments, at fair value: | | | |
| Cash Management Fund | 14,931,117 | 4,102,651 | 19,033,768 |
| Total investments | 14,931,117 | 4,102,651 | 19,033,768 |
| Receivables: | | | |
| State related employer contributions | — | 2,779,531 | 2,779,531 |
| Other | 28,170 | — | 28,170 |
| Due from other funds | 5,091,548 | 23,463 | 5,115,011 |
| Total receivables | 5,119,718 | 2,802,994 | 7,922,712 |
| Total assets | \$ 20,395,615 | 7,037,769 | \$ 27,433,384 |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 18,598,669 | — | \$ 18,598,669 |
| Assets held for state-related employers | — | 3,807,568 | 3,807,568 |
| Pension adjustment payroll payable | — | 991,440 | 991,440 |
| Due to State of New Jersey | 1,796,946 | 267,427 | 2,064,373 |
| Due to other funds | — | 1,971,334 | 1,971,334 |
| Total liabilities | \$ 20,395,615 | 7,037,769 | \$ 27,433,384 |



STATE OF NEW JERSEY
 DIVISION OF PENSIONS AND BENEFITS
 Schedule of Changes in Fiduciary Net Assets
 Agency Fund - Alternate Benefit Program Fund
 Year ended June 30, 2003

Additions:

| | |
|---|-------------|
| Contributions: | |
| Members | \$ 673,034 |
| Employers | 116,889,694 |
| <hr/> | |
| Total contributions | 117,562,728 |
| <hr/> | |
| Investment income: | |
| Net appreciation (depreciation) in fair value of investments | (10,150) |
| Interest | 272,151 |
| <hr/> | |
| Total investment income | 262,001 |
| <hr/> | |
| Total additions | 117,824,729 |
| <hr/> <hr/> | |

Deductions:

| | |
|---|----------------|
| Benefits | 116,036,015 |
| Refunds of contributions and due General Fund | 1,788,714 |
| <hr/> | |
| Total deductions | \$ 117,824,729 |
| <hr/> <hr/> | |



STATE OF NEW JERSEY
 DIVISION OF PENSIONS AND BENEFITS
 Schedule of Changes in Fiduciary Net Assets
 Agency Fund - Pension Adjustment Fund
 Year ended June 30, 2003

| | |
|---|---------------|
| Additions: | |
| Contributions: | |
| Employers | \$ 12,455,923 |
| <hr/> | |
| Total contributions | 12,455,923 |
| <hr/> | |
| Investment income: | |
| Net appreciation (depreciation) in fair value of investments | (7,462) |
| Interest | 154,679 |
| <hr/> | |
| Total investment income | 147,217 |
| <hr/> | |
| Total additions | 12,603,140 |
| <hr/> <hr/> | |
| Deductions: | |
| Benefits | 12,364,021 |
| Refunds of contributions and due General Fund | 239,119 |
| <hr/> | |
| Total deductions | \$ 12,603,140 |
| <hr/> <hr/> | |



Investment Section

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State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
PO Box 290
TRENTON, NJ 08625-0290

JAMES E. MCGREEVEY
Governor

JOHN E. MCCORMAC, CPA
State Treasurer

June 30, 2003

REVIEWS OF MAJOR POLICY ISSUES

The Division, under the jurisdiction of the State Investment Council, has the investment responsibility for 181 funds, including seven pension and annuity funds. The Council includes eleven persons appointed to fixed terms. Five employee representatives are appointed by their respective pension fund boards for one-year terms, and five 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 income generated by the pension funds contributes 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 manage and invest the portfolio solely in the interests of the trust beneficiaries and for the exclusive purpose of providing financial benefits to trust participants.

Peter A. Langerman

A handwritten signature in blue ink that reads "Peter A. Langerman".

Director, Division of Investment



INVESTMENTS

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

STATE INVESTMENT COUNCIL

REGULATIONS PERTAINING TO PENSION FUND ASSETS

- 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 22 percent of the portfolio, including both international equities and bonds.
- International investments are limited to countries that have at least one AA sovereign rating, except for five emerging markets countries. No more than five percent of the portfolio's international investments may consist of stocks issued by corporations domiciled in emerging markets countries.
- 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 bonds is permitted subject to the following minimum rating requirements: A/A for bank and finance companies, and Baa/BBB for all other companies.
- Up to three percent of the domestic equity portfolio may consist of debt in lieu of common stock, regardless of the credit rating of the issuing company.
- Investment by the pension funds in mortgages is limited to mortgages that are secured by the Federal Housing Administration (FHA) and mortgage-backed securities with a rating of AA or higher.
- Investments in securities backed by underlying collateral such as mortgage-backed securities and various forms of receivables are permitted, but such investments cannot exceed more than ten percent of the overall fixed income portfolio.
- Investments in international fixed income securities are limited to bonds issued or guaranteed by foreign governments and designated agencies.
- 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 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.



INVESTMENTS

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

INVESTMENT RETURNS

| | 2003 | Annualized | |
|-----------------------------------|------|------------|--------|
| | | 3-Year | 5-Year |
| TOTAL PORTFOLIO | 3.3% | -5.6% | 1.8% |
| Equity Segment | | | |
| Domestic | -0.2 | -12.6 | -1.0 |
| Approved List (US) | 1.4 | -11.6 | -1.3 |
| S&P 1500 | 0.1 | -10.0 | -0.9 |
| S&P 500 | 0.3 | -11.2 | -1.6 |
| International | -6.7 | -15.7 | -4.4 |
| EAFE-USD | -6.5 | -13.4 | -3.9 |
| Fixed Income Segment | | | |
| Domestic | 13.0 | 11.0 | 8.0 |
| Lehman Brothers-Govt/Credit Index | 13.2 | 10.8 | 7.9 |
| International | 20.3 | 11.5 | 7.3 |
| SB World Govt Non US-Unhedged | 17.9 | 8.1 | 6.3 |
| Mortgages | 6.4 | 9.2 | 7.2 |
| Lehman Mortgage Index | 5.8 | 8.4 | 6.8 |
| Cash Management Fund | 1.9 | 3.7 | 4.5 |
| 91-Day Treasury Bills | 1.4 | 3.2 | 3.9 |

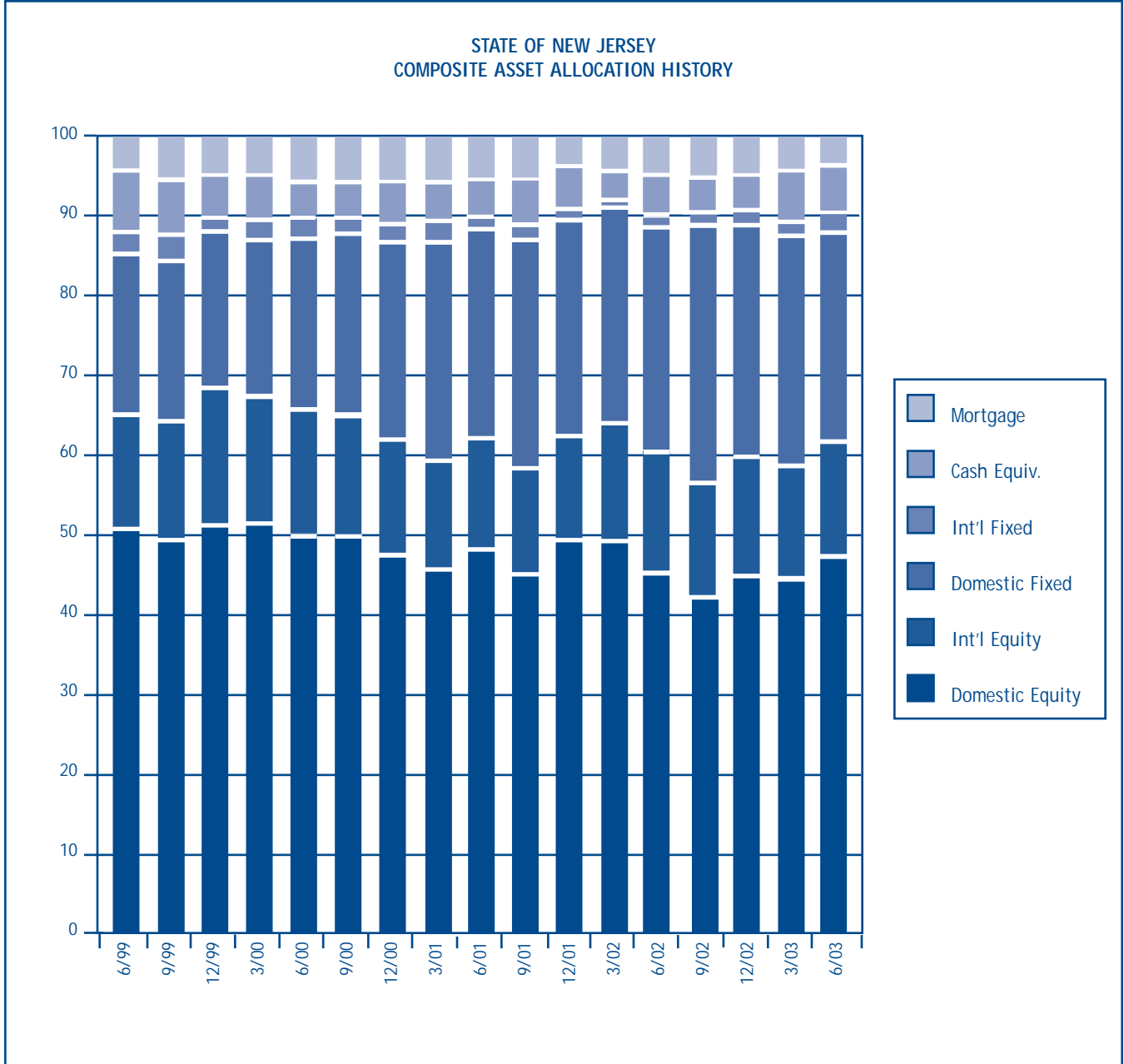
FAIR VALUE AND THE PERCENT OF TOTAL FAIR VALUE FOR EACH MAJOR TYPE OF INVESTMENT

| | 9/2002 | | 12/2002 | | 3/2003 | | 6/2003 | |
|----------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | (MILS.) | % | (MILS.) | % | (MILS.) | % | (MILS.) | % |
| Domestic Equity | 23,883 | 42.4 | 26,060 | 44.8 | 25,234 | 44.8 | 29,394 | 47.2 |
| International Equity | 8,111 | 14.4 | 8,784 | 15.1 | 7,942 | 14.1 | 9,154 | 14.7 |
| Domestic Fixed | 18,250 | 32.4 | 17,044 | 29.3 | 16,335 | 29.0 | 16,316 | 26.2 |
| International Fixed | 620 | 1.1 | 698 | 1.2 | 1,014 | 1.8 | 1,557 | 2.5 |
| Cash Equivalents | 2,478 | 4.4 | 2,850 | 4.9 | 3,323 | 5.9 | 3,674 | 5.9 |
| Mortgage | 2,985 | 5.3 | 2,734 | 4.7 | 2,478 | 4.4 | 2,180 | 3.5 |
| Total | 56,327 | 100.0 | 58,170 | 100.0 | 56,327 | 100.0 | 62,275 | 100.0 |



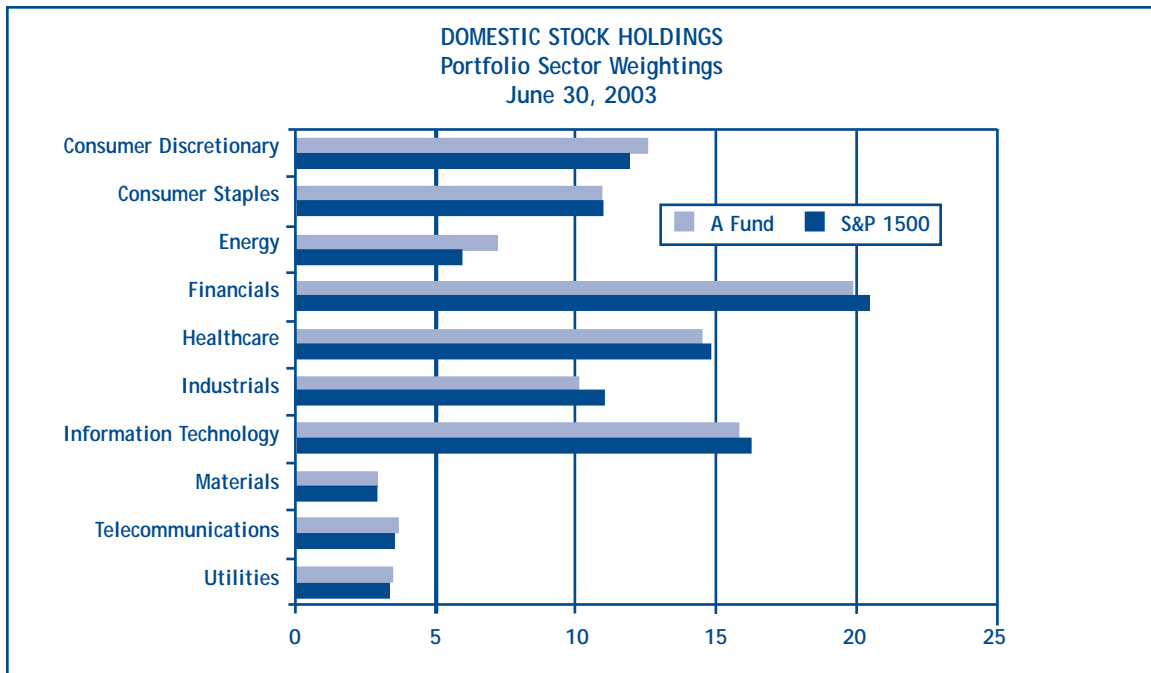
INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS



INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS



INVESTMENTS

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

LIST OF LARGEST ASSETS HELD

Largest Domestic Stock Holdings (by Market Value)

June 30, 2003

| | Shares | Stock | Market Value (Mil) |
|-----|------------|---------------------------------------|-----------------------|
| 1) | 39,728,000 | Microsoft Corp. | \$1,018.6 |
| 2) | 26,985,392 | Pfizer, Inc. | 921.6 |
| 3) | 27,851,712 | General Electric Co. | 798.8 |
| 4) | 17,594,601 | Citigroup, Inc. | 753.0 |
| 5) | 13,484,000 | Wal-Mart Stores, Inc. | 723.7 |
| 6) | 19,667,264 | Exxon Mobil Corp. | 706.3 |
| 7) | 8,993,329 | American International Group, Inc. | 496.3 |
| 8) | 7,873,000 | Merck & Co., Inc. | 476.7 |
| 9) | 5,500,000 | International Business Machines Corp. | 453.8 |
| 10) | 5,195,867 | Bank of America Corp. | 410.6 |

Largest Domestic Bond Holdings (by Market Value)

June 30, 2003

| | Par | Bonds | Coupon | Due | Rating | Market Value (USD) |
|-----|-------------|----------------------------|--------|----------|--------|-----------------------|
| 1) | 424,600,000 | US Treasury Bonds | 7.250% | 05/15/16 | AAA | \$564,718,000 |
| 2) | 384,000,000 | US Treasury Bonds | 7.500% | 11/15/16 | AAA | 521,280,000 |
| 3) | 258,200,000 | US Treasury Bonds | 6.250% | 08/15/23 | AAA | 316,295,000 |
| 4) | 163,000,000 | US Treasury Bonds | 7.125% | 02/15/23 | AAA | 218,420,000 |
| 5) | 175,000,000 | US Treasury Bonds | 9.375% | 02/15/06 | AAA | 210,329,000 |
| 6) | 200,000,000 | General Motors Acpt. Corp. | 4.680% | 08/13/03 | BBB | 200,687,500 |
| 7) | 180,000,000 | US Treasury Notes | 7.500% | 02/15/05 | AAA | 198,225,000 |
| 8) | 145,000,000 | US Treasury Bonds | 6.000% | 02/15/26 | AAA | 173,319,950 |
| 9) | 135,000,000 | US Treasury Notes | 6.500% | 02/15/10 | AAA | 163,772,550 |
| 10) | 150,000,000 | Minnesota Mining & Mfg. | 4.900% | 05/10/04 | AA | 155,625,000 |

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, 2003

| | Shares | Stock | Market Value (USD) |
|-----|-------------|---------------------------|-----------------------|
| 1) | 112,020,439 | Vodafone Group | \$219,046,149 |
| 2) | 900,000 | Groupe Danone | 124,539,208 |
| 3) | 600,000 | Nestle SA | 123,804,525 |
| 4) | 1,100,000 | Gucci Group NV (NY) | 107,800,000 |
| 5) | 14,000,000 | Barclays PLC | 103,843,121 |
| 6) | 2,125,000 | Royal Dutch Petrol | 98,635,168 |
| 7) | 3,500,000 | Royal Bank of Scotland | 98,183,151 |
| 8) | 2,000,000 | Carrefour | 98,023,668 |
| 9) | 9,000,000 | Diageo | 96,235,990 |
| 10) | 14,000,000 | National Grid Transco PLC | 94,948,883 |

Largest International Bond Holdings (by Market Value)
June 30, 2003

| | Par (Local) | Bonds | Coupon | Due | Market Value (USD) |
|-----|----------------|--|--------|----------|-----------------------|
| 1) | 135,000,000 | Government of Italy | 3.500% | 01/15/08 | \$158,748,733 |
| 2) | 100,000,000 | German Government Bond | 4.500% | 01/04/13 | 120,830,018 |
| 3) | 12,000,000,000 | Spain, Kingdom of | 3.100% | 09/20/06 | 109,431,602 |
| 4) | 85,000,000 | Ireland, Republic of | 5.000% | 04/18/13 | 106,639,209 |
| 5) | 55,000,000 | UK Treasury | 7.250% | 12/07/07 | 103,581,575 |
| 6) | 12,000,000,000 | Government of Italy | 0.375% | 10/10/06 | 100,687,068 |
| 7) | 50,000,000 | UK Treasury Gilt | 7.500% | 12/07/06 | 92,729,449 |
| 8) | 10,000,000,000 | Intl Bank of Reconstruction & Development | 4.750% | 12/20/04 | 89,277,532 |
| 9) | 50,000,000 | UK Treasury | 4.250% | 06/07/32 | 78,596,025 |
| 10) | 45,000,000 | UK Treasury Bond | 6.750% | 11/26/04 | 77,753,630 |

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 2003

| <u>Brokerage Firm</u> | <u>Number of Shares Traded</u> | <u>Total Commissions*</u> | <u>Commissions Per Share</u> |
|------------------------|--------------------------------|---------------------------|------------------------------|
| Griswold | 30,017,440 | \$800,436 | \$0.026 |
| Lehman Brothers | 15,190,300 | 759,515 | 0.050 |
| BNY ESI Soft | 14,684,460 | 734,223 | 0.050 |
| Merrill Lynch | 13,846,960 | 692,348 | 0.050 |
| Susquehanna Financial | 25,170,200 | 679,255 | 0.026 |
| BNY Direct Execution | 23,980,000 | 649,500 | 0.027 |
| Thomson Financial Soft | 12,697,640 | 634,882 | 0.050 |
| Princeton Securities | 22,015,000 | 600,375 | 0.027 |
| Instinet Group | 32,101,444 | 577,826 | 0.180 |
| Morgan Stanley | 10,308,620 | 515,431 | 0.050 |

**Includes Listed and NASDAQ (Implied @ 0.05)*

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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August 21, 2003

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 6% 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 thereafter. (The legislation also provided for a reduction from excess assets during calendar years 1998 and 1999 of the contributions by employees of the State and Local employers of $\frac{1}{2}$ of 1% with the provision for similar reductions in contributions in future valuations under certain conditions. Chapter 415, P.L. 1999 further reduced State and Local employer member contributions from excess valuation assets by 2% for calendar years 2000 and 2001). In addition, the valuation 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.)

Finally, the required contribution for providing postretirement medical costs for State employees was determined 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 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, 2003 were based on the revised actuarial assumptions that were determined from the April 1, 1996 to March 31, 1999 Experience Study (which was approved by the Board of Trustees at the October 18, 2000 Board meeting), the projected unit credit funding method, a salary scale assumption which averages 5.95% per year, and an interest rate of 8.75% (which was used in accordance with the directive of the State Treasurer issued in 1992 under the terms of Chapter 41, P.L. 1992). 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), the actuarial surplus attributable to the change in asset method due to Chapter 133, P.L. 2001 was amortized over a 10 year period and the balance of the actuarial surplus was amortized over 40 years. Both amortization payments are increasing at 5% per year (but not less than the current year's unfunded COLA normal cost contribution) and 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 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, Inc.:

- 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, Inc.



George M. Lovaglio, M.A.A.A., A.S.A., E.A., F.C.A.
Principal, Consulting Actuary



Lisa A. Witlen, M.A.A.A., A.S.A., E.A., F.C.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, 2002 actuarial valuation of the PERS were based on the results of the experience study which covered the period from April 1, 1996 to March 31, 1999.

There were no other changes in actuarial assumption and methods since the previous valuation.

An outline of the actuarial assumptions and methods used for the July 1, 2002 valuation is as follows:

Valuation Interest Rate: 8.75% 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% | 5.87% | 5.67% | — | — |
| 30 | 22.07 | 21.88 | 17.06 | 16.25 | 12.05 | 10.62 | 3.67 | 4.73 | .07% | .11% |
| 35 | 17.87 | 19.10 | 13.37 | 13.74 | 8.88 | 8.37 | 2.59 | 3.47 | .14 | .12 |
| 40 | 16.66 | 18.26 | 12.31 | 12.98 | 7.96 | 7.69 | 2.59 | 3.12 | .15 | .20 |
| 45 | 15.71 | 17.67 | 11.48 | 12.45 | 7.24 | 7.21 | 1.73 | 2.77 | .20 | .26 |
| 50 | 14.70 | 16.99 | 10.59 | 11.83 | 6.48 | 6.66 | 1.73 | 2.08 | .85 | .73 |
| 55 | 14.07 | 16.58 | 10.04 | 11.46 | 6.33 | 6.33 | 1.73 | 1.89 | .86 | 1.17 |

| AGE | ANNUAL RATES OF | | | | | | | SALARY INCREASES |
|-----|------------------|-------|------------------------|-------|--------------------|-------|-------|------------------|
| | ORDINARY DEATH** | | ORDINARY DISABILITY*** | | SERVICE RETIREMENT | | | |
| | STATE | LOCAL | STATE | LOCAL | STATE | LOCAL | | |
| 25 | .06% | .06% | .01% | .01% | — | — | 6.90% | |
| 30 | .08 | .08 | .04 | .05 | — | — | 6.65 | |
| 35 | .10 | .09 | .05 | .09 | — | — | 6.40 | |
| 40 | .13 | .12 | .09 | .23 | — | — | 6.15 | |
| 45 | .18 | .19 | .31 | .27 | — | — | 5.90 | |
| 50 | .29 | .34 | .47 | .45 | — | — | 5.65 | |
| 55 | .38 | .46 | .63 | .68 | 15.4% | 11.7% | 5.40 | |
| 60 | .55 | .66 | 1.30 | .68 | 8.8 | 7.8 | 5.15 | |
| 65 | .81 | .96 | 1.34 | .76 | 23.1 | 22.1 | 4.65 | |
| 69 | 1.14 | 1.28 | 1.65 | .92 | 15.0 | 11.6 | 4.65 | |

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

** A separate rate is used for accidental death.

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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Public Employees' Retirement System

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

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.

| LENGTH OF SERVICE | | | | |
|--------------------|-------|-------|----------|----------------|
| LESS THAN 20 YEARS | | | | |
| AGE | STATE | LOCAL | 20 YEARS | 21 TO 24 YEARS |
| 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 |

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 | .71% | .34% | 35 | 3.16% | 4.25% |
| 60 | 1.20 | .57 | 40 | 3.25 | 2.74 |
| 65 | 2.06 | .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 the valuation date. Experience gains or losses are recognized in future accrued liability contributions.

COLA: Benefits are assumed to increase 2.4% 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 ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|---------------------|--------------------------------|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER** | ANNUAL*** ALLOWANCE | | |
| 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 |
| 7/1/99* | 2,248 | 32,283,106 | 1,059 | 6,927,298 | 29,398 | 345,379,931 | 7.92 | 11,748 |
| 3/31/98 | 2,092 | 28,322,184 | 905 | 8,397,319 | 28,209 | 320,024,123 | 8.41 | 11,345 |
| 3/31/97 | 1,984 | 24,448,483 | 1,087 | 8,695,987 | 27,022 | 295,187,753 | 7.36 | 10,924 |

LOCAL EMPLOYERS

| VALUATION DATE | ADDED TO ROLLS | | REMOVED FROM ROLLS | | ROLLS AT END OF YEAR | | % INCREASE IN ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|---------------------|--------------------------------|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER** | ANNUAL*** ALLOWANCE | | |
| 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 |
| 7/1/99* | 5,232 | 53,039,508 | 2,562 | 12,187,251 | 69,635 | 546,988,481 | 8.07 | 7,855 |
| 3/31/98 | 5,058 | 48,511,435 | 2,634 | 17,999,889 | 66,965 | 506,136,224 | 8.40 | 7,558 |
| 3/31/97 | 5,051 | 43,849,780 | 2,784 | 15,766,696 | 64,541 | 466,924,601 | 7.06 | 7,235 |

TOTAL SYSTEM

| VALUATION DATE | ADDED TO ROLLS | | REMOVED FROM ROLLS | | ROLLS AT END OF YEAR | | % INCREASE IN ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|---------------------|--------------------------------|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER** | ANNUAL*** ALLOWANCE | | |
| 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 |
| 7/1/99* | 7,480 | 85,322,614 | 3,621 | 19,114,549 | 99,033 | 892,368,412 | 8.01 | 9,011 |
| 3/31/98 | 7,150 | 76,833,619 | 3,539 | 26,397,208 | 95,174 | 826,160,347 | 8.40 | 8,681 |
| 3/31/97 | 7,035 | 68,298,263 | 3,871 | 24,462,683 | 91,563 | 762,112,354 | 7.18 | 8,323 |

* Census data as of March 31, 1999.

** 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 |
|----------------|--------------------------|---------------------|----------------------|------------------------------------|
| 7/1/02 | 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 |
| 7/1/99* | 73,044 | 2,928,470,790 | 40,092 | 4.40 |
| 3/31/98 | 73,060 | 2,805,791,009 | 38,404 | 4.04 |
| 3/31/97 | 73,554 | 2,714,991,457 | 36,912 | 1.18 |

LOCAL EMPLOYERS

| VALUATION DATE | NUMBER OF ACTIVE MEMBERS | ANNUAL COMPENSATION | AVERAGE COMPENSATION | % INCREASE IN AVERAGE COMPENSATION |
|----------------|--------------------------|---------------------|----------------------|------------------------------------|
| 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 |
| 7/1/99* | 162,378 | 4,655,241,261 | 28,669 | 2.70 |
| 3/31/98 | 161,687 | 4,513,357,772 | 27,914 | 2.45 |
| 3/31/97 | 161,771 | 4,407,751,955 | 27,247 | 2.39 |

TOTAL SYSTEM

| VALUATION DATE | NUMBER OF ACTIVE MEMBERS | ANNUAL COMPENSATION | AVERAGE COMPENSATION | % INCREASE IN AVERAGE COMPENSATION |
|----------------|--------------------------|---------------------|----------------------|------------------------------------|
| 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 |
| 7/1/99* | 235,422 | 7,583,712,051 | 32,213 | 3.32 |
| 3/31/98 | 234,747 | 7,319,148,781 | 31,179 | 3.01 |
| 3/31/97 | 235,325 | 7,122,743,412 | 30,268 | 1.71 |

*Census data as of March 31, 1999.



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 & INACTIVE MEMBERS | | (1) | (2) | (3) |
| 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 |
| 7/1/99* | 2,109,392,676 | 3,147,877,213 | 2,601,596,967 | 8,915,211,123 | 100.00 | 100.00 | 100.00 |
| 3/31/98 | 1,889,134,891 | 2,933,598,137 | 2,360,801,975 | 7,660,977,874 | 100.00 | 100.00 | 100.00 |
| 3/31/97 | 1,668,789,572 | 2,709,139,027 | 2,411,680,969 | 7,011,546,618 | 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 & INACTIVE MEMBERS | | (1) | (2) | (3) |
| 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 |
| 7/1/99* | 2,871,669,798 | 4,735,008,728 | 3,633,774,845 | 13,248,481,144 | 100.00 | 100.00 | 100.00 |
| 3/31/98 | 2,592,040,580 | 4,401,209,760 | 3,360,641,758 | 11,331,591,388 | 100.00 | 100.00 | 100.00 |
| 3/31/97 | 2,425,485,295 | 4,050,057,369 | 3,185,281,920 | 10,390,581,923 | 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) CURRENT INACTIVE MEMBERS | | (1) | (2) | (3) |
| 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 |
| 7/1/99* | 4,981,062,474 | 7,882,885,941 | 6,235,371,812 | 22,163,692,267 | 100.00 | 100.00 | 100.00 |
| 3/31/98 | 4,481,175,471 | 7,334,807,897 | 5,721,443,733 | 18,992,569,262 | 100.00 | 100.00 | 100.00 |
| 3/31/97 | 4,094,274,867 | 6,759,196,396 | 5,596,962,889 | 17,402,128,541 | 100.00 | 100.00 | 100.00 |

* Accrued liability amounts determined as of March 31 and rolled forward three months to June 30.

** 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, 2002 | JULY 1, 2001 | JULY 1, 2000 | JULY 1, 1999 | MARCH 31, 1998 | MARCH 31, 1997 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|-------------------|
| Effective Prior Year Contribution Rate | 4.68% | 3.74% | 3.91% | 3.63% | 3.16% | 2.82% |
| Net Change Due to: | | | | | | |
| Current New Entrants | (0.03) | 0.04 | 0.02 | 0.02 | 0.04 | 0.03 |
| Excess Salary Increases | 0.01 | 0.01 | 0.01 | 0.02 | (0.03) | (0.18) |
| Assumption/Method Changes | 0.00 | 0.00 | 0.29 | 0.08 | 0.000 | (0.06) |
| COLA Phase-In | 0.03 | 0.03 | 0.03 | 0.07 | 0.06 | 0.05 |
| Active Experience | (0.15) | 0.37 | (0.11) | 0.09 | 0.26 | 0.40 |
| Other Experience | (0.21) | 0.06 | (0.07) | (0.03) | 0.05 | 0.06 |
| Investment Loss/(Gain) | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non-Contributory Group Insurance | | | | | | |
| Premium Fund Experience | (0.30) | (0.28) | (0.34) | 0.03 | 0.09 | 0.04 |
| Chapter 133 Benefit Improvements*** | 0.11 | 0.71 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Effect of Chapter 133** | (0.11) | (0.71) | 0.00 | 0.00 | 0.00 | 0.00 |
| Chapter 366 Benefit Improvement | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Effect of Chapter 366 | (0.01) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Effect of Chapter 115* | 0.00 | (3.97) | (3.74) | (3.91) | (3.63) | (3.16) |
| Actual Contribution Rate | 4.07% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

LOCAL EMPLOYERS

| VALUATION YEAR | JULY 1, 2002 | JULY 1, 2001 | JULY 1, 2000 | JULY 1, 1999 | MARCH 31, 1998 | MARCH 31, 1997 |
|--|-----------------|-----------------|-----------------|-----------------|-------------------|-------------------|
| Effective Prior Year Contribution Rate | 4.38% | 3.37% | 3.70% | 3.37% | 3.01% | 2.50% |
| Net Change Due to: | | | | | | |
| Current New Entrants | (0.01) | 0.03 | 0.04 | 0.03 | 0.02 | 0.02 |
| Excess Salary Increases | 0.03 | 0.07 | 0.01 | 0.01 | (0.03) | (0.04) |
| Assumption/Method Changes | 0.00 | 0.00 | 0.17 | 0.08 | 0.00 | (0.03) |
| COLA Phase-In | 0.05 | 0.05 | 0.03 | 0.06 | 0.08 | 0.05 |
| Active Experience | (0.10) | 0.55 | (0.20) | 0.09 | 0.15 | 0.38 |
| Other Experience | 0.05 | 0.06 | (0.01) | 0.09 | 0.05 | 0.09 |
| Investment Loss/(Gain) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non-Contributory Group Insurance | | | | | | |
| Premium Fund Experience | (0.02) | (0.41) | (0.37) | (0.03) | 0.09 | 0.04 |
| Chapter 133 Benefit Improvements*** | 0.06 | 0.66 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Effect of Chapter 133** | (0.06) | (0.66) | 0.00 | 0.00 | 0.00 | 0.00 |
| Chapter 366 Benefit Improvement | 0.06 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Effect of Chapter 366 | (0.05) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Effect of Chapter 115* | (4.39) | (3.72) | (3.37) | (3.70) | (3.37) | (3.01) |
| Actual Contribution Rate | 0.00% | 0.00% | 0.00% | 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, and legislators are summarized at the end of this section.*

Vested Retirement: Eligible after 10 years of serv-

ice. 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



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, *Continued***

or life if disabled.

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

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 final contributory compensation for each year 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.

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.

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



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, *Continued***

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. 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.

ACCRUED LIABILITY CONTRIBUTIONS

The State and Local employers pay contributions to cover any unfunded accrued liability. An unfunded accrued liability contribution was established for active life COLAs. The amortization periods for funding these liabilities were set initially at 40 years. The accrued liability contribution for active members' COLA liabilities are being phased in. Experience gains or losses for the 10 valuation years following the March 31, 1992 valuation will increase or decrease the unfunded accrued liability contribution. Thereafter, actuarial gains or losses will increase or decrease the amortization period unless an increase will cause it to exceed 30 years.



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August 22, 2003

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, 2002 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 2002 valuation, 44.30% 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, 2002 Actuarial Valuation, there were sufficient assets in the BEF, and the State reduced its contribution accordingly. In the event there are assets in excess of Actuarial Accrued Liabilities, the BEF, and the value of future unphased-in normal costs for pension adjustments, the State may reduce both its contribution and Member contributions. In the event Unfunded Actuarial Liabilities exist, the State will amortize them generally over a 30-year period as a level percentage of payroll. As of the June 30, 2002 Actuarial Valuation, there were no such "excess assets", and neither the State's nor Members' contributions were reduced based on such excess assets.

The budget for FY 2004, which appropriated funds to cover the contribution developed in the 2002 valuation, authorized the payment of 20% of the State contribution described above and authorized payment of that amount out of the BEF. Thus the State appropriated \$0 of cash contributions for the 2004 fiscal year.

The valuation was based on a set of 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, 2000. For purposes of determining contributions, these assumptions are being



phased-in over a 3-year period. 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 of the new assumptions and the phase-in regarding the normal cost of pension adjustment benefits. The Annual Required Contribution shown on the attached exhibit is based on the assumptions without any phase-ins and 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

Summary 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.

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.

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.

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

Respectfully submitted,

MILLIMAN USA, INC.



By: William A. Reimert, FSA, MAAA



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Teachers' Pension and Annuity Fund

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS AS OF JUNE 30, 2002

A. Actuarial Assumptions

Interest: 8.75% per annum, compounded annually.

CPI: 4.0% per annum, compounded annually. The pension adjustment is 60% of the cumulative increase.

Future Payroll Growth: 5.0% per annum, compounded annually.

Salary Scale: Salary increases vary by age and service with a salary scale which averages 5.95%. Illustrative rates are shown below:

| LESS THAN 10 YEARS OF SERVICE | | 10 OR MORE YEARS OF SERVICE | |
|-------------------------------|-------------|-----------------------------|-------------|
| YEARS OF SERVICE | ANNUAL RATE | AGE | ANNUAL RATE |
| 0 | 8.16% | 30 | 7.88% |
| 1 | 8.16 | 35 | 7.88 |
| 2 | 7.15 | 40 | 7.14 |
| 3 | 7.08 | 45 | 5.94 |
| 4 | 7.08 | 50 | 5.20 |
| 5 | 7.08 | 55 | 4.95 |
| 6 | 7.08 | 60 | 4.83 |
| 7 | 7.08 | 65 | 4.74 |
| 8 | 7.08 | 70 | 4.72 |
| 9 | 7.08 | | |

Termination: Withdrawal rates vary by age, service and sex. Illustrative rates are shown below:

| YEARS OF SERVICE | LESS THAN 10 YEARS OF SERVICE | | AGE | 10 OR MORE YEARS OF SERVICE | | | |
|------------------|-------------------------------|--------|-----|--|--------|--|--------|
| | | | | ANNUAL RATES FOR THOSE WITH DEFERRED ANNUITY BENEFITS* | | ANNUAL RATES FOR THOSE RECEIVING RETURN OF CONTRIBUTIONS | |
| | MALE | FEMALE | | MALE | FEMALE | MALE | FEMALE |
| 0 | 8.13% | 7.54% | 25 | 0.07% | 0.08% | 1.14% | 1.58% |
| 1 | 6.45 | 6.04 | 30 | 0.07 | 0.08 | 1.14 | 1.58 |
| 2 | 5.61 | 5.40 | 35 | 0.07 | 0.08 | 0.88 | 1.27 |
| 3 | 4.53 | 5.40 | 40 | 0.07 | 0.08 | 0.51 | 0.83 |
| 4 | 3.60 | 4.80 | 45 | 0.14 | 0.12 | 0.30 | 0.55 |
| 5 | 3.07 | 4.48 | 50 | 0.31 | 0.45 | 0.19 | 0.36 |
| 6 | 2.55 | 4.29 | 55 | 1.03 | 1.22 | 0.16 | 0.30 |
| 7 | 2.34 | 3.60 | | | | | |
| 8 | 1.71 | 2.68 | | | | | |
| 9 | 1.16 | 2.22 | | | | | |

*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 and when initially eligible. Illustrative rates are shown below.

| FIRST YEAR OF ELIGIBILITY FOR UNREDUCED RETIREMENT | | |
|--|-------------|--------|
| AGE | ANNUAL RATE | |
| | MALE | FEMALE |
| 55 | 15.34% | 16.49% |
| 56 | 15.34 | 16.49 |
| 57 | 15.34 | 16.49 |
| 58 | 15.34 | 16.49 |
| 59 | 15.34 | 16.49 |

| AFTER FIRST YEAR OF ELIGIBILITY FOR UNREDUCED RETIREMENT | | |
|--|-------------|--------|
| AGE | ANNUAL RATE | |
| | MALE | FEMALE |
| 55 | 15.34% | 16.49% |
| 56 | 10.25 | 11.33 |
| 57 | 10.84 | 11.67 |
| 58 | 12.04 | 11.81 |
| 59 | 13.85 | 12.62 |
| 60 | 17.28 | 13.56 |
| 61 | 19.61 | 14.21 |
| 62 | 31.39 | 20.98 |
| 63 | 25.38 | 18.86 |
| 64 | 25.38 | 19.56 |
| 65 | 32.67 | 29.03 |
| 66 - 70 | 30.04 | 27.79 |
| 71 and Over | 44.73 | 46.01 |

| REDUCED RETIREMENT | | |
|--------------------|-------------|--------|
| AGE | ANNUAL RATE | |
| | MALE | FEMALE |
| <45 | 1.0% | 1.20% |
| 45 | 1.0 | 1.20 |
| 46 | 1.0 | 1.20 |
| 47 | 1.0 | 1.20 |
| 48 | 1.2 | 1.36 |
| 49 | 1.4 | 1.52 |
| 50 | 1.6 | 1.68 |
| 51 | 1.8 | 1.84 |
| 52 | 2.0 | 2.00 |
| 53 | 2.0 | 2.00 |
| 54 | 2.0 | 2.00 |



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: Illustrative rates of the incidence of disabilities among active members are shown below:

| AGE | ANNUAL RATES | | | |
|-----|--------------|--------|------------|--------|
| | ORDINARY | | ACCIDENTAL | |
| | MALE | FEMALE | MALE | FEMALE |
| 25 | 0.018% | 0.022% | 0.009% | 0.006% |
| 30 | 0.026 | 0.031 | 0.009 | 0.006 |
| 35 | 0.039 | 0.048 | 0.009 | 0.006 |
| 40 | 0.057 | 0.070 | 0.009 | 0.006 |
| 45 | 0.087 | 0.107 | 0.009 | 0.006 |
| 50 | 0.142 | 0.174 | 0.009 | 0.006 |
| 55 | 0.241 | 0.296 | 0.009 | 0.006 |

Mortality (pre-retirement): Illustrative rates of mortality of active members are shown below:

| AGE | ANNUAL RATES | | |
|-----|--------------|--------|------------|
| | ORDINARY | | ACCIDENTAL |
| | MALE | FEMALE | UNISEX |
| 25 | 0.037% | 0.018% | 0.0004% |
| 30 | 0.043 | 0.021 | 0.0004 |
| 35 | 0.061 | 0.035 | 0.0004 |
| 40 | 0.099 | 0.046 | 0.0004 |
| 45 | 0.135 | 0.077 | 0.0004 |
| 50 | 0.226 | 0.116 | 0.0004 |
| 55 | 0.333 | 0.178 | 0.0004 |
| 60 | 0.393 | 0.260 | 0.0004 |
| 65 | 0.550 | 0.314 | 0.0004 |
| 70 | 0.768 | 0.610 | 0.0004 |

Mortality (post-retirement): Special mortality tables are used for the period after disability retirements. Illustrative rates of mortality for retired members and beneficiaries are shown below:

| AGE | SERVICE RETIREMENTS AND BENEFICIARIES | | DISABILITY RETIREMENT | |
|-----|---------------------------------------|--------|-----------------------|--------|
| | MALE | FEMALE | MALE | FEMALE |
| 40 | 0.12% | 0.06% | 2.89% | 1.01% |
| 45 | 0.17 | 0.09 | 3.02 | 1.08 |
| 50 | 0.61 | 0.13 | 3.22 | 1.28 |
| 55 | 0.56 | 0.21 | 3.54 | 1.61 |
| 60 | 0.68 | 0.42 | 4.05 | 2.12 |
| 65 | 1.19 | 0.81 | 4.84 | 2.92 |
| 70 | 1.98 | 1.29 | 6.08 | 4.18 |
| 75 | 3.45 | 2.10 | 8.00 | 6.14 |
| 80 | 6.09 | 3.66 | 10.97 | 9.16 |



STATE OF NEW JERSEY
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SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

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.

Post Retirement Medical: Projected 2003-2004 Per Retiree Benefit Costs (based on June 30, 2002 health plan distribution, medical trends ranging from 21%-23% for those less than age 65 and 23%-24% for those greater than 65, and the Social Security Standard premium for Medicare Part B):

| | |
|--------------------|-------------|
| Pre-Medicare: | \$13,141.10 |
| Medicare Eligible: | \$7,877.70 |

- 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.
- D. Changes in Actuarial Assumptions:** The per capita benefit costs for postretirement medical benefits have changed since the previous valuation. The costs were previously \$10,054.20 for pre-Medicare and \$6,255.96 for Medicare eligible.

The assumptions shown above in Section A are the assumptions recommended as a result of the 1997 to 2000 Experience Study. These assumptions are being phased-in over a 3-year period, as directed by the Board.



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 | | |
| 3/31/96 | 2,699 | N/A | 1,534 | N/A | 43,764 | \$809,117,171 | 5.57% | \$18,488 |
| 3/31/97 | 3,205 | N/A | 1,580 | N/A | 45,389 | 884,918,995 | 5.45 | 19,496 |
| 3/31/98 | 3,186 | N/A | 1,758 | N/A | 46,817 | 959,119,419 | 5.08 | 20,487 |
| 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 |

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

| VALUATION DATE | NUMBER OF ACTIVE MEMBERS (a) | ANNUAL COMPENSATION (b) | AVERAGE COMPENSATION (b/a) | % INCREASE IN AVERAGE COMPENSATION |
|----------------|------------------------------|-------------------------|----------------------------|------------------------------------|
| 3/31/96 | 117,666 | \$5,829,763,310 | \$49,545 | 3.68% |
| 3/31/97 | 118,810 | 6,016,193,564 | 50,637 | 2.20 |
| 3/31/98 | 121,251 | 6,251,626,008 | 51,559 | 1.82 |
| 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 |

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) |
| 3/31/96 | \$3,365,884,980 | \$8,188,782,898 | \$8,273,760,857 | \$20,843,247,418 | 100.00% | 100.00% | 100.00% |
| 3/31/97 | 3,636,516,257 | 8,928,584,128 | 8,659,384,203 | 22,045,481,579 | 100.00 | 100.00 | 100.00 |
| 3/31/98 | 4,158,202,803 | 9,872,134,353 | 9,454,066,294 | 24,478,860,383 | 100.00 | 100.00 | 100.00 |
| 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 |

*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, 2001 (\$ MILLIONS) | JUNE 30, 2002 (\$ MILLIONS) |
| <u>Economic Factors:</u> | | |
| Investment Return | \$(1,248.1) | \$(2,006.6) |
| Salary Increases | 149.0 | 226.7 |
| COLA Adjustments | 2.2 | 40.9 |
| Expenses | (8.3) | (10.1) |
| <u>Demographic Factors:</u> | | |
| Active Members | (395.2) | (193.4) |
| New Entrants | (51.6) | (61.9) |
| Non-Contributing Members | (20.1) | (16.6) |
| Retirees and Beneficiaries | 71.8 | 75.4 |
| Net Actuarial Gains or (Losses) | \$(1,500.3) | \$(1,945.6) |



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. The Plan is coordinated with Social Security. Members receive their full benefits under the Plan and Social Security benefits.

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 termi-



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Teachers' Pension and Annuity Fund

SUMMARY OF PRINCIPAL PLAN PROVISIONS, *Continued*

nation of service.

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.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Teachers' Pension and Annuity Fund

SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

- (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.
- (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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Teachers' Pension and Annuity Fund

SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

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 \$160,000 and the 401(a)(17) compensation cap is \$200,000. The \$200,000 compensation cap is not applied to plan years prior to 2002.

15. 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.

Prior to January 1, 1960 the Social Security contributions on compensation upon which the member's contributions were based were deducted from the contributions required to be paid to the retirement system. On and after January 1, 1960 and prior to January 1, 1967 the member's required contributions were reduced to the extent of the Social Security rate of contribution in effect on December 31, 1959. Effective January 1, 1967 and prior to July 1, 1994 the member's required contributions were reduced to 2% of the compensation subject to Social Security tax. Effective July 1, 1995, this reduction has been eliminated.

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

b. **State and Other Sponsor Contributions:**

(1) NORMAL COST CONTRIBUTIONS: The State pays annually a Normal Cost contribution determined each year on the basis of the annual valuation as the percentage of compensation of members (exclusive of the compensation of veteran members employed as teachers on January 1, 1955) which will support the allowances with pension adjustments and death benefits which are not met by future Accrued Liability contributions and the funds in hand available for such benefits. The



STATE OF NEW JERSEY
 DIVISION OF PENSIONS AND BENEFITS
 Teachers' Pension and Annuity Fund

SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

Normal Cost contributions for active members' pension adjustments are being phased-in. Certain State Colleges will be allocated a portion of the Normal Cost.

(2) ACCRUED LIABILITY CONTRIBUTIONS: The State pays a contribution to cover any Unfunded Accrued Liability. There is currently no Unfunded Accrued Liability. Experience gains or losses are recognized in future Accrued Liability contributions. Certain State Colleges will be allocated a portion of the Accrued Liability Contribution.

(3) 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 pay contributions to cover the additional liability for these programs over amortization periods chosen by the employer or the amortization period for the Unfunded Accrued Liability of the system.

(4) 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.

16. CHANGES IN PLAN PROVISIONS SINCE PRIOR EVALUATION

Chapter 353, P.L. 2001 increased the benefit percentages for disability and veteran benefits by approximately 9.09% as follows:

| | NEW PERCENTAGE | OLD PERCENTAGE |
|-----------------------------|----------------|----------------|
| Ordinary Disability | 1.64 | 1.50 |
| Ordinary Disability Minimum | 43.60 | 40.00 |
| Accidental Disability | 72.70 | 66.66 |
| Veteran Service Retirement | 54.50 | 50.00 |

Chapter 23 provided for State Employees who met the eligibility criteria to participate in Early Retirement Incentive III (ERI-3) which provided for enhanced retirement benefits. ERI-3 was effective for retirements from February 1, 2002 to July 1, 2002. The following is a brief description of the program:

| CATEGORY | ELIGIBILITY | ENHANCEMENT |
|----------|-------------------------------------|--|
| I (a) | Age 50 w/at least 25 years | Additional 3 years |
| (b) | Veteran Age 55 w/ at least 25 years | Additional 3/55 benefit |
| II | Age 60 w/ at least 20 years | Receive Retiree Medical Coverage |
| III | Age 60 w/ at least 10 years | \$500 per month supplement payable for 24 months |





August 21, 2003

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 5.95% 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 (68% as of the July 1, 2002 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, 2002 valuation incorporates the provisions of Chapter 318, P.L. 2001 and Chapter 86, P.L. 2001 which provide additional death benefits to beneficiaries of former active members who died between June 1, 1995 and January 18, 2000.

The July 1, 2002 valuation also incorporates the addition of the three Municipality and Local Group locations with certain employees participating in the fund under the provisions of Chapter 204, P.L. 1989.

A contribution was required for the fiscal year beginning July 1, 2004 in the amount of \$480,671,280. The required normal cost contribution is \$440,142,529, and the unfunded accrued liability contribution is \$40,528,751.



The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck 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, 2004 were based on the revised actuarial assumptions that were determined from the July 1, 1998 — June 30, 2001 Experience Study (which was approved by the Board of Trustees at the August 19, 2002 Board meeting), projected unit credit funding method, a salary scale assumption which averages 5.95% per year, and an interest rate of 8.75% (which was used in accordance with the directive of the State Treasurer issued in 1992 under the terms of Chapter 62, P.L. 1992). 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, Inc.:

- 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, Inc.



George M. Lovaglio, M.A.A.A., A.S.A., E.A., F.C.A.
Principal, Consulting Actuary



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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, 2002 actuarial valuation of the Police and Firemen's Retirement System reflects the recognition of the revised actuarial assumptions determined from the July 1, 1998 — June 30, 2001 Experience Study which was approved by the Board of Trustees at the August 19, 2002 Board Meeting.

An outline of the actuarial assumptions and methods used for the July 1, 2002 valuation is as follows:

Valuation Interest Rate: 8-3/4% per annum, compounded annually.

Salary Increases: 5.95% per year.

Separation from Service: Representative values of the assumed annual rates of separation are as follows:

| ANNUAL RATES OF | | | | | | |
|-----------------|--------------------|----------|----------|----------|--------------|---------------------|
| AGE | SELECT WITHDRAWAL | | | | | ULTIMATE WITHDRAWAL |
| | UP TO THE 1ST YEAR | 2ND YEAR | 3RD YEAR | 4TH YEAR | 5 TO 9 YEARS | AFTER 9 YEARS |
| 25 | 3.50% | 2.25% | 1.85% | 1.74% | 1.00% | 0.00% |
| 30 | 4.00 | 2.25 | 1.85 | 1.74 | 1.20 | 0.60 |
| 35 | 4.50 | 2.25 | 1.85 | 1.74 | 1.50 | 0.39 |
| 40 | 5.00 | 2.25 | 1.85 | 2.32 | 1.50 | 0.40 |
| 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 |

| ANNUAL RATES OF | | | | | | | | |
|-----------------|----------|------------|------------|------------|--|----------------|----------|------------------|
| AGE | DEATH | | DISABILITY | | SERVICE RETIREMENT — LENGTH OF SERVICE | | | |
| | ORDINARY | ACCIDENTAL | ORDINARY | ACCIDENTAL | LESS THAN 21 YEARS* | 21 TO 24 YEARS | 25 YEARS | 26 OR MORE YEARS |
| 25 | .050% | .006% | .100% | .029% | 2.50% | 0.00% | 41.00% | 15.40% |
| 30 | .065 | .006 | .150 | .071 | 2.50 | 0.00 | 41.00 | 15.40 |
| 35 | .065 | .008 | .250 | .122 | 2.50 | 0.00 | 41.00 | 15.40 |
| 40 | .120 | .008 | .350 | .153 | 2.50 | 0.00 | 41.00 | 15.40 |
| 45 | .180 | .009 | .380 | .151 | 2.50 | 0.00 | 44.15 | 15.40 |
| 50 | .250 | .009 | .330 | .119 | 3.75 | 0.00 | 47.31 | 15.40 |
| 55 | .300 | .014 | .500 | .107 | 5.00 | 0.00 | 49.20 | 17.48 |
| 60 | .600 | .013 | .200 | .107 | 5.00 | 0.00 | 55.35 | 22.78 |
| 64 | .600 | .008 | .800 | .107 | 37.50 | 0.00 | 55.35 | 37.80 |
| 65 and 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.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

DEATHS AFTER 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 | 0.90% | 0.254% | 0.90% | 0.699% | 35 | 1.494% |
| 60 | 1.42 | 0.424 | 1.42 | 1.027 | 40 | 1.584 |
| 65 | 2.17 | 0.706 | 2.17 | 1.563 | 45 | 1.674 |
| 70 | 2.75 | 1.238 | 2.75 | 1.981 | 50 | 1.761 |
| 75 | 4.46 | 2.399 | 4.46 | 2.399 | 55 | 2.016 |
| 80 | 7.41 | 4.294 | 7.41 | 4.294 | 60 | 2.376 |
| 85 | 11.48 | 6.992 | 11.48 | 6.992 | 65 | 2.736 |

Marriage: Husbands are assumed to be 3 years older than wives. Among the active population, 90% of participants are assumed 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 2.4% 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 ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|--------------------|--------------------------------|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER* | ANNUAL** ALLOWANCE | | |
| 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 |
| 7/1/99 | 162 | 4,141,868 | 35 | 494,862 | 1,434 | 39,207,781 | 11.24 | 27,342 |
| 7/1/98 | 124 | 3,436,860 | 15 | 376,632 | 1,307 | 35,246,724 | 11.07 | 26,968 |
| 7/1/97 | 116 | 3,185,767 | 24 | 567,767 | 1,198 | 31,732,931 | 9.95 | 26,488 |

LOCAL EMPLOYERS

| VALUATION DATE | ADDED TO ROLLS | | REMOVED FROM ROLLS | | ROLLS AT END OF YEAR | | % INCREASE IN ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|--------------------|--------------------------------|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER* | ANNUAL** ALLOWANCE | | |
| 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 |
| 7/1/99 | 1,472 | 52,069,752 | 534 | 11,662,127 | 20,346 | 591,154,754 | 8.23 | 29,055 |
| 7/1/98 | 1,190 | 41,740,716 | 442 | 8,945,724 | 19,408 | 546,209,844 | 8.05 | 28,144 |
| 7/1/97 | 1,125 | 36,737,885 | 492 | 10,272,572 | 18,660 | 505,517,798 | 7.46 | 27,091 |

TOTAL SYSTEM

| VALUATION DATE | ADDED TO ROLLS | | REMOVED FROM ROLLS | | ROLLS AT END OF YEAR | | % INCREASE IN ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|--------------------|--------------------------------|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER* | ANNUAL** ALLOWANCE | | |
| 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 |
| 7/1/99 | 1,634 | 56,211,620 | 569 | 12,156,989 | 21,780 | 630,362,535 | 8.41 | 28,942 |
| 7/1/98 | 1,314 | 45,177,576 | 457 | 9,322,356 | 20,715 | 581,456,568 | 8.23 | 28,069 |
| 7/1/97 | 1,241 | 39,923,652 | 516 | 10,840,339 | 19,858 | 537,250,729 | 7.61 | 27,055 |

* 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 |
|----------------|--------------------------|---------------------|----------------------|------------------------------------|
| 7/1/02 | 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 |
| 7/1/99 | 7,507 | 374,359,999 | 49,868 | 4.11 |
| 7/1/98 | 7,419 | 355,363,473 | 47,899 | 3.36 |
| 7/1/97 | 6,978 | 323,373,137 | 46,342 | (1.70) |

LOCAL EMPLOYERS

| VALUATION DATE | NUMBER OF ACTIVE MEMBERS | ANNUAL COMPENSATION | AVERAGE COMPENSATION | % INCREASE IN AVERAGE COMPENSATION |
|----------------|--------------------------|---------------------|----------------------|------------------------------------|
| 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 |
| 7/1/99 | 34,800 | 2,004,643,544 | 57,605 | 3.34 |
| 7/1/98 | 34,128 | 1,902,362,272 | 55,742 | 4.81 |
| 7/1/97 | 33,886 | 1,802,196,773 | 53,184 | 3.74 |

TOTAL SYSTEM

| VALUATION DATE | NUMBER OF ACTIVE MEMBERS | ANNUAL COMPENSATION | AVERAGE COMPENSATION | % INCREASE IN AVERAGE COMPENSATION |
|----------------|--------------------------|---------------------|----------------------|------------------------------------|
| 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 |
| 7/1/99 | 42,307 | 2,379,003,543 | 56,232 | 3.48 |
| 7/1/98 | 41,547 | 2,257,725,745 | 54,341 | 4.47 |
| 7/1/97 | 40,864 | 2,125,569,910 | 52,016 | 2.82 |



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 & INACTIVE MEMBERS | | (1) | (2) | (3) |
| 7/1/02 | \$300,242,722 | \$780,388,408 | \$966,189,059 | \$1,932,852,995 | 100.00% | 100.00% | 100.00% |
| 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 |
| 7/1/99 | 240,447,593 | 494,266,204** | 799,756,704 | 1,694,130,762** | 100.00 | 100.00 | 100.00 |
| 7/1/98 | 216,800,346 | 442,666,832 | 718,267,277 | 1,600,924,704 | 100.00 | 100.00 | 100.00 |
| 7/1/97 | 207,114,009 | 407,590,268 | 620,254,888 | 1,260,128,058 | 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 & INACTIVE MEMBERS | | (1) | (2) | (3) |
| 7/1/02 | \$1,687,453,715 | \$9,268,750,917 | \$6,224,937,678 | \$16,572,809,734 | 100.00% | 100.00% | 100.00% |
| 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 |
| 7/1/99 | 1,393,167,721 | 7,134,170,599** | 5,367,613,297 | 14,384,636,223** | 100.00 | 100.00 | 100.00 |
| 7/1/98 | 1,295,253,008 | 6,547,860,747 | 5,038,728,612 | 13,137,204,047*** | 100.00 | 100.00 | 100.00 |
| 7/1/97 | 1,191,385,480 | 6,009,979,903 | 4,544,804,369 | 10,854,173,290 | 100.00 | 100.00 | 80.37 |

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) CURRENT INACTIVE MEMBERS | | (1) | (2) | (3) |
| 7/1/02 | \$1,987,696,437 | \$10,049,139,325 | \$7,191,126,737 | \$18,505,662,729 | 100.00% | 100.00% | 100.00% |
| 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 |
| 7/1/99 | 1,633,615,314 | 7,628,436,803** | 6,167,370,001 | 16,078,766,985** | 100.00 | 100.00 | 100.00 |
| 7/1/98 | 1,512,053,354 | 6,990,527,579 | 5,756,995,889 | 14,738,128,751*** | 100.00 | 100.00 | 100.00 |
| 7/1/97 | 1,410,676,338 | 6,429,747,020 | 5,140,705,559 | 12,114,301,348 | 100.00 | 100.00 | 83.14 |

* Actuarial Value including receivable amounts.

** Revised amounts reflecting the retroactive effect of Chapter 4, P.L. 2001.

*** Revised amounts reflecting the retroactive effect of Chapter 44, P.L. 2001.



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, 2002 | JULY 1, 2001 | JULY 1, 2000 | JULY 1, 1999 | JULY 1, 1998 | JULY 1, 1997 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Effective Prior Year Contribution Rate | 31.63% | 30.43% | 29.51% | 27.34% | 28.96% | 26.06% |
| Net Change Due to: | | | | | | |
| Current New Entrants | 0.01 | 0.02 | 0.07 | 0.44 | 0.13 | 0.38 |
| Excess Salary Increases | 0.02 | 0.01 | 0.03 | (0.04) | 0.02 | 0.27 |
| Assumption/Method Changes | 0.00 | 0.00 | 0.00 | 1.15 | 1.67 | 1.63 |
| COLA | (0.09) | (0.10) | (0.09) | (0.10) | (0.63) | (0.09) |
| Active and Other Experience | (0.58) | 0.57 | 0.69 | 1.34 | (0.58) | 0.83 |
| Retiree Experience | (0.53) | 0.10 | 0.55 | 0.11 | (0.68) | 0.58 |
| Investment Loss/(Gain) | 0.10 | 0.60 | (0.33) | (0.73) | (1.55) | (0.70) |
| Net Effect of Chapter 115* | 0.00 | (1.96) | (28.65) | (27.79) | (27.16) | (9.43) |
| Net Effect of Chapter 8** | 7.49 | (1.77) | (1.78) | (1.72) | (0.18) | 0.00 |
| Actual Contribution Rate | 38.05% | 27.90% | 0.00% | 0.00% | 0.00% | 19.53% |

LOCAL EMPLOYERS

| VALUATION YEAR | JULY 1, 2002 | JULY 1, 2001 | JULY 1, 2000 | JULY 1, 1999 | JULY 1, 1998 | JULY 1, 1997 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Effective Prior Year Contribution Rate | 14.70% | 13.82% | 13.61% | 13.26% | 14.59% | 15.28% |
| Net Change Due to: | | | | | | |
| Current New Entrants | 0.02 | 0.01 | 0.05 | 0.18 | 0.15 | 0.48 |
| Excess Salary Increases | 0.03 | 0.02 | 0.03 | 0.34 | 0.04 | 0.17 |
| Assumption/Method Changes | 0.00 | 0.00 | 0.00 | 0.53 | 0.85 | 0.90 |
| COLA | (0.37) | (0.10) | (0.09) | (0.25) | (0.44) | (0.56) |
| Active and Other Experience | 0.49 | 0.14 | 0.47 | (0.35) | (0.66) | (0.63) |
| Retiree Experience | 0.44 | 0.23 | 0.59 | 0.07 | (0.24) | (0.13) |
| Investment Loss/(Gain) | 0.19 | 0.58 | (0.85) | (1.58) | (1.03) | (0.92) |
| Net Effect of Chapter 115* | 0.00 | (0.89) | (12.31) | (7.24) | 0.00 | 0.00 |
| Net Effect of Chapter 8** | (1.38) | (1.47) | (1.48) | (4.95) | (1.19) | 0.00 |
| Net Effect of Chapter 44*** | 0.00 | 0.00 | 0.00 | 0.00 | (8.02) | 0.00 |
| Actual Contribution Rate# | 14.12% | 12.34% | 0.02% | 0.01% | 4.05% | 14.59% |

* 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.

*** Net effect of the \$150,000,000 reduction in the normal contribution due to be paid by local government employers in April of 2001.

Includes rates attributable to Chapter 204 and Chapter 39 requirements which are billed to specific locations.



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) 1/60th 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 serv-



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, *Continued***

ice 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.

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



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, *Continued***

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 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.





August 21, 2003

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 5.95% 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 (84% for the July 1, 2002 valuation). In addition, the valuation reflects the provisions of Chapter 350, P.L. 2001 which increased the compensation base used for the determination of accidental death benefit for spouses and children.

No contributions were required for the fiscal year beginning July 1, 2003. There were no required unfunded accrued liability payments due to the fact that a net surplus existed as of July 1, 2002 and the required normal contributions were reduced to \$0 due to the recognition of a portion of excess assets.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck 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, 2003 were calculated using the revised actuarial assumptions that were determined from the July 1, 1996 to June 30, 1999 Experience Study, projected unit credit funding method, a salary scale assumption of 5.95% per year and an interest rate of 8.75% (which was used in accordance with the directive of the State Treasurer as enacted by Senate Bill 540 in 1992). 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, Inc.:

- 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, Inc.



George M. Lovaglio, M.A.A.A., A.S.A., E.A., F.C.A.
Principal, Consulting Actuary



Lisa A. Witlen, M.A.A.A., A.S.A., E.A., F.C.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 expected liabilities are consistent with recent experience.

The assumptions used for the July 1, 2002 actuarial valuation of the State Police Retirement System were based on the results of the experience study which covered the period from July 1, 1996 to June 30, 1999.

There were no other changes in actuarial assumptions and methods since the previous valuation.

An outline of the actuarial assumptions and methods used for the July 1, 2002 valuation is as follows:

Valuation Interest Rate: 8.75% per annum, compounded annually.

COLA: 4.0% per annum, compounded annually. The COLA is 60% of the cumulative increase.

Salary Increases: Salaries are assumed to increase by 5.95% 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 | 4.0 |
| 30 | 11.0 | 4.0 |
| 35 | 11.0 | 4.0 |
| 40 | 11.0 | 4.0 |
| 45 | 11.0 | 4.0 |
| 50 | 11.0 | 4.0 |

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 | 0.6 | 0.4 | 0.6 | 0.3 |
| 30 | 0.7 | 0.5 | 0.9 | 0.4 |
| 35 | 1.0 | 0.5 | 1.2 | 0.5 |
| 40 | 1.4 | 0.5 | 1.8 | 0.7 |
| 45 | 1.8 | 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 number of children assumptions are individually explicit but they are considered 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 actual 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 25 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 | 5 |
| 21 | 1 |
| 22 | 0 |
| 23 | 0 |
| 24 | 0 |
| 25 | 35 |
| greater than 25: | |
| (a) through age 47 | 5 |
| (b) ages 48-52 | 15 |
| (c) ages 53-54 | 22 |



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 ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|--------------------|--------------------------------|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER* | ANNUAL ALLOWANCE** | | |
| 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 |
| 7/1/99 | 103 | 4,572,188 | 38 | 402,070 | 1,730 | 58,086,934 | 7.73 | 33,576 |
| 7/1/98 | 97 | 3,920,472 | 38 | 901,116 | 1,665 | 53,916,816 | 7.53 | 32,382 |
| 7/1/97 | 124 | 5,402,747 | 18 | 226,182 | 1,606 | 50,142,995 | 13.47 | 31,222 |

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

** The benefit amounts shown are the annualized benefit 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 |
|----------------|--------------------------|---------------------|----------------------|------------------------------------|
| 7/1/02 | 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 |
| 7/1/99 | 2,698 | 179,329,453 | 66,468 | 4.67 |
| 7/1/98 | 2,632 | 167,145,161 | 63,505 | 15.13 |
| 7/1/97 | 2,586 | 142,636,260 | 55,157 | (0.29) |

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) |
| 7/1/02 | \$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 |
| 7/1/99 | 106,193,262 | 726,980,559 | 635,970,327 | 1,600,165,104 | 100.00 | 100.00 | 100.00 |
| 7/1/98 | 99,603,112 | 678,442,737 | 591,232,119 | 1,458,600,992 | 100.00 | 100.00 | 100.00 |
| 7/1/97 | 90,145,221 | 633,274,208 | 548,823,022 | 1,322,406,703 | 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 DATE | July 1, 2002 | JULY 1, 2001 | JULY 1, 2000 | JULY 1, 1999 | JULY 1, 1998 | JULY 1, 1997 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Effective Prior Year Contribution Rate | 18.80% | 18.61% | 21.80% | 21.26% | 23.20% | 22.78% |
| Net Change Due to: | | | | | | |
| Current New Entrants | 0.52 | 0.49 | 0.00 | 0.65 | 0.59 | 0.96 |
| Excess Salary Increases | 0.03 | 0.06 | 0.65 | 0.27 | (1.10) | (1.00) |
| Assumption/Method Changes | 0.00 | N/A | (3.44) | N/A | N/A | N/A |
| COLA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Retiree Mortality | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Active and Other Experience | (0.37) | (0.36) | (0.40) | (0.38) | (1.43) | 0.46 |
| Investment Loss/(Gain) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Effect of Chapter 115* | (18.98) | (18.80) | (18.61) | (21.80) | (21.26) | (23.20) |
| Actual Contribution Rate | 0.00% | 0.00% | 0.00% | 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.



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.



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, *Continued***

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 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.





August 21, 2003

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 5.95% 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 (84% for the July 1, 2002 valuation).

A required contribution of \$16,777,190 was required for the fiscal year beginning July 1, 2003. There was an unfunded accrued liability payment of \$374,139 and a normal contribution of \$16,403,051.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck 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, 2003 were calculated using the revised actuarial assumptions that were determined from the July 1, 1996—June 30, 1999 Experience Study, projected unit credit funding method, a salary scale assumption of 5.95% per year and an interest rate of 8.75% (which was used in accordance with the directive of the State Treasurer issued in 1994 under the terms of chapter 62, P.L. 1994). 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, Inc.:

- 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, Inc.



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Principal, Consulting Actuary



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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, 2002 actuarial valuation of the Judicial Retirement System were based on the results of the experience study which covered the period from July 1, 1996 to June 30, 1999.

There were no other changes in actuarial assumptions and methods since the previous valuation.

An outline of the actuarial assumptions and methods used for the July 1, 2002 valuation is as follows:

Valuation Interest Rate: 8.75% per annum, compounded annually.

COLA: 4.0% per annum, compounded annually. The COLA is 60% of the cumulative increase.

Salary Increases: Salaries are assumed to increase by 5.95% per year for inflation.

Disability: The assumed rate of disability varies by age, as illustrated below:

| AGE | DISABILITIES PER 1,000 LIVES |
|-----|---------------------------------|
| 30 | 0.22 |
| 35 | 0.26 |
| 40 | 0.33 |
| 45 | 0.64 |
| 50 | 1.14 |
| 55 | 1.97 |
| 60 | 3.26 |
| 65 | 4.73 |

Mortality: It was assumed that mortality would follow the 1983 Group Annuity Mortality Table except for retired males, male beneficiaries and disabled lives. For retired males and male beneficiaries, the 1983 Group Annuity Mortality Table for males with ages set back 3 years was used. For disabled lives, the 1983 Group Annuity Table for males with ages set forward 7 years was used for both males and females.

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 ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|--------------------|--------------------------------|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER* | ANNUAL ALLOWANCE** | | |
| 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 |
| 7/1/99 | 23 | 1,481,748 | 25 | 1,219,077 | 341 | 19,392,375 | 1.37 | 56,869 |
| 7/1/98 | 18 | 1,140,084 | 22 | 765,780 | 343 | 19,129,704 | 3.27 | 55,772 |
| 7/1/97 | 28 | 1,745,210 | 13 | 728,392 | 347 | 18,523,397 | 7.51 | 53,382 |

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

** The benefit amounts shown are the annualized benefit 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 |
|----------------|--------------------------|---------------------|----------------------|------------------------------------|
| 7/1/02 | 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 |
| 7/1/99 | 421 | 48,886,350 | 116,120 | (0.01) |
| 7/1/98 | 415 | 48,196,350 | 116,136 | 0.01 |
| 7/1/97 | 404 | 46,912,950 | 116,121 | 0.05 |

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) |
| 7/1/02 | \$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 |
| 7/1/99 | 7,963,661 | 161,315,303 | 144,594,695 | 352,858,160 | 100.00 | 100.00 | 100.00 |
| 7/1/98 | 6,901,748 | 158,135,843 | 140,741,626 | 333,437,794 | 100.00 | 100.00 | 100.00 |
| 7/1/97 | 6,217,765 | 153,443,468 | 135,489,405 | 317,289,094 | 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, 2002 | JULY 1, 2001 | JULY 1, 2000 | JULY 1, 1999 | JULY 1, 1998 | JULY 1, 1997 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Effective Prior Year Contribution Rate | 27.83% | 28.24% | 28.25% | 28.65% | 28.79% | 28.39% |
| <u>Net Change Due to:</u> | | | | | | |
| Current New Entrants | 2.07 | 1.26 | 0.94 | 1.31 | 0.92 | 0.49 |
| Excess Salary Increases | (0.97) | (0.68) | 1.22 | (1.59) | (1.03) | (0.87) |
| Assumption/Method Changes | 0.00 | 0.00 | 0.28 | 0.00 | 0.00 | 0.00 |
| COLA | (0.80) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Retiree Mortality | (0.18) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Active and Other Experience | (2.11) | (0.99) | (2.45) | (0.12) | (0.03) | 0.78 |
| Investment Loss/(Gain) | 1.41 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Effect of Chapter 115* | 0.00 | (13.01) | (28.24) | (28.25) | (28.65) | (28.79) |
| Actual Contribution Rate | 27.25% | 14.82% | 0.00% | 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.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Judicial Retirement System

**SUMMARY OF THE BENEFITS 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.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Judicial Retirement System

**SUMMARY OF THE BENEFITS AND CONTRIBUTION PROVISIONS
AS INTERPRETED FOR VALUATION PURPOSES, *Continued***

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%, 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 ¼ 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.





August 21, 2003

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 \$1,950,425 was required for the fiscal year beginning July 1, 2003. The required normal cost contribution is \$0 and the unfunded accrued liability contribution is \$1,950,425. 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, 2003 was based on the method described above using an interest rate of 8.75% 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 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, Inc.:

- 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, Inc.



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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, 2002 valuation is as follows:

Valuation Interest Rate: 8.75% 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 8.75% 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, 2002 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 (DECREASE) IN ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|-------------------|---|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE* | | |
| 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 |
| 7/1/99 | 32 | 200,528 | 240 | 1,391,030 | 1,657 | 10,716,426 | (10.00) | 6,467 |
| 7/1/98 | 37 | 252,120 | 223 | 1,264,980 | 1,865 | 11,906,928 | (7.84) | 6,384 |
| 7/1/97 | 47 | 310,724 | 282 | 1,520,818 | 2,051 | 12,919,373 | (8.56) | 6,299 |

* The benefit amounts shown are the annualized benefit 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) |
| 7/1/02 | \$ — | \$36,350,384 | \$ — | \$34,556,890 | N/A | 95.07% | N/A |
| 7/1/01 | — | 41,658,355 | — | 39,162,802 | N/A | 94.01 | N/A |
| 7/1/00 | — | 46,544,429 | — | 46,078,644 | N/A | 99.00 | N/A |
| 7/1/99 | — | 52,226,208 | — | 54,018,660 | N/A | 100.00 | N/A |
| 7/1/98 | — | 59,272,789 | — | 62,205,001 | N/A | 100.00 | N/A |
| 7/1/97 | — | 66,004,245 | — | 70,420,937 | N/A | 100.00 | 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 2002 | JULY 1, 2001 | JULY 1, 2000 | JULY 1, 1999 | JULY 1, 1998 | JULY 1, 1997 |
|--|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Prior Year Unfunded/(Surplus) | \$2,495,553 | \$465,785 | \$(1,792,452) | \$(2,932,212) | \$(4,416,692) | \$(5,075,203) |
| Net Change Due to: | | | | | | |
| Interest on Prior Year Unfunded/(Surplus) | 218,361 | 40,756 | (156,840) | (256,569) | (386,461) | (587,733) |
| Investment Loss/(Gain) | 1,824,534 | 1,767,982 | 1,923,399 | 1,793,342 | 1,556,742 | 1,325,251 |
| Retiree Experience | (31,040) | 139,610 | 491,678 | (397,013) | 314,199 | (79,007) |
| State Appropriations | (2,713,914) | (506,541) | 0 | 0 | 0 | 0 |
| Assumption, Benefit or Method Changes | N/A | 587,961* | N/A | N/A | N/A | N/A |
| Net Effect of Chapter 115 | N/A | N/A | N/A | N/A | N/A | N/A |
| Actual Unfunded/(Surplus) | \$1,793,494 | \$2,495,553 | \$465,785 | \$(1,792,452) | \$(2,932,212) | \$(4,416,692) |

* 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.





July 21, 2002

Board of Trustees
Prison Officers' Pension Fund
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

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 liabilities 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, 2003. (There were no required unfunded accrued liability payments due to the fact that a net surplus existed as of July 1, 2002.)

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Buck 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, 2003 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, Inc.:

- 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, Inc.



George M. Lovaglio, M.A.A.A., A.S.A., E.A., F.C.A.
Principal, Consulting Actuary



Lisa A. Witlen, M.A.A.A., A.S.A., E.A., F.C.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, 2002 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 retiree's are as follows:

| AGE | SERVICE RETIREMENT | DISABILITY RETIREMENT | WIDOWS |
|-----|--------------------|-----------------------|--------|
| 40 | .21% | .90% | .56% |
| 45 | .34 | 1.10 | .68 |
| 50 | .56 | 1.42 | .87 |
| 55 | .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 is to be amortized over the 14-year period beginning July 1, 1989, and ending on July 1, 2002. Each year the amortization payments are adjusted to reflect any experience gains or losses that have occurred during the previous plan year. All gains and losses will be amortized over the remaining original amortization period.

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 ANNUAL ALLOWANCE | AVERAGE ANNUAL ALLOWANCE |
|----------------|----------------|------------------|--------------------|------------------|----------------------|-------------------|--------------------------------|--------------------------|
| | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE | NUMBER | ANNUAL ALLOWANCE* | | |
| 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 |
| 7/1/99 | 5 | 23,456 | 18 | 103,344 | 268 | 1,913,528 | (4.01) | 7,140 |
| 7/1/98 | 6 | 24,504 | 13 | 88,833 | 281 | 1,993,416 | (3.13) | 7,094 |
| 7/1/97 | 5 | 17,537 | 17 | 97,384 | 288 | 2,057,745 | (3.74) | 7,145 |

* The benefit amounts shown are the annualized benefit 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) AGGREGATE MEMBER CONTRIBUTIONS | (2) CURRENT RETIREES & BENEFICIARIES | (3) ACTIVE & INACTIVE MEMBERS | | (1) | (2) | (3) |
| 7/1/02 | \$ — | \$11,781,734 | \$ — | \$17,908,452 | N/A | 100.00% | N/A |
| 7/1/01 | — | 12,994,567 | — | 18,269,899 | N/A | 100.00 | N/A |
| 7/1/00 | — | 14,216,588 | — | 18,268,489 | N/A | 100.00 | N/A |
| 7/1/99 | — | 15,292,629 | — | 19,137,919 | N/A | 100.00 | N/A |
| 7/1/98 | — | 16,430,313 | — | 20,096,072 | N/A | 100.00 | N/A |
| 7/1/97 | — | 17,479,545 | — | 20,977,035 | 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, 2002 | JULY 1, 2001 | JULY 1, 2000 | JULY 1, 1999 | JULY 1, 1998 | JULY 1, 1997 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Prior Year | | | | | | |
| Unfunded/(Surplus) | \$(5,275,332) | \$(4,051,901) | \$(3,845,290) | \$(3,665,759) | \$(3,497,490) | \$(2,809,147) |
| Net Change Due to: | | | | | | |
| Interest on Prior Year | | | | | | |
| Unfunded/(Surplus) | \$(263,767) | (202,595) | (192,265) | (183,288) | (174,875) | (140,457) |
| Investment Loss/(Gain) | (419,953) | (888,341) | (65,701) | (47,498) | (154,757) | (583,645) |
| Retiree Experience | (167,666) | (132,495) | 51,355 | 51,255 | 161,363 | 35,759 |
| Assumption/Method Changes | N/A | N/A | N/A | N/A | N/A | N/A |
| Net Effect of Chapter 115 | N/A | N/A | N/A | N/A | N/A | N/A |
| Actual Unfunded/(Surplus) | \$(6,126,718) | \$(5,275,332) | \$(4,051,901) | \$(3,845,290) | \$(3,665,759) | \$(3,497,490) |



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.





August 22, 2003

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, 2000. 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, 2000 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 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, 2000 was based on the actuarial assumptions and methods summarized on the following page. The Male Service Retirement mortality table was changed based on the results of an investigation of mortality experience covering the period July 1, 1997 to June 30, 2000. 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, Inc.



George M. Lovaglio, M.A.A.A., A.S.A., E.A., F.C.A.
Principal, Consulting Actuary



Lisa A. Witlen, M.A.A.A., A.S.A., E.A., F.C.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, 2000 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 |

The Male Service Retirement mortality table was changed based on the results of an investigation of mortality experience covering the period July 1, 1997 to June 30, 2000. 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* | | |
| 6/30/00 | 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 |
|----------------|--------------------------|----------------|--------------------------|------------------------------------|
| 6/30/00 | 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) |
| 6/30/00 | \$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, 2000 | JULY 1, 1997 | July 1, 1994 |
|-------------------------------------|-----------------|-----------------|-----------------|
| Prior Valuation Deficit/(Surplus) | \$(758,284) | \$370,165 | \$890,771 |
| <u>Net Change Due to:</u> | | | |
| Retiree Experience | \$1,919,537 | \$(1,128,449) | \$(250,000) |
| Assumption/Method Changes | (2,230,603) | N/A | (270,606) |
| Current Valuation Deficit/(Surplus) | \$(1,069,350) | \$(758,284) | \$370,165 |



STATE OF NEW JERSEY
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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Supplemental Annuity Collective Trust

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

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 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.



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Statistical Section

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STATISTICAL INFORMATION

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

(Based on the most recent actuarial valuation prepared as of 6/30/02)

| GROUP | PERS (STATE) | PERS (LOCAL) | TIPAF | PFRS | SPRS | JRS | CPFPF | POPF | TOTAL |
|--|-----------------|-----------------|-----------------|---------------|--------------|--------------|-------------|-------------|-----------------|
| SERVICE RETIREMENTS | | | | | | | | | |
| Number | 26,470 | 63,800 | 50,907 | 17,273 | 1,486 | 249 | 215 | 87 | 160,487 |
| Annual Allowance | \$403,029,345 | \$635,371,671 | \$1,439,037,117 | \$682,306,585 | \$62,798,563 | \$20,449,734 | \$2,441,034 | \$1,037,575 | \$3,246,471,624 |
| Average Annual Allowance | \$15,226 | \$9,959 | \$28,268 | \$39,501 | \$42,260 | \$82,127 | \$11,354 | \$11,926 | \$20,229 |
| ORDINARY DISABILITY RETIREMENTS | | | | | | | | | |
| Number | 2,746 | 4,259 | 1,869 | 1,850 | 83 | 8 | 12 | 10 | 10,837 |
| Annual Allowance | \$38,412,114 | \$51,513,850 | \$36,520,218 | \$32,918,699 | \$1,900,616 | \$630,240 | \$43,902 | \$65,928 | \$162,005,567 |
| Average Annual Allowance | \$13,988 | \$12,095 | \$19,540 | \$17,794 | \$22,899 | \$78,780 | \$3,659 | \$6,593 | \$14,949 |
| ACCIDENTAL DISABILITY RETIREMENTS | | | | | | | | | |
| Number | 288 | 440 | 163 | 1,334 | 76 | — | 6 | 4 | 2,311 |
| Annual Allowance | \$5,244,751 | \$7,872,590 | \$4,839,083 | \$36,284,022 | \$2,680,069 | — | \$38,780 | \$33,554 | \$56,992,849 |
| Average Annual Allowance | \$18,211 | \$17,892 | \$29,688 | \$27,199 | \$35,264 | — | \$6,463 | \$8,389 | \$24,662 |
| ACTIVE MEMBERS' DEATH BENEFITS | | | | | | | | | |
| Number | 41 | 94 | 10 | 292 | 83 | 24 | 226 | 23 | 793 |
| Annual Allowance | \$481,171 | \$1,003,168 | \$84,505 | \$7,483,668 | \$2,194,292 | \$630,689 | \$1,117,887 | \$78,888 | \$13,074,268 |
| Average Annual Allowance | \$11,736 | \$10,672 | \$8,451 | \$25,629 | \$26,437 | \$26,279 | \$4,946 | \$3,430 | \$16,487 |
| RETIRED MEMBERS' DEATH BENEFITS | | | | | | | | | |
| Number | 2,830 | 6,581 | 3,288 | 4,752 | 241 | 103 | 739 | 107 | 18,641 |
| Annual Allowance | \$28,831,170 | \$50,034,119 | \$53,991,748 | \$87,334,150 | \$5,740,750 | \$2,788,369 | \$4,514,218 | \$404,227 | \$233,638,751 |
| Average Annual Allowance | \$10,188 | \$7,603 | \$16,421 | \$18,378 | \$23,821 | \$27,072 | \$6,109 | \$3,778 | \$12,534 |
| DEFERRED TERMINATED VESTED | | | | | | | | | |
| Number | 575 | 1,422 | 1,161 | 66 | — | 2 | — | — | 3,226 |
| Annual Allowance | \$5,344,728 | \$10,147,248 | \$10,526,280 | \$812,556 | — | \$51,425 | — | — | \$26,882,237 |
| Average Annual Allowance | \$9,295 | \$7,136 | \$9,067 | \$12,311 | — | \$25,713 | — | — | \$8,333 |

Note: See "Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls" in the Actuarial Section for the average annual allowances for the last six 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 | 1994 | \$332,311,877 | \$(13,996,816) | — | \$1,017,508,171 | \$1,335,823,232 |
| | 1995 | 337,581,553 | 115,084,939 | 1.60 | 1,216,681,922 | 1,669,348,414 |
| | 1996 | 367,184,462 | 160,732,148 | 2.13 | 1,732,843,175 | 2,260,759,785 |
| | 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 |
| TEACHERS' PENSION AND ANNUITY FUND | 1994 | \$254,499,793 | \$138,315,930 | 2.71 | \$1,197,624,515 | \$1,590,440,238 |
| | 1995 | 244,645,241 | 72,677,434 | 1.34 | 1,407,298,293 | 1,724,620,968 |
| | 1996 | 286,302,170 | 194,881,707 | 3.47 | 2,091,708,844 | 2,572,892,721 |
| | 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 |
| POLICE AND FIREMEN'S RETIREMENT SYSTEM OF NEW JERSEY | 1994 | \$175,087,518 | \$116,683,219 | 7.15 | \$570,035,939 | \$861,806,676 |
| | 1995 | 165,984,630 | 309,314,976 | 17.43 | 588,173,888 | 1,063,473,494 |
| | 1996 | 178,207,387 | 338,933,472 | 18.38 | 998,719,216 | 1,515,860,075 |
| | 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 |
| STATE POLICE RETIREMENT SYSTEM OF NEW JERSEY | 1994 | \$8,789,736 | \$14,808,001 | 12.82 | \$63,864,988 | \$87,462,725 |
| | 1995 | 10,284,084 | 28,015,638 | 24.27 | 65,534,903 | 103,834,625 |
| | 1996 | 10,540,032 | 29,817,484 | 22.27 | 121,754,107 | 162,111,623 |
| | 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 | .07 | 245,595,153 | 257,787,362 |
| | 2000 | 12,563,753 | 318,326 | .18 | 214,155,533 | 227,037,612 |
| | 2001 | 12,796,153 | 99,201 | .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 |



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 OF NEW JERSEY | 1994 | \$761,615 | \$9,666,389 | 23.30 | \$10,930,414 | \$21,358,418 |
| | 1995 | 753,354 | 11,424,240 | 28.21 | 11,493,898 | 23,671,492 |
| | 1996 | 965,657 | 15,726,316 | 39.47 | 24,190,412 | 40,882,385 |
| | 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 | .50 | 52,232,630 | 53,621,660 |
| | 2000 | 1,384,587 | 223,946 | .46 | 45,304,419 | 46,912,952 |
| | 2001 | 1,818,915 | 173,556 | .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 |
| CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND | 1994 | — | \$6,060,838 | — | \$21,844,367 | \$27,905,205 |
| | 1995 | — | 6,441,814 | — | 20,800,119 | 27,241,933 |
| | 1996 | — | 9,324,857 | — | 19,851,929 | 29,176,786 |
| | 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 |
| PRISON OFFICERS' PENSION FUND | 1994 | \$3,055 | \$2,113,815 | — | \$1,491,659 | \$3,608,529 |
| | 1995 | — | 2,290,683 | — | 1,531,412 | 3,822,095 |
| | 1996 | — | 2,798,192 | — | 1,593,775 | 4,391,967 |
| | 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 |
| PENSION TRUST FUNDS | 1994 | \$771,453,594 | \$273,651,376 | 3.97 | \$2,883,300,053 | \$3,928,405,023 |
| | 1995 | 759,248,862 | 545,249,724 | 8.50 | 3,311,514,435 | 4,616,013,021 |
| | 1996 | 843,199,708 | 752,214,176 | 4.96 | 4,990,661,458 | 6,586,075,342 |
| | 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 |



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 | 1994 | \$532,456,038 | \$201,402,084 | \$56,796,799 | \$74,918,976 | \$865,573,89 |
| | 1995 | 589,700,049 | 204,675,060 | 62,512,083 | 8,573,927 | 865,461,119 |
| | 1996 | 625,378,350 | 210,601,232 | 76,021,322 | 29,220,846 | 941,221,750 |
| | 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 |
| TEACHERS' PENSION AND ANNUITY FUND | 1994 | \$529,281,440 | \$253,991,021 | \$21,676,214 | \$1,960,869 | \$806,909,544 |
| | 1995 | 620,541,521 | 255,336,642 | 18,808,319 | 906,808 | 895,593,290 |
| | 1996 | 677,938,451 | 269,048,008 | 26,250,876 | 1,464,630 | 974,701,965 |
| | 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 |
| POLICE AND FIREMEN'S RETIREMENT SYSTEM OF NEW JERSEY | 1994 | \$289,556,744 | \$68,882,626 | \$9,479,763 | \$398,677 | \$368,317,810 |
| | 1995 | 376,324,364 | 77,467,894 | 8,865,558 | 274,066 | 462,931,883 |
| | 1996 | 425,596,917 | 79,630,510 | 10,036,195 | 285,729 | 515,549,351 |
| | 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 |
| STATE POLICE RETIREMENT SYSTEM OF NEW JERSEY | 1994 | \$28,495,708 | \$7,487,375 | \$314,161 | \$12,057 | \$36,309,301 |
| | 1995 | 30,482,957 | 8,573,672 | 287,391 | — | 39,344,020 |
| | 1996 | 34,924,327 | 8,649,359 | 350,950 | — | 43,924,636 |
| | 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 |



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 OF NEW JERSEY | 1994 | \$12,399,163 | \$2,852,273 | \$41,374 | — | \$15,292,810 |
| | 1995 | 13,143,215 | 2,625,406 | 38,161 | — | 15,806,782 |
| | 1996 | 13,920,408 | 3,129,348 | 125,655 | — | 17,175,411 |
| | 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 |
| CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND | 1994 | \$36,339,970 | \$287,606 | — | — | \$36,627,576 |
| | 1995 | 34,229,960 | 147,549 | — | — | 34,377,509 |
| | 1996 | 32,356,141 | 139,935 | — | — | 32,496,076 |
| | 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 |
| PRISON OFFICERS' PENSION FUND | 1994 | \$3,674,672 | \$23,697 | — | — | \$3,698,369 |
| | 1995 | 3,663,371 | 15,740 | — | — | 3,679,111 |
| | 1996 | 3,618,375 | 20,508 | — | — | 3,638,883 |
| | 1997 | 3,530,615 | 11,226 | — | — | 3,541,841 |
| | 1998 | 3,486,834 | 12,605 | — | — | 3,499,439 |
| | 1999 | 3,387,965 | — | \$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 |
| PENSION TRUST FUNDS | 1994 | \$1,432,203,735 | \$ 534,926,682 | \$88,308,311 | \$77,290,579 | \$2,132,729,307 |
| | 1995 | 1,668,085,436 | 548,841,963 | 90,511,512 | 9,754,800 | 2,317,193,714 |
| | 1996 | 1,813,732,969 | 571,218,900 | 112,784,998 | 30,971,205 | 2,528,708,072 |
| | 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 |



STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS

| | | | |
|-------------------------|-------------------------|----------------------------|----------------------------|
| ABERDEEN TWP | BORDENTOWN TWP | CRESKILL BORO (*) | FANWOOD BORO |
| ABSECON CITY (*) | BOUND BROOK BORO (*) | CUMBERLAND COUNTY | FAR HILLS BORO (*) |
| ALEXANDRIA TWP | BRADLEY BEACH BORO (*) | DEAL BORO (*) | FARMINGDALE BORO (*) |
| ALLAMUCHY TWP (*) | BRANCHBURG TWP (*) | DEERFIELD TWP (*) | FIELDSBORO BORO |
| ALLENDALE BORO (*) | BRANCHVILLE BORO (*) | DELANCO TWP (*) | FLEMINGTON BORO |
| ALLENHURST BORO (*) | BRICK TWP | DELAWARE TWP (*) | FLORENCE TWP (*) |
| ALLENTOWN BORO | BRIDGETON CITY (*) | DELTRAN TWP | FLORHAM PARK BORO |
| ALLOWAY TWP | BRIDGEWATER TWP | DEMAREST BORO | FOLSOM BORO (*) |
| ALPHA BORO | BRIELLE BORO | DENNIS TWP (*) | FORT LEE BORO (*) |
| ALPINE BORO | BRIGANTINE CITY | DENVILLE TWP (*) | FRANKFORD TWP (*) |
| ANDOVER BORO | BROOKLAWN BORO BD OF ED | DEPTFORD TWP (*) | FRANKLIN BORO (*) |
| ANDOVER TWP (*) | BUENA BORO (*) | DOVER TOWN | FRANKLIN LAKES BORO (*) |
| ASBURY PARK CITY | BUENA VISTA TWP (*) | DOVER TWP | FRANKLIN TWP (GLOUCESTER) |
| ATLANTIC CITY | BURLINGTON CITY (*) | DOWNE TWP | FRANKLIN TWP (HUNTERDON) |
| ATLANTIC COUNTY (*) | BURLINGTON COUNTY | DUMONT BORO (*) | FRANKLIN TWP (SOMERSET) |
| ATLANTIC HIGHLANDS | BURLINGTON TWP | DUNELLEN BORO (*) | FRANKLIN TWP (WARREN) |
| AUDUBON BORO (*) | BUTLER BORO | E AMWELL TWP (*) | FREDON TWP |
| AUDUBON PARK BORO (*) | BYRAM TWP | E BRUNSWICK TWP | FREEHOLD BORO (*) |
| AVALON BORO | CALDWELL BORO(*) | E GREENWICH TWP | FREEHOLD TWP |
| AVON BY THE SEA | CALIFON BORO (*) | E HANOVER TWP (*) | FRELINGHUYSEN TWP |
| BARNEGAT LIGHT BORO (*) | CAMDEN CITY | E NEWARK BORO | FRENCHTOWN BORO (*) |
| BARNEGAT TWP | CAMDEN COUNTY | E ORANGE CITY | GALLOWAY TWP |
| BARRINGTON BORO | CAPE MAY CITY (*) | E RUTHERFORD BORO (*) | GARFIELD CITY (*) |
| BASS RIVER TWP | CAPE MAY COUNTY | E WINDSOR TWP | GARWOOD BORO (*) |
| BAY HEAD BORO (*) | CAPE MAY POINT BORO (*) | EAGLESWOOD TWP (*) | GIBBSBORO BORO |
| BAYONNE CITY (*) | CARLSTADT BORO | EASTAMPTON TWP (*) | GLASSBORO BORO (*) |
| BEACH HAVEN BORO (*) | CARNEYS POINT TWP | EATONTOWN BORO | GLEN GARDNER BORO (*) |
| BEACHWOOD BORO (*) | CARTERET BORO | EDGEWATER BORO | GLEN RIDGE BORO (*) |
| BEDMINSTER TWP (*) | CEDAR GROVE TWP (*) | EDGEWATER PARK TWP (*) | GLEN ROCK BORO (*) |
| BELLEVILLE TWP | CHATHAM BORO (*) | EDISON TWP (*) | GLOUCESTER CITY |
| BELLMAWR BORO | CHATHAM TWP (*) | EGG HARBOR | GLOUCESTER COUNTY |
| BELMAR BORO (*) | CHERRY HILL TWP | EGG HARBOR TWP (*) | GLOUCESTER TWP |
| BELVIDERE TOWN (*) | CHESILHURST BORO | ELIZABETH CITY (*) | GREEN BROOK TWP (*) |
| BERGEN COUNTY | CHESTER BORO (*) | ELK TWP (*) | GREEN TWP (*) |
| BERGENFIELD BORO (*) | CHESTER TWP (*) | ELMER BORO | GREENWICH TWP (CUMBERLAND) |
| BERKELEY HEIGHTS TWP | CHESTERFIELD TWP (*) | ELMWOOD PARK BORO (*) | GREENWICH TWP (GLOUCESTER) |
| BERKELEY TWP (*) | CINNAMINSON TWP | ELSINBORO TWP | GREENWICH TWP (WARREN) (*) |
| BERLIN BORO (*) | CLARK TWP (*) | EMERSON BORO | GUTTENBERG TOWN |
| BERLIN TWP (*) | CLAYTON BORO (*) | ENGLEWOOD CITY (*) | HACKENSACK CITY |
| BERNARDS TWP | CLEMENTON BORO (*) | ENGLEWOOD CLIFFS BORO (*) | HACKETTSTOWN TOWN (*) |
| BERNARDSVILLE BORO (*) | CLIFFSIDE PARK BORO (*) | ENGLISHTOWN BORO | HADDON HEIGHTS BORO (*) |
| BETHLEHEM TWP | CLIFTON CITY | ESSEX COUNTY | HADDON TWP |
| BEVERLY CITY | CLINTON TOWN (*) | ESSEX FELLS BOROUGH (*) | HADDONFIELD BORO |
| BLAIRSTOWN TWP (*) | CLINTON TWP (*) | ESTELL MANOR CITY (*) | HAINESPORT TWP (*) |
| BLOOMFIELD TWP(*) | CLOSTER BORO (*) | EVESHAM TWP | HALEDON BORO (*) |
| BLOOMINGDALE BORO (*) | COLLINGSWOOD BORO | EWING TWP (*) | HAMBURG BORO (*) |
| BLOOMSBURY BORO | COLTS NECK TWP | FAIR HAVEN BORO (*) | HAMILTON TWP (ATL) (*) |
| BOGOTA BORO | COMMERCIAL TWP (*) | FAIR LAWN BORO | HAMILTON TWP (MERCER) |
| BOONTON TOWN (*) | CORBIN CITY (*) | FAIRFIELD TWP (CUMBERLAND) | HAMMONTON TOWN (*) |
| BOONTON TWP (*) | CRANBURY TWP (*) | FAIRFIELD TWP (ESSEX) | HAMPTON BORO (*) |
| BORDENTOWN CITY (*) | CRANFORD TWP (*) | FAIRVIEW BORO (*) | HAMPTON TWP (*) |

**In addition to participating in the retirement system, also participates in the State Health Benefits Program*



STATISTICAL INFORMATION

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS, *continued*

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|----------------------------|---------------------------|--------------------------|-------------------------------|
| HANOVER TWP | LAWNSIDE BORO | MEDFORD LAKES BORO (*) | NEW BRUNSWICK CITY |
| HARDING TWP | LAWRENCE TWP (CUMB) (*) | MEDFORD LAKES BORO (*) | NEW HANOVER TWP (*) |
| HARDWICK TWP (*) | LAWRENCE TWP (MERCER) (*) | MEDFORD TWP (*) | NEW MILFORD BORO |
| HARDYSTON TWP | LEBANON BORO (*) | MEDFORD TWP (*) | NEW PROVIDENCE BORO |
| HARMONY TWP (*) | LEBANON TWP (*) | MENDHAM BORO (*) | NEWARK CITY |
| HARRISON TWP (*) | LEONIA BORO (*) | MENDHAM BORO (*) | NEWFIELD BORO (*) |
| HARVEY CEDARS BORO (*) | LIBERTY TWP (*) | MENDHAM TWP (*) | NEWTON TOWN (*) |
| HASBROUCK HEIGHTS BORO (*) | LINCOLN PARK BORO | MENDHAM TWP (*) | NORTH ARLINGTON BORO |
| HAWORTH BORO (*) | LINDEN CITY (*) | MERCER COUNTY (*) | NORTH BERGEN TWP |
| HAWTHORNE BORO | LINDENWOLD BORO (*) | MERCER COUNTY (*) | NORTH BRUNSWICK TWP |
| HAZLET TWP | LINWOOD CITY | MERCHANTVILLE BORO | NORTH CALDWELL BORO (*) |
| HELMETTA BORO (*) | LITTLE EGG HARBOR TWP | MERCHANTVILLE BORO | NORTH HALEDON BORO (*) |
| HIGH BRIDGE BORO | LITTLE FALLS TWP (*) | METUCHEN BORO | NORTH HANOVER TWP (*) |
| HIGH POINT REG HIGH SCHOOL | LITTLE FERRY BORO | METUCHEN BORO | NORTH PLAINFIELD BORO (*) |
| HIGHLAND PARK BORO (*) | LITTLE SILVER BORO | MIDDLE TWP (*) | NORTH WILDWOOD CITY |
| HIGHLANDS BORO | LIVINGSTON TWP (*) | MIDDLE TWP (*) | NORTHFIELD CITY (*) |
| HIGHTSTOWN BORO (*) | LOCH ARBOUR VILLAGE | MIDDLESEX BORO (*) | NORTHVALE BORO (*) |
| HILLSBOROUGH TWP | LODI BORO | MIDDLESEX BORO (*) | NORWOOD BORO (*) |
| HILLSDALE BORO | LOGAN TWP | MIDDLESEX COUNTY | NUTLEY TWP (*) |
| HILLSIDE TWP (*) | LONG BEACH TWP (*) | MIDDLETOWN TWP | OAKLAND BORO |
| HI-NELLA BORO | LONG BRANCH CITY | MIDLAND PARK BORO (*) | OAKLYN BORO |
| HO HO KUS BORO (*) | LONG HILL TWP (*) | MILFORD BORO (*) | OCEAN CITY |
| HOBOKEN CITY | LONGPORT BORO (*) | MILLBURN TWP (*) | OCEAN COUNTY (*) |
| HOLLAND TWP | LOPATCONG TWP | MILLSTONE BORO | OCEAN GATE BORO (*) |
| HOLMDEL TWP | LOWER ALLOWAYS CREEK TWP | MILLSTONE TWP (*) | OCEAN TWP (MON) (*) |
| HOPATCONG BORO | LOWER TWP | MILLTOWN BORO (*) | OCEAN TWP (OCEAN) |
| HOPE TWP (*) | LUMBERTON TWP (*) | MILLVILLE CITY | OCEANPORT BORO |
| HOPEWELL BORO (*) | LYNDHURST TWP | MINE HILL TWP (*) | OGDENSBURG BORO |
| HOPEWELL TWP (CUMB) | MADISON BORO | MONMOUTH BEACH BORO (*) | OLD BRIDGE TWP |
| HOPEWELL TWP (MER) | MAGNOLIA BORO | MONMOUTH COUNTY | OLD TAPPAN BORO |
| HOWELL TWP (*) | MAHWAH TWP | MONROE TWP (GLOUCESTER) | OLDSMANS TWP |
| HUDSON COUNTY (*) | MANALAPAN TWP (*) | MONROE TWP (MIDDLESEX) | ORADELL BORO (*) |
| HUNTERDON COUNTY | MANASQUAN BORO | MONTAGUE TWP (*) | ORANGE CITY (*) |
| INDEPENDENCE TWP (*) | MANCHESTER TWP | MONTCLAIR TWP (*) | OXFORD TWP (*) |
| INTERLAKEN BORO | MANNINGTON TWP | MONTGOMERY TWP (*) | PALISADES PARK BORO |
| IRVINGTON TOWN | MANSFIELD TWP (BUR) | MONTVALE BORO | PALMYRA BORO |
| IRVINGTON TWP | MANSFIELD TWP (WAR) (*) | MONTVILLE TWP (*) | PARAMUS BORO (*) |
| ISLAND HEIGHTS BORO (*) | MANTALOKING BORO (*) | MOONACHIE BORO | PARK RIDGE BORO |
| JACKSON TWP (*) | MANTUA TWP (*) | MOORESTOWN TWP | PARSIPANNY TROY HILLS TWP (*) |
| JAMESBURG BORO (*) | MANVILLE BORO (*) | MORRIS COUNTY | PASSAIC CITY (*) |
| JEFFERSON TWP (*) | MANVILLE BORO (*) | MORRIS PLAINS BORO (*) | PASSAIC COUNTY |
| KEANSBURG BORO | MAPLE SHADE TWP | MORRIS TWP (*) | PATERSON CITY |
| KEARNY TOWN (*) | MAPLE SHADE TWP | MORRISTOWN TOWN | PAULSBORO BORO |
| KENILWORTH BORO (*) | MAPLEWOOD TWP (*) | MOUNT ARLINGTON BORO (*) | PEAPACK GLADSTONE BORO (*) |
| KEYPORT BORO (*) | MAPLEWOOD TWP (*) | MOUNT EPHRAIM BORO | PEMBERTON BORO (*) |
| KINGWOOD TWP (*) | MARGATE CITY | MOUNT HOLLY TWP (*) | PEMBERTON TWP |
| KINNELON BORO (*) | MARGATE CITY | MOUNT LAUREL TWP (*) | PENNINGTON BORO (*) |
| KNOWLTON TWP (*) | MARLBORO TWP (*) | MOUNTAIN LAKES BORO (*) | PENNS GROVE BORO |
| LACEY TWP (*) | MARLBORO TWP (*) | MOUNTAINSIDE BORO (*) | PENNSAUKEN TWP |
| LAFAYETTE TWP (*) | MATAWAN BORO | MT OLIVE TWP | PENNSVILLE TWP |
| LAKEHURST BORO (*) | MATAWAN BORO | MULLICA TWP (*) | PEQUANNOCK TWP |
| LAKWOOD TWP | MAURICE RIVER TWP | NATIONAL PARK BORO | PERTH AMBOY CITY |
| LAMBERTVILLE CITY (*) | MAURICE RIVER TWP | NEPTUNE CITY BORO | PHILLIPSBURG TOWN |
| LAUREL SPRINGS BORO (*) | MAYWOOD BORO | NEPTUNE TWP (*) | PILESGROVE TWP (*) |
| LAVALLETTE BORO (*) | MAYWOOD BORO | NETCONG BORO (*) | PINE BEACH BORO (*) |

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STATISTICAL INFORMATION

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS, *continued*

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|------------------------|------------------------------|-----------------------------|-----------------------------|
| PINE HILL BORO | SADDLE BROOK TWP | STRATFORD BORO (*) | WASHINGTON TWP (GLOUC) (*) |
| PINE VALLEY BORO (*) | SADDLE RIVER BORO | SUMMIT CITY (*) | WASHINGTON TWP (MERCER) (*) |
| PISCATAWAY TWP | SALEM CITY (*) | SURF CITY BORO | WASHINGTON TWP (MORRIS) (*) |
| PITMAN BORO | SALEM COUNTY (*) | SUSSEX BORO (*) | WASHINGTON TWP (WARREN) |
| PITTSBGROVE TWP (*) | SANDYSTON TWP | SUSSEX COUNTY (*) | WATCHUNG BORO (*) |
| PLAINFIELD CITY (*) | SAYREVILLE BORO (*) | SWEDSBORO BORO | WATERFORD TWP (*) |
| PLAINSBORO TWP | SCOTCH PLAINS TWP | TABERNACLE TWP (*) | WAYNE |
| PLEASANTVILLE CITY | SEA BRIGHT BORO (*) | TAVISTOCK BORO | WAYNE TWP |
| PLUMSTEAD TWP | SEA GIRT BORO (*) | TEANECK TWP (*) | WEEHAWKEN TWP (*) |
| POHATCONG TWP | SEA ISLE CITY | TENAFLY BORO (*) | WENONAH BORO |
| POMPTON LAKES BORO (*) | SEASIDE HEIGHTS BORO (*) | TETERBORO BORO (*) | WEST AMWELL TWP (*) |
| PORT REPUBLIC CITY (*) | SEASIDE PARK BD OF ED (*) | TEWKSBURY TWP (*) | WEST CALDWELL TWP |
| PRINCETON BORO | SEASIDE PARK BORO | TINTON FALLS BORO (*) | WEST CAPE MAY BORO (*) |
| PRINCETON TWP | SECAUCUS TOWN | TOTOWA BORO (*) | WEST DEPTFORD TWP |
| PROSPECT PARK BORO (*) | SHAMONG TWP | TOWN OF WESTFIELD | WEST LONG BRANCH BORO (*) |
| PT PLEASANT BEACH BORO | SHILOH BORO | TRENTON CITY (*) | WEST MILFORD TWP |
| PT PLEASANT BORO | SHIP BOTTOM BORO | TUCKERTON BORO (*) | WEST NEW YORK TOWN |
| QUINTON TWP | SHREWSBURY BORO | UNION BEACH BORO (*) | WEST ORANGE TWP (*) |
| RAHWAY CITY | SHREWSBURY TWP | UNION CITY | WEST PATERSON BORO |
| RAMSEY BORO | SOMERDALE BORO (*) | UNION COUNTY | WEST WILDWOOD BORO (*) |
| RANDOLPH TWP | SOMERS POINT CITY | UNION TWP (HUNT) | WEST WINDSOR TWP |
| RARITAN BORO (*) | SOMERSET COUNTY | UNION TWP (SUSSEX) (*) | WESTAMPTON TWP (*) |
| RARITAN TWP | SOMERVILLE BORO (*) | UNION TWP (UNION) | WESTFIELD TOWN |
| READINGTON TWP (*) | SOUTH AMBOY CITY (*) | UPPER DEERFIELD TWP | WESTVILLE BORO |
| RED BANK BORO | SOUTH BELMAR BORO (*) | UPPER FREEHOLD TWP (*) | WESTWOOD BORO |
| RIDGEFIELD BORO (*) | SOUTH BOUND BROOK BORO (*) | UPPER PITTSBGROVE TWP (*) | WEYMOUTH TWP (*) |
| RIDGEWOOD VILLAGE (*) | SOUTH BRUNSWICK TWP (*) | UPPER SADDLE RIVER BORO (*) | WHARTON BORO (*) |
| RINGWOOD BORO | SOUTH HACKENSACK TWP | UPPER TWP | WHITE TWP (*) |
| RIVER EDGE BORO (*) | SOUTH HARRISON TWP | VENTNOR CITY | WILDWOOD CITY (*) |
| RIVERDALE BORO (*) | SOUTH ORANGE VILLAGE (*) | VERNON TWP | WILDWOOD CREST BORO (*) |
| RIVERSIDE TWP | SOUTH PLAINFIELD BORO | VERONA TWP | WILLINGBORO TWP |
| RIVERTON BORO (*) | SOUTH RIVER BORO (*) | VICTORY GARDENS BORO | WINFIELD TWP (*) |
| RIVERVALE TWP (*) | SOUTH TOMS RIVER BORO (*) | VILLAGE OF RIDGEFIELD PARK | WINSLOW TWP |
| ROCHELLE PARK TWP (*) | SOUTHAMPTON TWP (*) | VINELAND CITY | WOODBINE BORO (*) |
| ROCKAWAY BORO (*) | SPARTA TWP | VOORHEES TWP (*) | WOODBRIIDGE TWP |
| ROCKAWAY TWP (*) | SPOTSWOOD BORO (*) | WALDWICK BORO (*) | WOODBURY CITY |
| ROCKLEIGH BORO | SPRING LAKE BORO | WALL TWP | WOODBURY HGHTS BORO |
| ROCKY HILL BORO | SPRING LAKE HEIGHTS BORO (*) | WALLINGTON BORO | WOODCLIFF LAKE BORO (*) |
| ROOSEVELT BORO (*) | SPRINGFIELD TWP (BUR) (*) | WALPACK TWP | WOODLAND TWP (*) |
| ROSELAND BORO (*) | SPRINGFIELD TWP (UNION) | WANAQUE BORO (*) | WOODLYNNE BORO (*) |
| ROSELLE BORO (*) | STAFFORD TWP (*) | WANTAGE TWP | WOOD-RIDGE BORO (*) |
| ROSELLE PARK BORO | STANHOPE BORO (*) | WARREN COUNTY | WOODSTOWN BORO (*) |
| ROXBURY TWP | STILLWATER TWP (*) | WARREN TWP (*) | WOOLWICH TWP |
| RUMSON BORO (*) | STOCKTON BORO | WASHINGTON BORO (*) | WRIGHTSTOWN BORO (*) |
| RUNNEMEDE BORO | STONE HARBOR BORO | WASHINGTON TWP (BERGEN) | WYCKOFF TWP (*) |
| RUTHERFORD BORO | STOW CREEK TWP | WASHINGTON TWP (BURL) | |

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STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS

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| ABSECON CITY BD OF ED (*) | BRADLEY BEACH BD OF ED | COLLINGSWOOD BORO BD ED |
| ACADEMY CHARTER HIGH SCH | BRANCHBURG TWP BD OF ED | COLTS NECK TWP BD OF ED |
| ALEXANDRIA TWP BD OF ED (*) | BRANCHVILLE BD OF ED | COMMERCIAL TWP BD OF ED |
| ALLAMUCHY BD OF ED | BRICK TWP BD OF ED | CORBIN CITY BD OF ED (*) |
| ALLENDALE BORO BD OF ED (*) | BRIDGETON BD OF ED (*) | CRANBURY TWP BD OF ED |
| ALLENHURST BORO BD OF ED (*) | BRIDGEWATR-RARITAN REG SCH DIST | CRANFORD TWP BD OF ED (*) |
| ALLOWAY TWP BD OF ED | BRIELLE BORO BD OF ED | CREATE CHARTER HS (*) |
| ALPHA BD OF ED | BRIGANTINE CITY BD OF ED (*) | CRESKILL BD OF ED |
| ALPINE BORO BD OF ED (*) | BROOKDALE COMM COLL (*) | CUMBERLAND CO BD VOC ED (*) |
| ANDOVER REG BD OF ED (*) | BROOKLAWN BORO BD OF ED | CUMBERLAND CO COLL (*) |
| ASBURY PARK CITY BD OF ED (*) | BUENA REGIONAL SCH DIST | CUMBERLAND REG SCH DIST |
| ATLANTIC CAPE COMM COLL (*) | BURLINGTON CITY BD OF ED | DEAL BORO BD OF ED (*) |
| ATLANTIC CITY BD OF ED | BURLINGTON CO AVA COMM (*) | DEERFIELD TWP BD OF ED (*) |
| ATLANTIC CO AUDIO VIS COM (*) | BURLINGTON CO BD SPEC SERV | DELANCO TWP BD OF ED |
| ATLANTIC CO SPEC SERV (*) | BURLINGTON CO COLL (*) | DELAWARE TWP BD OF ED (*) |
| ATLANTIC CO VOC SCH (*) | BURLINGTON CO INST TECH | DELAWARE VALLEY REG H S (*) |
| ATLANTIC COMM COLL (*) | BURLINGTON TWP BD OF ED (*) | DELTRAN TWP BD OF ED |
| ATLANTIC HIGHLNDS BD OF ED (*) | BUTLER BORO BD OF ED | DELSEA REG HIGH SCH DIST |
| AUDUBON BORO BD OF ED | BYRAM TWP BD OF ED (*) | DEMAREST BORO BD OF ED (*) |
| AUDUBON PARK BD OF ED | CALDWELL W CALDWELL BD OF ED (*) | DENNIS TWP BD OF ED |
| AVALON BORO BD OF ED | CALIFON BORO BD OF ED (*) | DENVILLE TWP BD OF ED |
| AVON BY THE SEA BD OF ED (*) | CALLA CHARTER SCH (*) | DEPTFORD TWP BD OF ED |
| BARNEGAT TWP BD OF ED | CAMDEN ACAD CHART HS | DISCOVERY CHARTER SCH (*) |
| BARRINGTON BORO BD OF ED (*) | CAMDEN CITY BD OF ED (*) | DOVER TOWN BD OF ED |
| BASS RIVER TWP BD OF ED (*) | CAMDEN CO AUDIO VIS AIDS | DOWNE TWP BD OF ED |
| BAY HEAD BD OF ED | CAMDEN CO COLL | DUMONT BORO BD OF ED (*) |
| BAYONNE CITY BD OF ED | CAMDEN CO ED SERV COMM | DUNELLEN BD OF ED |
| BEACH HAVEN BORO BD OF ED (*) | CAMDEN CO TECH SCHS (*) | E AMWELL TWP BD OF ED (*) |
| BEDMINSTER TWP BD OF ED (*) | CAMDEN'S PROMISE CHART SCH | E BRUNSWICK TWP BD ED |
| BELLEVILLE BD OF ED | CAPE MAY CITY BD OF ED (*) | E GREENWICH BD OF ED (*) |
| BELLMAWR BORO BD OF ED (*) | CAPE MAY CO SPEC SERV SCH DIST(*) | E HANOVER TWP BD ED (*) |
| BELMAR BORO BD OF ED | CAPE MAY CO TECH SCH | E NEWARK BD OF ED (*) |
| BELVIDERE TOWN BD OF ED | CAPE MAY PT BORO BD OF ED | E ORANGE BD OF ED (*) |
| BERGEN CO AUDIO-VIS COMM | CARLSTADT BORO BD OF ED (*) | E ORANGE COMM CHART SCH |
| BERGEN CO BD OF SPEC SERV (*) | CARLSTADT-E RUTH BD OF ED (*) | E RUTHERFORD BORO BD OF ED (*) |
| BERGEN CO VOC SCHOOL (*) | CARTERET BORO BD OF ED | E WINDSOR REG SCH |
| BERGEN COMM COLL (*) | CEDAR GROVE TWP BD OF ED (*) | EAGLESWOOD TWP BD OF ED (*) |
| BERGENFIELD BORO BD OF ED (*) | CENTRAL REGIONAL H S DIST | EASTAMPTON TWP BD OF ED |
| BERKELEY HGHTS BD OF ED | CHARTER TECHNICAL SCH (*) | EASTERN CAMDEN CO REG SCH |
| BERKELEY TWP BD OF ED | CHERRY HILL TWP BD OF ED | EATONTOWN BD OF ED (*) |
| BERLIN BORO BD OF ED | CHESILHURST BD OF ED (*) | EDGEWATER BORO BD OF ED (*) |
| BERLIN TWP BD OF ED | CHESTER TWP BD OF ED | EDGEWATER PARK TWP BD ED (*) |
| BERNARDS TWP BD OF ED | CHESTERFIELD TWP BD OF ED (*) | EDISON TWP BD OF ED |
| BETHLEHEM TWP BD OF ED | CINNAMINSON TWP BD OF ED | EDUCA INFOR & RSRCE CTR (*) |
| BEVERLY CITY BD OF ED (*) | CLARK TWP BD OF ED | EGG HARBOR CITY BD OF ED (*) |
| BLACK HORSE PIKE REG SCH | CLASSICAL ACAD CHARTER SCH (*) | EGG HARBOR TWP BD OF ED (*) |
| BLAIRSTOWN TWP BD OF ED | CLAYTON BORO BD OF ED | ELIZABETH BD OF ED (*) |
| BLOOMFIELD TWP BD OF ED | CLEARVIEW REG BD OF ED (*) | ELK TWP BD OF ED |
| BLOOMINGDALE BORO BD OF ED | CLEMENTON BORO BD OF ED (*) | ELMER BD OF ED |
| BLOOMSBURY BORO BD OF ED (*) | CLIFFSIDE PARK BD OF ED | ELMWOOD PARK BD OF ED (*) |
| BOGOTA BORO BD OF ED (*) | CLIFTON CITY BD OF ED | ELSINBORO TWP BD OF ED (*) |
| BOONTON TOWN BD OF ED (*) | CLINTON TOWN BD OF ED | ELYSIAN CHARTER SCH HOBOKEN (*) |
| BOONTON TWP BD OF ED (*) | CLINTON TWP BD OF ED | EMERSON BORO BD OF ED (*) |
| BORDENTOWN REG SCH DIST (*) | CLOSTER BD OF ED (*) | EMILY FISHER CHART SCH (*) |
| BOUND BROOK BORO BD OF ED (*) | COLLEGE OF NEW JERSEY (*) | ENGLEWOOD CITY BD OF ED (*) |

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STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *continued*

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| 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 BO 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 | LAVALLETTE 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 |
| GLOUCESTER CO SPEC SERV SCH DIST | HOLMDEL TWP BD OF ED (*) | LITTLE FALLS BD OF ED (*) |
| GLOUCESTER CO VOC SCH | HOPATCONG BD OF ED | LITTLE SILVER BORO BD ED (*) |
| GLOUCESTER COUNTY COLL | HOPE TWP BD OF ED (*) | LIVINGSTON BD OF ED |
| GLOUCESTER TWP BD OF ED | HOPEWELL TWP BD OF ED (CUMB) | LODI BD OF ED |
| GRANVILLE CHARTER SCH (*) | HOPEWELL VALLEY REG SCH | LOGAN TWP BD OF ED |
| GRAY CHARTER SCH (*) | HOWELL TWP BD OF ED | LONG BEACH ISLAND BD ED (*) |

**In addition to participating in the retirement system, also participates in the State Health Benefits Program*



STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *continued*

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| 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 HIGHLNDS 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 (*) |
| MILFORD BORO BD OF ED (*) | NJ INSTITUTE OF TECHNOLOGY (*) | PASSAIC CO REG HS BOE (*) |
| MILLBURN TWP PUB SCH | NJ SCHOOL BOARDS ASSOC (*) | PASSAIC CO VOC SCH |
| MILLSTONE BORO BD OF ED | NJ SCHOOL BOARDS INS GROUP (*) | PASSAIC PUBLIC SCH |
| MILLSTONE TWP BD OF ED | NJ SCHOOLS CONST CORP (*) | PATERSON BD OF ED (*) |
| MILLTOWN BORO BD OF ED | NORTH ARLINGTON BD OF ED (*) | PATERSON CHART SCH/URB LEADER |
| MILLVILLE BD OF ED | NORTH ARLINGTON LYNDH JT MTG (*) | PAULSBORO BORO BD OF ED |

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¹Reporting authority only per N.J.S.A. 18A:66-14.2



STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *continued*

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| PEMBERTON BORO BD OF ED | ROBERT TREAT ACAD CHART SCH (*) | SOUTH HARRISON TWP BD ED |
| PEMBERTON TWP BD OF ED (*) | ROCHELLE PARK TWP BD ED (*) | SOUTH HUNTERDON REG BD OF ED (*) |
| PENNS GROVE-CRNYS BD OF ED | ROCKAWAY BORO BD OF ED (*) | SOUTH ORNGE-MPLWD BD OF ED (*) |
| PENNSAUKEN TWP BD OF ED | ROCKAWAY TWP BD OF ED | SOUTH PLAINFIELD BD OF ED |
| PENNSVILLE TWP BD OF ED | ROCKY HILL BD OF ED | SOUTH RIVER BORO BD OF ED |
| PEQUANNOCK TWP BD ED | ROOSEVELT BORO BD OF ED (*) | SOUTHAMPTON TWP BD OF ED (*) |
| PERTH AMBOY CITY BD OF ED | ROSELAND BD OF ED | SOUTHERN REGIONAL HS DIST |
| PHILLIPSBURG TOWN BD OF ED | ROSELLE BORO BD OF ED | SPARTA TWP BD OF ED |
| PINE HILL BORO BD OF ED | ROSELLE PARK BORO BD ED | SPOTSWOOD BORO BD OF ED |
| PINELANDS REG SCH DIST (*) | ROWAN UNIVERSITY (*) | SPRING LAKE BORO BD OF ED |
| PISCATAWAY BD OF ED | ROWAN UNIVERSITY FOUNDATION | SPRING LAKE HGHTS BD OF ED |
| PISCATAWAY TWP ED ASSOC | ROXBURY TWP BD OF ED | SPRINGFIELD TWP BD ED (BUR) |
| PITMAN BD OF ED | RUMSON BORO BD OF ED | SPRINGFIELD TWP BD ED (UN) |
| PITTSGROVE TWP BD OF ED | RUMSON FAIR HAVEN REG BOE (*) | STAFFORD TWP BD OF ED |
| PLAINFIELD CITY BD OF ED | RUNNEMEDE BORO BD OF ED (*) | STANHOPE BORO BD OF ED (*) |
| PLAINFIELD DNLEN JOINT (*) | RUTGERS UNIVERSITY (*) | STERLING HIGH SCH DIST (*) |
| PLEASANTV TECH ACAD CHART SC | RUTHERFORD BORO BD OF ED | STILLWATER TWP BD OF ED (*) |
| PLEASANTVILLE CHART SCH ACAD | SADDLE BROOK TWP BD OF ED (*) | STOCKTON BORO BD OF ED (*) |
| PLEASANTVILLE CITY BD OF ED | SADDLE RIVER BORO BD OF ED (*) | STOCKTON STATE COLL (*) |
| PLUMSTEAD TWP BD OF ED (*) | SALEM CITY BD OF ED | STONE HARBOR BORO BD OF ED (*) |
| POHATCONG TWP BD OF ED | SALEM CITY BD OF ED (*) | STOW CREEK TWP BD OF ED (*) |
| POMPTON LAKES BD OF ED | SALEM CO SPEC SERV DIST (*) | STRATFORD BD OF ED |
| PORT REPUBLIC CITY BD OF ED (*) | SALEM CO VOCATIONAL SCH (*) | SUMMIT CITY BD OF ED |
| PRINCETON CHARTER SCH | SALEM COMMUNITY COLL (*) | SUSSEX CO AUDIO VISUAL (*) |
| PRINCETON REG SCH | SANDYSTON-WALPACK SCH (*) | SUSSEX CO CHARTER SCH |
| PROSPECT PARK BD OF ED (*) | SAYREVILLE BORO BD OF ED | SUSSEX CO COMM COLL (*) |
| PT PLEASANT BEACH BD OF ED | SCHOMBURG CHARTER SCH | SUSSEX CO EDUC SERV COMM (*) |
| PT PLEASANT BORO BD OF ED | SCHOOL DIST OF THE CHATHAMS | SUSSEX CO VOCATIONAL SCH |
| QUEEN CITY ACADEMY CHART SCH | SCOTCH PLAINS FANWOOD BD OF ED | SUSSEX-WANTAGE REG SCH |
| QUINTON TWP BD OF ED (*) | SEA BRIGHT BORO BD OF ED (*) | SWEDESBORO WOOLWICH BD OF ED |
| RAHWAY CITY BD OF ED (*) | SEA GIRT BORO BD OF ED (*) | TABERNACLE TWP BD OF ED |
| RAHWAY CITY BD OF ED TEACH AIDES (*) | SEA ISLE CITY BD OF ED (*) | TEAM ACAD CHART SCHO |
| RAMAPO COLL OF NJ (*) | SEASIDE HEIGHTS BORO BD ED | TEANECK COMM CHARTER SCH |
| RAMAPO INDIAN HILLS HS | SEASIDE PARK BD OF ED (*) | TEANECK TWP BD OF ED (*) |
| RAMSEY BORO BD OF ED | SECAUCUS TOWN BD OF ED | TENAFLY BORO BD OF ED (*) |
| RANCOCAS VALLEY REG (*) | SECOND RIVER JNT MEETING | TEWKSBURY TWP BD OF ED |
| RANDOLPH TWP BD OF ED | SHAMONG TWP BD OF ED | THE COLLEGE OF NJ (*) |
| RARITAN TWP | SHILOH BORO BD OF ED | THOMAS EDISON STATE COLL |
| RARITAN VALL COMM COLL (*) | SHORE REG HS DIST | TINTON FALLS BORO BD OF ED (*) |
| READINGTON TWP BD OF ED | SHREWSBURY BORO BD OF ED | TOMS RIVER SCHOOL DIST |
| RED BANK BORO BD OF ED (#) | SO BRUNSWICK TWP BD ED (*) | TOTOWA BORO BD OF ED (*) |
| RED BANK BORO BD OF ED (*) | SOARING HEIGHTS CHARTER SCH (*) | TRENTON CITY BD OF ED |
| RED BANK CHARTER SCHOOL | SOMERDALE BORO BD OF ED | TRENTON COMM CHART SCH (*) |
| RED BANK REG HS DIST (*) | SOMERS POINT CITY BD OF ED (*) | TRENTON EDUCATION ASSOC |
| RICHARD STOCKTON COLL OF NJ (*) | SOMERSET CO AUD VIS AID COM (*) | TUCKERTON BORO BD OF ED |
| RIDGEFIELD BORO BD OF ED (*) | SOMERSET CO ED SERV COMM (*) | UMDNJ - NEW BRUNSWICK (*) |
| RIDGEFIELD PARK BD OF ED (*) | SOMERSET CO VOC SCH (*) | UMDNJ - NEWARK (*) |
| RIDGEWOOD TWP BD OF ED | SOMERSET HILLS BD OF ED | UMDNJ - STRATFPRD (*) |
| RINGWOOD BORO BD OF ED (*) | SOMERVILLE BD OF ED | UNION BEACH BORO (*) |
| RIVER DELL REG SCH DIST (*) | SOUTH AMBOY BD OF ED | UNION BEACH BORO BD OF ED |
| RIVER EDGE BORO BD OF ED (*) | SOUTH BELMAR BORO BD OF ED | UNION CITY BD OF ED |
| RIVERDALE BORO BD OF ED (*) | SOUTH BERGEN JOINTURE COMM (*) | UNION CO COLL (*) |
| RIVERSIDE TWP BD OF ED | SOUTH BOUND BROOK BORO BD ED (*) | UNION CO ED SERV COMM (*) |
| RIVERTON BORO SCH BD | SOUTH BRUNSWICK TWP BD OF ED | UNION CO VOCATIONAL SCH (*) |
| RIVERVALE TWP BD OF ED (*) | SOUTH HACKENSACK TWP BD ED (*) | UNION TWP BD OF ED (HUNT) |

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STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *continued*

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| UNION TWP BD OF ED (UNION) (*) | WARREN TWP BD OF ED | WESTAMPTON TWP BD OF ED |
| UNITY CHARTER SCH | WASHINGTON BORO BD OF ED | WESTFIELD TOWN BD OF ED |
| UNIVERSITY ACAD CHARTER SCH | WASHINGTON TWP BD ED (BUR) | WESTVILLE BORO BD OF ED (*) |
| UPPER DEERFIELD TWP BD ED | WASHINGTON TWP BD ED (GLO) | WESTWOOD REG SCH DIST (*) |
| UPPER FREEHOLD REG SCH | WASHINGTON TWP BD ED (MER) (*) | WEYMOUTH TWP BD OF ED (*) |
| UPPER PITTSBORO TWP BD OF ED | WASHINGTON TWP BD ED (MOR) (*) | WHARTON BORO BD OF ED (*) |
| UPPER SADDLE RIVER BORO BD OF ED (*) | WASHINGTON TWP BD ED (WAR) | WHITE TWP BD OF ED |
| UPPER TWP BD OF ED | WATCHUNG BORO BD OF ED | WILDWOOD CITY BD OF ED (*) |
| VENTNOR CITY BD OF ED (*) | WATCHUNG HILLS REG H S (*) | WILDWOOD CREST BORO BD OF ED (*) |
| VERNON TWP BD OF ED | WATERFORD TWP BD OF ED | WILDWOODS JNT CONST OFF (*) |
| VERONA BORO BD OF ED (*) | WAYNE BD OF ED | WILLIAM PATERSON UNIV OF NJ (*) |
| VICTORY GARDENS BORO BD ED (*) | WEEHAWKEN TWP BD OF ED (*) | WILLINGBORO TWP BD OF ED (*) |
| VILLAGE CHARTER SCH (*) | WENONAH BORO BD OF ED (*) | WINFIELD TWP BD OF ED (*) |
| VINELAND CITY BD OF ED | WEST AMWELL TWP BD OF ED (*) | WINSLOW TWP BD OF ED |
| VOORHEES TWP BD OF ED | WEST CAPE MAY BORO BD ED (*) | WOODBINE BORO BD OF ED (*) |
| WALDWICK BORO BD OF ED (*) | WEST DEPTFORD TWP BD ED | WOODBURY CITY BD OF ED (*) |
| WALL TWP BD OF ED | WEST ESSEX REG BD OF ED | WOODBURY HGHTS BORO BD OF ED (*) |
| WALLINGTON BORO BD OF ED (*) | WEST ESSEX REG SCH DIST (*) | WOODCLIFF LAKE BORO BD OF ED (*) |
| WALLKILL VALL REG HS | WEST LONG BRANCH BD ED | WOODLAND TWP BD OF ED (*) |
| WANAQUE BD OF ED | WEST MILFORD TWP BD OF ED | WOODLYNNE BORO BD OF ED (*) |
| WARREN CO AUDIO VIS AIDS | WEST MORRIS REG H S DIST (*) | WOOD-RIDGE BORO BD OF ED (*) |
| WARREN CO COMM COLL (*) | WEST NEW YORK BD OF ED (*) | WOODSTOWN PILESGROVE REG |
| WARREN CO SPEC SERV SCH DIST (*) | WEST ORANGE TWP BD ED | WYCKOFF TWP BD OF ED (*) |
| WARREN CO VOC SCH (*) | WEST PATERSON BORO BD ED (*) | |
| WARREN HILLS REG SCH | WEST WINDSOR-PLAINSBORO REG | |

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STATISTICAL INFORMATION

PARTICIPATING AGENCIES AND AUTHORITIES

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| ABERDEEN TWP FIRE DIST 1 (*) | NORTH HUDSON REG FIRE & RESCUE | ASBURY PARK HOUS AUTH (*) |
| ABERDEEN TWP FIRE DIST 2 | NORTHWEST BERGEN CENT DISPTCH | ATLANTIC CITY HOUS AUTH (*) |
| BORDENTOWN FIRE DIST 1 (*) | OCEAN TWP FIRE #1 (MON) (*) | BAYONNE CITY HOUS AUTH (*) |
| BORDENTOWN TWP FIRE #2 (*) | OCEAN TWP FIRE #2 (MON) (*) | BELMAR HOUS AUTH |
| BRICK TWP FIRE DIST #1 | OCEAN GROVE BD OF FIRE | BERKELEY TWP HOUS AUTH (*) |
| BRICK TWP JNT BD OF FIRE COMM (*) | OLD BRIDGE TWP FIRE #1 | BEVERLY HOUS AUTH (*) |
| BURLINGTON TWP FIRE DIST 1 | OLD BRIDGE TWP FIRE #2 | BOONTON TOWN HOUS AUTH (*) |
| CHERRY HILL FIRE DIST #13 | OLD BRIDGE TWP FIRE #3 (*) | BRICK TWP HOUS AUTH (*) |
| CINNAMINSON TWP FIRE DIST 1 | PINE HILL FIRE #1 | BRIDGETON CITY HOUS AUTH (*) |
| DELRAN FIRE DIST 1 (*) | PLAINSBORO TWP FIRE DIST #1 (*) | BUENA BORO HOUS AUTH (*) |
| DEPTFORD TWP FIRE DIST | TOWACO FIRE DIST #2 | BURLINGTON CITY HOUS AUTH (*) |
| DOVER TWP FIRE DIST 1 | VOORHEES TWP FIRE DIST | CAMDEN CITY HOUS AUTH (*) |
| DOVER TWP FIRE DIST 2 | WASHINGTON TWP FIRE (GLO) | CAPE MAY CITY HOUS AUTH (*) |
| E BRUNSWICK TWP FIRE #1 | WASHINGTON TWP FIRE (MER) (*) | CARTERET HOUS AUTH (*) |
| E BRUNSWICK TWP FIRE #2 | WASHINGTON TWP MUA (MER) (*) | CLEMENTON HOUS AUTH |
| FLORENCE TWP FIRE DIST #1 | WASHINGTON TWP MUA (MOR) (*) | CLIFFSIDE PARK HOUS (*) |
| GLOUCESTER TWP FIRE #2 (*) | WASHINGTON TWP MUA (WAR) (*) | COLLINGSWOOD BORO HOUS (*) |
| GLOUCESTER TWP FIRE #3 (*) | WESTVILLE FIRE DIST #1 | DOVER TOWN HOUS AUTH |
| GLOUCESTER TWP FIRE #4 | WINSLOW TWP FIRE DIST #1 (*) | E ORANGE HOUS AUTH (*) |
| GLOUCESTER TWP FIRE #5 (*) | WOODBRIIDGE TWP FIRE #1 (*) | EDGEWATER HOUS AUTH (*) |
| GLOUCESTER TWP FIRE #6 (*) | WOODBRIIDGE TWP FIRE #2 (*) | EDISON TWP HOUS (*) |
| HADDON TWP FIRE DIST 1 (*) | WOODBRIIDGE TWP FIRE #5 | ELIZABETH HOUS AUTH (*) |
| HAMILTON TWP FIRE #2 (MER) (*) | WOODBRIIDGE TWP FIRE #7 (*) | ENGLEWOOD CITY HOUS AUTH (*) |
| HAMILTON TWP FIRE #3 (MER) (*) | WOODBRIIDGE TWP FIRE #8 | FLORENCE TWP HOUS AUTH |
| HAMILTON TWP FIRE #4 (MER) (*) | WOODBRIIDGE TWP FIRE #9 | FORT LEE HOUS AUTH (*) |
| HAMILTON TWP FIRE #5 (MER) (*) | WOODBRIIDGE TWP FIRE #11 | FRANKLIN TWP HOUS AUTH |
| HAMILTON TWP FIRE #6 (MER) (*) | WOODBRIIDGE TWP FIRE #12 | FFREEHOLD BORO HOUS AUTH (*) |
| HAMILTON TWP FIRE #7 (MER) (*) | | GARFIELD HOUS AUTH (*) |
| HAMILTON TWP FIRE #8 (MER) (*) | BAYONNE CITY PARKING AUTH (*) | GLASSBORO HOUS (*) |
| HAMILTON TWP FIRE #9 (MER) (*) | CAMDEN CITY PARKING AUTH (*) | GLOUCESTER CO HOUS (*) |
| HANOVER TWP FIRE DIST 2 | ELIZABETH PARKING AUTH (*) | GLOUCESTER TWP HOUS |
| HANOVER TWP FIRE DIST 3 | DOVER TWP PARKING AUTH | GUTTENBERG HOUS (*) |
| HAZLET TWP FIRE DISTRICT #1 | E ORANGE PARKING AUTH (*) | HACKENSACK HOUS AUTH |
| HOPEWELL TWP FIRE DIST 1 (*) | FORT LEE PARKING AUTH | HADDON TWP HOUS AUTH (*) |
| HOWELL TWP FIRE DIST 3 (*) | HACKETTSTOWN PARKING AUTH | HARRISON HOUS AUTH |
| HOWELL TWP FIRE DIST 4 | HOBOKEN CITY PARKING | HIGHLAND PARK HOUS AUTH(*) |
| HOWELL TWP FIRE DIST 1 | JERSEY CITY PARKING (*) | HIGHLANDS HOUS AUTH (*) |
| JACKSON FIRE DIST #2 | METUCHEN PARKING AUTH | HIGHTSTOWN BORO HOUS (*) |
| JACKSON FIRE DIST #3 (*) | MORRISTOWN PARKING AUTH | HOBOKEN CITY HOUS AUTH (*) |
| JACKSON FIRE DIST #4 | NEW BRUNSWICK PARKING (*) | IRVINGTON HOUS AUTH (*) |
| JACKSON TWP FIRE PREV (*) | NEWARK PARKING AUTHORITY | JERSEY CITY HOUS (*) |
| JERSEY CITY FIRE (*) | NORTH BERGEN PARKING AUTH | KEANSBURG BORO HOUS (*) |
| JERSEY CITY POLICE (*) | NORTH PLAINFIELD BORO PRKG AUTH (*) | LAKESWOOD HOUS AUTH |
| LAKESWOOD TWP FIRE DIST #1 | PERTH AMBOY CITY PARKING (*) | LINDEN CITY HOUS AUTH (*) |
| MARLBORO TWP FIRE DIST 1 | PATERSON PARKING AUTH (*) | LODI HOUS AUTH (*) |
| MONROE TWP FIRE DIST #1 (MID) | PHILLIPSBURG PARKING AUTH | LONG BRANCH CITY HOUS (*) |
| MONROE TWP FIRE DIST #2 (MID) | RAHWAY CITY PARKING AUTH (*) | MADISON BORO HOUS AUTH |
| MONROE TWP FIRE DIST #3 (MID) | SOUTH ORANGE TWP PARKING AUTH | MIDDLETOWN TWP HOUS (*) |
| MONTCLAIR TWP POLICE & FIRE (*) | SOUTH ORANGE VILLAGE PARKING (*) | MILLVILLE HOUS AUTH |
| MONTVILLE TWP FIRE DIST #2 (*) | SOUTH RIVER PARKING AUTH | MORRIS COUNTY HOUS AUTH |
| MOORESTOWN TWP FIRE #1 (*) | TRENTON CITY PARKING AUTH (*) | MORRISTOWN HOUS AUTH (*) |
| MOORESTOWN TWP FIRE #2 | UNION CITY PARKING AUTH | NEPTUNE CITY HOUS AUTH |
| MOUNT LAUREL FIRE DIST 1 (*) | WEST NEW YORK PARKING | NEPTUNE TWP HOUS AUTH (*) |
| NEPTUNE TWP FIRE DIST #1 (*) | WEST WINDSOR TWP PARK AUTH (*) | NEW BRUNSWICK HOUS (*) |
| NEPTUNE TWP FIRE DIST #2 (*) | | NEWTON TOWN HOUS (*) |

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STATISTICAL INFORMATION

PARTICIPATING AGENCIES AND AUTHORITIES , continued

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|---------------------------------------|---------------------------------|------------------------------------|
| NEWARK HOUS AUTHORITY (*) | E WINDSOR MUN UTIL AUTH (*) | OLD BRIDGE MUN UTIL AUTH |
| NORTH BERGEN TWP HOUSE AUTH (*) | EATONTOWN SEWERAGE AUTH | PASSAIC COUNTY UTIL AUTH |
| OCEAN CITY HOUS AUTH (*) | EDGEWATER PARK SEWERAGE AUTH | PASSAIC VALLEY SEWERAGE (*) |
| ORANGE CITY HOUS (*) | EGG HARBOR TWP MUN UTIL (*) | PASSAIC VALLEY WATER COMM (*) |
| PASSAIC CITY HOUS (*) | ELK TWP MUN UTIL AUTH | PEMBERTON TWP MUN UTIL |
| PATERSON HOUS AUTH | EVESHAM MUN UTIL AUTH | PENNS GROVE SEWERAGE |
| PENNS GROVE BORO HOUS (*) | EWING LAWRENCE SEWERAGE (*) | PENNSAUKEN TWP SEWERAGE (*) |
| PERTH AMBOY CITY HOUS | FLORHAM PARK SEWERAGE | PENNSVILLE SEWERAGE |
| PHILLIPSBURG HOUS AUTH | FRANKLIN TWP SEWERAGE (*) | PEQ LIN PK & FLD SEWERAGE (*) |
| PLAINFIELD CITY HOUS (*) | GLOUCESTER CO UTIL AUTH | PLAINFIELD AREA SEWERAGE AUTH (*) |
| PLEASANTVILLE HOUS (*) | GLOUCESTER TWP MUN UTIL | PLAINFIELD MUN UTIL AUTH |
| PRINCETON HOUS AUTH | HACKETTSTOWN TOWN MUA (*) | POMPTON LAKES MUN UTIL (*) |
| RAHWAY HOUS AUTH (*) | HAMILTON TWP MUN UTIL (ATL) (*) | RAHWAY VALLEY SEWERAGE (*) |
| RED BANK BORO HOUS (*) | HANOVER SEWERAGE AUTH (*) | RARITAN TWP MUN UTIL (*) |
| SALEM CITY HOUS (*) | HAZLET TWP SEWERAGE (*) | READINGTON-LEBANON SEWERAGE (*) |
| SAYREVILLE HOUS AUTH (*) | HILLSBOROUGH TWP MUN UTIL (*) | RIVERSIDE SEWERAGE |
| SOUTH AMBOY CITY HOUS AUTH (*) | HACKETTSTOWN MUN UTIL (*) | ROCKAWAY VALL SEWERAGE (*) |
| TRENTON HOUS AUTH (*) | HUDSON CO UTIL AUTH (*) | ROCKLEIGH BORO SEWERAGE |
| UNION CITY HOUS AUTH (*) | JACKSON TWP MUN UTIL AUTH (*) | RUNNEMEDE SEWERAGE |
| VINELAND CITY HOUS | JERSEY CITY MUA | SALEM CO UTILITIES AUTH (*) |
| WEEHAWKEN TWP HOUS (*) | KEANSBURG MUN UTIL AUTH | SOMERS POINT SEWERAGE AUTH |
| WEST NEW YORK HOUS | KEARNY TOWN MUN UTIL AUTH (*) | SOMERSET RARITAN VALL SEWERAGE (*) |
| WILDWOOD CITY HOUS (*) | LACEY TWP MUN UTIL AUTH (*) | SOUTH MONMOUTH REG SEWERAGE(*) |
| WOODBIDGE TWP HOUS (*) | LAKESWOOD TWP MUN UTIL AUTH | SOUTH TOMS RIVER SEWERAGE |
| | LAMBERTVILLE SEWERAGE (*) | SOUTHEAST MORRIS CO MUA (*) |
| ATL HGHLNDS-HGH REG SEWERAGE AUTH (*) | LANDIS SEWERAGE AUTH | STAFFORD MUN UTIL AUTH |
| ATLANTIC CITY MUN UTIL AUTH (*) | LAUREL SPRINGS SEWERAGE AUTH | STRATFORD BORO SEWERAGE AUTH (*) |
| ATLANTIC CO UTIL AUTH (*) | LEBANON BORO SEWERAGE AUTH | STONY BROOK REG SEWERAGE (*) |
| BAYONNE MUN UTIL AUTH (*) | LINDEN ROSELLE SEWERAGE (*) | SUSSEX CO MUN UTIL AUTH (*) |
| BAYSHORE REG SEWERAGE AUTH (*) | LITTLE EGG HARBOR TWP MUA (*) | UNION CO UTILITIES AUTH |
| BEACH HAVEN SEWERAGE AUTH (*) | LOGAN TOP MUN UTIL AUTH | WANAQUE BORO SEWERAGE |
| BEACHWOOD BORO SEWERAGE AUTH (*) | LONG BRANCH SEWERAGE (*) | WANAQUE VALL REG SEWERAGE AUTH |
| BERGEN CO UTIL AUTH | LOWER TWP MUN UTIL AUTH (*) | WARREN CO MUN UTIL AUTH (*) |
| BERKELEY TWP MUN UTIL (*) | MANASQUAN RIVER REG SEWERAGE | WATERFORD TWP MUA (*) |
| BERKELEY TWP SEWERAGE AUTH (*) | MANVILLE BORO PUB WORKS (*) | WEST MILFORD TWP MUA (*) |
| BERNARDS TWP SEWERAGE AUTH | MANTUA TWP MUN UTIL (*) | WESTERN MONMOUTH UTIL (*) |
| BEVERLY SEWERAGE AUTH | MANTUA TWP MUN UTIL (*) | WEYMOUTH TWP MUA |
| BORDENTOWN SEWERAGE AUTH (*) | MANVILLE BORO PUB WORKS (*) | WILLINGBORO TWP MUN UTIL (*) |
| BRICK TWP MUN UTIL AUTH (*) | MARLBORO TWP MUN UTIL (*) | WOODBINE MUN UTIL AUTH (*) |
| BUENA BORO MUN UTIL AUTH (*) | MIDDLESEX CO UTIL AUTH | WOODSTOWN SEWERAGE AUTH |
| BURLINGTON WATER COMM | MIDDLETOWN TWP SEWERAGE (*) | WRIGHTSTOWN MUN UTIL (*) |
| CAMDEN CO MUN UTIL AUTH | MONROE TWP MUA (GLO) (*) | |
| CAPE MAY CO MUN UTIL AUTH | MONROE TWP MUA (MID) (*) | BERGEN CO SOIL CONSERV (*) |
| CARLSTADT SEWERAGE AUTH | MONTVILLE TWP MUN UTIL | BERGEN CO SOIL CONSERV (*) |
| CARNEYS PT TWP SEWERAGE | MOUNT HOLLY TWP MUA | BURLINGTON CO SOIL CONS (*) |
| CINNAMINSON SEWERAGE AUTH | MOUNT LAUREL TWP MUA | CAMDEN CO SOIL CONSERV (*) |
| CLEMENTON SEWERAGE AUTH (*) | MUSCONETCONG SEWERAGE AUTH (*) | CAPE ATLANTIC SOIL CONS (*) |
| CLINTON TWP SEWERAGE AUTH (*) | NEPTUNE TWP SEWERAGE (*) | CUMBERLAND SOIL CONSERV (*) |
| CUMBERLAND CO UTIL AUTH (*) | NORTH BERGEN MUN UTIL AUTH | FREEHOLD SOIL CNSRVTN DIST (*) |
| DELANCO TWP SEWERAGE AUTH (*) | NORTH HUDSON SEWERAGE AUTH (*) | GLOUCESTER CO SOIL CON DIST (*) |
| DELAWARE TWP MUN UTIL AUTH | NORTHWEST BERGEN CO UTIL (*) | HUDSON-ESSEX PASSAIC SOIL (*) |
| DELTRAN TWP SEWERAGE AUTH (*) | NORTH JERSEY WATER SUPPLY (*) | HUNTERDON CO SOIL CONS (*) |
| DEPTFORD TWP MUN UTIL (*) | OCEAN TWP SEWERAGE (MON) (*) | MERCER CO SOIL CONSERV (*) |
| DOVER TWP MUN UTIL AUTH (*) | OCEAN CO UTILITIES AUTH (*) | MORRIS CO SOIL CONSERV DIST (*) |
| E BRUNSWICK SEWERAGE AUTH | OCEAN TWP MUA (OCEAN) (*) | OCEAN CO SOIL CONS (*) |

**In addition to participating in the retirement system, also participates in the State Health Benefits Program*



STATISTICAL INFORMATION

PARTICIPATING AGENCIES AND AUTHORITIES, *continued*

| | | |
|------------------------------------|--------------------------------------|-----------------------------------|
| SALEM COUNTY SOIL CONSRV DST (*) | PRINCETON JNT PUB LIBRARY | JERSEY CITY INCINERATOR |
| SUSSEX CO SOIL CONSERV (*) | RAHWAY PUBLIC LIBRARY | JOINT CONST OF THE WILDWOODS |
| WARREN CO SOIL CONSERV (*) | RIDGEWOOD LIBRARY (*) | LAKE HOPATCONG COMM (*) |
| | ROSELLE BORO LIBRARY | MERCER CO PARK COMM (*) |
| ATLANTIC CO IMPRVMT AUTH (*) | SALEM CITY FREE PUB LIBRARY (*) | MERCER CO PARK COMM (*) |
| BERGEN CO IMPROV AUTH (*) | SUSSEX CO LIBRARY (*) | MERCHANTVL PENNSKN WATER COMM |
| CAMDEN CO IMPROVEMENT AUTH | TRENTON CITY LIBRARY (*) | MIDDLESEX CO MUN JT INS (*) |
| CUMBERLAND CO IMPRVMT (*) | UNION TWP LIBRARY (UNION) | MONMOUTH CO BAYSHORE OUTFALL (*) |
| ESSEX CO IMPROVMNT AUTH (*) | WEST ORANGE TWP LIBRARY (*) | MORRIS COUNTY PARK COMM |
| GLOUCESTER CO IMPROVEMENT | WYCKOFF TWP LIBRARY (*) | NEWARK MANPOWER TRAINING |
| HUDSON CO IMPROVEMENT AUTH (*) | | NJ ASSOC OF COUNTIES |
| MERCER CO IMPROVEMENT (*) | CAMDEN CO HEALTH SERV CTR | NJ BUILDING AUTH (*) |
| MERCER CO IMPROVEMENT (*) | ESSEX REG HEALTH COMM (*) | NJ COMM & ECON GROW COMM (*) |
| MIDDLESEX CO IMPROVE AUTH | HUDSON REG HEALTH COMM (*) | NJ DEV AUTH SM BUS (*) |
| | MID BERGEN REG HEALTH COMM (*) | NJ ECON DEV AUTH (*) |
| ATLANTIC CO WELFARE BD | MIDDLE BROOK REG HEALTH (*) | NJ HIGHWAY AUTH |
| CAMDEN CO BD SOC SERV (*) | MONMOUTH CO REG HEALTH DEPT | NJ HOUS/MORT FIN (*) |
| BERGEN CO BD OF SOC SERV (*) | MONMOUTH CO REG HEALTH (*) | NJ MEADOWLANDS COMM (*) |
| BURLINGTON CO BD SOC SERV (*) | NJ FIREMEN'S HOME (*) | NJ STATE LEAG MUNIC (*) |
| CAPE MAY CO BD OF SOC SERV | NJ HEALTH CARE FACIL FIN AUTH (*) | NJ TRANSIT CORPORATION |
| CUMBERLAND CO BD SOC SERV (*) | NORTHWEST BERGEN REG HLTH (*) | NJ TURNPIKE AUTH |
| GLOUCESTER CO BD SOC SERV | OCEAN CO BD OF HEALTH | NJ URBAN DEVELOPMENT CORP (*) |
| MERCER CO BD OF SOC SERV (*) | SUSSEX CO HEALTH & PUB SAFE (*) | NJ WATER SUPPLY AUTH (*) |
| MIDDLESEX CO BD SOC SERV | | NORTH HUDSON REG COMM CENTER |
| MONMOUTH COUNTY DIV SOC SERV | CAPE MAY CO MOSQUITO EXT COM | NORTH HUNTERDON MUN COURT (*) |
| OCEAN CO BD OF SOC SERV (*) | MIDDLESEX CO MOSQ EXTERM COMM | NORTH JERSEY WATER SUPPLY (*) |
| PASSAIC CO BD SOC SERV | MONMOUTH CO MOSQ EXTERM COMM (*) | NORTH WARREN MUN COURT (*) |
| SALEM CO BD OF SOC SERV (*) | OCEAN CO MOSQUITO COMM (*) | OCEAN COUNTY PIC (*) |
| SOMERSET CO BD SOC SERV (*) | SALEM CO MOSQUITO COMM (*) | OLD BRIDGE ECON DEV CORP |
| SUSSEX CO BD SOC SERV (*) | WARREN CO MOSQUITO EXTER COMM | PALISADES INTERSTATE PK COMM (*) |
| UNION CO BD OF SOC SERV | | PATERSON POLICE & FIRE COMM |
| WARREN CO WELFARE BD | BAYONNE LOCAL REDEVEL AGENCY (*) | PENSIONERS GROUP (*) |
| | CARTERET BORO REDEVEL AGENCY (*) | PERTH AMBOY PORT AUTH |
| BEDMIN & FAR HILLS PUB LIB (*) | HUDSON CO ECON DEV CORP | PINELANDS COMMISSION (*) |
| BLOOMFIELD TWP PUB LIBRARY (*) | JERSEY CITY REDEV AGENCY (*) | POLLUTION CO FIN AUTH UNION CO |
| CHESTER BORO/TWP PUB LIB (*) | MONTCLAIR REDEV AGEN (*) | RAHWAY WATER COMM |
| CHATHAMS JNT PUBLIC LIBRARY (*) | NJ REDEVELOPMENT AUTH (*) | SALEM CITY MUN PORT AUTH (*) |
| ELIZABETH LIBRARY (*) | RAHWAY REDEV AGENCY | SOMERSET CO PARK COMM |
| HILLSIDE PUBLIC LIBRARY | SAYREVILLE BORO ECON & REDEV AGY (*) | SOMERSET REG ANIMAL SHELDT (*) |
| JERSEY CITY LIBRARY (*) | SOUTH JERSEY ECON DEV AUTH (*) | SOUTH JERSEY PORT CORP |
| LINDEN CITY PUBLIC LIBRARY | | SOUTH JERSEY TRANS AUTHORITY |
| MANVILLE BORO PUB LIBRARY (*) | ATLANTIC CITY CONVEN CTR (*) | STATE LEGISLATURE - SENATE (*) |
| MATAWAN-ABERDEEN LIB (*) | CAMDEN CO BD OF FREEHOLDERS | STATE LEGISLATURE - ASSEMBLY (*) |
| MONTCLAIR TWP LIBRARY (*) | CAMDEN CO POLLUTION CONTROL | STATEWIDE INSURANCE FUND |
| MORRISTOWN/MORRIS LIB (*) | CAPE MAY CO BRIDGE COMM (*) | SUSSEX CO ADMIN CTR |
| MOUNTAINSIDE BORO PUB LIB (*) | CASINO REINVESTMENT DEV AUTH (*) | TRENTON DOWNTOWN ASSOC |
| MONTVILLE TWP PUB LIBRARY (*) | COMP RATING & INSP BUR (*) | TWO RIVERS RECLAM AUTH (*) |
| OCEAN COUNTY LIBRARY (*) | DELAWARE RVR BASIN COMM (*) | VINELAND/MILLVILLE URB ENT ZN (*) |
| ORANGE CITY LIBRARY | DELAWARE RVR JNT TOLL BRDG | WARREN CO BD OF CHOSEN FRHLDRS |
| PARSIPANNY TROY HILLS TWP LIBR (*) | GREATER WILDWOOD TOUR IMP (*) | WARREN CO POLLUTION CNTRL |
| PASSAIC CITY PUBLIC LIBRARY (*) | INTERSTATE ENVIRON COMM(*) | WATERFRONT COMM OF NY HARBOR (*) |

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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



STATISTICAL INFORMATION

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