

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

A DEPARTMENT OF THE STATE OF NEW JERSEY

49th COMPREHENSIVE ANNUAL FINANCIAL REPORT *For the Fiscal Year Ended June 30, 2004*

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
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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

Commuter Tax\$ave State Employees Commuter Tax Savings Program

LTC State Employees Long Term Care Insurance Plan

INDEPENDENT AUDITOR

KPMG LLP

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

ACTUARIAL REPORTS

MELLON HUMAN RESOURCES AND INVESTOR SOLUTIONS

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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, 2003

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.



President

Executive Director





James E. McGreevey
Governor



John E. McCormac, CPA
State Treasurer



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



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Division of Pensions and Benefits
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PO Box 295
Trenton, NJ 08625-0295

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50 West State Street
Trenton, New Jersey

Letter of Transmittal

December 2004

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 49th Comprehensive Annual Financial Report (CAFR) of the New Jersey state-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2004. 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 745,000 members enjoy the benefits of the various pension systems administered by the Division and over 802,000 lives are covered in the State Health Benefits Program (SHBP). In addition to the State, 1,702 local public employers participate in the retirement systems and 981 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 '04 and they were relatively minor. Legislation was enacted to permit surviving spouses of members of the Police and Firemen's Retirement System and State Police Retirement System receiving accidental death benefits, to remarry and continue receiving the benefit. In addition, a new law provides for enrollment in Public Employees' Retirement System of eligible employees of any bi-state or multi-state agency in which New Jersey is a participant.

Domestic Partnership Act - Chapter 246, P.L. 2003, the Domestic Partnership Act (DPA), became effective on July 10, 2004. This legislation establishes the rights and responsibilities of domestic partners in the State of New Jersey and extends certain health and pension benefits to same-sex domestic partners of State employees. The law allows all local employers to adopt resolutions extending the domestic partner pension benefits to its employees and allows employers participating in the State Health Benefits Program (SHBP) to adopt resolutions extending health benefits coverage to domestic partners.

Local Early Retirement Incentive Program - The Local early retirement incentive program (ERI) enacted late in fiscal year '03, continued throughout fiscal year '04. Over 1,500 members from 133 participating employers took the incentive offer with 200 employees being extended.

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, 2004. 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 '04, investment returns on pension funds were 14.1 percent. When combined with the returns for previous years, the annualized returns over the past three, five, and ten-year periods were +2.4 percent, +1.5 percent, and +10.0 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 93.7 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 90 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 **532,465 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,704 PARTICIPATING EMPLOYERS** in the combined retirement systems; 9 new employers began participating this year.
- There are **461,698 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **56,515 MEMBER ACCOUNTS** were audited internally.
- A total of **212,019 RETIREES AND BENEFICIARIES RECEIVED MONTHLY PENSIONS** totaling in excess of **\$5.3 BILLION ANNUALLY**.
- **OVER 6,909 BENEFICIARY CLAIMS** were processed. Premiums in excess of \$123.5 million were paid to the insurance carrier on behalf of active and retired members.
- Over **1.9 MILLION TELEPHONE CALLS** were received in Client Services. Counselors handled over 307,000 calls; over 1.17 million calls were handled by our automated telephone systems.
- **14,117 PERSONAL INTERVIEWS** were conducted by pensions counselors.
- **496 RETIREMENT SEMINARS** were conducted for over 16,159 members.
- **15,359 SERVICE PURCHASE REQUESTS** were processed.
- Over **64,083 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- **There were 7,893 WITHDRAWALS** from the retirement systems.
- **12,045 MEMBERS RETIRED.**
- Over **118,406 PENSION LOANS** totalling **\$415,772,242** were processed.
- State and local membership in the State Health Benefits Program was **359,167 MEMBERS** with **802,158 LIVES COVERED**.
- A total of over **\$2.3 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers. 981 local employers elected to participate in the SHBP this year.

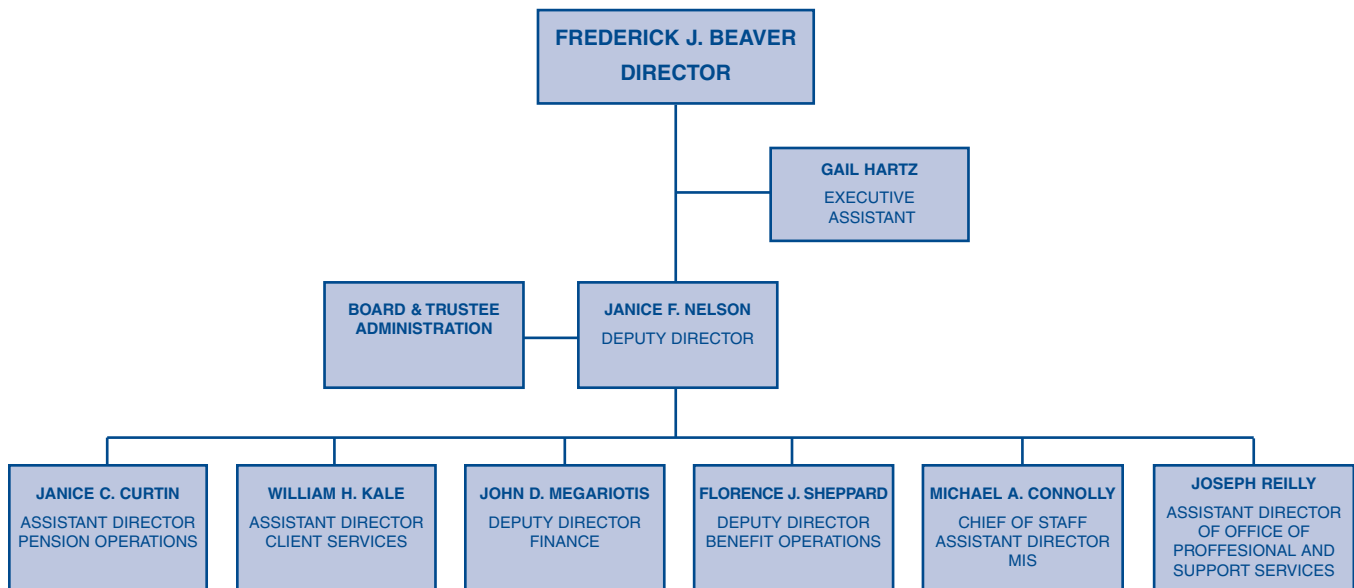
ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

Seated (left to right): Janice C. Curtin, Assistant Director, Pension Operations
Florence J. Sheppard, Deputy Director, Benefit Operations
Janice F. Nelson, Deputy Director, Division of Pensions and Benefits
Gail Hartz, Executive Assistant

Standing (left to right): Michael A. Connolly, Chief of Staff and Assistant Director, MIS
John D. Megariotis, Deputy Director, Finance
Frederick J. Beaver, Director, Division of Pensions and Benefits
Joseph Reilly, Assistant Director, Professional Services
William H. Kale, Assistant Director, Client 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, Payments, 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 a Deputy Director, is divided among three bureaus: Financial Reporting, Payment and Collections; Budget and Compliance; and Defined Benefit and Contribution Plans Reporting.

The Office of Financial Services is charged with the custodianship of pension and health benefits assets. These assets are in excess of \$71 billion and include over 782,000 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 Boards and Commissions.



ORGANIZATION

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: Suzanna Buriani-DeSantis
(l to r) Martin M. McElroy
George B. Babula, *Chairperson*
Kathleen Coates, *Board Secretary*

Standing: Frederick J. Beaver, *Treasurer's Representative*
(l to r) Edward Thomson, III
James Brey
Roderick Lewis
Leon Flanagan
Susanne Culliton, *Deputy Attorney General*
Ronald Winthers

Absent: Jackie Bussanich, *Support Staff*



TEACHERS' PENSION AND ANNUITY FUND

Seated: Marie Flynn
(l to r) John Keeler
Harry Baldwin, *Chairperson*
Grace Haislip

Standing: James Clemente
(l to r) Jackie Bussanich, *Support Staff*
Frederick J. Beaver, *Treasurer's Representative*
Susanne Culliton, *Deputy Attorney General*
Kathleen Coates, *Board Secretary*
Deborah Rivosa



POLICE AND FIREMEN'S RETIREMENT SYSTEM

Seated: Alan C. Levine
(l to r) Mark Kandrac, *Chairperson*
John Sandella
Frank Casey

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

Absent: Joseph Boucher



ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Standing: Wendy Jamison, *Board Secretary*
(l to r) Peter Gorman, *Treasurer's Representative*
Susanne Culliton, *Deputy Attorney General*
Jackie Bussanich, *Support Staff*

Seated: John M. Mitch
(l to r) Captain Frederick N. Bucci, *Chairperson*
James Grant

Absent: John K. Sayers

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*
Wendy Jamison, *Board Secretary*

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

COMMUTER TAX\$AVE

This benefit program, authorized by Chapter 162, P.L. 2001 and available under Section 132(f) of the federal Internal Revenue Code, allows eligible State employees to use before-tax dollars to pay for qualified commuter expenses. Under the program, eligible employees may execute salary reduction agreements to have up to \$100 per month (\$1,200 per year) deducted from salary to pay for mass transit commutation costs and \$195 per month (\$2,340 per year) to pay for parking at work or at park and ride sites. The program was implemented in February 2004.

Statutes can be found in New Jersey Statutes

Annotated 52:14-17.33a. Rules governing Commuter Tax\$ave can be found in Title 17, Chapter 1, Subchapter 14 of the New Jersey Administrative Code.

STATE EMPLOYEES LONG TERM CARE INSURANCE PLAN

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

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



MEMBERSHIP

ACTIVE MEMBERSHIP	RETIREMENT SYSTEM	2003	2004
	Public Employees' Retirement System	307,474*	314,673*
	Teachers' Pension & Annuity Fund	148,915*	151,911*
	Police & Firemen's Retirement System	44,848*	45,124*
	State Police Retirement System	2,792*	2,710*
	Judicial Retirement System	436	432
	Alternate Benefit Program	16,941	17,615
	Prison Officers' Pension Fund	0	0
	Consolidated Police & Firemen's Pension Fund	0	0
	Central Pension Fund	NA	NA
	TOTAL	521,406	532,465
<p><i>*Both the 2003 and 2004 figures represent the total number of Active and Inactive accounts.</i></p> <p><i>The 2004 Inactive (noncontributing) accounts are as follows:</i></p> <p><i>PERS Inactive — 49,203, TPAF Inactive — 13,677, PFRS Inactive — 1,650, SPRS Inactive — 35</i></p>			
RETIRED MEMBERSHIP AND BENEFICIARIES	RETIREMENT SYSTEM	2003	2004
	Public Employees' Retirement System	115,427	118,114
	Teachers' Pension & Annuity Fund	59,290	61,965
	Police & Firemen's Retirement System	26,642	27,826
	State Police Retirement System	2,080	2,204
	Judicial Retirement System	399	419
	Alternate Benefit Program	NA	NA
	Prison Officers' Pension Fund	210	200
	Consolidated Police & Firemen's Pension Fund	1,055	941
	Central Pension Fund	355	350
	TOTAL	205,458	212,019
<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	2003	2004
	State Health Benefits Program	350,667	358,609
	Prescription Drug Plan	141,339	148,164
	State Employee Dental Expense Plan	96,911	99,072



MEMBERSHIP

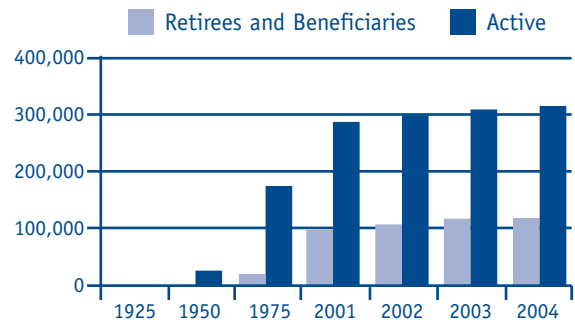
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

As of June 30, 2004, the active membership of the system totaled 314,673. There were 118,114 retirees and beneficiaries receiving annual pensions totaling \$1,506,081,057*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$97,104,220.

The system's assets totaled \$23,191,446,226 at the close of the fiscal year 2004.

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



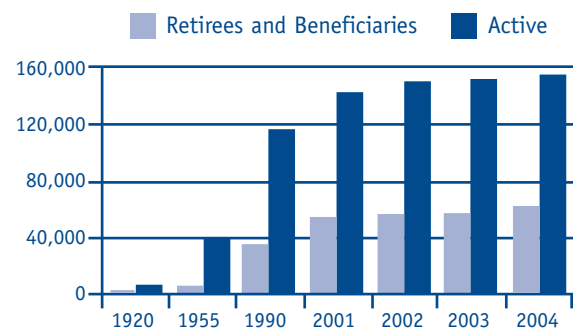
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2004, the active membership of the fund totaled 151,911. There were 61,965 retirees and beneficiaries receiving annual pensions totaling \$1,821,694,407*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$59,806,846.

The fund's assets totaled \$28,894,103,112 at the close of the fiscal year 2004.

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



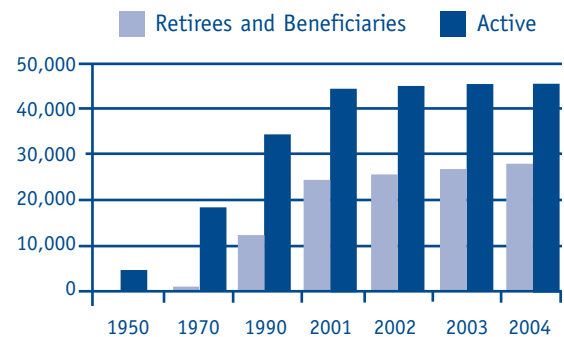
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2004, the active membership of the system totaled 45,124. There were 27,826 retirees and beneficiaries receiving annual pensions totaling \$956,173,745*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$30,881,935.

The system's assets totaled \$16,439,571,152 at the close of the fiscal year 2004.

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



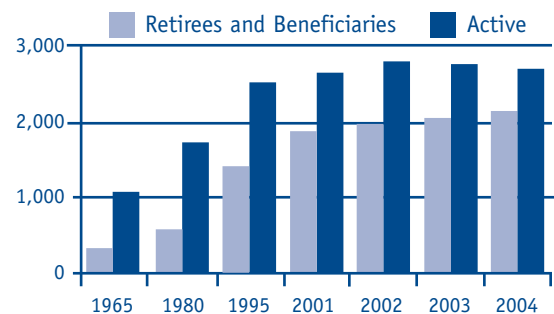
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2004, the active membership of the system totaled 2,710. There were 2,204 retirees and beneficiaries receiving annual pensions totaling \$88,550,978*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$721,085.

The system's assets totaled \$1,694,769,733 at the close of the fiscal year 2004.

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

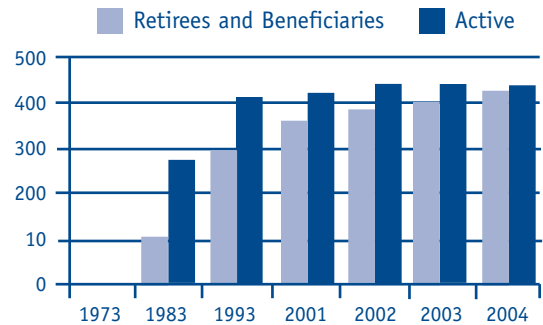


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2004, the active membership of the system totaled 432. There were 419 retirees and beneficiaries receiving annual pensions totaling \$26,576,846.

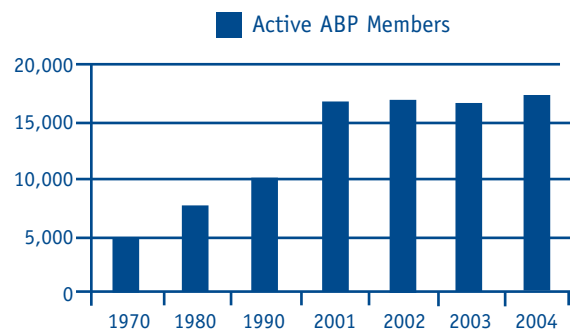
The system's assets totaled \$324,619,731 at the close of the fiscal year 2004.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2004, the State paid \$106,470,516 on behalf of 17,615 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$12,938,808 in lump sum death benefits.



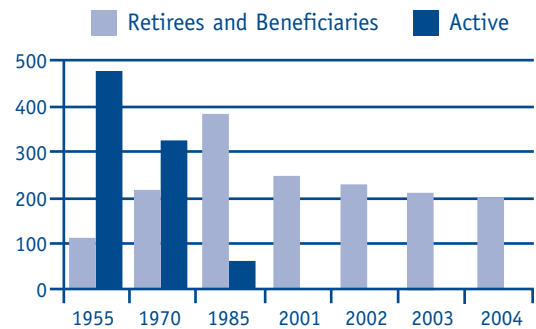
PRISON OFFICERS' PENSION FUND

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, 2004, the active membership of the fund totaled zero. There were 200 retirees and beneficiaries receiving annual pensions totaling \$2,750,556.

The fund's assets totaled \$16,105,439 at the close of the fiscal year 2004.

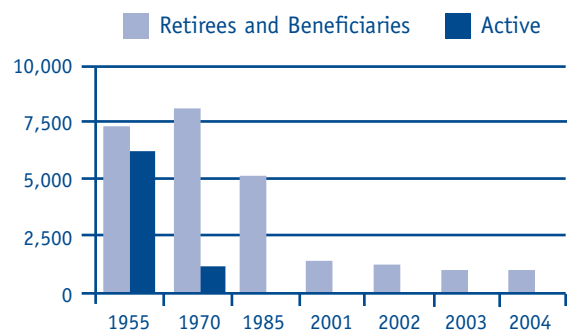


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

As of June 30, 2004, the active membership of the fund totaled zero. There were 941 retirees and beneficiaries receiving annual pensions totaling \$16,829,838.

The fund's assets totaled \$16,723,261 at the close of the fiscal year 2004.



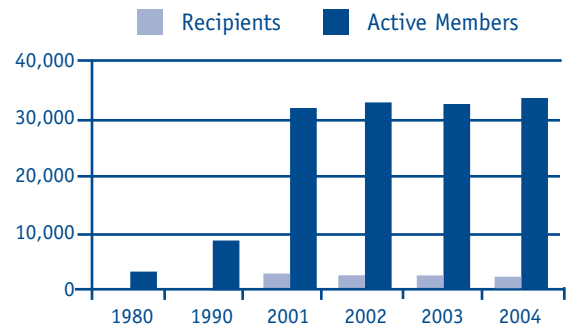
MEMBERSHIP

NJ STATE EMPLOYEES DEFERRED COMPENSATION PLAN

Fiscal year 2004 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, 2004, the membership of the New Jersey State Employees Deferred Compensation Plan totaled 33,545. There were 2,467 members receiving monthly installment payments.

The plan's net assets (participants' balances) were \$1,353,276,130 at the close of the fiscal year 2004.

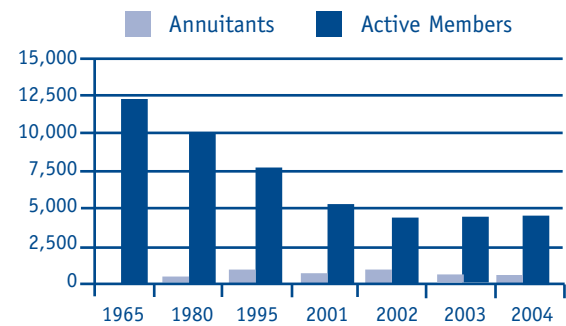


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2004, the active membership of the trust totaled 4,098. The unit value was \$54.9882, an increase of \$7.0559 from the June 30, 2003 value of \$47.9323.

There were 645 annuitants.

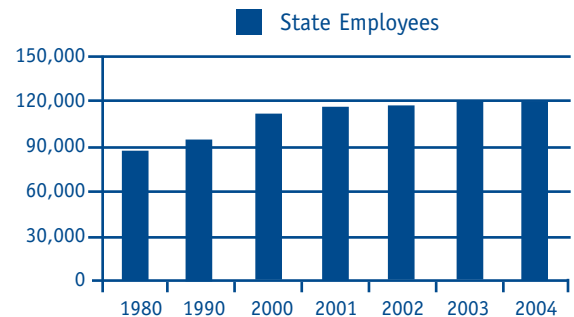
The trust's assets totaled \$146,587,112 at the close of the fiscal year 2004.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

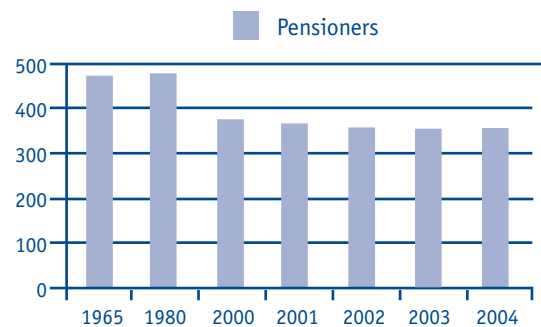
As of June 30, 2004, the Unemployment Compensation Program for State employees covered as many as 122,017 persons, and the Division remitted \$9,000,992 on behalf of the State. There were 4,290 requests for unemployment benefits filed, and \$13,036,755 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 126,621 employees, and the Division remitted \$22,260,314 on behalf of the State. Claims paid totaled \$26,116,256.



CENTRAL PENSION FUND

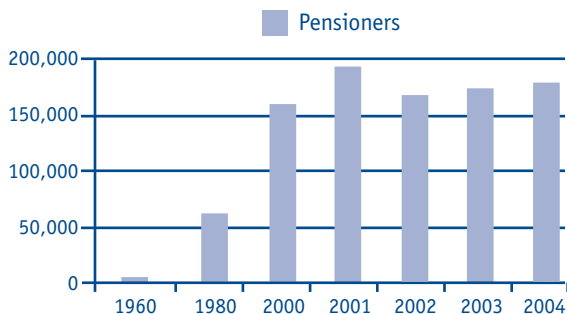
As of June 30, 2004, there were 350 beneficiaries receiving annual pensions totaling \$435,528.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

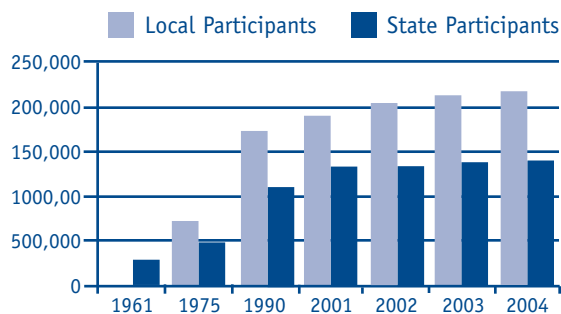
There were 182,992 pensioners who were paid \$525,744,116 during fiscal year 2004.



STATE HEALTH BENEFITS PROGRAM

As of June 30, 2004, there were 358,609 covered participants (active and retired) consisting of 142,342 State participants and 216,267 participants of 981 local participating employers.

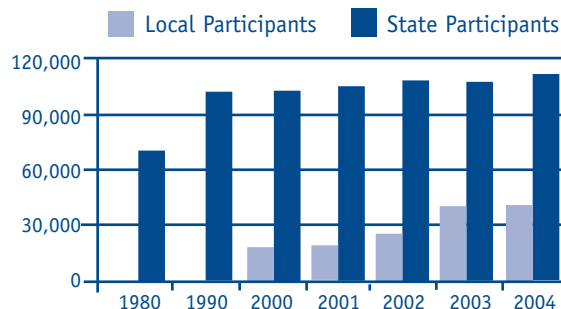
The State and state employee contributions were \$966,797,040 while payment made by local employers and employees was \$1,684,721,256.



PRESCRIPTION DRUG PLAN

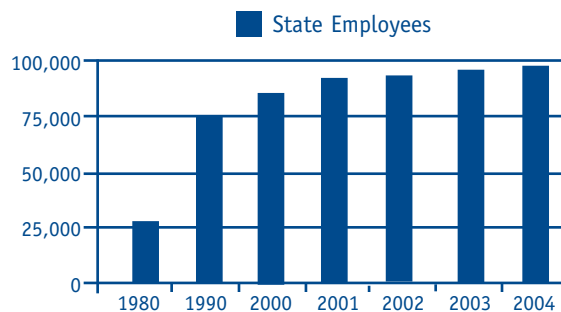
The Prescription Drug Plan covered as many as 109,831 State employees and 38,333 local employees during fiscal year 2004.

The State's contribution was \$221,325,446 while payment made by local employers was \$83,513,660.



STATE EMPLOYEE DENTAL PROGRAM

The State Employee Dental Program covered as many as 99,072 eligible State employees during fiscal year 2004. The State of New Jersey as the employer expended \$29,872,124 on their behalf during that period.



Financial Section

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**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

June 30, 2004

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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, 2004, 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, 2004, 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, 2004, 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 basic 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Division's basic financial statements. 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 basic financial statements. 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 24, 2004

KPMG LLP



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Management's Discussion and Analysis

June 30, 2004

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, 2004. 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 increased by \$31.8 million as a result of operations decreasing the deficit from \$(95.3) million to \$(63.5) million. For Prescription Drug Program-State, net assets increased by \$2.9 million from \$24.7 million to \$27.6 million. For Dental Expense Program, net assets decreased by \$4.2 million from \$16.3 million to \$12.1 million.
- Revenues recognized during the year were as follows: \$967.2 million for the Health Benefits Program-State; \$222.8 million for the Prescription Drug Program-State; \$61.8 million for the Dental Expense Program.
- Expenses incurred during the year were as follows: \$935.4 million for the Health Benefits Program-State; \$219.8 million for the Prescription Drug Program-State; \$66.1 million for the Dental Expense Program.

Business-Type Activities:

- For Health Benefits Program-Local, net assets increased by \$70.3 million as a result of operations from \$58.1 million to \$128.4 million. For Prescription Drug Program-Local, net assets increased by \$0.6 million from \$8.3 million to \$8.9 million.
- For the Health Benefits Program-Local and the Prescription Drug Program-Local, revenues recognized during the year were \$1.7 billion and \$84.1 million, respectively.
- For Health Benefits Program-Local and the Prescription Drug Program-Local, expenses incurred during the year were \$1.6 billion and \$83.4 million, respectively.

Fund Financial Statements

Fiduciary Funds:

Pension Trust Funds:

- Fiduciary net assets increased by \$6.1 billion as a result of this year's operations from \$65.5 billion to \$71.6 billion.
- Additions for the year were \$11.5 billion, which are comprised of member and employer pension contributions of \$2.7 billion and investment income of \$ 8.8 billion.
- Deductions for the year were \$5.4 billion, which are comprised of benefit and refund payments of \$5.4 billion and administrative expenses of \$32.2 million.



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Management's Discussion and Analysis, Continued

June 30, 2004

- The Funds utilized net assets (excess assets above the required funding level) to meet this year's normal pension contribution requirements.

Agency Funds:

- The Funds' total additions were \$133.2 million mostly consisting of member and employer contributions of \$133.1 million and investment income of \$0.1 million.
- The Funds' total deductions were \$133.2 million consisting of pension and insurance benefit charges of \$132.2 million and other expenses of \$1.0 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.

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.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Management's Discussion and Analysis, Continued
June 30, 2004

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, 2004

FINANCIAL ANALYSIS

Government-wide:

STATEMENT OF NET ASSETS (DEFICIT)

Governmental Activities:

	2004	2003	Increase (Decrease)
Assets	\$ 152,666,147	\$ 92,631,301	\$ 60,034,846
Liabilities	176,501,958	147,010,056	29,491,902
Net Assets (Deficit)	\$ (23,835,811)	\$ (54,378,755)	\$ 30,542,944

Business-Type Activities:

	2004	2003	Increase (Decrease)
Assets	\$ 399,618,655	\$ 277,525,205	\$ 122,093,450
Liabilities	262,269,465	211,092,531	51,176,934
Net Assets (Deficit)	\$ 137,349,190	\$ 66,432,674	\$ 70,916,516

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 Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) to provide funding for post-retirement medical benefits. For the Governmental Activities, between fiscal years 2003 and 2004, total assets increased by \$60.0 million or 64.8%. For the Business-Type Activities, total assets increased by \$122.1 million or 44.0%. The increase in total assets is mainly due to an increase in fair value balances invested in the Cash Management Fund (CMF).

Liabilities mainly consist of outstanding medical and long-term disability claim payments, including incurred but not reported (IBNR) claims. For the Governmental Activities, total liabilities increased by \$29.5 million or 20.1%. For the Business-Type Activities, total liabilities increased by \$51.2 million or 24.2%. The increase in total liabilities is mainly due to an increase in claims payable including IBNR.

For the Governmental Activities, net assets increased by \$30.5 million or 56.2%. For the Business-Type Activities, net assets increased by \$70.9 million or 106.8%. The increase in net assets is due to an increase in fair value of investments and revenues exceeding expenses.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2004

STATEMENT OF ACTIVITIES

REVENUES - ADDITIONS TO NET ASSETS (DEFICIT)

Governmental Activities:

	2004	2003	Increase (Decrease)
Member Contributions	\$ 108,605,249	\$ 98,538,421	\$ 10,066,828
Employer Contributions	1,142,379,402	964,089,279	178,290,123
CMF Investment & Other	856,232	1,157,744	(301,512)
Totals	\$ 1,251,840,883	\$ 1,063,785,444	\$ 188,055,439

Business-Type Activities:

	2004	2003	Increase (Decrease)
Member Contributions	\$ 85,621,581	\$ 75,340,822	\$ 10,280,759
Employer Contributions	1,683,134,186	1,411,263,887	271,870,299
CMF Investment & Other	2,841,106	1,378,803	1,462,303
Totals	\$ 1,771,596,873	\$ 1,487,983,512	\$ 283,613,361

Revenues primarily consist of member and employer contributions and earnings from CMF Investment activities. For the Governmental Activities, revenues increased by \$188.1 million or 17.7%. For the Business-Type Activities, total revenues increased by \$283.6 million or 19.1%. 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 10.2% for the Governmental Activities and by 13.7% for the Business-Type Activities for the same reason. The reduction in investment and other revenues in the Governmental Activities is primarily due to a low CMF interest rate.

EXPENSES - DEDUCTIONS FROM NET ASSETS (DEFICIT)

Governmental Activities:

	2004	2003	Increase (Decrease)
Benefits	\$ 1,218,641,656	\$ 1,046,043,657	\$ 172,597,999
Administrative Expenses	2,656,283	2,919,206	(262,923)
Totals	\$ 1,221,297,939	\$ 1,048,962,863	\$ 172,335,076

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 \$172.3 million or 16.4% for the Governmental Activities. For the insured plans, expenses



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2004

increased due to the higher premium rates for calendar year 2004. The average premium rate increase for all plans is 7.6% for active members and 14.7% for retirees in calendar year 2004. 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:

	2004	2003	Increase (Decrease)
Benefits	\$ 1,696,844,732	\$ 1,362,676,860	\$ 334,167,872
Administrative Expenses	3,835,625	4,378,810	(543,185)
Totals	\$ 1,700,680,357	\$ 1,367,055,670	\$ 333,624,687

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 \$333.6 million or 24.4% for the Business-Type Activities. For the insured plans, expenses increased due to higher premium rates for calendar year 2004. The average premium rate increase for all plans is 10.1% for active members and 13.5% for retirees in calendar year 2004. 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:

	2004	2003	Increase (Decrease)
Assets	\$ 72,086,082,766	\$ 65,938,622,793	\$ 6,147,459,973
Liabilities	437,236,127	397,563,741	39,672,386
Net Assets (Deficit)	\$ 71,648,846,639	\$ 65,541,059,052	\$ 6,107,787,587

Assets mainly consist of cash, investments, and contributions due from members and participating employers. Between fiscal years 2003 and 2004, total assets increased by \$6.1 billion or 9.3%. The total assets increased primarily due to an increase in fair value of investments. Also, it is related to an increase in employer contributions receivables based on Chapter 23, P.L. 2002 (early retirement incentive benefits to State employees) for TPAF and PERS and Chapter 108, P.L. 2003 (pension obligation payments by local employers through a five-year phase-in) for PERS and PFRS. Employer contribution receivables for TPAF, PERS, and PFRS decreased partly due to Chapter 42, P.L. 2002 (local employers' issuing refunding bonds to retire an unfunded accrued liability).

Liabilities consist of pension and death benefit payments owed to members and beneficiaries, outstanding insurance premium payments, and other payables. Total liabilities increased by \$39.7 million or 10% over last year. This is mainly due to an increase in benefits payable to retirees and beneficiaries, partly related to the State Early Retirement Incentive (Chapter 23, P.L. 2002) for TPAF and PERS.

Net assets increased by \$6.1 billion or 9.3%.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2004

Agency Funds:

	2004	2003	Increase (Decrease)
Assets	\$ 27,295,305	\$ 27,433,384	\$ (138,079)
Liabilities	27,295,305	27,433,384	(138,079)
Net Assets (Deficit)	\$ 0	\$ 0	\$ 0

The Funds' assets mainly consist of cash, investments and contributions due from the State and local employers. Between fiscal years 2003 and 2004, total assets decreased by 0.5%. This is mainly due to a decrease in fair value balances invested in the Cash Management Fund.

Liabilities mainly consist of benefits payable to eligible recipients in the Pension Adjustment Fund (PAF); 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 (ABP). Between fiscal year 2003 and 2004, total liabilities decreased by 0.5%. The decrease in the liabilities is mainly related to a decrease in pension adjustment payroll payable to retirees and beneficiaries in the PAF.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

Pension Trust Funds:

	2004	2003	Increase (Decrease)
Member Contributions	\$ 1,196,974,064	\$ 1,062,340,136	\$ 134,633,928
Employer Contributions & Other	1,515,936,521	318,288,644	1,197,647,877
Investment & Other	8,805,203,225	2,013,921,753	6,791,281,472
Totals	\$ 11,518,113,810	\$ 3,394,550,533	\$ 8,123,563,277

Additions primarily consist of member and employer contributions and earnings from investment activities. There was an increase by \$134.6 million or 12.7% in total member contributions. In all pension trust funds other than Supplemental Annuity Collective Trust (SACT) and Judicial Retirement System (JRS), member contributions increased between 2003 and 2004 partly due to normal salary increases or increased membership. Also, in TPAF, the increase is partly due to elimination of a reduction in the employee contribution rate (i.e., returning to the normal rate of 5% from 3%), which was effective January 1, 2004. The increases ranged from 2% in Deferred Compensation Fund (DCP) to 33.6% in TPAF. SACT decreased by 7.5%, and JRS decreased by 30.4%.

Employer contributions (excluding pension adjustment fund) increased by \$1.2 billion or 391.8%. The increase was mainly from PERS by \$703.6 million or 993.5%, from PFRS by \$344 million or 430.7%, and from TPAF by \$155.1 million or 51.5%. There are contributions from local employers for appropriation due April 1, 2005 for PERS and PFRS based on Chapter 108, P.L. 2003, and contributions from State appropriation for TPAF and PERS based on Chapter 23, P.L. 2002. On the other hand, last year in PFRS there was a retroactive reduction down to 20% of the revenues of fiscal year 2002 based on Chapter 108, P.L. 2003.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Management's Discussion and Analysis, Continued
 June 30, 2004

The State made a contribution of \$424.8 million for TPAF and \$168.7 million for PERS fiscal year 2004 post-retirement medical (PRM).

The State made a contribution of \$3.4 million to JRS and \$2.0 million to Consolidated Police and Firemen's Pension Fund (CPFPPF) to satisfy the actuarially accrued liabilities in fiscal year 2004.

For fiscal year 2004, the 68% of TPAF and PERS and the 50% 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 and PERS from 1997 to 2004. 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.

Investment & other revenues increased by \$6.8 billion or 337.2% due to an increase in earnings and net appreciation in fair value of investments.

The total investment gain for all pension funds was estimated to be 14.2% compared to 3.3% in the prior year.

Agency Funds:

	2004	2003	Increase (Decrease)
Member Contributions	\$ 699,121	\$ 673,034	\$ 26,087
Employer Contributions	132,369,860	129,345,617	3,024,243
Investment & Other	174,436	409,218	(234,782)
Totals	\$ 133,243,417	\$ 130,427,869	\$ 2,815,548

For the ABP, additions primarily consist of member and employer contributions and earnings from investment activities. During the year, member contribution increased by 3.9% due to an increase in number of active members. Employer contributions increased by \$4.1 million or 3.5% due to higher base salaries. Investment earning decreased by 61.3% due to a low CMF interest rate.

For the PAF, additions consist of employer contributions and earnings from investment activities. Contributions recognized by the PAF decreased by \$1 million or 8.5% over last year due to a decrease in number of retirees and beneficiaries receiving pension adjustment benefit. Investment earnings dropped by 50.4% due to a low CMF interest rate.

DEDUCTIONS FROM FIDUCIARY NET ASSETS

Pension Trust Funds:

	2004	2003	Increase (Decrease)
Benefits	\$ 5,276,329,933	\$ 4,840,497,014	\$ 435,832,919
Refunds & Adjustments	101,777,214	100,119,056	1,658,158
Administrative Expenses	32,219,076	34,545,410	(2,326,334)
Totals	\$ 5,410,326,223	\$ 4,975,161,480	\$ 435,164,743



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Management's Discussion and Analysis, Continued

June 30, 2004

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 \$435.8 million or 9%. It is partly due to an increase in number of retirees based on the State Early Retirement Incentive (Chapter 23, P.L. 2002) for TPAF and PERS. The number of refunds processed increased by \$1.7 million or 1.7% compared to last year. Administrative expenses decreased by \$2.3 million or 6.7% mainly due to a decrease in salaries and wages cost over the last year.

Agency Funds:

	2004	2003	Increase (Decrease)
Benefits	\$ 132,187,587	\$ 128,400,036	\$ 3,787,551
Refunds & Amounts Due the General Fund	1,055,830	2,027,833	(972,003)
Totals	\$ 133,243,417	\$ 130,427,869	\$ 2,815,548

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 in the ABP. Also, the increase is related to higher life insurance benefit payments in the ABP. Benefit payments increased by \$4.8 million or 4.1% in the ABP. 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 Funds. There was a decrease in this expense by 47.9% between 2004 and 2003.

OVERALL FINANCIAL CONDITION OF THE FUNDS

For the pension benefit funds, the combined funded ratios of 93.7% for fiscal year 2004 and 101.4% for 2003 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 intends 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 intends 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, 2004

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Cash and cash equivalents	\$ 52,515	951,435	\$ 1,003,950
Investments, at fair value:			
Cash Management Fund	119,714,179	313,669,981	433,384,160
Total investments	119,714,179	313,669,981	433,384,160
Receivables:			
Other	992,248	84,034,279	85,026,527
Due from other funds	31,907,205	962,960	32,870,165
Total receivables	32,899,453	84,997,239	117,896,692
Total assets	\$ 152,666,147	399,618,655	\$ 552,284,802
Liabilities:			
Accounts payable and accrued expenses	\$ 44,761,902	45,021,143	\$ 89,783,045
Incurred but not reported claims	126,227,000	211,550,000	337,777,000
Deferred revenue	5,160,153	4,836,606	9,996,759
Due to other funds	352,903	861,716	1,214,619
Total liabilities	176,501,958	262,269,465	438,771,423
Net assets (deficit) - unrestricted	(23,835,811)	137,349,190	113,513,379
Total liabilities and net assets (deficit) - unrestricted	\$ 152,666,147	399,618,655	\$ 552,284,802

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Activities
Year Ended June 30, 2004

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	\$ 935,377,863	966,797,040	31,419,177	—	\$ 31,419,177
Dental Expense Program	66,061,435	61,643,304	(4,418,131)	—	(4,418,131)
Prescription Drug Program - State	219,858,641	222,544,307	2,685,666	—	2,685,666
Total governmental activities	1,221,297,939	1,250,984,651	29,686,712	—	29,686,712
Business-type activities:					
Health Benefits Program - Local	1,617,245,564	1,684,721,256	—	67,475,692	67,475,692
Prescription Drug Program - Local	83,434,793	84,034,511	—	599,718	599,718
Total business-type activities	1,700,680,357	1,768,755,767	—	68,075,410	68,075,410
Total primary government	\$ 2,921,978,296	3,019,740,418	29,686,712	68,075,410	\$ 97,762,122
General Revenues:					
Investment Earnings			\$ 856,232	2,841,106	\$ 3,697,338
Total general revenues			856,232	2,841,106	3,697,338
Change in Net Assets			30,542,944	70,916,516	101,459,460
Net assets (deficit) - Beginning of year			(54,378,755)	66,432,674	12,053,919
Net assets (deficit) - End of year			\$ (23,835,811)	137,349,190	\$ 113,513,379

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Balance Sheet
Governmental Funds

June 30, 2004

	HEALTH BENEFITS PROGRAM FUND STATE	DENTAL EXPENSE PROGRAM FUND	PRESCRIPTION DRUG PROGRAM FUND STATE	TOTAL
Assets:				
Cash and cash equivalents	\$ 52,515	—	—	\$ 52,515
Investments, at fair value:				
Cash Management Fund	79,295,356	18,689,030	21,729,793	119,714,179
Total investments	79,295,356	18,689,030	21,729,793	119,714,179
Receivables:				
Other	503,201	433,236	55,811	992,248
Due from other funds	18,521,181	1,546,824	11,839,200	31,907,205
Total receivables	19,024,382	1,980,060	11,895,011	32,899,453
Total assets	\$ 98,372,253	20,669,090	33,624,804	\$ 152,666,147
Liabilities:				
Accounts payable and accrued expenses	\$ 36,752,545	2,069,357	5,940,000	\$ 44,761,902
Deferred revenue	4,220,053	938,617	1,483	5,160,153
Due to other funds	243,012	—	109,891	352,903
Total liabilities	41,215,610	3,007,974	6,051,374	50,274,958
Fund balances:				
Unreserved	57,156,643	17,661,116	27,573,430	102,391,189
Total liabilities and fund balances	\$ 98,372,253	20,669,090	33,624,804	\$ 152,666,147
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.	(120,657,000)	(5,570,000)		(126,227,000)
Fund Balances (Deficiencies)	\$ (63,500,357)	12,091,116		\$ (23,835,811)

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, 2004

	HEALTH BENEFITS PROGRAM FUND STATE	DENTAL EXPENSE PROGRAM FUND	PRESCRIPTION DRUG PROGRAM FUND STATE	TOTAL
Revenues:				
Contributions:				
Members	\$ 75,615,208	31,771,180	1,218,861	\$ 108,605,249
Employers	891,181,832	29,872,124	221,325,446	1,142,379,402
Total contributions	966,797,040	61,643,304	222,544,307	1,250,984,651
Investment income:				
Net appreciation (depreciation) in fair value of investments	(23,698)	(13,891)	(19,306)	(56,895)
Interest	444,174	213,464	255,489	913,127
Total investment income	420,476	199,573	236,183	856,232
Total revenues	967,217,516	61,842,877	222,780,490	1,251,840,883
Expenditures:				
Benefits	918,995,580	63,841,435	219,858,641	1,202,695,656
Administrative expense	2,656,283	—	—	2,656,283
Total expenditures	921,651,863	63,841,435	219,858,641	1,205,351,939
Excess (deficiency) of revenues over (under) expenditures	45,565,653	(1,998,558)	2,921,849	46,488,944
Fund Balances:				
Beginning of year	11,590,990	19,659,674	24,651,581	55,902,245
End of year	\$ 57,156,643	17,661,116	27,573,430	\$ 102,391,189
Benefits — Modified Accrual	918,995,580	63,841,435	219,858,641	1,202,695,656
Benefits — Full Accrual	1,039,652,580	69,411,435	219,858,641	1,328,922,656
Adjustment of IBNR	(120,657,000)	(5,570,000)	0	(126,227,000)
Adjusted Fund Balance: End of Year	\$ (63,500,357)	12,091,116	27,573,430	\$ (23,835,811)

See accompanying notes to financial statements.



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Statement of Net Assets
Proprietary Funds
June 30, 2004

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL	TOTAL
Assets:			
Cash and cash equivalents	\$ 818,250	133,185	\$ 951,435
Investments, at fair value:			
Cash Management Fund	305,671,011	7,998,970	313,669,981
Total investments	305,671,011	7,998,970	313,669,981
Receivables:			
Other	76,337,116	7,697,163	84,034,279
Due from other funds	962,960	—	962,960
Total receivables	77,300,076	7,697,163	84,997,239
Total assets	\$ 383,789,337	15,829,318	\$ 399,618,655
Liabilities:			
Accounts payable and accrued expenses	\$ 45,021,143	—	\$ 45,021,143
Incurred but not reported claims	205,220,000	6,330,000	211,550,000
Deferred revenue	4,836,606	—	4,836,606
Due to other funds	340,857	520,859	861,716
Total liabilities	255,418,606	6,850,859	262,269,465
Net Assets	\$ 128,370,731	8,978,459	\$ 137,349,190

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Statement of Revenues, Expenses, and Changes in Net Assets
 Proprietary Funds
 Year Ended June 30, 2004

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL	TOTAL
Operating Revenues:			
Contributions:			
Members	\$ 85,100,730	520,851	\$ 85,621,581
Employers	1,599,620,526	83,513,660	1,683,134,186
Total operating revenues	1,684,721,256	84,034,511	1,768,755,767
Operating Expenses:			
Benefits	1,613,409,939	83,434,793	1,696,844,732
Administrative expense	3,835,625	—	3,835,625
Total operating expenses	1,617,245,564	83,434,793	1,700,680,357
Operating income	67,475,692	599,718	68,075,410
Non-operating revenue:			
Investment income:			
Net appreciation (depreciation) in fair value of investments	(160,032)	(4,826)	(164,858)
Interest	2,942,092	63,872	3,005,964
Total non-operating revenue	2,782,060	59,046	2,841,106
Change in net assets	70,257,752	658,764	70,916,516
Net Assets:			
Beginning of year	58,112,979	8,319,695	66,432,674
End of year	\$ 128,370,731	8,978,459	\$ 137,349,190

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, 2004

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL	TOTAL
Cash flows from operating activities:			
Receipts - Employer Contributions	\$ 1,599,437,621	82,946,231	\$ 1,682,383,852
Receipts - Member Contributions	85,326,884	515,837	85,842,721
Benefit payments	(1,514,132,484)	(82,233,301)	(1,596,365,785)
Premium payments	(49,226,232)	—	(49,226,232)
Administrative expense	(3,911,407)	—	(3,911,407)
Net cash provided by operating activities	117,494,382	1,228,767	118,723,149
Cash flows from investing activities:			
Interest and dividends	2,942,092	63,872	3,005,964
Sale/purchase of investments	(122,956,360)	(1,213,471)	(124,169,831)
Net cash provided by investing activities	(120,014,268)	(1,149,599)	(121,163,867)
Increase/decrease in cash equivalents	(2,519,886)	79,168	(2,440,718)
Cash and cash equivalents beginning of year	3,338,135	54,017	3,392,152
Cash and cash equivalents end of year	\$ 818,249	133,185	\$ 951,434
Reconciliation of operating income to net cash provided by operating activities			
Operating Income	\$ 67,475,692	599,718	\$ 68,075,410
Adjustments to reconcile operating income to net cash used by operating activities:			
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivable	(385,260)	(572,443)	(957,703)
(Increase)/decrease in interfund receivable	428,508	—	428,508
Increase/(decrease) in accounts payable	49,975,442	1,630,000	51,605,442
Increase/(decrease) in service charges payable	—	—	—
Increase/(decrease) in due to other funds	—	(428,508)	(428,508)
Total adjustments	50,018,690	629,049	50,647,739
Net cash provided by operating activities	\$ 117,494,382	1,228,767	\$ 118,723,149

See accompanying notes to financial statements.



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	PENSION TRUST FUNDS
Assets:	
Cash and cash equivalents	\$ 591,231
Investments, at fair value:	
Cash Management Fund	2,230,432,274
Bonds	567,671,260
Common Pension Fund A	33,901,981,179
Common Pension Fund B	16,690,837,160
Common Pension Fund D	13,452,342,846
Common and preferred stocks	994,764,914
Mortgages	1,401,875,797
Total investments	69,239,905,430
Receivables:	
Contributions:	
Members	183,198,741
Employers	1,145,908,023
Accrued interest and dividends	330,682,714
Members' loans	1,153,834,380
Other	31,962,247
Due from other funds	—
Total receivables	2,845,586,105
Total assets	\$ 72,086,082,766
Liabilities:	
Accounts payable and accrued expenses	\$ 43,847,060
Retirement benefits payable	374,023,829
NCGI premiums payable	9,495,595
Cash overdraft	9,869,643
Total liabilities	437,236,127
Net Assets:	
Held in trust for pension benefits	\$ 71,648,846,639

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Statement of Fiduciary Net Assets
Pension Trust and Post-Retirement Medical Funds
June 30, 2004

	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	\$ —	8,864	127,592	281,877	15,943	—	156,955
Investments, at fair value:							
Cash Management Fund	3,101,889	29,336	12,999,536	285,417,061	27,456,203	432,623,728	5,582,517
Bonds	—	—	198,015	218,036,964	—	6,423,878	7,408,780
Common Pension Fund A	—	—	—	—	161,198,258	7,740,431,927	—
Common Pension Fund B	—	—	—	—	64,499,533	3,162,429,106	—
Common Pension Fund D	—	—	—	—	64,443,023	3,070,174,067	—
Common and Preferred Stocks	—	—	—	850,637,468	—	—	—
Mortgages	—	—	1,023,691	—	4,963,743	1,026,565,950	2,676,720
Total investments	3,101,889	29,336	14,221,242	1,354,091,493	322,560,760	15,438,648,656	15,668,017
Receivables:							
Contributions:							
Members	—	—	—	74,442	66,107	47,104,066	—
Employers	—	21,187	—	—	—	390,478,775	—
Accrued interest and dividends	—	7	6,540	3,438,920	1,366,875	74,087,774	—
Members' loans	—	—	—	—	610,046	464,718,668	—
Other	—	2,383	2,367,887	1,106,602	—	24,533,213	280,467
Total receivables	—	23,577	2,374,427	4,619,964	2,043,028	1,000,922,496	280,467
Total assets	\$ 3,101,889	61,777	16,723,261	1,358,993,334	324,619,731	16,439,571,152	16,105,439
Liabilities:							
Accounts payable and accrued expenses	\$ —	20,552	14,836	339,893	20,147	2,085,411	980
Retirement benefits payable	—	41,225	1,329,147	5,377,311	2,219,424	79,948,728	220,031
NCGI premiums payable	—	—	—	—	—	1,746,494	—
Cash overdraft	—	—	—	—	—	2,594,187	—
Total liabilities	—	61,777	1,343,983	5,717,204	2,239,571	86,374,820	221,011
Net assets held in trust for pension and post-retirement medical benefits	\$ 3,101,889	—	15,379,278	1,353,276,130	322,380,160	16,353,196,332	15,884,428

See accompanying notes to financial statements.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Statement of Fiduciary Net Assets
Pension Trust and Post-Retirement Medical Funds
June 30, 2004

	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	—	—	—	—	—	—	\$ 591,231
Investments, at fair value:							
Cash Management Fund	257,591,562	13,273	118,684,334	1,834,102	1,085,082,450	16,283	2,230,432,274
Bonds	274,126,748	14,126	—	—	61,461,827	922	567,671,260
Common Pension Fund A	10,938,341,699	563,647	833,091,311	—	14,228,140,825	213,512	33,901,981,179
Common Pension Fund B	5,927,626,792	305,447	363,739,001	—	7,172,129,653	107,628	16,690,837,160
Common Pension Fund D	4,340,735,626	223,676	330,338,345	—	5,646,343,378	84,731	13,452,342,846
Common and Preferred Stocks	—	—	—	144,127,446	—	—	994,764,914
Mortgages	156,840,502	8,082	10,553,318	—	199,240,801	2,990	1,401,875,797
Total investments	21,895,262,929	1,128,251	1,656,406,309	145,961,548	28,392,398,934	426,066	69,239,905,430
Receivables:							
Contributions:							
Members	58,986,918	—	902,488	429,928	75,634,792	—	183,198,741
Employers	691,223,689	—	—	—	64,184,372	—	1,145,908,023
Accrued interest and dividends	109,715,145	—	7,279,612	180,200	134,607,641	—	330,682,714
Members' loans	432,512,607	—	30,179,898	—	225,813,161	—	1,153,834,380
Other	2,616,687	—	1,426	15,436	1,038,146	—	31,962,247
Total receivables	1,295,055,046	—	38,363,424	625,564	501,278,112	—	2,845,586,105
Total assets	23,190,317,975	1,128,251	1,694,769,733	146,587,112	28,893,677,046	426,066	\$ 72,086,082,766
Liabilities:							
Accounts payable and accrued expenses	24,042,413	—	53,668	117,854	17,151,306	—	\$ 43,847,060
Retirement benefits payable	124,006,633	—	7,544,671	567,673	152,768,986	—	374,023,829
NCGI premiums payable	5,693,432	—	—	—	2,055,669	—	9,495,595
Cash overdraft	4,351,341	—	86,498	860,496	1,977,121	—	9,869,643
Total liabilities	158,093,819	—	7,684,837	1,546,023	173,953,082	—	437,236,127
Net assets held in trust for pension and post-retirement medical benefits	23,032,224,156	1,128,251	1,687,084,896	145,041,089	28,719,723,964	426,066	\$ 71,648,846,639



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year Ended June 30, 2004

	PENSION TRUST FUNDS
Additions:	
Contributions:	
Members	\$ 1,196,974,064
Employers	1,504,583,395
Other	11,353,192
Total contributions	2,712,910,651
Investment income:	
Net appreciation in fair value of investments	6,833,728,147
Interest	1,397,127,682
Dividends	582,417,315
	8,813,273,144
Less: investment expense	8,069,985
Net investment income	8,805,203,159
Total additions	11,518,113,810
Deductions:	
Benefits	5,276,329,933
Refunds of contributions and due General Fund	101,777,214
Administrative expenses	32,219,076
Total deductions	5,410,326,223
Change in net assets	6,107,787,587
Net assets - Beginning of year	65,541,059,052
Net assets - End of year	\$ 71,648,846,639

See accompanying notes to financial statements.



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, 2004

	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	\$ —	—	—	129,545,400	1,795,721	263,173,065	—
Employers	2,000,000	425,229	2,000,402	—	5,084,315	264,164,091	—
Other	—	29,716	10,054,671	—	—	—	1,264,147
Total contributions	2,000,000	454,945	12,055,073	129,545,400	6,880,036	527,337,156	1,264,147
Investment income:							
Net appreciation (depreciation) in fair value of investments	(2,204)	—	(84,541)	121,397,297	35,511,678	1,498,740,652	(590,765)
Interest	44,629	787	245,771	13,693,692	5,285,976	318,069,582	691,732
Dividends	—	—	—	11,745,238	2,696,195	127,838,134	—
Less: investment expense	42,425	787	161,230	146,836,227	43,493,849	1,944,648,368	100,967
Net investment income	42,425	787	152,264	146,635,689	43,476,173	1,943,638,309	99,182
Total additions	2,042,425	455,732	12,207,337	276,181,089	50,356,209	2,470,975,465	1,363,329
Deductions:							
Benefits	1,859,858	435,528	16,829,838	58,415,128	27,064,394	987,055,680	2,750,556
Refunds of contributions	—	20,204	—	—	139,889	7,148,274	—
Administrative expenses	—	—	28,831	809,953	169,824	3,530,770	6,298
Total deductions	1,859,858	455,732	16,858,669	59,225,081	27,374,107	997,734,724	2,756,854
Net increase (decrease)	182,567	—	(4,651,332)	216,956,008	22,982,102	1,473,240,741	(1,393,525)
Net assets held in trust for pension and post-retirement medical benefits:							
Beginning of year	2,919,322	—	20,030,610	1,136,320,122	299,398,058	14,879,955,591	17,277,953
End of year	\$ 3,101,889	—	15,379,278	1,353,276,130	322,380,160	16,353,196,332	15,884,428

See accompanying notes to financial statements.



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, 2004

	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	374,864,048	—	14,682,524	7,217,751	405,695,555	—	\$ 1,196,974,064
Employers	605,793,071	168,659,302	45,339	—	31,660,323	424,751,323	1,504,583,395
Other	4,592	—	66	—	—	—	11,353,192
Total contributions	980,661,711	168,659,302	14,727,929	7,217,751	437,355,878	424,751,323	2,712,910,651
Investment income:							
Net appreciation (depreciation) in fair value of investments	2,098,276,346	135,690	174,220,969	21,166,968	2,884,910,953	45,104	6,833,728,147
Interest	499,713,132	—	28,386,214	59,835	530,936,332	—	1,397,127,682
Dividends	184,665,089	—	13,694,619	2,481,466	239,296,574	—	582,417,315
	2,782,654,567	135,690	216,301,802	23,708,269	3,655,143,859	45,104	8,813,273,144
Less: investment expense	4,147,000	—	92,811	—	2,591,150	—	8,069,985
Net investment income	2,778,507,567	135,690	216,208,991	23,708,269	3,652,552,709	45,104	8,805,203,159
Total additions	3,759,169,278	168,794,992	230,936,920	30,926,020	4,089,908,587	424,796,427	11,518,113,810
Deductions:							
Benefits	1,603,185,278	168,620,958	89,272,063	14,651,852	1,881,501,253	424,687,547	5,276,329,933
Refunds of contributions	65,677,159	—	53,968	—	28,737,720	—	101,777,214
Administrative expenses	18,619,582	—	264,858	—	8,788,960	—	32,219,076
Total deductions	1,687,482,019	168,620,958	89,590,889	14,651,852	1,919,027,933	424,687,547	5,410,326,223
Net increase (decrease)	2,071,687,259	174,034	141,346,031	16,274,168	2,170,880,654	108,880	6,107,787,587
Net assets held in trust for pension and post-retirement medical benefits:							
Beginning 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
End of year	23,032,224,156	1,128,251	1,687,084,896	145,041,089	28,719,723,964	426,066	\$ 71,648,846,639



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	AGENCY FUNDS
Assets:	
Cash and cash equivalents	\$ 949,398
Investments, at fair value:	
Cash Management Fund	15,118,321
Total investments	15,118,321
Receivables:	
Contributions:	
Employers	2,484,014
Other	8,743,572
Total receivables	11,227,586
Total assets	\$ 27,295,305
Liabilities:	
Accounts payable and accrued expenses	\$ 20,036,372
Participant distributions payable	3,808,277
Pension adjustment payroll payable	912,004
Due to State of New Jersey	1,029,403
Other	1,509,249
Total liabilities	27,295,305
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, 2004

	AGENCY FUNDS
Additions:	
Contributions:	
Members	\$ 699,121
Employers	132,369,860
Total contributions	133,068,981
Investment income:	
Net (depreciation) in fair value of investments	(14,099)
Interest	188,535
Total investment income	174,436
Total additions	133,243,417
Deductions:	
Benefits	132,187,587
Refunds of contributions and due General Fund	1,055,830
Total deductions	133,243,417
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, 2004

(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, NJSEDCP, and ABPLTD which are single-employer defined contribution plans.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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.

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. Agency funds as well as 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., revenues and other financing additions, and decreases, i.e., expenditures and other deductions, in net assets.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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." 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 due and payable.

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 when due and payable.

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.

In addition to complying with all applicable GASB pronouncements, the Division's financial statements comply with the guidance provided by the Financial Accounting Standards Board ("FASB"), the Accounting Principles Board and the Committee on Accounting Procedure issued on or before November 30, 1989. GASB pronouncements take precedence when there is a conflict or contradiction between pronouncements. The Division has elected not to apply FASB pronouncements issued after November 30, 1989.

Capital Assets:

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

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.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2004, all investments held by the Funds (other than mortgage 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 246, P.L. 2004, "Domestic Partnership Act" establishes the rights and responsibilities of domestic partnerships effective July 10, 2004.

P.L. 2003, effective July 14, 2003, provided 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;



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Notes to Financial Statements, Continued

June 30, 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Chapter 108, P.L. 2003, effective July 1, 2003, provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by 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 paid only 20% of the normal and accrued liability pension costs by using the benefit enhancement fund.

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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Membership and Contributing Employers:

Membership and contributing employers of the Pension Trust Funds consisted of the following at June 30, 2003 the date of the most recent actuarial valuations (June 30, 2004 for SACT, CPF, NJSEDCP, and ABPLTD):

	JRS	PFRS	PERS	SPRS	TPAF	POPF	CPFPF	SACT	CPF
Retiree members:									
Retirees and beneficiaries receiving benefits currently	402	26,682	114,702	2,080	59,331	214	1,062	645	350
Terminated employees entitled to benefits but not yet receiving them	4	64	1,843	—	1,030	—	—	—	—
Total retiree members	406	26,746	116,545	2,080	60,361	214	1,062	645	350
Active members:									
Vested	228	26,365	152,259	1,790	76,378	—	—	4,098	—
Non-vested	205	17,613	142,888	903	69,504	—	—	—	—
Total active members	433	43,978	295,147	2,693	145,882	—	—	4,098	—
Total	839	70,724	411,692	4,773	206,243	214	1,062	4,743	350
Contributing Employers	1	584	1,661	1	107	1	1	—	1

	NJSEDCP	ABPLTD
Retiree members:		
Retirees and beneficiaries receiving benefits currently	2,467	—
Terminated employees entitled to benefits but not yet receiving them	—	—
Total retiree members	2,467	—
Active members:		
Vested	31,078	110
Non-vested	—	—
Total active members	31,078	110
Total	33,545	110
Contributing Employers	—	1



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Notes to Financial Statements, Continued

June 30, 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Membership in the other funds, systems, and trusts administered by the Division consisted of the following as of June 30, 2004:

	STATE	LOCAL	TOTAL
Health Benefits Program Fund*	142,342	216,267	358,609
Prescription Drug Program Fund	109,831	38,333	148,164
Dental Expense Program Fund	99,072	—	99,072
Alternate Benefit Program Fund**	14,454	3,161	17,615
Pension Adjustment Fund	87,898	95,094	182,992

* 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.

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

Administrative Expenses:

Administrative expenses are paid by the funds, systems, and trusts to the State of New Jersey, Department of 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 paid by the State of New Jersey, who is responsible for such costs.

Income Tax Status:

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

Cash and Cash Equivalents:

GASB Statement No. 3 also requires that deposits held in financial institutions be categorized to indicate the level of custodial 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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2004, which includes funding for the July 1, 2004 retirement payroll, are designated Category 3. The cash balances of all funds total \$2.54 million.

(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 \$3.36 million to satisfy the actuarially accrued liability in fiscal year 2004.

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.

The State made a contribution of \$1.95 million to satisfy the actuarially accrued liability in fiscal year 2004.

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.

For fiscal year 2004, the 50% 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.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(3) CONTRIBUTIONS, Continued

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 2004, excess valuation assets were utilized to fund required State contributions of \$7.03 million.

In 2004, actuarially determined excess valuation assets also covered required local employer contributions of \$31.71 million. 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, provided that local employer PFRS normal and accrued liability contributions will be 20% of the amount certified by the PFRS for payments due in State fiscal year 2004 and thereafter a percentage of the amount certified by the PFRS as the State Treasurer will determine, but not more than 40% in fiscal year 2005, not more than 60% in fiscal year 2006, and not more than 80% in fiscal year 2007. 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, and the rate for State employees will return to the normal rate of 5% effective July 1, 2004 per statute since there are no longer surplus assets available in the System. On the other hand, the rate for members who are eligible for the Prosecutors Part of the PERS (Chapter 366, P.L. 2001) and the rate for the Workers' Compensation Judges Part of the PERS (Chapter 259, P.L. 2001) will remain unchanged at 7.5% and 5% of base salary, respectively. However, the rate for local employees will return to the normal rate of 5% effective January 1, 2005. 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 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 2004, the 68% of available excess valuation assets could be utilized to offset normal con-



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(3) CONTRIBUTIONS, Continued

tributions. 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 2004. 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 \$168.66 million for fiscal year 2004 post-retirement medical (PRM). 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.

To fund the benefit increases provided by Chapter 133, P.L. 2001, the legislation provided for the use of excess assets. A special benefit enhancement fund (BEF) was established from which the required normal contributions for the increased benefits will be charged. To fund the accrued liabilities incurred by the 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) provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by the PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008. 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 paid only 20% of the normal and accrued liability pension costs by using the BEF.

Contribution Requirements - SPRS

The contribution policy is set by N.J.S.A. 53:5A-34 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate of 7.5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer 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, 2002. Prior to this date, employees had been contributing at a rate of 4.5%. The rate returned to the normal rate of 5% effective January 1, 2004 per statute since there are no longer surplus assets available in the Fund. Employers



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(3) CONTRIBUTIONS, Continued

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 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 2004, 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 State and local employers were not required to make a normal contribution to the TPAF in between the years 1997 and 2004. 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 \$424.75 million for fiscal year 2004 post-retirement medical (PRM). 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.

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

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. 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. In fiscal year 2004, the State paid only 20% of the normal and accrued liability pension cost by using the BEF.

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.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(3) CONTRIBUTIONS, Continued

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, 2004 was \$425 thousand.

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 Program Fund are collected from the State of New Jersey, participating local employers, and former active and retired members who have elected to participate under the rules of COBRA. The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are distributed to the PDPF 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 Expense Program Fund 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 DEPF 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 \$13 thousand



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Notes to Financial Statements, Continued

June 30, 2004

(3) CONTRIBUTIONS, Continued

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 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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
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(4) VESTING AND BENEFITS, Continued

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

Vesting and Benefit Provisions - PFRS

The vesting and benefit provisions are set by N.J.S.A. 43:16A and 43:3B. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service. The annual benefit under special retirement is 65% of the member's final compensation plus 1 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 providing no survivor death benefits are payable.

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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(4) VESTING AND BENEFITS, Continued

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

Vesting and Benefit Provisions - POPF

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

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions - PERS

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

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

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

Chapter 23, P.L. 2002 provided early retirement incentive benefits to State employees who meet specified



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(4) VESTING AND BENEFITS, Continued

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 were 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 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 com-



STATE OF NEW JERSEY
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Notes to Financial Statements, Continued

June 30, 2004

(4) VESTING AND BENEFITS, Continued

pensation, 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.

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 ordi-



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Notes to Financial Statements, Continued

June 30, 2004

(4) VESTING AND BENEFITS, Continued

nary 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 were 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 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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Notes to Financial Statements, Continued

June 30, 2004

(4) VESTING AND BENEFITS, Continued

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 consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement.

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

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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(5) FUNDS

The Funds maintain the following legally required funds as follows:

Members' Annuity Savings Fund - JRS (\$25,325,098); TPAF (\$6,430,036,107); PERS (\$6,689,917,734); PFRS (\$2,269,456,484); SPRS (\$137,630,230)

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

Contingent Reserve Fund - JRS (\$155,567,001); TPAF (\$2,156,950,936); PERS (\$1,394,613,547); SPRS (\$1,032,820,012)

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

Retirement Reserve Fund - JRS (\$141,488,061); TPAF (\$19,195,861,683); PERS (\$13,887,326,848); PFRS (\$7,962,500,646); SPRS (\$516,634,654)

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 additional reserves needed to fund the balance of the retirement benefit are transferred from the Contingent Reserve Fund or Pension Accumulation Fund. Annually, interest as determined by the State Treasurer (8.75% for 2004) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund - POPF (\$15,884,428)

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 (\$282,911,620); PERS (\$217,021,510); PFRS (\$154,386,487)

The Special Reserve Fund is a fund to which any excess interest earnings and gains from sales and maturities of investments are transferred and against which any losses from the sales of securities are charged. The maximum limit on the accumulation of this account is 1% of the market value of the investments allocated to the 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 (\$100,156,283); PERS (\$194,869,806)

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 (\$5,966,852,715)

The Pension Accumulation Fund is credited with the contributions of the State of New Jersey and other



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2004

(5) FUNDS, Continued

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 - CPFPPF (\$15,379,278)

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

Reserve Fund - SHBP - State (\$57,156,643); PDPF - State (\$27,573,430); DEPF (\$17,661,116)

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, 2004 are reported in the State's general long-term debt account group.

Reserve Fund - SHBP - Local (\$128,370,731); PDPF - Local (\$8,978,459)

The SHBP - local has net assets of \$128,370,731 as of June 30, 2004. The deficit of the fiscal year 2002 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 (\$3,101,889)

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

Post-Retirement Medical Fund - TPAF (\$426,066); PERS (\$1,128,251)

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 (\$553,807,335); PERS (\$648,474,711)

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 fund was established in 2002 and credited with excess assets equivalent to member contributions for fiscal years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the Benefit Enhancement Fund. Additional transfers will be made, as required, to maintain a fund balance equal to the present value of expected additional normal contributions due to the increased benefits. 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.



STATE OF NEW JERSEY
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 Notes to Financial Statements, Continued
 June 30, 2004

(5) FUNDS, Continued

Various Reserve Fund Balances as of June 30, 2004 as described previously:

FUNDS	PENSION TRUST FUNDS	GOVERNMENTAL FUNDS	PROPRIETARY FUNDS
Members' Annuity Savings Fund	\$15,552,365,653		
Contingent Reserve Fund	4,739,951,496		
Retirement Reserve Fund	41,719,696,320		
Special Reserve Fund	654,319,617		
Contributory Group Insurance Premium Fund	295,026,089		
Pension Accumulation Fund	5,966,852,715		
Pension Reserve Fund	15,379,278		
Reserve Fund	3,101,889	102,391,189	137,349,190
Post-Retirement Medical Fund	1,554,317		
Benefit Enhancement Reserve Fund	1,202,282,046		
Variable Accumulation Reserve Account	1,469,322,171		
Variable Benefits Reserve Account	28,995,048		
Total	\$71,648,846,639	\$102,391,189	\$137,349,190



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2004

(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 2004 and 2003:

Fiscal Year 2004

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL
Unpaid claims at beginning of year	\$ 200,486,104	\$ 4,700,000
Incurred claims:		
Provision for insured events of current year	1,613,409,939	83,434,793
Payments	(1,563,654,900)	(81,804,793)
Unpaid claims at end of year	\$ 250,241,143	\$ 6,330,000

Fiscal Year 2003

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL
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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information
Schedule of Funding Progress

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL ((b - a) / c)
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%
June 30, 2003	372,835,265	431,450,218	58,614,953	86.4%	61,600,500	95.2%
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
June 30, 2003	27,623,585	41,396,376	13,772,791	66.7%	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%
June 30, 2003	1,907,107,359	2,288,937,652	381,830,293	83.3%	447,470,022	85.3%
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%
June 30, 2003	16,447,612,874	18,258,853,488	1,811,240,614	90.1%	2,393,467,444	75.7%
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
June 30, 2003	17,277,953	10,727,647	(6,550,306)	161.1%	N/A	N/A



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

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL (b - a) / c
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%)
June 30, 2003	10,829,953,189	11,942,299,170	1,112,345,981	90.7%	3,576,118,300	31.1%
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%)
June 30, 2003	16,406,284,200	15,887,012,746	(519,271,454)	103.3%	5,811,726,702	(8.9%)
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%)
June 30, 2003	1,865,079,083	1,815,725,256	(49,353,827)	102.7%	217,448,864	(22.7%)
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%
June 30, 2003	34,651,825,932	37,383,732,882	2,731,906,950	92.7%	7,702,854,159	35.5%



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information, Continued
 Schedule of Funding Progress - Additional Actuarial Information

Significant actuarial methods and assumptions used in the most recent 2003 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%	2.00%
Salary range	5.95%	—
Cost-of-living adjustments	2.40%	—
Valuation date	June 30, 2003	June 30, 2003
	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, 2003	June 30, 2003



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Required Supplementary Information, Continued
 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	38 years for UAAL balance 8 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, 2003	June 30, 2003
	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	30 years	
Actuarial assumptions:		
Interest rate	8.75%	
Salary range	5.95%	
Cost-of-living adjustments	2.40%	
Valuation date	June 30, 2003	



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 ⁽¹⁾	PERCENTAGE CONTRIBUTED
JUDICIAL RETIREMENT SYSTEM			
1997	\$ 18,406,865	\$ 110,483,753 ⁽²⁾	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%
2004	18,720,233	3,355,438	17.9%
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND			
1997	\$ 10,580,991	\$ 43,995,746 ⁽²⁾	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%
2004	5,330,714	1,950,425	36.6%
POLICE AND FIREMEN'S RETIREMENT SYSTEM			
State			
1997	\$ 111,775,028	\$ 715,344,385 ⁽²⁾	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%
2004	118,297,232	22,215,429	18.8%
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%
2004	316,272,883	53,396,685	16.9%
PRISON OFFICERS' PENSION FUND			
1997	\$ 2,949,604	\$ 21,688,219 ⁽²⁾	735.3%
1998	—	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	—	—	N/A
2003	—	—	N/A
2004	—	—	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 ⁽¹⁾	PERCENTAGE CONTRIBUTED
PUBLIC EMPLOYEES' RETIREMENT SYSTEM			
State			
1997	\$ 134,878,582	\$ 241,106,642 ⁽²⁾	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%
2004	50,365,892	—	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
2004	—	20,882,718	N/A
STATE POLICE RETIREMENT SYSTEM			
1997	\$ 44,384,679	\$ 120,308,862 ⁽²⁾	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%
2004	37,600,821	—	0.0%
TEACHERS' PENSION AND ANNUITY FUND			
1997	\$ 372,060,546	\$ 1,601,688,633 ⁽²⁾	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%
2004	686,284,850	—	0.0%

Notes to schedule:

- (1) In accordance with Chapter 115, P.L. 1997, available excess valuation assets were used to fund, in full or in part, required employer contributions.
- (2) For the year ended June 30, 1997, the employer contributions exceeded the annual required contributions as a result of legislation that was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.
- (3) The local employer contribution to the PERS from 1998 to 2004 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, 2004

HEALTH BENEFITS PROGRAM FUND - LOCAL	FISCAL YEAR ENDED JUNE 30, 2004
Premiums and investment revenue Earned	\$ 1,687,503,316
Estimated losses and expenses	1,617,245,564
PRESCRIPTION DRUG PROGRAM FUND - LOCAL	FISCAL YEAR ENDED JUNE 30, 2004
Premiums and investment revenue Earned	\$ 84,093,557
Estimated losses and expenses	83,434,793



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Schedule of Administrative Expenses
Year ended June 30, 2004

	PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	NJSEDCP	TOTAL
Personnel Services									
Salaries & Wages	\$8,529,988	\$4,189,665	\$1,408,541	\$9,452	\$2,086	\$100,141	\$91,281	\$263,037	\$14,594,191
Employee Benefits	2,447,931	1,198,857	401,711	3,008	659	28,934	25,957	76,545	4,183,602
Total Personnel Services	10,977,919	5,388,522	1,810,252	12,460	2,745	129,075	117,238	339,582	18,777,793
Professional Services									
Actuarial Services	578,043	148,877	454,542	5,937	1,247	30,562	5,294	—	1,224,502
Data Processing	1,098,294	475,251	135,168	1,194	371	10,115	12,849	46,512	1,779,754
Information Systems	1,933,625	890,671	276,798	1,044	260	19,637	14,498	153,521	3,290,054
Other Professional**	174,956	87,008	29,664	387	81	1,994	1,346	208,099	503,535
Medical Review*	267,952	40,456	177,330	—	—	32,830	—	—	518,568
Elections*	81,978	—	48,389	—	—	—	—	—	130,367
Internal Audit & Legal	438,440	218,042	74,337	971	104	4,998	1,866	—	738,758
Total Professional Services	4,573,288	1,860,305	1,196,228	9,533	2,063	100,136	35,853	408,132	8,185,538
Communication									
Travel	15,871	23,568	7,600	29	6	466	26	3,008	50,574
Telephone	147,050	73,130	24,932	326	68	1,676	1,790	2,800	251,772
Postage	487,928	242,653	82,728	618	136	5,562	2,490	42,000	864,115
Motor Pool	10,615	5,279	1,800	24	5	121	21	—	17,865
Printing & Office	400,541	197,708	67,051	1,398	641	4,950	4,270	1,931	678,490
Total Communication	1,062,005	542,338	184,111	2,395	856	12,775	8,597	49,739	1,862,816
Miscellaneous									
Office Space	1,651,988	821,556	280,094	3,658	469	18,832	7,262	12,000	2,795,859
Maintenance	56,248	27,973	9,537	125	26	641	111	—	94,661
Equipment	298,134	148,266	50,548	660	139	3,399	589	—	501,735
Other Services & Charges	—	—	—	—	—	—	174	500	674
Total Miscellaneous	2,006,370	997,795	340,179	4,443	634	22,872	8,136	12,500	3,392,929
Total Administrative Expense	\$18,619,582	\$8,788,960	\$3,530,770	\$28,831	\$6,298	\$264,858	\$169,824	\$809,953	\$32,219,076

* Consulting

**Portion of Consulting



Schedule 5

**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Schedule of Investment Expenses
Year ended June 30, 2004

	PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	NJSEDCP	TOTAL
Investment Expense	\$3,570,514	\$1,768,370	\$607,567	\$8,966	\$1,785	\$41,405	\$7,096	\$200,538	\$6,206,241
Global Custody, Fees	576,486	822,780	402,492	—	—	51,406	10,580	—	1,863,744
Total Investment Expenses	\$4,147,000	\$2,591,150	\$1,010,059	\$8,966	\$1,785	\$92,811	\$17,676	\$200,538	\$8,069,985



Schedule 6

**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Schedule of Expenses for Consultants
Year ended June 30, 2004

	PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	TOTAL
Actuarial Mellon Milliman, Inc	\$ 578,043	—	\$454,542	\$5,937	\$1,247	\$30,562	\$5,294	\$1,075,625
Exams/Hearings	267,952	148,877	—	—	—	—	—	148,877
Unemployment Contract TALX Elections	30,614	40,456	177,330	—	—	32,830	—	518,568
Corporate Marketing	81,978	15,229	5,197	—	—	360	51	51,451
Total Expenses for Consultants	\$958,587	\$204,562	\$685,458	\$5,937	\$1,247	\$63,752	\$5,345	\$1,924,888

**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	PENSION TRUST FUNDS	POST-RETIREMENT MEDICAL FUNDS	TOTAL
Assets:			
Cash and cash equivalents	\$ 591,231	—	\$ 591,231
Investments, at fair value:			
Cash Management Fund	2,230,402,718	29,556	2,230,432,274
Bonds	567,656,212	15,048	567,671,260
Common Pension Fund A	33,901,204,020	777,159	33,901,981,179
Common Pension Fund B	16,690,424,085	413,075	16,690,837,160
Common Pension Fund D	13,452,034,439	308,407	13,452,342,846
Common and preferred stocks	994,764,914	—	994,764,914
Mortgages	1,401,864,725	11,072	1,401,875,797
Total investments	69,238,351,113	1,554,317	69,239,905,430
Receivables:			
Contributions:			
Members	183,198,741	—	183,198,741
Employers	1,145,908,023	—	1,145,908,023
Accrued interest and dividends	330,682,714	—	330,682,714
Members' loans	1,153,834,380	—	1,153,834,380
Other	31,962,247	—	31,962,247
Total receivables	2,845,586,105	—	2,845,586,105
Total assets	\$ 72,084,528,449	1,554,317	\$ 72,086,082,766
Liabilities:			
Accounts payable and accrued expenses	\$ 43,847,060	—	\$ 43,847,060
Retirement benefits payable	374,023,829	—	374,023,829
NCGI premiums payable	9,495,595	—	9,495,595
Cash overdraft	9,869,643	—	9,869,643
Total liabilities	437,236,127	—	437,236,127
Net assets held in trust for pension and post-retirement medical benefits	\$ 71,647,292,322	1,554,317	\$ 71,648,846,639



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2004

	PENSION TRUST FUNDS	POST-RETIREMENT MEDICAL FUNDS	TOTAL
Additions:			
Contributions:			
Members	\$ 1,196,974,064	—	\$ 1,196,974,064
Employers	911,172,770	593,410,625	1,504,583,395
Other	11,353,192	—	11,353,192
Total contributions	2,119,500,026	593,410,625	2,712,910,651
Investment income:			
Net appreciation in fair value of investments	6,833,547,353	180,794	6,833,728,147
Interest	1,397,127,682	—	1,397,127,682
Dividends	582,417,315	—	582,417,315
	8,813,092,350	180,794	8,813,273,144
Less: investment expense	8,069,985	—	8,069,985
Net investment income	8,805,022,365	180,794	8,805,203,159
Total additions	10,924,522,391	593,591,419	11,518,113,810
Deductions:			
Benefits	4,683,021,428	593,308,505	5,276,329,933
Refunds of contributions	101,777,214	—	101,777,214
Administrative expenses	32,219,076	—	32,219,076
Total deductions	4,817,017,718	593,308,505	5,410,326,223
Net decrease	6,107,504,673	282,914	6,107,787,587
Net assets held in trust for pension and post-retirement medical benefits:			
Beginning of year	65,539,787,649	1,271,403	65,541,059,052
End of year	\$ 71,647,292,322	1,554,317	\$ 71,648,846,639



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS**

Balance Sheet
Fiduciary Funds - Agency Funds

June 30, 2004

	ALTERNATE BENEFIT PROGRAM FUND	PENSION ADJUSTMENT FUND	TOTAL
Assets:			
Cash and cash equivalents	\$ 261,287	688,111	\$ 949,398
Investments, at fair value:			
Cash Management Fund	11,949,036	3,169,285	15,118,321
Total investments	11,949,036	3,169,285	15,118,321
Receivables:			
State related employer contributions	—	2,484,014	2,484,014
Other	8,734,029	9,543	8,743,572
Total receivables	8,734,029	2,493,557	11,227,586
Total assets	\$ 20,944,352	6,350,953	\$ 27,295,305
Liabilities:			
Accounts payable and accrued expenses	\$ 20,036,372	—	\$ 20,036,372
Assets held for state-related employers	—	3,808,277	3,808,277
Pension adjustment payroll payable	—	912,004	912,004
Due to State of New Jersey	907,980	121,423	1,029,403
Other	—	1,509,249	1,509,249
Total liabilities	\$ 20,944,352	6,350,953	\$ 27,295,305



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, 2004

Additions:

Contributions:	
Members	\$ 699,121
Employers	120,967,986
<hr/>	
Total contributions	121,667,107
<hr/>	
Investment income:	
Net appreciation (depreciation) in fair value of investments	(11,074)
Interest	112,434
<hr/>	
Total investment income	101,360
<hr/>	
Total additions	121,768,467
<hr/> <hr/>	

Deductions:

Benefits	120,827,308
Refunds of contributions and due General Fund	941,159
<hr/>	
Total deductions	\$ 121,768,467
<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, 2004

Additions:

Contributions:	
Employers	\$ 11,401,874
<hr/>	
Total contributions	11,401,874
<hr/>	
Investment income:	
Net appreciation (depreciation) in fair value of investments	(3,025)
Interest	76,101
<hr/>	
Total investment income	73,076
<hr/>	
Total additions	11,474,950
<hr/> <hr/>	

Deductions:

Benefits	11,360,279
Refunds of contributions and due General Fund	114,671
<hr/>	
Total deductions	\$ 11,474,950
<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, 2004

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.

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

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.

Proxy Voting

- Proxy voting policy addresses key issues.
- Division votes all proxies received, unless shares are out on loan.



I N V E S T M E N T S

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

INVESTMENT RETURNS

	2004	Annualized	
		3-Year	5-Year
TOTAL PORTFOLIO	14.1%	2.4%	1.5%
Equity Segment			
Domestic	19.1	-1.8	-0.9
S&P 1500	20.4	0.2	-1.1
S&P 500	19.1	-0.7	-2.2
International	31.9	3.6	0.0
MSCI EAFE International Stock Index (Net)	32.4	4.1	0.1
Fixed Income Segment			
Domestic	-0.9	7.0	7.2
Lehman Brothers-Govt/Credit Index	-0.7	6.7	7.1
International	10.0	16.9	8.7
Citigroup Non-US World Government Bond Index	7.6	13.7	6.8
Mortgages	2.5	6.2	7.0
Lehman Mortgage Index	2.2	5.6	6.5
Cash Management Fund	1.1	2.0	3.6
91-Day Treasury Bills	1.0	1.7	3.2

Note: Performance is calculated using the time-weighted return based on the modified Dietz method.

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

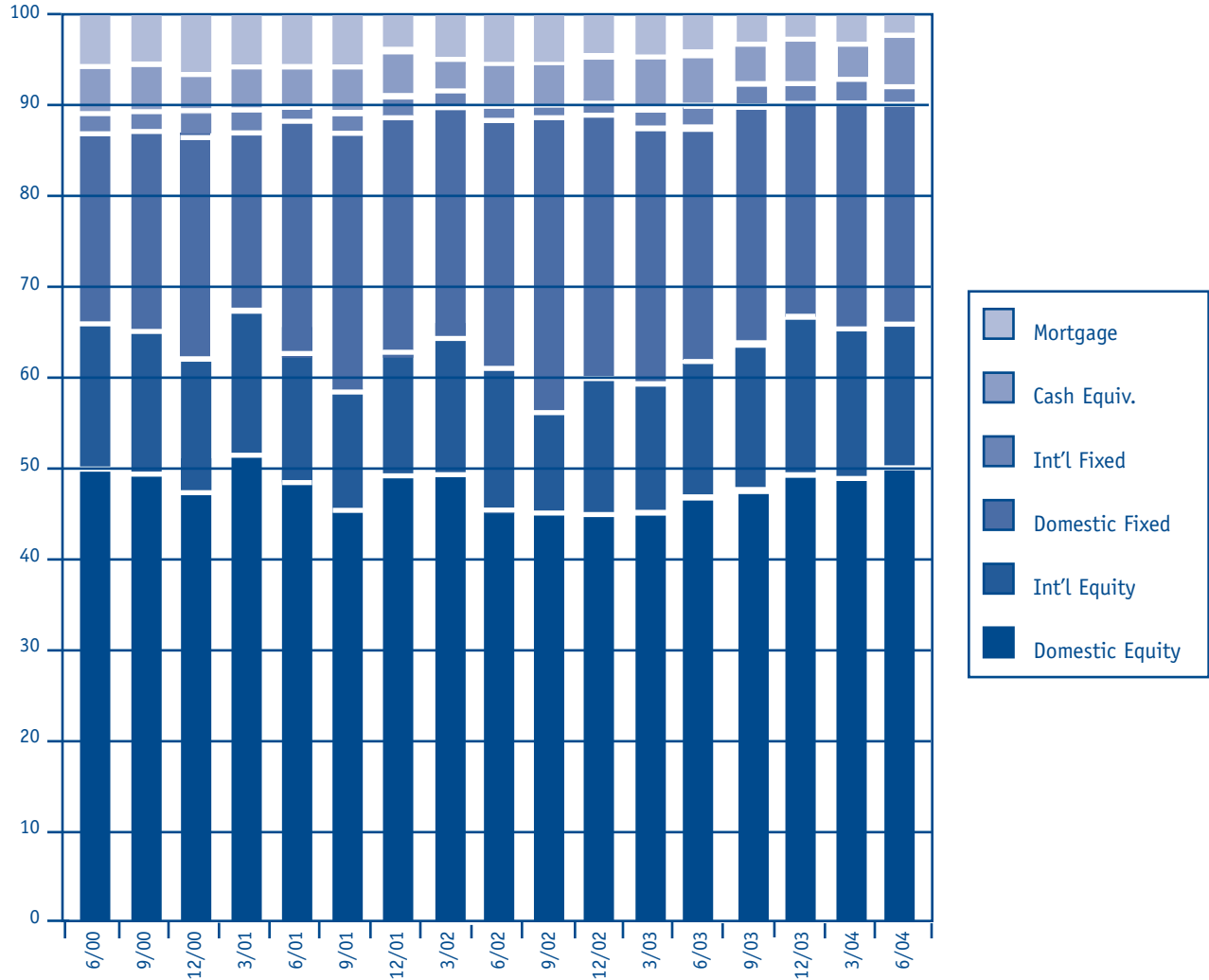
	9/2003		12/2003		3/2004		6/2004	
	(MILS.)	%	(MILS.)	%	(MILS.)	%	(MILS.)	%
Domestic Equity	30,288	48.1	32,998	49.2	33,207	48.8	33,792	50.1
International Equity	10,237	16.2	11,498	17.1	11,564	17.0	11,063	16.4
Domestic Fixed	16,813	26.7	16,403	24.5	17,324	25.4	16,215	24.0
International Fixed	1,386	2.2	1,291	1.9	1,670	2.4	1,642	2.4
Cash Equivalents	2,480	3.9	3,224	4.8	2,726	4.0	3,360	5.0
Mortgage	1,828	2.9	1,689	2.5	1,607	2.4	1,435	2.1
Total	63,032	100.0	67,103	100.0	68,098	100.0	67,507	100.0



INVESTMENTS

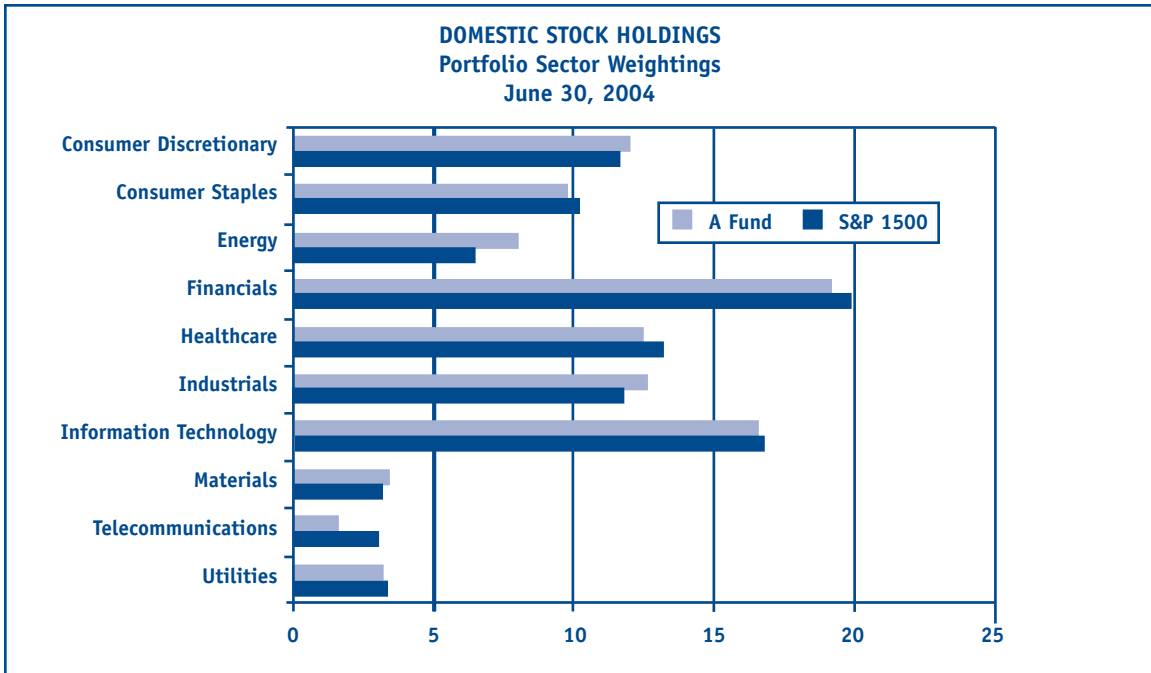
STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

STATE OF NEW JERSEY
COMPOSITE ASSET ALLOCATION HISTORY



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, 2004

	Shares	Stock	Market Value (Mil)
1)	40,000,000	Microsoft Corp.	\$1,142.4
2)	32,156,712	General Electric Co.	1,041.9
3)	19,667,264	Exxon Mobil Corp.	873.4
4)	17,394,601	Citigroup, Inc.	808.8
5)	22,910,392	Pfizer, Inc.	785.4
6)	8,793,329	American International Group, Inc.	626.8
7)	11,309,000	Wal-Mart Stores, Inc.	596.7
8)	6,682,546	Bank of America Corp.	565.5
9)	18,900,000	Cisco Systems, Inc.	447.9
10)	5,000,000	International Business Machines Corp.	440.8

Largest Domestic Bond Holdings (by Market Value)

June 30, 2004

	Par	Bonds	Coupon	Due	Rating	Market Value (USD)
1)	258,200,000	US Treasury Bonds	6.250%	08/15/23	AAA	\$285,956,500
2)	184,000,000	US Treasury Bonds	7.500%	11/15/16	AAA	226,837,040
3)	175,000,000	US Treasury Inflation Index Notes	3.000%	07/15/12	AAA	197,826,311
4)	163,000,000	US Treasury Bonds	7.125%	02/15/23	AAA	197,586,970
5)	175,000,000	US Treasury Bonds	9.375%	02/15/06	AAA	194,085,500
6)	180,000,000	US Treasury Notes	7.500%	02/15/05	AAA	186,300,000
7)	124,600,000	US Treasury Bonds	7.250%	05/15/16	AAA	150,648,876
8)	105,000,000	US Treasury Bonds	7.875%	02/15/21	AAA	135,548,700
9)	125,000,000	FPL Group Capital	6.125%	05/15/07	A2	133,340,000
10)	100,000,000	US Treasury Bonds	8.125%	08/15/21	AAA	132,313,000

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, 2004

	Shares	Stock	Market Value (USD)
1)	120,000,000	Vodafone Group	\$262,785,637
2)	15,000,000	HSBC Holdings	225,038,357
3)	4,450,000	Novartis AG	196,344,434
4)	2,000,000	Groupe Danone	174,473,780
5)	10,400,000	Diageo	140,232,136
6)	500,000	Nestle SA	133,365,277
7)	5,900,000	Repsol YPF, SA	129,212,800
8)	2,000,000	Sanofi-Synthelabo	126,779,414
9)	1,670,000	Aventis	126,077,990
10)	10,188,562	Pearson PLC	123,800,082

Largest International Bond Holdings (by Market Value)

June 30, 2004

	Par (Local)	Bonds	Coupon	Due	Market Value (USD)
1)	110,000,000	Government of Italy	3.500%	09/15/08	\$133,830,880
2)	100,000,000	German Government Bond	4.500%	01/04/13	124,331,427
3)	100,000,000	Government of Italy	3.500%	01/15/08	122,427,303
4)	65,000,000	UK Treasury	6.750%	11/26/04	118,958,016
5)	55,000,000	UK Treasury	7.250%	12/07/07	106,652,521
6)	50,000,000	UK Treasury	7.500%	12/07/06	95,901,342
7)	70,000,000	Republic of Ireland	5.000%	04/18/13	89,842,560
8)	50,000,000	UK Treasury	4.250%	06/07/32	82,790,170
9)	50,000,000	European Investment Bank	4.000%	01/15/07	62,308,067
10)	50,000,000	Government of Italy	4.750%	07/01/05	62,247,840

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 2004

Brokerage Firm	Number of Shares Traded	Total Commissions*	Commissions Per Share
Reuters Instinet	31,496,763	\$508,332	0.016
La Branche Financial Services	28,051,935	996,300	0.036
BNY ESI	20,719,422	742,038	0.036
Susquehanna Financial Group	19,262,262	561,419	0.029
Morgan Stanley Group	16,308,325	691,201	0.042
Griswold Company	16,117,025	442,793	0.027
Bear Stearns & Co Group	15,006,939	655,886	0.044
Lehman Brothers Inc.	13,146,870	755,047	0.057
Merrill Lynch Group	12,730,101	574,650	0.045
Citigroup Global Markets	12,647,088	574,687	0.045

**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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September 27, 2004

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 basis thereafter. The legislation (as amended by Chapter 415, P.L. 1999) also provided for a reduction from excess assets of the contributions by employees of the State and Local employers of up to 2% in contributions in future valuations under certain conditions. The valuation also reflects the provisions of Chapter 259, P.L. 2001, Chapter 353, P.L. 2001, and Chapter 366, P.L. 2001 which provided benefit improvements for certain members of the System and prescribed the funding policy for additional costs to the System. (In accordance with Chapter 259, P.L. 2001, any required contributions due to this legislation are payable by assets to be transferred from the Second Injury Fund.) In addition, the valuation reflects the provisions of Chapter 122, P.L. 2003 which provided for a reduction with regard to the required State contribution for fiscal year 2004 (and the use of the Benefit Enhancement Fund to fund the reduced contribution). The valuation also reflects the provisions of Chapter 42, P.L. 2002 which allowed Local employers to issue refunding bonds to retire the unfunded accrued liability due to certain early retirement incentive programs. Finally, the valuation reflects the early retirement incentive (ERI) programs offered under Chapter 23 P.L. 2002 for eligible State and State autonomous authorities and Chapter 126 P.L. 2000 as adopted by Union and Passaic counties.

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 Mellon Human Resources and Investor Solutions 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, 2004 were based on the revised actuarial assumptions that were determined from the April 1, 1999 to June 30, 2002 Experience Study (which was approved by the Board of Trustees at the October 18, 2003 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 Mellon Human Resources and Investor Solutions:

- 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,

Mellon Human Resources and Investor Solutions



George M. Lovaglio, 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, 2003 actuarial valuation of the PERS were based on the results of the experience study which covered the period from April 1, 1999 to June 30, 2002.

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, 2003 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%	8.38%	10.03%	—	—
30	22.07	21.88	17.06	16.25	12.05	10.62	5.31	7.56	—	.11%
35	17.87	19.10	13.37	13.74	8.88	8.37	3.33	4.00	.10%	.12
40	16.66	18.26	12.31	12.98	7.96	7.69	2.50	3.43	.11	.20
45	15.71	17.67	11.48	12.45	7.24	7.21	1.70	3.05	.20	.26
50	14.70	16.99	10.59	11.83	6.48	6.66	1.40	2.28	.85	.73
55	14.07	16.58	10.04	11.46	6.33	6.33	1.40	1.89	.81	1.17

AGE	ANNUAL RATES OF							
	ORDINARY DEATH**		ORDINARY DISABILITY***		SERVICE RETIREMENT		SALARY INCREASES	
	STATE	LOCAL	STATE	LOCAL	STATE	LOCAL		
25	.05%	.05%	.01%	—	—	—	6.90%	
30	.07	.06	.10	.05%	—	—	6.65	
35	.09	.08	.15	.13	—	—	6.40	
40	.12	.12	.18	.27	—	—	6.15	
45	.17	.17	.42	.35	—	—	5.90	
50	.25	.32	.55	.48	—	—	5.65	
55	.36	.41	.74	.73	15.4%	11.7%	5.40	
60	.52	.61	1.56	.92	8.8	7.8	5.15	
65	.74	.89	1.57	.96	23.1	22.1	4.65	
69	1.04	1.19	1.93	1.16	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.

<u>LENGTH OF SERVICE</u>				
<u>LESS THAN 20 YEARS</u>				
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:

<u>SERVICE RETIREMENTS</u>			<u>DISABILITY RETIREMENTS</u>		
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		
7/1/03	6,051	\$154,122,311	1,421	\$16,371,634	37,005	\$618,042,446	29.84%	\$16,702
7/1/02	2,245	40,460,481	1,388	13,602,265	32,375	475,998,551	17.32	14,703
7/1/01	2,278	35,883,305	1,248	11,826,820	31,518	405,725,967	8.29	12,873
7/1/00	2,795	40,943,697	1,705	15,679,964	30,488	374,653,652	8.48	12,289
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

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		
7/1/03	6,012	\$85,716,302	3,489	\$28,120,105	77,697	\$809,593,263	8.55%	\$10,420
7/1/02	4,976	65,124,052	3,209	23,136,078	75,174	745,795,398	17.79	9,921
7/1/01	4,800	52,657,599	3,148	22,448,803	73,407	633,154,111	7.04	8,625
7/1/00	6,211	65,505,051	4,091	27,237,422	71,755	591,523,823	8.14	8,244
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

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		
7/1/03	12,063	\$239,838,613	4,910	\$44,491,739	114,702	\$1,427,635,709	16.85%	\$12,446
7/1/02	7,221	105,584,533	4,597	36,738,343	107,549	1,221,793,949	17.61	11,360
7/1/01	7,078	88,540,904	4,396	34,275,623	104,925	1,038,880,078	7.52	9,901
7/1/00	9,006	106,448,748	5,796	42,917,386	102,243	966,177,475	8.27	9,450
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

* 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
7/1/03	78,108	\$3,576,118,300	\$45,784	1.03%
7/1/02	79,127	3,511,151,199	44,374	4.37
7/1/01	77,345	3,288,383,788	42,516	2.79
7/1/00	74,808	3,094,277,064	41,363	3.17
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

LOCAL EMPLOYERS

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/03	181,528	\$5,811,726,702	\$32,016	2.76%
7/1/02	177,627	5,534,322,805	31,157	2.35
7/1/01	172,138	5,240,338,738	30,443	3.14
7/1/00	166,388	4,910,966,308	29,515	2.95
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

TOTAL SYSTEM

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/03	259,636	\$9,387,845,002	\$36,158	2.63%
7/1/02	256,754	9,045,474,004	35,230	3.05
7/1/01	249,483	8,528,722,526	34,186	3.00
7/1/00	241,196	8,005,243,372	33,190	3.03
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

*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)
7/1/03	\$2,479,268,714	\$5,882,058,811	\$3,580,971,645	\$10,830,479,694	100.00%	100.00%	68.95%
7/1/02	2,602,398,450	4,348,154,633	3,810,004,399	11,073,156,965	100.00	100.00	100.00
7/1/01	2,411,616,329	3,969,922,145	3,504,924,894	11,123,818,861***	100.00	100.00	100.00
7/1/00	2,246,319,591	3,426,353,181	2,866,012,450	9,743,727,383	100.00	100.00	100.00
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

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)
7/1/03	\$3,658,588,521	\$7,269,911,978	\$4,958,512,247	\$16,406,284,200	100.00%	100.00%	100.00%
7/1/02	3,453,882,543	6,678,451,349	4,797,000,211	16,503,081,054	100.00	100.00	100.00
7/1/01	3,234,451,958	5,885,278,088	4,699,308,445	16,625,288,260***	100.00	100.00	100.00
7/1/00	3,025,058,034	5,140,058,713	3,842,044,059	14,380,511,913	100.00	100.00	100.00
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

TOTAL SYSTEM

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS**	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE & INACTIVE MEMBERS		(1)	(2)	(3)
7/1/03	\$6,137,857,235	\$13,151,970,789	\$8,539,483,892	\$27,236,763,894	100.00%	100.00%	93.06%
7/1/02	6,056,280,993	11,026,605,982	8,607,004,610	25,576,238,019	100.00	100.00	100.00
7/1/01	5,646,068,287	9,855,200,233	8,204,233,339	27,749,107,121***	100.00	100.00	100.00
7/1/00	5,271,377,625	8,566,411,894	6,708,056,509	24,124,239,236	100.00	100.00	100.00
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

* 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, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999	MARCH 31, 1998
Effective Prior Year Contribution Rate	4.19%	4.68%	3.74%	3.91%	3.63%	3.16%
Net Change Due to:						
Current New Entrants	0.02	(0.03)	0.04	0.02	0.02	0.04
Excess Salary Increases	0.02	0.01	0.01	0.01	0.02	(0.03)
Assumption/Method Changes	0.17	0.00	0.00	0.29	0.08	0.000
COLA Increases and Phase-In	0.08	0.03	0.03	0.03	0.07	0.06
Active Experience	(0.06)	(0.15)	0.37	(0.11)	0.09	0.26
Other Experience	(0.02)	(0.21)	0.06	(0.07)	(0.03)	0.05
Investment Loss/(Gain)	0.91	0.03	0.00	0.00	0.00	0.00
Non-Contributory Group Insurance						
Premium Fund Experience	0.03	(0.30)	(0.28)	(0.34)	0.03	0.09
Chapter 133 Benefit Improvements***	0.68	0.11	0.71	0.00	0.00	0.00
Net Effect of Chapter 133**	(0.68)	(0.11)	(0.71)	0.00	0.00	0.00
Chapter 366 Benefit Improvement	0.00	0.02	0.00	0.00	0.00	0.00
Net Effect of Chapter 366	0.06	(0.01)	0.00	0.00	0.00	0.00
Net Effect of Chapter 115*	0.00	0.00	(3.97)	(3.74)	(3.91)	(3.63)
Effect of Chapter 23	0.23	N/A	N/A	N/A	N/A	N/A
Cumulative Effect of Chapter 122	0.21	N/A	N/A	N/A	N/A	N/A
Actual Contribution Rate	5.84%	4.07%	0.00%	0.00%	0.00%	0.00%

LOCAL EMPLOYERS

VALUATION YEAR	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999	MARCH 31, 1998
Effective Prior Year Contribution Rate	4.50%	4.38%	3.37%	3.70%	3.37%	3.01%
Net Change Due to:						
Current New Entrants	0.02	(0.01)	0.03	0.04	0.03	0.02
Excess Salary Increases	0.01	0.03	0.07	0.01	0.01	(0.03)
Assumption/Method Changes	0.06	0.00	0.00	0.17	0.08	0.00
COLA Increases and Phase-In	0.00	0.05	0.05	0.03	0.06	0.08
Active Experience	(0.06)	(0.10)	0.55	(0.20)	0.09	0.15
Other Experience	(0.11)	0.05	0.06	(0.01)	0.09	0.05
Investment Loss/(Gain)	0.09	0.00	0.00	0.00	0.00	0.00
Non-Contributory Group Insurance						
Premium Fund Experience	0.02	(0.02)	(0.41)	(0.37)	(0.03)	0.09
Chapter 133 Benefit Improvements***	0.03	0.06	0.66	0.00	0.00	0.00
Net Effect of Chapter 133**	(0.03)	(0.06)	(0.66)	0.00	0.00	0.00
Chapter 366 Benefit Improvement	0.00	0.06	0.00	0.00	0.00	0.00
Net Effect of Chapter 366	(0.03)	(0.05)	0.00	0.00	0.00	0.00
Net Effect of Chapter 115*	(0.85)	(4.39)	(3.72)	(3.37)	(3.70)	(3.37)
Actual Contribution Rate	3.65%	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, legislators, prosecutors, and Workers' Compensation judges are summarized at the end of this section.*

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

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

Ordinary Death (Insured):

BEFORE RETIREMENT

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

AFTER RETIREMENT

Before Age 60:

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

After Age 60 or Early Retirement:

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

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

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

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

Child(ren) - No spouse - 20% (1 child), 35% (2 children), 50% (3 or more children) of contributory



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***

ry compensation pension paid as pension to age 18 or life if disabled.

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

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 bene-

fit of 70% of final contributory pay.

Ordinary Disability:

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

Death After Retirement:

Eligible upon death after an accidental disability retirement. Benefit is the same as for a regular member with a \$5,000 minimum.

LEGISLATORS

Service Retirement:

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

Vested Retirement:

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

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

Service Retirement:

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

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

Chapter 366 also requires that, in addition to to the 50% of final contributory compensation benefit, any member as of January 7, 2002 who will have 20 or more years of service and is required to retire upon attaining age 70, shall



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***

receive an additional benefit equal to 3% of final contributory compensation for each year of service over 20 years but not over 25 years.

Special Retirement:

After completion of 25 years of service. The annual retirement benefit is equal to a member annuity plus an employer pension which together equal 65% of final contributory compensation plus 1% of final contributory compensation for each year of service over 25. There is a maximum benefit of 70% of final contributory compensation.

Vested Termination:

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

Death Benefits:

Ordinary Death Benefit — Lump Sum

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

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

WORKERS' COMPENSATION JUDGES

PART (Chapter 259, P.L. 2001)

Service Retirement:

- A. Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:
 - a. Age 70 and 10 years of service as a judge of

compensation;

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

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

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

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

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

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

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

Early Retirement:

Prior to age 60 while serving as a judge of compensation, 5 consecutive years of service as a



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***

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

Vested Termination:

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

Death Benefits (Insured):

Before Retirement:

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

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

After Retirement:

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

the member attained age 60 and 1/4 times final salary if death occurred after age 60.

3. CONTRIBUTIONS

By Members:

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

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

By Employers:

NORMAL CONTRIBUTION

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

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

In accordance with the provisions of Chapter 133,



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***

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

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

The Appropriation Act of 2003 reduced the State fiscal year 2004 required normal contribution by 80% and any residual amount was covered by assets from the Benefit Enhancement Fund. The State required normal contribution for subsequent fiscal years could be subject to the Appropriation Act of that fiscal year.

The local required normal contribution for fiscal year 2005 is subject to a reduction in accordance with Chapter 108, P.L. 2003.

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. Thereafter, actuarial gains or losses will increase or decrease the amortization period unless an increase will cause it to exceed 30 years.

Chapter 366, P.L. 2001 requires that the State be liable for any increase in pension costs to a county that results from the enrollment of prosecutors in the Prosecutors Part. Any increase in the unfunded accrued liability in the Retirement System arising from the benefits established for the Prosecutors Part are to be amortized over a period of 30 years in the manner provided for other such liability in the Retirement System.

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

The Appropriation Act of 2003 reduced the State fiscal year 2004 required accrued liability contribution by 80% and any residual amount was covered by assets from the Benefit Enhancement Fund. The State required accrued liability contribution for subsequent fiscal years could be subject to the Appropriation Act of that fiscal year.

The Local required accrued liability contribution for fiscal year 2005 is subject to a reduction in accordance with Chapter 108, P.L. 2003.



A MILLIMAN GLOBAL FIRM



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November 2, 2004

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, 2003 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 2003 valuation, 46.63% 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, 2003 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, liabilities for future member contribution reductions, the BEF, and the value of future unphased-in normal costs for pension adjustments, the State may reduce both its contribution and Member contributions. As of the June 30, 2003 Actuarial Valuation, there were no such "excess assets", and neither the State's nor Members' contributions were reduced based on such excess assets. In fact, Unfunded Actuarial Liabilities existed and the State amortized them over a 30-year period as a level percentage of payroll.

The budget for FY 2005, which appropriated funds to cover the contribution developed in the 2003 valuation, authorized the payment of 40% 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 2005 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. These assumptions have been fully reflected in the June 30, 2003 valuation. The actuarial assumptions and methods used for funding purposes meet the parameters set forth in Governmental Accounting Standards Board (GASB) Statement No. 25 except with respect to the phase-in regarding the normal cost of pension adjustment benefits. The Annual Required Contribution shown on the attached 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.

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

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

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

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

Respectfully submitted,
MILLIMAN, INC.



By: 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, 2003

A. Actuarial Assumptions

Interest: 8.75% per annum, compounded annually (as prescribed by the State Treasurer).

CPI: 4.0% per annum, compounded annually (as prescribed by the State Treasurer). 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% (as prescribed by the State Treasurer). 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
DIVISION OF PENSIONS AND BENEFITS
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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 2004-2005 Per Retiree Benefit Costs (based on June 30, 2003 health plan distribution, medical trends of 17% for those less than age 65 and 20%-21% for those greater than 65, and the Social Security Standard premium for Medicare Part B trend at 9.0%):

Pre-Medicare:	\$14,317.38
Medicare Eligible:	\$9,148.44

- B. Actuarial Valuation Method:** The Projected Unit Credit Method was used as required by Chapter 62, P.L. 1994 as modified by Chapter 115, P.L. 1997 and 133, P.L. 2001.
- C. Asset Valuation Method:** A five year average of market value with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period. Cash flows are based on an accrual accounting approach. This method is prescribed by statute.
- D. Changes in Actuarial Assumptions:** The per capita benefit costs for postretirement medical benefits have changed since the previous valuation. The costs were previously \$13,141.10 for pre-Medicare and \$7,877.70 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
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**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		
3/31/97	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
6/30/03	4,963	N/A	1,869	N/A	59,331	1,684,758,604	4.07	28,396

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

VALUATION DATE	NUMBER OF ACTIVE MEMBERS (a)	ANNUAL COMPENSATION (b)	AVERAGE COMPENSATION (b/a)	% INCREASE IN AVERAGE COMPENSATION
3/31/97	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
6/30/03	145,882	8,161,471,273	55,946	2.41

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)
3/31/97	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
6/30/03	5,966,376,950	17,994,420,585	13,422,935,347	34,651,825,932	100.00	100.00	80.00

*Valuation Assets



**STATE OF NEW JERSEY
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**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, 2003 (\$ MILLIONS)	JUNE 30, 2002 (\$ MILLIONS)
<u>Economic Factors:</u>		
Investment Return	\$(2,051.1)	\$(2,006.6)
Salary Increases	83.2	226.7
COLA Adjustments	187.7	40.9
Expenses	(10.3)	(10.1)
<u>Demographic Factors:</u>		
Active Members	(264.9)	(193.4)
New Entrants	(50.5)	(61.9)
Non-Contributing Members	(19.9)	(16.6)
Retirees and Beneficiaries	124.9	75.4
Net Actuarial Gains or (Losses)	\$(2,000.9)	\$(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.

3. ELIGIBILITY FOR MEMBERSHIP

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

4. DEFINITIONS

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

his behalf without interest.

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

5. RETIREMENT BENEFITS

a. **Service Retirement:**

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

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

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

b. **Early Retirement:**

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

EARLY RETIREMENT BENEFIT: The benefit may be either:

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

6. TERMINATION BENEFITS

a. **Lump Sum Withdrawal:**

ELIGIBILITY: A Member is eligible upon termination of service.

LUMP SUM WITHDRAWAL BENEFIT: The benefit equals a refund of Aggregate Member



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SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

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 ben-

efit is equal to his Aggregate Contributions with interest allowed thereon.

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

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

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

c. **Pre-retirement Accidental Death Benefit:**

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

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

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

- (1) The annuity benefit to a widow or widower is equal to 50% of Compensation, payable for life until remarriage.
- (2) The annuity benefit, when there is no spouse, or the spouse is remarried, is equal to 20% of Compensation for one child, 35%



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SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

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 the Fund.

14. BENEFIT AND COMPENSATION LIMITS

The provisions of IRC Section 415 and IRC Section



STATE OF NEW JERSEY
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SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

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 contribu-

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



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DIVISION OF PENSIONS AND BENEFITS
Teachers' Pension and Annuity Fund

SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

(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 and Chapter 23, P.L. 2002 pay contributions to cover the additional liabil-

ity 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

There have been no changes since the previous valuation.





September 27, 2004

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 (50% as of the July 1, 2003 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, 2003 valuation report reflects the provisions of Chapter 126, P.L. 2000 with regard to the Early Retirement Incentive (ERI) programs offered by Union and Passaic Counties and the provisions of Chapter 42, P.L. 2002 which allowed for the bonding of existing Local ERI liability. The valuation also reflects the additional accrued liability for three State locations and six Municipality and Local Groups locations (including five new locations) with certain employees participating in the Fund under provisions of Chapter 204, P.L. 1989.

The valuation also incorporates the provisions of Chapter 122, P.L. 2003 (State) and Chapter 108, P.L. 2003 (Locals) which reduced the required contributions payable for fiscal year 2004 to 20% of the amounts certified in the July 1, 2001 actuarial valuation. As a result, the July 1, 2002 valuation required contribution for the fis-



cal year beginning July 1, 2004 was revised to \$496,274,443. (The required normal contribution is \$440,142,529 and the unfunded accrued liability contribution is \$56,131,914.)

Finally, since the fiscal year 2005 required contribution is subject to reduction in accordance with the provisions of Chapter 108, P.L. 2003 (Locals) and could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2005 (State), we have assumed that the initial required contribution as determined by the July 1, 2002 valuation for the fiscal year beginning July 1, 2004 will be reduced by 60% to \$198,509,777. As a result, a contribution will be required for the fiscal year beginning July 1, 2005 in the amount of \$570,758,641. The required normal cost contribution is \$451,720,869 and the unfunded accrued liability contribution is \$119,037,772.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Mellon Human Resources and Investor Solutions 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, 2005 were based on the revised actuarial assumptions that were determined from the July 1, 1998 to 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 Mellon Human Resources and Investor Solutions:

- 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,

Mellon Human Resources and Investor Solutions



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



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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Section 13, Subsection (13) of Chapter 255, P.L. 1944 as amended by Chapter 157, P.L. 1972 of the New Jersey Statutes provides that once in every three-year period the actuary shall examine in detail the mortality, service and compensation experience of the members and beneficiaries of the Police and Firemen's Retirement System to assure that the tables used for determining expected liabilities are consistent with recent experience.

The July 1, 2003 actuarial valuation of the Police and Firemen's Retirement System reflects the recognition of the revised actuarial assumptions determined from the July 1, 1998 to 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, 2003 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	.385	.153	2.50	0.00	41.00	15.40
45	.180	.009	.418	.151	2.50	0.00	44.15	15.40
50	.250	.009	.363	.119	3.75	0.00	47.31	15.40
55	.300	.014	.600	.107	5.00	0.00	49.20	17.48
60	.600	.013	.160	.107	5.00	0.00	55.35	22.78
64	.600	.008	.300	.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		
7/1/03	348	\$11,490,364	44	\$1,071,506	2,399	\$73,208,008	17.49%	\$30,516
7/1/02	307	8,648,702	42	1,045,611	2,095	62,307,941	17.07	29,741
7/1/01	256	7,604,419	34	661,393	1,830	53,224,047	16.06	29,084
7/1/00	216	6,208,112	42	732,185	1,608	45,858,348	16.96	28,519
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

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		
7/1/03	1,572	\$63,945,587	695	\$17,071,934	24,283	\$837,223,152	6.79%	\$34,478
7/1/02	1,560	60,716,320	643	16,347,238	23,406	784,019,183	8.30	33,497
7/1/01	1,618	62,452,533	553	12,812,463	22,489	723,911,119	9.51	32,190
7/1/00	1,625	64,489,523	547	17,011,684	21,424	661,062,382	11.83	30,856
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

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		
7/1/03	1,920	\$75,435,951	739	\$18,143,440	26,682	\$910,431,160	7.57%	\$34,122
7/1/02	1,867	69,365,022	685	17,392,849	25,501	846,327,124	8.90	33,188
7/1/01	1,794	70,056,952	587	13,473,856	24,319	777,135,166	9.93	31,956
7/1/00	1,841	70,697,635	589	17,743,869	23,032	706,920,730	12.15	30,693
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

* 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
7/1/03	7,990	\$462,879,721	\$57,932	5.85%
7/1/02	7,952	435,230,202	54,732	3.42
7/1/01	7,835	414,643,442	52,922	5.08
7/1/00	7,503	377,863,772	50,362	0.99
7/1/99	7,507	374,359,999	49,868	4.11
7/1/98	7,419	355,363,473	47,899	3.36

LOCAL EMPLOYERS

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/03	35,988	\$2,433,953,717	\$67,632	3.93%
7/1/02	35,639	2,319,108,068	65,072	3.88
7/1/01	35,184	2,204,057,642	62,644	4.59
7/1/00	34,927	2,091,947,933	59,895	3.98
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

TOTAL SYSTEM

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/03	43,978	\$2,896,833,438	\$65,870	4.25%
7/1/02	43,591	2,754,338,270	63,186	3.80
7/1/01	43,019	2,618,701,084	60,873	4.58
7/1/00	42,430	2,469,811,705	58,209	3.52
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



**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)
7/1/03	\$318,757,994	\$918,128,860	\$1,052,050,798	\$1,947,011,709	100.00%	100.00%	67.50%
7/1/02	300,242,722	780,388,408	966,189,059	1,889,473,235 ^(a)	100.00	100.00	83.71
7/1/01	280,381,468	666,781,730	918,977,193	1,897,865,088	100.00	100.00	100.00
7/1/00	259,428,152	570,067,176	837,347,578	1,796,414,245	100.00	100.00	100.00
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

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)
7/1/03	\$1,801,722,545	\$9,869,613,601	\$6,587,517,342	\$16,479,270,329	100.00%	100.00%	72.99%
7/1/02	1,687,453,715	9,268,750,917	6,224,937,678	16,338,075,972 ^(a)	100.00	100.00	86.46
7/1/01	1,574,607,783	8,587,173,988	5,894,664,875	16,176,404,513	100.00	100.00	100.00
7/1/00	1,475,019,276	7,881,569,163	5,568,111,273	15,809,047,487	100.00	100.00	100.00
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

TOTAL SYSTEM

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE & INACTIVE MEMBERS		(1)	(2)	(3)
7/1/03	\$2,120,480,539	\$10,787,742,461	\$7,639,568,140	\$18,426,282,038	100.00%	100.00%	72.23%
7/1/02	1,987,696,437	10,049,139,325	7,191,126,737	18,227,549,207 ^(a)	100.00	100.00	86.09
7/1/01	1,854,989,251	9,253,955,718	6,813,642,068	18,074,269,601	100.00	100.00	100.00
7/1/00	1,734,447,428	8,451,636,339	6,405,458,851	17,605,461,732	100.00	100.00	100.00
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

* 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.

(a) Amounts shown differ from the original July 1, 2002 valuation results and reflect the effect of Chapter 122, P.L. 2003 (State) and Chapter 108, P.L. 2003 (Local).



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Police and Firemen's Retirement System**

**ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF EMPLOYER CONTRIBUTION RATES**

STATE

VALUATION YEAR	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999	JULY 1, 1998
Effective Prior Year Contribution Rate	38.05%	31.63%	30.43%	29.51%	27.34%	28.96%
Initial Adjustment Due to Chapter 122 ^Ø	1.21	N/A	N/A	N/A	N/A	N/A
Revised Prior Year Contribution Rate	39.26%	31.63%	30.43%	29.51%	27.34%	28.96%
<u>Net Change Due to:</u>						
Current New Entrants	0.01	0.01	0.02	0.07	0.44	0.13
Excess Salary Increases	0.01	0.02	0.01	0.03	(0.04)	0.02
Assumption/Method Changes	0.00	0.00	0.00	0.00	1.15	1.6
COLA	(0.06)	(0.09)	(0.10)	(0.09)	(0.10)	(0.63)
Active and Other Experience	(0.22)	(0.58)	0.57	0.69	1.34	(0.58)
Retiree Experience	0.63	(0.53)	0.10	0.55	0.11	(0.68)
Investment Loss/(Gain)	0.17	0.10	0.60	(0.33)	(0.73)	(1.55)
Net Effect of Chapter 115*	0.00	0.00	(1.96)	(28.65)	(27.79)	(27.16)
Net Effect of Chapter 8**	0.06	7.49	(1.77)	(1.78)	(1.72)	(0.18)
Cumulative Effect of Chapter 122	1.23	N/A	N/A	N/A	N/A	N/A
Actual Contribution Rate	41.09%	38.05%	27.90%	0.00%	0.00%	0.00%

LOCAL EMPLOYERS

VALUATION YEAR	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999	JULY 1, 1998
Effective Prior Year Contribution Rate	15.50%	14.70%	13.82%	13.61%	13.26%	14.59%
Prior Year Adjustment Due to Chapter 108	0.47	N/A	N/A	N/A	N/A	N/A
Effective Prior Year Contribution Rate	15.97%	14.70%	13.82%	13.61%	13.26%	14.59%
<u>Net Change Due to:</u>						
Current New Entrants	0.02	0.02	0.01	0.05	0.18	0.15
Excess Salary Increases	0.01	0.03	0.02	0.03	0.34	0.04
Assumption/Method Changes	0.00	0.00	0.00	0.00	0.53	0.85
COLA	(0.21)	(0.37)	(0.10)	(0.09)	(0.25)	(0.44)
Active and Other Experience	0.49	0.49	0.14	0.47	(0.35)	(0.66)
Retiree Experience	0.62	0.44	0.23	0.59	0.07	(0.24)
Investment Loss/(Gain)	0.23	0.19	0.58	(0.85)	(1.58)	(1.03)
Net Effect of Chapter 115*	0.00	0.00	(0.89)	(12.31)	(7.24)	0.00
Net Effect of Chapter 8**	(1.38)	(1.38)	(1.47)	(1.48)	(4.95)	(1.19)
Net Effect of Chapter 44***	0.00	0.00	0.00	0.00	0.00	(8.02)
Chapter 108	0.41	N/A	N/A	N/A	N/A	N/A
Actual Contribution Rate#	16.16%	14.12%	12.34%	0.02%	0.01%	4.05%

* 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.

Ø Reflects change to prior valuation's receivable contribution due to Chapter 122.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Police and Firemen's Retirement System

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

ELIGIBILITY FOR MEMBERSHIP

Enrollment is restricted to eligible policemen and firemen who are permanent and full-time and who pass the physical and mental fitness requirements. The maximum enrollment age is 35.

1. DEFINITIONS

Plan Year: The 12-month period beginning on July 1 and ending on June 30.

Credited Service: A year of service is credited for each year an employee is a Member of the Retirement System plus service, if any, covered by a prior service liability.

Average Final Compensation (AFC): The average annual compensation for the three consecutive years of Service immediately preceding retirement or the highest three consecutive fiscal years of Membership Service.

Compensation: Base salary upon which contributions by a Member to the Annuity Savings Fund were based in the last year of Service. For Accidental Death, benefits are computed at the annual rate of salary.

Final Compensation (FC): Annual compensation received by the member in the last 12 months of Credited Service preceding his retirement.

Accumulated Deductions: The sum of all amounts deducted from the compensation of a Member or contributed by him or on his behalf without interest.

2. BENEFITS

Service Retirement: Eligibility means age 55 or 20 years of credited service for an employee who is a member of the Retirement System as of January 18, 2000 and age 55 for an employee who became a member of the Retirement System after January 18, 2000; mandatory at age 65. Benefit is an annual retirement allowance equal to a member annuity

plus an employer pension which together equals the greater of:

- (i) 1/60th 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.





September 27, 2004

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 (68% for the July 1, 2003 valuation). In addition, the valuation reflects the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study.

A contribution of \$939,544 is required for the fiscal year beginning July 1, 2004. There were no required unfunded accrued liability payments due to the fact that a net surplus existed as of July 1, 2003 and the required normal contributions were reduced to \$939,544 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 Mellon Human Resources and Investor Solutions 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, 2004 were calculated using the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 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 Mellon Human Resources and Investor Solutions:

- 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,

Mellon Human Resources and Investor Solutions



George M. Lovaglio, 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, 2003 actuarial valuation of the State Police Retirement System were based on the results of the experience study which covered the period from July 1, 1999 to June 30, 2002.

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, 2003 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	0.0
30	5.0	4.0
35	8.3	1.0
40	0.0	1.5
45	0.0	2.0
50	0.0	0.0

Separations from Service: Representative mortality, disability and retirement rates are as follows:

AGE	ANNUAL RATES OF*			
	ORDINARY DEATH	ACCIDENTAL DEATH	ORDINARY DISABILITY	ACCIDENTAL DISABILITY
25	0.0	0.4	0.6	0.3
30	0.7	0.5	0.9	0.4
35	0.5	0.5	1.2	0.5
40	0.8	0.5	1.8	0.7
45	1.0	0.6	3.1	1.3
50	2.5	0.9	5.4	2.2

*Per one thousand lives.

Marriage: Husbands are assumed to be 3 years older than wives. Among the active population, 83.3% of participants are assumed married. No children are assumed. Neither the percentage married or 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	2.0
21	0.5
22	0.0
23	0.0
24	0.0
with 25:	
(a) through age 42	25.0
(b) ages 43-54	20.0
greater than 25:	
(a) through age 47	5.0
(b) ages 48-52	15.0
(c) ages 53-54	22.0



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
State Police Retirement System**

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

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL ALLOWANCE**		
7/1/03	151	\$8,155,381	40	\$996,340	2,080	\$83,095,494	10.33%	\$39,950
7/1/02	113	5,019,831	50	1,231,049	1,969	75,314,289	7.67	38,250
7/1/01	123	6,007,487	31	697,270	1,906	69,952,007	10.25	36,701
7/1/00	115	5,342,514	31	836,813	1,814	63,449,663	9.23	34,978
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

* These values include beneficiaries in receipt but exclude 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
7/1/03	2,693	\$217,448,864	\$80,746	4.82%
7/1/02	2,793	215,161,126	77,036	3.18
7/1/01	2,675	199,727,203	74,664	3.36
7/1/00	2,609	188,466,237	72,237	8.68
7/1/99	2,698	179,329,453	66,468	4.67
7/1/98	2,632	167,145,161	63,505	15.13

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)
7/1/03	\$130,718,799	\$1,014,285,416	\$670,721,041	\$1,865,079,083	100.00%	100.00%	100.00%
7/1/02	126,682,063	917,195,351	695,550,325	1,853,684,177	100.00	100.00	100.00
7/1/01	118,427,463	856,126,296	652,077,897	1,829,414,353	100.00	100.00	100.00
7/1/00	112,610,765	779,919,713	620,379,327	1,752,423,441	100.00	100.00	100.00
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

*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, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999	JULY 1, 1998
Effective Prior Year Contribution Rate	18.98%	18.80%	18.61%	21.80%	21.26%	23.20%
Net Change Due to:						
Current New Entrants	0.08	0.52	0.49	0.00	0.65	0.59
Excess Salary Increases	0.04	0.03	0.06	0.65	0.27	(1.10)
Assumption/Method Changes	(0.78)	0.00	N/A	(3.44)	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	(1.01)	(0.37)	(0.36)	(0.40)	(0.38)	(1.43)
Investment Loss/(Gain)	0.00	0.00	0.00	0.00	0.00	0.00
Net Effect of Chapter 115*	(16.88)	(18.98)	(18.80)	(18.61)	(21.80)	(21.26)
Actual Contribution Rate	0.43%	0.00%	0.00%	0.00%	0.00%	0.00%

* Reflects reduction in normal cost contribution due to use of excess assets.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
State Police Retirement System

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

ELIGIBILITY FOR MEMBERSHIP

All members of the former State Police and Benevolent Fund: full-time commissioned officers, non-commissioned officers or troopers of the Division of State Police. Membership is a condition of employment.

1. DEFINITIONS

Plan Year: The 12-month period beginning on July 1 and ending on June 30.

Service: Service rendered while a member as described above.

Credited Service: A year is credited for each year of service as an officer or trooper in the State Police. Service with other State Retirement Systems is included in the calculation of the retirement benefit at the rate of 1% of final compensation for each year of service credit.

Compensation: Based on contractual salary, including maintenance allowance, received by the member in the last 12 months of credited service preceding retirement, termination or death. Compensation does not include individual salary adjustments granted primarily in anticipation of the retirement or for temporary or extracurricular duties beyond the ordinary work day. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code.)

Final Compensation: Average compensation received by member in last 12 months of credited service preceding retirement or death. Such term includes the value of the member's maintenance allowance for the same period.

Aggregate Contributions: The sum of all amounts deducted from the compensation of a member or contributed by him or on his behalf. For contribution purposes, compensation does not include overtime, bonuses, maintenance or any adjustments

before retirement.

Adjusted Final Compensation: The amount of final compensation or final compensation as adjusted, as the case may be, increased by the same percentage increase which is applied in any adjustments of the compensation schedule of active members after the member's death and before the date on which the deceased member of the retirement system would have accrued 25 years of service under an assumption of continuous service, at which time that amount will become fixed. Adjustments to final compensation or adjusted final compensation shall take effect at the same time as any adjustments in the compensation schedule of active members.

2. BENEFITS

Service Retirement: Mandatory retirement at age 55. Voluntary retirement prior to age 55 with 20 years of credited service. Benefit is an annual retirement allowance equal to the greater of (a), (b), or (c), as follows:

- a. 50% of final compensation;
- b. For members retiring with 25 or more years of service, 65% of final compensation, plus 1% for each year of service in excess of 25 years, to a maximum of 70% of final compensation.
- c. For members as of August 29, 1985 who would not have 20 years of service by age 55, benefit as defined in (a) above. For members as of August 29, 1985 who would have 20 years of service but would not have 25 years of service at age 55, benefit as defined in (a) above plus 3% for each year of service in excess of 20 years.

Vested Termination: Termination of service prior to age 55. Benefit for 10 to 20 years of Service - Refund of aggregate contributions, or a deferred life annuity beginning at age 55 equal to 2% of final compensation for each year of service up to 20 years.



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.





September 27, 2004

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 (68% for the July 1, 2003 valuation). In addition, the valuation was prepared on the basis of the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study. The valuation also reflects the funding policy provisions of Chapter 122, P.L. 2003 (Appropriation Act of 2003) which reduced the required fiscal year 2004 contribution of \$16,777,190 by 80% to \$3,355,438. Finally, the report incorporates the provisions of Chapter 54, P.L. 2002 which allowed retiring members to elect a reduced retirement allowance which provides for a survivor benefit.

A contribution of \$20,540,242 was required for the fiscal year beginning July 1, 2004. There was an unfunded accrued liability payment of \$2,850,775 and a normal contribution of \$17,689,477.

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Mellon Human Resources and Investor Solutions 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, 2004 were calculated using the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 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 Mellon Human Resources and Investor Solutions:

- 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,

Mellon Human Resources and Investor Solutions



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



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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Section 31 of Chapter 40, P.L. 1973 of the New Jersey Statutes provides that once in every three-year period the actuary shall examine in detail the mortality, service and compensation experience of the members and beneficiaries of the Judicial Retirement System to assure that the tables used for determining expected liabilities are consistent with recent experience.

The assumptions used for the July 1, 2003 actuarial valuation of the Judicial Retirement System were based on the results of the experience study which covered the period from July 1, 1999 to June 30, 2002.

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, 2003 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.

Separations From Service: Representative mortality and disability rates are as follows:

<u>Lives Per Thousand</u>					
Death					
<u>Age</u>	<u>Male</u>		<u>Female</u>		<u>Disability</u>
30	0.46		0.34		0.22
35	0.61		0.48		0.26
40	0.86		0.67		0.33
45	1.24		1.01		0.64
50	2.18		1.65		1.14
55	3.91		2.54		1.97
60	6.13		4.24		3.26
65	9.16		7.06		4.73
<u>Lives Per Thousand</u>					
<u>Retired Members</u>			<u>Beneficiaries of Deceased Members</u>		
<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>Disabled Males and Females</u>
55	4.8	2.5	4.8	2.5	11.1
60	7.1	4.2	7.1	4.2	19.8
65	11.1	7.1	11.1	7.1	33.4
70	19.8	12.4	19.8	12.4	54.8
75	33.4	24.0	33.4	28.8	89.3
80	39.6	39.7	39.6	39.7	133.9
85	59.8	59.6	59.8	59.6	190.5
90	109.6	79.3	79.3	79.3	264.0



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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Deaths After Retirement: Illustrative rates of mortality for retired members are shown below.

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**		
7/1/03	36	\$2,526,962	18	\$1,022,984	402	\$25,609,088	4.53%	\$63,704
7/1/02	26	1,749,451	10	516,107	384	24,499,032	7.00	63,800
7/1/01	31	2,395,394	23	979,909	368	22,895,875	8.33	62,217
7/1/00	42	2,945,702	23	1,398,405	360	21,135,815	8.99	58,711
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

* These values include beneficiaries in receipt but exclude 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
7/1/03	433	\$61,600,500	\$142,264	0.04%
7/1/02	438	62,288,830	142,212	2.84
7/1/01	418	57,800,334	138,278	3.12
7/1/00	414	55,514,214	134,092	15.48
7/1/99	421	48,886,350	116,120	(0.01)
7/1/98	415	48,196,350	116,136	0.01

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)
7/1/03	\$12,213,449	\$242,660,854	\$176,575,915	\$376,190,703	100.00%	100.00%	68.70%
7/1/02	11,048,668	216,290,946	161,611,189	381,698,485	100.00	100.00	95.51
7/1/01	9,728,331	203,342,902	159,688,836	379,592,346	100.00	100.00	100.00
7/1/00	8,655,005	186,540,969	155,724,371	374,486,433	100.00	100.00	100.00
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

*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, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999	JULY 1, 1998
Effective Prior Year Contribution Rate	27.25%	27.83%	28.24%	28.25%	28.65%	28.79%
<u>Net Change Due to:</u>						
Current New Entrants	1.10	2.07	1.26	0.94	1.31	0.92
Excess Salary Increases	(2.18)	(0.97)	(0.68)	1.22	(1.59)	(1.03)
Assumption/Method Changes	4.74	0.00	0.00	0.28	0.00	0.00
COLA	(0.50)	(0.80)	0.00	0.00	0.00	0.00
Retiree Mortality	(0.27)	(0.18)	0.00	0.00	0.00	0.00
Active and Other Experience	0.74	(2.11)	(0.99)	(2.45)	(0.12)	(0.03)
Investment Loss/(Gain)	1.55	1.41	0.00	0.00	0.00	0.00
Net Effect of Chapter 115*	0.00	0.00	(13.01)	(28.24)	(28.25)	(28.65)
Appropriation Act of 2003	1.14	N/A	N/A	N/A	N/A	N/A
Actual Contribution Rate	33.57%	27.25%	14.82%	0.00%	0.00%	0.00%

* Reflects reduction in normal cost contribution due to use of excess assets.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
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.





September 27, 2004

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 \$12,058,813 was required for the fiscal year beginning July 1, 2004. The required normal cost contribution is \$0 and the unfunded accrued liability contribution is \$12,058,813. 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, 2004 was based on the method described above using an interest rate of 2% per annum. The assumed interest rate has been changed from the 8.75% per annum rate that was used in prior valuations. The Treasurer, upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, has approved this change in order to better reflect the expected investment yield for the system's current investment portfolio. 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 Mellon Human Resources and Investor Solutions 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 Mellon Human Resources and Investor Solutions:

- 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,

Mellon Human Resources and Investor Solutions



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



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Consolidated Police and Firemen's Pension Fund

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

An outline of the actuarial assumptions and methods used for the July 1, 2003 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, 2003 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*		
7/1/03	13	\$107,909	149	\$992,671	1,062	\$7,271,059	(10.85)%	\$6,847
7/1/02	10	82,279	176	1,026,521	1,198	8,155,821	(10.36)	6,808
7/1/01	20	148,516	154	1,035,622	1,364	9,098,678	(7.25)	6,671
7/1/00	28	169,790	187	1,076,510	1,498	9,809,706	(8.46)	6,549
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

* 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)
7/1/03	\$ —	\$41,396,376	\$ —	\$29,574,010	N/A	71.44%	N/A
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

*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, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999	JULY 1, 1998
Prior Year Unfunded/(Surplus)	\$1,793,494	\$2,495,553	\$465,785	\$(1,792,452)	\$(2,932,212)	\$(4,416,692)
Net Change Due to:						
Interest on Prior Year Unfunded/(Surplus)	156,931	218,361	40,756	(156,840)	(256,569)	(386,461)
Investment Loss/(Gain)	1,898,244	1,824,534	1,767,982	1,923,399	1,793,342	1,556,742
Retiree Experience	(10,906)	(31,040)	139,610	491,678	(397,013)	314,199
State Appropriations	(1,950,425)	(2,713,914)	(506,541)	0	0	0
Assumption, Benefit or Method Changes	9,935,028*	N/A	587,961**	N/A	N/A	N/A
Actual Unfunded/(Surplus)	\$11,822,366	\$1,793,494	\$2,495,553	\$465,785	\$(1,792,452)	\$(2,932,212)

* Increase in the unfunded accrued liability due to the change in valuation interest rate assumption which has been changed from 8.75% per annum to 2.00% per annum.

** Increase in the unfunded accrued liability due to recognition of Chapter 4, P.L. 2001.



STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Consolidated Police and Firemen's Pension Fund

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

ELIGIBILITY FOR MEMBERSHIP

Member of a municipal police department, municipal paid or part-paid fire department or county police department, or a paid or part-paid fire department of a fire district located in a township who has contributed to this pension fund; and who is not covered by the Police and Firemen's Retirement System which became effective on July 1, 1994.

Active Member: Any member who is a policeman, fireman, detective, lineman, driver of police van, fire alarm operator, or inspector of combustibles and who is subject to call for active service as such.

Employee Member: Any member who is not subject to active service or duty.

1. DEFINITIONS

Plan Year: The 12-month period beginning on July 1 and ending on June 30.

Service: Service rendered while a member as described above.

Compensation: Base salary; not including individual salary adjustments which are granted primarily in anticipation of retirement or additional remuneration for performing temporary duties beyond the regular work day. (Effective June 30, 1996 Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code.)

Final Compensation: Compensation received during the last 12 months of service preceding retirement or termination of service.

Average Salary: Salary averaged over the last three years prior to retirement or other termination of service.

2. BENEFITS

Service Retirement: Mandatory retirement at age 65 with 25 years of service (a municipality may retain

the Chief of Police until age 70). Voluntary retirement after 25 years of service for an active member and after age 60 with 25 years of service for an employee member. Benefit is life annuity equal to 60% of final compensation, plus 1% of final compensation for years of service in excess of 25.

Death benefit:

WHILE ON DUTY: Immediate life annuity equal to 70% of average salary payable to the spouse. If there is no spouse or if the spouse dies or remarries, 20% of final compensation will be payable to one surviving child and 35% (50%) of final compensation will be payable, to two (three) surviving children. If there is no surviving spouse or child, 25% (40%) of final compensation will be payable to one (two) surviving dependent parent(s). The minimum spousal annuity is \$4,500 per annum.

WHILE NOT ON DUTY AFTER RETIREMENT: Life annuity equal to 50% of the member's average salary payable to the spouse, plus 15% (25%) to one (two or more) surviving child (children). If there is no surviving spouse or if the surviving spouse dies or remarries, 20% (35%, 50%) of the member's average salary to one (two, three or more) surviving child (children). In the event that there is no surviving spouse or child, 25% (40%) of the member's average salary will be payable to one (two) dependent parent(s). The minimum spousal annuity is \$4,500 per annum.

Ordinary Disability Retirement: Totally and permanently incapacitated from service for any cause other than as a direct result of a traumatic event occurring during the performance of duty. Benefit is an immediate life annuity equal to 1/2 of average salary.

Accidental Disability Retirement: Totally and permanently incapacitated as a direct result of a traumatic event occurring while performing regular or assigned duties. Benefit is an immediate life annuity equal to 2/3 of average salary.





September 27, 2004

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, 2004. (There were no required unfunded accrued liability payments due to the fact that a net surplus existed as of July 1, 2003.)

The underlying demographic data is maintained and provided by the New Jersey Division of Pensions and Benefits. The data is analyzed by Mellon Human Resources and Investor Solutions 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, 2004 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 Mellon Human Resources and Investor Solutions:

- 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,

Mellon Human Resources and Investor Solutions



George M. Lovaglio, 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, 2003 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. (Without any guidance, we have assumed that any unfunded accrued liability that develops after the July 1, 2001 valuation will be amortized over 1 year.)

Asset Valuation Method: Assets are valued at book value which is equivalent to market value.



**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Prison Officers' Pension Fund**

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

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE*		
7/1/03	2	\$7,870	19	\$100,109	214	\$1,527,933	(5.69)%	\$7,140
7/1/02	7	28,788	25	149,834	231	1,620,172	(6.95)	7,014
7/1/01	10	51,395	19	147,997	249	1,741,218	(5.26)	6,993
7/1/00	6	28,174	16	103,882	258	1,837,820	(3.96)	7,123
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

* 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)
7/1/03	\$ —	\$10,727,647	\$ —	\$17,277,953	N/A	100.00%	N/A
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

*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, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999	JULY 1, 1998
Prior Year						
Unfunded/(Surplus)	\$(6,126,718)	\$(5,275,332)	\$(4,051,901)	\$(3,845,290)	\$(3,665,759)	\$(3,497,490)
Net Change Due to:						
Interest on Prior Year						
Unfunded/(Surplus)	\$(306,336)	\$(263,767)	(202,595)	(192,265)	(183,288)	(174,875)
Investment Loss/(Gain)	(73,377)	(419,953)	(888,341)	(65,701)	(47,498)	(154,757)
Retiree Experience	(43,875)	(167,666)	(132,495)	51,355	51,255	161,363
Assumption/Method Changes	N/A	N/A	N/A	N/A	N/A	N/A
Actual Unfunded/(Surplus)	\$(6,550,306)	\$(6,126,718)	\$(5,275,332)	\$(4,051,901)	\$(3,845,290)	\$(3,665,759)



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.





September 27, 2004

Council
Supplemental Annuity Collective Trust
of New Jersey

Re: Actuary's Certification Letter

Members of the Council:

An actuarial valuation of the Supplemental Annuity Collective Trust is performed at least once in every three-year period to measure the ongoing costs of the Trust and the progress towards the funding goals of the Trust over time. The financial goals of the Supplemental Annuity Collective Trust are to ensure that current Trust assets are sufficient to provide for all future annuity payments. The most recent valuation was prepared as of June 30, 2003. The Supplemental Annuity Collective Trust of New Jersey was established under the provisions of Chapter 123, P.L. 1963, which was approved July 1, 1963. The act permits active members of the following retirement systems administered by the State of New Jersey to make voluntary additional contributions through their retirement systems to purchase either a variable or fixed annuity to supplement the benefits provided by their systems:

Public Employees' Retirement System
Teachers' Pension and Annuity Fund
The Police and Firemen's Retirement System
Consolidated Police and Firemen's Pension Fund
Prison Officers' Pension Fund
State Police Retirement System
Judicial Retirement System

As of the July 1, 2003 valuation, only the variable annuity program was in operation. It was inaugurated July 1, 1964. Chapter 123, P.L. 1963 was amended June 6, 1965 by Chapter 90, P.L. 1965, to permit eligible employees to enter into an agreement with their employers to reduce their salaries and purchase annuities on their behalf which will qualify for the tax sheltered treatment permitted under Section 403(b) of the Internal Revenue Code of 1954, as amended. The rules were revised in 1982 to permit contributions in the form of qualified voluntary employee contributions. These contributions are treated as IRA contributions for tax purposes.

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

The Trust status as of the fiscal year beginning July 1, 2003 was based on the actuarial assumptions and methods summarized on the following page. There were no other changes in actuarial assumptions and methods since the previous valuation.



In our opinion, the attached schedules of valuation results fairly represent the status of the Supplemental Annuity Collective Trust and present an accurate view of historical data. The underlying assumptions and methods used for the valuation are consistent with the statutory specifications and represent a best estimate of the aggregate future experience of the Trust.

Respectfully submitted,

Mellon Human Resources and Investor Solutions



George M. Lovaglio, 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, 2003 valuation is as follows:

In valuing the liabilities of the Variable Benefit Account for service annuitants and dependent beneficiaries, an interest rate of 4% per year was used. Illustrative rates of mortality (varying by age) used for valuation purposes are as follows:

AGE	RATE PER 1,000			
	SERVICE RETIREMENT		DISABILITY	
	MALE	FEMALE	MALE	FEMALE
40	0.97	0.84	33.17	10.02
45	1.53	1.45	34.91	11.12
50	2.79	2.45	37.64	13.37
55	4.76	3.75	41.98	16.90
60	7.14	5.46	48.81	22.49
65	11.13	8.60	59.52	31.27
70	19.80	14.23	76.29	45.02
75	33.37	24.02	102.24	66.44
80	54.76	40.79	141.72	99.38
85	89.32	68.28	200.93	149.23
90	133.87	109.97	286.68	222.62
95	190.46	163.28	403.95	326.18

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



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

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

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN ANNUAL VARIABLE EQUITY UNITS	AVERAGE NUMBER OF ANNUAL VARIABLE EQUITY UNITS
	NUMBER	NUMBER OF ANNUAL VARIABLE EQUITY UNITS	NUMBER	NUMBER OF ANNUAL VARIABLE EQUITY UNITS	NUMBER	NUMBER OF ANNUAL VARIABLE EQUITY UNITS*		
6/30/03	47	6,040.8276	118	10,755.7560	668	63,565.0212	(6.91)%	95.1572
6/30/00	57	5,584.7820	122	10,275.5556	739	68,279.9496	(6.43)	92.3951
6/30/97	53	2,282.7816	108	5,385.3372	804	72,970.7232	(4.08)	90.7596
6/30/94	101	8,683.0407	23	1,977.3261	859	76,073.2788	16.82	88.5603
6/30/91	97	7,805.7598	43	3,460.2853	781	65,120.6028	N/A	83.3811

* The monthly number of variable equity units shown are the benefits of the valuation date and are not the actual benefits paid during the succeeding three fiscal years.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	EQUITY SHARES	AVERAGE UNITS PER PERSON	% INCREASE IN AVERAGE EQUITY UNITS
6/30/03	3,910	1,902,053.0982	486.4586	(9.34)%
6/30/00	4,023	2,158,681.7328	536.5851	(21.74)
6/30/97	3,907	2,678,839.2241	685.6512	(8.15)
6/30/94	4,137	3,088,303.4047	746.5080	(14.55)
6/30/91	5,034	4,397,944.4245	873.6481	N/A

** These values exclude suspended members.

SOLVENCY TEST

VALUATION DATE	PRESENT VALUE OF BENEFITS FOR			(4) FUND BALANCES	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE CONTRIBUTIONS	(2) CURRENT BENEFICIARIES	(3) ACTIVE & INACTIVES		(1)	(2)	(3)
6/30/03	\$52,666,675	\$26,582,925	\$48,099,954	\$127,186,109	100.00%	100.00%	99.66%
6/30/00	45,026,249	46,341,126	124,548,634	216,985,359	100.00	100.00	100.00
6/30/97	40,015,582	36,811,600	98,695,306	176,280,772	100.00	100.00	100.00
6/30/94	25,682,515	22,939,117	63,343,916	111,595,383	100.00	100.00	99.42
6/30/91	33,038,297	15,902,423	81,846,377	129,536,326	100.00	100.00	98.91



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

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF UNFUNDED ACCRUED LIABILITY/(SURPLUS)

VALUATION YEAR	JULY 1, 2003	JULY 1, 2000	JULY 1, 1997	JULY 1, 1994
Prior Valuation Deficit/(Surplus)	\$(1,069,350)	\$(758,284)	\$(370,165)	\$(890,771)
Net Change Due to:				
Retiree Experience	\$1,232,795	\$1,919,537	\$(1,128,449)	\$(250,000)
Assumption/Method Changes	N/A	(2,230,603)	N/A	(270,606)
Current Valuation Deficit/(Surplus)	\$163,445	\$(1,069,350)	\$(758,284)	\$(370,165)



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.



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 6/30/03)

GROUP	PERS (STATE)	PERS (LOCAL)	TPAF	PFRS	SPRS	JRS	CPEPF	POPF	TOTAL
SERVICE RETIREMENTS									
Number	30,761	65,517	53,709	17,858	1,578	259	176	81	169,939
Benefit Payment	\$537,952,169	\$686,455,759	\$1,579,974,749	\$727,289,865	\$69,416,901	\$21,196,697	\$2,028,169	\$987,069	\$3,625,301,378
Average Benefit Payment	\$17,488	\$10,478	\$29,417	\$40,726	\$43,990	\$81,841	\$11,524	\$12,186	\$21,333
ORDINARY DISABILITY RETIREMENTS									
Number	3,022	4,719	1,994	2,019	94	8	10	9	11,875
Benefit Payment	\$43,610,462	\$58,987,408	\$40,177,860	\$38,180,904	\$2,316,842	\$591,172	\$36,685	\$59,721	\$183,961,054
Average Benefit Payment	\$14,431	\$12,500	\$20,149	\$18,911	\$24,647	\$73,897	\$3,669	\$6,636	\$15,491
ACCIDENTAL DISABILITY RETIREMENTS									
Number	294	453	177	1,430	83	—	6	4	2,447
Benefit Payment	\$5,666,103	\$8,489,498	\$5,445,873	\$41,266,363	\$3,117,705	—	\$38,780	\$33,554	\$64,057,876
Average Benefit Payment	\$19,272	\$18,741	\$30,768	\$28,858	\$37,563	—	\$6,463	\$8,389	\$26,178
ACTIVE MEMBERS' DEATH BENEFITS									
Number	39	90	10	329	82	26	187	21	784
Benefit Payment	\$484,120	\$1,012,154	\$85,332	\$8,630,496	\$2,322,912	\$702,495	\$942,004	\$71,877	\$14,251,390
Average Benefit Payment	\$12,413	\$11,246	\$8,533	\$26,233	\$28,328	\$27,019	\$5,037	\$3,423	\$18,178
RETIRED MEMBERS' DEATH BENEFITS									
Number	2,889	6,918	3,441	5,046	243	109	683	99	19,428
Benefit Payment	\$30,329,592	\$54,648,444	\$59,074,790	\$95,063,532	\$5,921,134	\$3,118,724	\$4,225,421	\$375,712	\$252,757,349
Average Benefit Payment	\$10,498	\$7,899	\$17,168	\$18,839	\$24,367	\$28,612	\$6,187	\$3,795	\$13,010
DEFERRED TERMINATED VESTED									
Number	531	1,312	1,030	64	—	4	—	—	2,941
Benefit Payment	\$5,474,316	\$10,328,448	\$10,005,540	\$842,724	—	\$130,582	—	—	\$26,781,610
Average Benefit Payment	\$10,309	\$7,872	\$9,714	\$13,168	—	\$32,646	—	—	\$9,106

Note: See "Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls" in the Actuarial Section for Average Annual Allowance (Benefit Payment) for the last five fiscal years.



STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS SCHEDULE OF REVENUES BY SOURCE

	FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	PERCENTAGE OF ANNUAL COVERED COMPENSATION	INVESTMENT AND OTHER REVENUES	TOTAL
PUBLIC EMPLOYEES' RETIREMENT SYSTEM	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
	2004	374,864,048	774,456,965	8.25	2,778,643,257	3,927,964,270
TEACHERS' PENSION AND ANNUITY FUND	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
	2004	405,695,555	456,411,646	5.93	3,652,597,813	4,514,705,014
POLICE AND FIREMEN'S RETIREMENT SYSTEM OF NEW JERSEY	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
	2004	263,173,065	264,164,091	9.30	1,943,638,309	2,470,975,465
STATE POLICE RETIREMENT SYSTEM OF NEW JERSEY	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
	2004	14,682,524	45,339	0.02	216,209,057	230,936,920



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	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
	2004	1,795,721	5,084,315	8.25	43,476,173	50,356,209
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	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
	2004	—	2,000,402	—	10,206,935	12,207,337
PRISON OFFICERS' PENSION FUND	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
	2004	—	—	—	1,363,329	1,363,329
PENSION TRUST FUNDS	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
	2004	1,060,210,913	1,502,162,758	7.43	8,646,134,873	11,208,508,544



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	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
	2004	1,342,672,462	429,133,774	69,093,929	15,202,812	1,856,102,977
TEACHERS' PENSION AND ANNUITY FUND	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
	2004	1,615,493,787	690,695,012	34,115,575	3,411,106	2,343,715,480
POLICE AND FIREMEN'S RETIREMENT SYSTEM OF NEW JERSEY	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
	2004	828,110,533	158,945,146	9,998,813	680,232	997,734,724
STATE POLICE RETIREMENT SYSTEM OF NEW JERSEY	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
	2004	74,612,608	14,659,455	307,349	11,477	89,590,889



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	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
	2004	23,787,469	3,276,925	309,713	—	27,374,107
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	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
	2004	16,829,838	—	28,831	—	16,858,669
PRISON OFFICERS' PENSION FUND	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
	2004	2,750,556	—	6,298	—	2,756,854
PENSION TRUST FUNDS	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
	2004	3,904,257,253	1,296,710,312	113,860,508	19,305,627	5,334,133,700



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 CITY	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*

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
LAKESWOOD 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 (*)	PILES GROVE TWP (*)
LAVALLETTE BORO (*)	MAYWOOD BORO	NETCONG BORO (*)	PINE BEACH BORO (*)

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STATISTICAL INFORMATION

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS, *continued*

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)
PITTSGROVE TWP (*)	SANDYSTON TWP	SUSSEX COUNTY (*)	WATCHUNG BORO (*)
PLAINFIELD CITY (*)	SAYREVILLE BORO (*)	SWEDESBORO 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 (*)	TEREBORO 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 PITTSGROVE 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 (*)	WOODBURIDGE 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

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 HGHLNDS 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	CHESELHURST 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*

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 (*)

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STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *continued*

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 HUNTERDON 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*

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*

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	WOODBURGE TWP BD OF ED
WALL TWP BD OF ED	WEST ESSEX REG BD OF ED	WOODBURY CITY BD OF ED (*)
WALLINGTON BORO BD OF ED (*)	WEST ESSEX REG SCH DIST (*)	WOODBURY HGHTS BORO BD OF ED (*)
WALLKILL VALL REG HS	WEST LONG BRANCH BD ED	WOODCLIFF LAKE BORO BD OF ED (*)
WANAQUE BD OF ED	WEST MILFORD TWP BD OF ED	WOODLAND TWP BD OF ED (*)
WARREN CO AUDIO VIS AIDS	WEST MORRIS REG H S DIST (*)	WOODLYNNE BORO BD OF ED (*)
WARREN CO COMM COLL (*)	WEST NEW YORK BD OF ED (*)	WOOD-RIDGE BORO BD OF ED (*)
WARREN CO SPEC SERV SCH DIST (*)	WEST ORANGE TWP BD ED	WOODSTOWN PILESGROVE REG
WARREN CO VOC SCH (*)	WEST PATERSON BORO BD ED (*)	WYCKOFF TWP BD OF ED (*)
WARREN HILLS REG SCH	WEST WINDSOR-PLAINSBORO REG	

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STATISTICAL INFORMATION

PARTICIPATING AGENCIES AND AUTHORITIES

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 (*)
DELTRAN FIRE DIST 1 (*)	PLAINSBORO TWP FIRE DIST #1 (*)	BUENA BORO HOUS AUTH (*)
DEPTFORD TWP FIRE DIST	TOWACO FIRE DIST #2	BURLINGTON CITY HOUSE 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 (*)	WOODBIDGE TWP FIRE #1 (*)	EDGEWATER HOUS AUTH (*)
GLOUCESTER TWP FIRE #6 (*)	WOODBIDGE TWP FIRE #2 (*)	EDISON TWP HOUS (*)
HADDON TWP FIRE DIST 1 (*)	WOODBIDGE TWP FIRE #5	ELIZABETH HOUS AUTH (*)
HAMILTON TWP FIRE #2 (MER) (*)	WOODBIDGE TWP FIRE #7 (*)	ENGLEWOOD CITY HOUS AUTH (*)
HAMILTON TWP FIRE #3 (MER) (*)	WOODBIDGE TWP FIRE #8	FLORENCE TWP HOUS AUTH
HAMILTON TWP FIRE #4 (MER) (*)	WOODBIDGE TWP FIRE #9	FORT LEE HOUS AUTH (*)
HAMILTON TWP FIRE #5 (MER) (*)	WOODBIDGE TWP FIRE #11	FRANKLIN TWP HOUS AUTH
HAMILTON TWP FIRE #6 (MER) (*)	WOODBIDGE 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

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 UTILILITIES 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 (*)

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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 (*)

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



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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