TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

June 30, 2009 Actuarial Valuation Report

Milliman

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Board of Trustees
Teachers' Pension and Annuity Fund of New Jersey
State of New Jersey
Department of the Treasury
Division of Pensions and Benefits, CN 295
Trenton, NJ 08625-0295

Ladies and Gentlemen:

This report presents the results of the actuarial valuation of Teachers' Pension and Annuity Fund of New Jersey as of June 30, 2009. Section I contains highlights of the valuation including a general discussion and comments on the various schedules included in the report. The subsequent Sections contain schedules summarizing the underlying calculations, asset information, participant data, plan benefits and actuarial assumptions.

Purpose

The main purposes of this report are:

- to provide the annual state contribution in accordance with N.J. Statutes to be made in the Fiscal Year ending June 30, 2011 which represents the contribution for the valuation year beginning July 1, 2009;

- to determine the Annual Required Contribution in accordance with Governmental Accounting Standards Board Statements 25 and 27 for the Fiscal Year ending June 30, 2011 and,

- to review the experience under the plan for the valuation year ending June 30, 2009.

Actuarial computations presented in this report are for purposes of determining the statutory contribution amounts for TPAF. Actuarial computations under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The calculations in the enclosed report have been made on a basis consistent with our understanding of the N.J. statutes and GASB Statements No. 25 and 27. Determinations for purposes other than these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the State of New Jersey Division of Pension and Benefits. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception:

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No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

Data Reliance

In performing this analysis, we relied, without audit, on census data, plan provisions, asset statements and other information (both written and oral) provided by the State of New Jersey Division of Pensions and Benefits. We have not audited or verified the census data, asset statements or other information. To the extent any of these are 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.

Future Measurements

Future actuarial measurements may differ significantly from the current measurements presented in this analysis due to actual plan experience deviating from the actuarial assumptions, and changes in plan provisions, actuarial assumptions, and applicable law. An assessment of the potential range and cost effect of such differences is beyond the scope of this analysis.

Certification

We hereby certify that, to the best of our knowledge, this report, including all costs and liabilities based on actuarial assumptions and methods adopted by the Board or mandated by statute, is complete and accurate and determined in conformance with generally recognized and accepted actuarial principles and practices, which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions and supporting Recommendations of the American Academy of Actuaries.

We are members of the American Academy of Actuaries and meet its Qualification Standard to render this actuarial opinion.

Respectfully submitted,

MILLIMAN, INC.

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TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

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TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

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A. Summary of Principal Results

PARTICIPANT DATA

	June 30, 2009 Valuation	June 30, 2008 Valuation	June 30, 2007 Valuation	Percentage Change 2008 to 2009	Percentage Change 2007 to 2008
Active Contributing Members					
Number	144,579	142,887	141,943	1.2 %	0.7 %
Number of Veteran Members	922	1,019	1,171	(9.5)	(13.0)
Average Pay	$ 67,423	$ 65,927	$ 63,959	2.3	3.1
Total Payroll	9,747,926,624	9,420,070,731	9,078,568,687	3.5	3.8
Total Appropriation Payroll	9,747,020,060	9,419,083,203	9,077,628,813	3.5	3.8
Avg. Member Accumulated Contributions	56,172	53,174	50,707	5.6	4.9
Total Member Accumulated Contributions	8,121,238,550	7,597,916,467	7,197,468,540	6.9	5.6
Active Non-Contributing Members					
Number	12,530	13,200	13,153	(5.1) %	0.4 %
Number of Veteran Members	66	75	91	(12.0)	(17.6)
Average Pay	$ 48,311	$ 47,016	$ 45,441	2.8	3.5
Total Payroll	605,335,737	620,614,734	597,691,622	(2.5)	3.8
Avg. Member Accumulated Contributions	26,240	23,976	22,237	9.4	7.8
Total Member Accumulated Contributions	328,788,416	316,487,024	292,489,528	3.9	8.2

SECTION I - SUMMARY
(continued)

A. Summary of Principal Results (continued)

PARTICIPANT DATA

	June 30, 2009 Valuation	June 30, 2008 Valuation	June 30, 2007 Valuation	Percentage Change 2008 to 2009	Percentage Change 2007 to 2008
Service Retirees, Including Domestic Relations Beneficiaries					
Number	71,000	68,479	65,347	3.7 %	4.8 %
Average Annual Pension	$ 37,613	$ 36,056	$ 34,904	4.3	3.3
Total Annual Pensions	$ 2,670,513,732	$ 2,469,099,049	$ 2,280,902,612	8.2	8.3
Average Retirement Age of New Retirees	61.0	60.3	60.1	1.2	0.3
Average Annual Pension of New Retirees	$ 46,486	$ 45,786	$ 44,698	1.5	2.4
Disabled Retirees					
Number	2,674	2,625	2,534	1.9 %	3.6 %
Average Annual Pension	$ 25,846	$ 24,916	$ 24,239	3.7	2.8
Total Annual Pensions	$ 69,112,238	$ 65,403,886	$ 61,422,715	5.7	6.5
Beneficiaries and Dependents					
Number	4,540	4,309	4,116	5.4 %	4.7 %
Average Annual Pension	$ 22,696	$ 21,577	$ 20,726	5.2	4.1
Total Annual Pensions	$ 103,041,702	$ 92,975,389	$ 85,307,467	10.8	9.0
Terminated Vested Participants					
Number	568	655	751	(13.3) %	(12.8) %
Average Annual Pension	$ 12,568	$ 12,270	$ 11,761	2.4	4.3
Total Annual Pensions	$ 7,138,800	$ 8,036,844	$ 8,832,492	(11.2)	(9.0)

SECTION I - SUMMARY
(continued)

A. Summary of Principal Results (continued)

STATUTORY PENSION CONTRIBUTIONS WITH BUDGET ADJUSTMENTS

	June 30, 2009 Valuation (State's Fiscal Year 2011 Contributions)	June 30, 2008 Valuation (State's Fiscal Year 2010 Contributions)	June 30, 2007 Valuation (State's Fiscal Year 2009 Contributions)	Percentage Change 2008 to 2009	Percentage Change 2007 to 2008
Normal Contribution (1/60th formula) **	$ 582,957,683	$ 564,701,264	$ 546,875,239	3.2 %	3.3 %
Additional Formula Normal Cost	106,610,084	103,469,076	100,313,396	3.0 %	3.1 %
Benefit Enhancement Fund (BEF) Balance	0	0	0	0.0	0.0
Additional Formula Contribution	106,610,084 *	103,469,076 *	100,313,396 *	3.0	3.1
Accrued Liability Contribution	1,137,154,603 *	857,998,490 *	700,917,218 *	32.5 %	22.4 %
Total Pension Contribution by Statute	**$ 1,826,722,370** *	**$ 1,526,168,830** *	**$ 1,348,105,853** *	**19.7 %**	**13.2 %**
State Appropriation for Pension	(62,398,500)	(62,399,654)	(64,376,207)	0.0 %	(3.1) %
Pension Contribution Not Appropriated	**$ 1,764,323,870** *	**$ 1,463,769,176** *	**$ 1,283,729,646** *	**20.5 %**	**14.0 %**
Percentage of Statutory Pension Contribution Appropriated	**3.4%**	**4.1%**	**4.8%**	**(0.7) %**	**(0.7) %**

* These amounts should be increased for assumed interest at the rate of 8.25% per annum if payment is delayed beyond June 30, 2010, June 30, 2009 and June 30, 2008, respectively.

** Excludes the non-contributory group life insurance term cost.

SECTION I - SUMMARY
(continued)

A. Summary of Principal Results (continued)

ANNUAL REQUIRED CONTRIBUTION PER GASB 25 AND 27

	June 30, 2009 Valuation (State's Fiscal Year 2011)	June 30, 2008 Valuation (State's Fiscal Year 2010)	June 30, 2007 Valuation (State's Fiscal Year 2009)	Percentage Change 2008 to 2009	Percentage Change 2007 to 2008
Normal Cost *	$ 761,759,287	$ 742,319,228	$ 722,956,661	2.6 %	2.7 %
Amortization Payment **	1,199,604,178	917,133,905	756,469,213	30.8 %	21.2 %
Subtotal	1,961,363,465	1,659,453,133	1,479,425,874	18.2 %	12.2 %
Interest Adjustment ***	161,812,485	136,904,883	122,052,634	18.2 %	12.2 %
Annual Required Contribution	**$ 2,123,175,950**	**$ 1,796,358,016**	**$ 1,601,478,508**	**18.2 %**	**12.2 %**

* Reflects additional formula normal cost, full cost of pension adjustment benefits, and an actuarial determination of the cost of the non-contributory and contributory group life insurance benefits.

** Benefit Enhancement Fund is excluded from the actuarial accrued liabilities.

*** Additional one year of interest is included to reflect payment of contributions at end of fiscal year.

SECTION I - SUMMARY
(continued)

A. Summary of Principal Results (continued)

TOTAL STATUTORY CONTRIBUTIONS (INCLUDING NCGI AND ERI)

	June 30, 2009 Valuation (State's Fiscal Year 2011 Contributions)	June 30, 2008 Valuation (State's Fiscal Year 2010 Contributions)	June 30, 2007 Valuation (State's Fiscal Year 2009 Contributions)	Percentage Change 2008 to 2009	Percentage Change 2007 to 2008
Total Pension Contribution by Statute	$ 1,826,722,370 *	$ 1,526,168,830 *	$ 1,348,105,853 *	19.7 %	13.2 %
Est. Non-contributory Group Life Insurance (NCGI)	35,220,000	34,180,000 ***	31,487,765 **	3.0 %	8.6 %
Early Retirement Incentive (ERI-3 and ERI-5) ^	1,624,780 *	1,329,187 *	1,231,186 *	22.2 %	8.0 %
Total State Contribution for Pension, NCGI and ERI	**$ 1,863,567,150**	**$ 1,561,678,017**	**$ 1,380,824,804**	**19.3 %**	**13.1 %**
Total Certain State College Contribution (Included Above)	**730,056**	**706,747**	**756,407** **	**3.3 %**	**(6.6) %**

* These amounts should be increased for assumed interest at the rate of 8.25% per annum if payment is delayed beyond June 30, 2010, 2009 and 2008, respectively.

** Actual NCGI claims paid and actual allocation of costs for certain State colleges for fiscal year 2009.

*** Amount shown reflects Milliman's estimate of NCGI claims. Actual claim amount will be appropriated.

^ Appropriation for ERI contributions is or is expected to be $55,500, 54,346 and 58,793 for fiscal year ending June 30, 2011, 2010 and 2009, respectively.

SECTION I - SUMMARY
(continued)

A. Summary of Principal Results (continued)

LOCAL EMPLOYER CONTRIBUTIONS

	June 30, 2009 Valuation	June 30, 2008 Valuation	June 30, 2007 Valuation	Percentage Change 2008 to 2009	Percentage Change 2007 to 2008
Early Retirement Incentive Contributions payable April 1, 2011, April 1, 2010 and April 1, 2009, respectively					
ERI 1 - Local Employers	$ 1,212,778	$ 1,212,778	$ 1,228,070	0.0 %	(1.2) %
ERI 2 - Local Employers	1,565,030	1,564,018	1,568,124	0.1 %	(0.3) %
ERI 4 - Local Employers	2,874,148	2,874,148	3,822,965	0.0 %	(24.8) %
Total	$ 5,651,956	$ 5,650,944	$ 6,619,159	0.0 %	(14.6) %
Terminal Funding Contribution payable April 1, 2011, April 1, 2010 and April 1, 2009, respectively					
No Locations	$ 0	$ 0	$ 0	N/A	N/A

SECTION I - SUMMARY
(continued)

A. Summary of Principal Results (continued)

ASSETS AND LIABILITIES

	June 30, 2009 Valuation	June 30, 2008 Valuation	June 30, 2007 Valuation	Percentage Change 2008 to 2009	Percentage Change 2007 to 2008
Market Value of Pension Assets	$ 24,973,886,910	$ 32,358,227,689	$ 35,070,757,170	(22.8) %	(7.7) %
Actuarial Value of Pension Assets	$ 34,708,001,341	$ 36,541,083,946	$ 36,594,817,062	(5.0) %	(0.1) %
Ratio of Actuarial Value to Market Value	139.0 %	112.9 %	104.3 %	26.1 %	8.6 %
Actuarial Accrued Pension Liability	$ 53,418,328,576	$ 50,658,278,274	$ 48,127,453,410	5.4 %	5.3 %
Unfunded Pension Liability					
Based on Market Value	$ 28,444,441,666	$ 18,300,050,585	$ 13,056,696,240	55.4 %	40.2 %
Based on Actuarial Value	$ 18,710,327,235	$ 14,117,194,328	$ 11,532,636,348	32.5 %	22.4 %
Funded Ratio					
Based on Market Value	**46.8 %**	**63.9 %**	**72.9 %**	**(17.1) %**	**(9.0) %**
Based on Actuarial Value	**65.0 %**	**72.1 %**	**76.0 %**	**(7.1) %**	**(3.9) %**
Change in Funded Ratio since July 1, 2000, 1999 and 1998, respectively					
Based on Market Value	**(81.9) %**	**(62.9) %**	**(47.0) %**	**(19.0) %**	**(15.9) %**
Based on Actuarial Value	**(45.1) %**	**(35.2) %**	**(28.2) %**	**(9.9) %**	**(7.0) %**

SECTION I - SUMMARY
(continued)

A. Summary of Principal Results (continued)

RISK MEASURES

	June 30, 2009 Valuation	June 30, 2008 Valuation	June 30, 2007 Valuation	Percentage Change 2008 to 2009	Percentage Change 2007 to 2008
Market Value of Pension Assets	$ 24,973,886,910	$ 32,358,227,689	$ 35,070,757,170	(22.8) %	(7.7) %
Annuity Savings Fund **	8,516,171,922	7,986,454,126	7,563,158,194	6.6 %	5.6 %
Net Market Value of Pension Assets	16,457,714,988	24,371,773,563	27,507,598,976	(32.5) %	(11.4) %
Actuarial Accrued Liability (AAL) for Retirees	30,209,589,102	27,997,635,266	25,901,044,198	7.9 %	8.1 %
% of AAL for Retirees Covered by Assets *	82.7%	100.0%	100.0%	(17.3) %	0.0 %
% of AAL for Retirees Covered by Net Assets *	54.5%	87.0%	100.0%	(32.5) %	(13.0) %
Prior Year's Benefit Payments for Retirees	2,805,740,059	2,607,233,754	2,395,332,364	7.6 %	8.8 %
Ratio of Assets to Benefit Payments for Retirees ^	8.9	12.4	14.6	(28.2) %	(15.1) %
Ratio of Net Assets to Benefit Payments for Retirees ^	5.9	9.3	11.5	(36.6) %	(19.1) %
Ratio of AAL to Benefit Payments for Retirees ^	10.8	10.7	10.8	0.9 %	(0.9) %

* Percentage is limited to 100%.

** Accumulated active and inactive member contributions.

^ Does not include impact of future investment income, member and State contributions, and increases in benefit payments.

B. General Comments

This report summarizes the results of the actuarial valuation of the Teacher's Pension and Annuity Fund (TPAF) as of June 30, 2009.

This actuarial valuation is the first valuation that reflects members hired after November 1, 2008 (Class E members) affected by Chapter 89, P.L. 2008. It is the second valuation that reflects members hired on or after July 1, 2007 and before November 2, 2008 (Class D members) affected by Chapter 103, P.L. 2007. Chapter 89, P.L. 2008 increased the age unreduced retirement benefits can commence from age 60 to age 62. Both chapters increased the early retirement reductions for members retiring prior to age 60 for Class D members and age 62 for Class E members, and also imposed a maximum salary equal to the Social Security Wage Base ($106,800 for 2009) upon which contributions and benefits will be based. The reduction in the plan's total normal cost associated with both of these chapters for 15,045 affected members is approximately $2.2 million, which is a 3% reduction.

This actuarial valuation also reflects Chapter 23, P.L. 2008, which offered ERI-5 to State employees. The retirement incentives included are similar to those included in previous ERIs. This ERI was only available to State employees and not local employees. As of June 30, 2009, 17 members retired under the program, which increased the actuarial accrued liability by $2.9 million. A separate amortization schedule will be established for this ERI consistent with previous ERIs. The amortization period will be based on the same period used to amortize the unfunded liability of the System.

<u>GASB Annual Required Contribution</u>
Page 4 contains a Summary Exhibit on the Annual Required Contribution (ARC) per GASB 25 and 27. GASB 25 and 27 do not (1) exclude the Benefit Enhancement Fund from the Actuarial Value of Assets, (2) permit a portion of the normal cost to be paid by the BEF, (3) permit a phase-in of the pension adjustment normal cost or 4) allow the use of a term cost funding method for the non-contributory group life insurance (NCGI). Furthermore, since the contributory group life insurance is provided through TPAF, an actuarial cost for these benefits is included in the ARC. Expected employee contributions of 0.4% of pay offset the normal cost portion of the contributory group life insurance. For the 2007 and later fiscal years, the ARC includes an actuarial determination of the cost of the non-contributory and contributory group life insurance. The ARC in prior years included the term cost for

B. General Comments (continued)

the non-contributory group life insurance. The ARC for the 2011 fiscal year is \$2,123.2 million as compared to the sum of the required statutory pension contribution of \$1,826.7 million and the estimated non-contributory group life insurance term cost of \$35.2 million for a total of \$1,861.9 million.

Statutory Contributions

The statutory contribution requirements are highlighted on Summary Exhibits shown on pages 3 (pension only) and 5 (pension, NCGI and ERI). Included on these exhibits is our understanding of the effect of the fiscal year 2010 State budget resolution on contributions to the system for the 2010 and 2011 fiscal years. These exhibits are discussed in detail in the paragraphs below.

The required statutory pension contribution has increased from \$1,526.2 million for the State's 2010 fiscal year to \$1,826.7 million for the State's 2011 fiscal year. This contribution consists of the Normal Contribution (\$583.0 million), the Additional Formula Contribution (\$106.6 million) and the Accrued Liability Contribution (\$1,137.1 million). Chapter 92 P.L. 2007 eliminated the use of any Excess Assets to offset the pension normal cost in determining the Normal Contribution. Chapter 133 P.L. 2001 established the Benefit Enhancement Fund (BEF) to reduce the State's Additional Formula Normal Contribution. As of June 30, 2009, there are no assets in the BEF so no offset occurred and there are no Excess Assets as of July 1, 2009, so no assets will be transferred to the BEF as of that date.

In addition to the pension contribution, the estimated non-contributory group life insurance contribution is expected to increase from \$34.2 million to \$35.2 million and the ERI-3 contribution has increased from \$1.33 million to \$1.62 million from the State's 2010 fiscal year to the State's 2011 fiscal year.

Chapter 92, P.L. 2007 states that the System shall use consistent and generally accepted actuarial standards as established by GASB for the purpose of determining asset values, obligations and employer contributions. However, the System's contribution requirements, which are defined in NJ State statute, differ from the GASB compliant figures that are shown in this report. Also, current budgetary practices do not assess interest on contributions to reflect payment after the start of the fiscal year to the date paid. As a result, the System's statutory contribution is not the same as the annual required contribution (ARC) determined under GASB. As

B. General Comments (continued)

stated above, the GASB ARC is $261.3 million or 14.0% higher than the statutory pension and estimated NCGI contributions.

The summary exhibit on Page 3 reflects our understanding of the effect of the fiscal year 2010, as well as any change to fiscal year 2009, State budget resolution on these contributions to the system for the 2010 and 2011 fiscal years as outlined below:

- For the 2009 fiscal year, the State actually contributed $64.4 million versus the expected appropriation of $166.2 million included in the June 30, 2008 actuarial valuation report. This reduction in the State appropriation is reflected throughout this report. The actual contribution of $64.4 million covered approximately 4.8% of the pension and ERI contributions.

- For the 2010 fiscal year, the State has appropriated $62.5 million, which covers approximately 4.1% of the pension contribution ($62.4 million out of $1,526.2 million) and the ERI-3 contribution ($0.1 out of $1.3 million). This appropriation is 3% lower than the prior year's. In addition, it is our understanding that the actual amount of the non-contributory group life insurance claims will be appropriated. We have estimated the amount of those claims to be $34.2 million during the 2010 fiscal year based on the actuarial mortality assumption.

- An appropriation to cover the remaining portion of the 2010 fiscal year pension contribution ($1,463.8 million) was not made. This increases the Unfunded Actuarial Accrued Liability as of July 1, 2009 by $1,463.8 million resulting in an increase in the 2011 fiscal year Accrued Liability Contribution of $89.0 million. The accumulated value of statutory pension contributions, excluding ERI-3 contributions, not appropriated by the State in fiscal years 2004 through 2010 equals $5,528.6 million. The Unfunded Actuarial Accrued Liability as of July 1, 2009 is $18,710.3 million.

- For the 2011 fiscal year, it is anticipated that approximately 3.4% of the statutory pension contribution of $1,826.7 million and the combined ERI-3 and ERI-5 contributions of $1.6 million will be appropriated. In addition, it is anticipated that the State will appropriate an amount to cover the non-

B. General Comments (continued)

contributory group life insurance claims (NCGI est. $35.2 million). In displaying the results of this actuarial valuation, we have not reduced the contribution otherwise due under statute to reflect the expectation that funds will not be appropriated.

Actuarial Value of Assets

As mandated by statute, only 20% of the difference between the expected actuarial value of assets and the market value is recognized in calculating the actuarial value of assets each year. Due to the significant drop in the financial markets since 2007, the actuarial value of assets as of June 30, 2009 is 139% of market value, which is an increase from the prior year's ratio of 113%. Section III(G) shows the impact of using the market value of assets to determine the statutory pension contribution instead of the actuarial value.

Actuarial Accrued Liability

The actuarial accrued liability figures reflect the full additional actuarial liability due to pension adjustment benefits for actives, retirees, terminated vested members and beneficiaries. It excludes the actuarial liability associated with the group life insurance benefits and post retirement medical benefits. The State will appropriate funds to cover the actual amount of the non-contributory group life insurance claims. The post retirement medical benefits are no longer financed through TPAF. The liabilities are based on the assumptions adopted in the 2006 Experience Study.

Normal Cost

For purposes of calculating employer contributions, the portion of the normal cost attributable to the pension adjustment benefits for active members is reflected separately and its cost is being phased-in over a period beginning with the March 31, 1987 valuation. The current valuation reflects a 60.61% phase-in of the pension adjustment normal cost for active members.

The net pension normal cost, based on the 1/60 formula and reflecting the phase-in of the pension adjustment benefits, payable as of July 1, 2009 is $538.5 million. This is $16.8 million more than the comparable normal cost of $521.7 million

B. General Comments (continued)

payable on July 1, 2008. This increase is due to the continued phase-in of the pension adjustments ($3.8 million) and increases in payroll and the number of active participants ($13.0 million).

The additional formula normal cost payable as of July 1, 2009 is $98.5 million. This is $2.9 million more that the additional formula normal cost of $95.6 million payable on July 1, 2008. This increase is due to increases in payroll and the number of active participants.

Unfunded Actuarial Accrued Liability

The unfunded Actuarial Accrued Liability increased by $4,593.1 million from $14,117.2 million as of July 1, 2008 to $18,710.3 million as of July 1, 2009. This increase in the unfunded liability resulted in an increase in the Accrued Liability Contribution of $279.1 million from $858.0 million payable June 30, 2009 to $1,137.1 million payable June 30, 2010. The following table summarizes the reasons for the increase in the unfunded liability.

Unfunded Liability as of June 30, 2008	$14,117.2
Pension Contribution Less than State Appropriation for Prior Year	110.3
State Appropriation Less than Statutorily Required	1,463.8
Phase-in of Pension Adjustment Benefits	71.0
Amortization Payment Less/(More) than Interest Accrual	306.6
Actuarial Loss/(Gain)	2,703.3
Member Contributions Less/(More) than anticipated	(61.9)
Total Change in Unfunded Liability	$4,593.1
Unfunded Liability as of June 30, 2009	$18,710.3

Funded Ratio

As a result of the increase in the unfunded liability, the funded ratio based on the actuarial value of assets decreased by 7.1% from 72.1% as of June 30, 2008 to 65.0% as of June 30, 2009. On a market value basis, the funded ratio decreased by 17.1% from 63.9% to 46.8%. The decrease is greater on a market value basis since

B. General Comments (continued)

the actuarial value smoothes the investment losses over time. Since July 1, 2000, the funded ratio on a market value basis has decreased 81.9%. This decrease is primarily due to investment losses experienced over the period, State contributions less than the GASB Annual Required Contribution, the increase in benefits due to Chapter 133, P.L. 2001 and Chapter 353, P.L. 2001, and the strengthening of actuarial assumptions.

As of June 30, 2009, the market value of assets has fallen below the actuarial liability attributable to retirees due to significant investment losses during the prior year and State contributions significantly less than the statutorily required contribution. Furthermore, if the assets contained in the Annuity Savings Fund (ASF) are excluded, the funded ratio of the remaining market value of assets to the actuarial accrued liability for retirees is 54.5%.

As of June 30, 2009, the ratio of market value of assets to the prior year's benefit payments is 8.9. This is a simplistic measure of the number of years that the assets can cover benefit payments, excluding: investment income, State and member contributions, and future increases in those payments. This ratio has decreased 39% over the past two years. If ASF assets are excluded, since they represent accumulated contributions from active and inactive members, the ratio is 5.9.

Actuarial Gain/(Loss) Analysis

TPAF experienced an actuarial loss of $2,703.3 million during the period July 1, 2008 to June 30, 2009 based on the actuarial assumptions adopted in the 2006 Experience Study. This loss is approximately 5.1% of the Actuarial Accrued Liability as of June 30, 2009. The major factors contributing to this loss are summarized below and are compared to the experience for the prior two plan years.

B. General Comments (continued)

	Gain/(Loss) (Amounts in Millions)		
	June 30, 2009	June 30, 2008	June 30, 2007 *
Economic Factors:			
Investment Return	$(2,433.5)	$(1,045.7)	$(381.0)
Salary Increases	230.0	20.1	112.1
Pension Adjustments (COLA)	(286.0)	125.2	(151.4)
Expenses	(13.2)	(14.3)	(12.8)
Demographic Factors:			
Active Members	(34.5)	(82.8)	(123.3)
New Entrants	(61.7)	(58.0)	(55.0)
Non-Contributing Members	(29.4)	(28.4)	(29.5)
Retirees and Beneficiaries	(75.0)	(47.3)	(67.7)
Total	(2,703.3)	(1,131.2)	$(708.6)

* Based on 2003 Experience Study

Total pension assets earned investment returns of approximately -16.29% on a market value basis and 1.36% on an actuarial value basis for the period ending June 30, 2009. The determination of the approximate rate of return on the market value of assets is based on all assets of the fund including receivables and payables in addition to the investment holdings. This will result in a different rate of return reported by the Division of Investments. The resulting loss to the plan of $(2,433.5) million represents the shortfall in the actuarial value of assets relative to the 8.25% assumed investment return.

Salary increases for contributory members who were active on both July 1, 2008 and July 1, 2009 averaged 4.61% versus expected salary increases of 5.95% resulting in an actuarial gain of $230.0 million. Salaries for new entrants averaged $47,975, which is significantly below the average salary of all contributory members of $67,423. This resulted in the average salary of all contributory members increasing by only 2.3% over last year, with total contributory payroll growing by 3.5%.

For annuitants receiving benefits since 2006, the pension adjustments were based on a CPI increase of 4.60%, which is higher than the 3.0% actuarial assumption for CPI increases. This resulted in an actuarial loss of $286.0 million.

C. Discussion of Supporting Exhibits

Assets

Section II summarizes the System assets taken into account in the preparation of the actuarial valuation. Subsection A summarizes the market value of System assets as of June 30, 2009 and includes the present value of expected contributions from State and local employers for ERI and Terminal Funding retirements as of June 30, 2009.

Subsection B reconciles the development of the market value of pension assets starting from the market values as of June 30, 2008, which reflects a reduction in the State contribution for fiscal year 2009 from the prior valuation report. Subsection C summarizes the development of the actuarial value of pension assets as of July 1, 2009. The exhibit reflects the growth in the pension assets based on the expected investment income at an assumed rate of 8.25% adjusted to reflect 20% of the difference between the market value of pension assets as of the valuation date and the expected actuarial value.

Subsection D estimates the annual rate of return for the year ending June 30, 2009 on the actuarial value and the market value of pension assets. Subsection E summarizes the estimated annual rates of return for the five previous plan years. The 5-year compounded annual return on the actuarial value of assets and the market value of assets are 4.72% and 2.63%, respectively.

Actuarial Liabilities and Contributions

Section III summarizes the actuarial liabilities and the development of the required State contribution for the plan year beginning July 1, 2009. The State is statutorily required to make three contributions, a Normal Cost Contribution, an Accrued Liability Contribution and an Additional Formula Normal Cost Contribution, which in general are determined under the Projected Unit Credit funding method. The Normal Cost and Additional Formula Normal Cost under the Projected Unit Credit funding method is defined as the present value of the benefits attributed to the current year. The Normal Cost reflects the phase-in of the cost of pension adjustment benefits. The Unfunded Accrued Liability (Surplus) is determined as the difference between the Actuarial Accrued Liability used to develop contributions and

C. Discussion of Supporting Exhibits (continued)

the Adjusted Actuarial Value of Assets (excludes the BEF). The actuarial liabilities used to develop contributions reflect the assumptions developed in the 2006 Experience Study and the economic assumptions prescribed by the Treasurer.

Subsection A summarizes the development of the Actuarial Accrued Liability as of July 1, 2009 for all current members and indicates the portion of those present values attributable to active participants, retirees and beneficiaries, and terminated vested participants. These liabilities include the full liability for pension adjustment benefits for all members. The non-contributory lump sum death benefits payable from active service, terminated vested status and retiree status have been excluded from the Actuarial Accrued Liability since those benefits are funded on a term cost basis. Projected benefits based on compensation in excess of the 401(a)(17) compensation cap for a group of grandfathered employees for certain School Districts under Chapter 113, P.L. 1997 have been included in the determination of the Accrued Liability.

Subsection B summarizes the development of the pension Normal Cost under the 1/60 and 1/55 formulas payable July 1, 2009. The schedule shows the portion of the Normal Cost attributable to: (1) the basic allowances and (2) pension adjustment benefits for active members and (3) expected member contributions. The Normal Cost due to pension adjustments reflects the 60.61% phase-in of the pension adjustment benefits. The Normal Cost as of July 1, 2009 was developed based on the Projected Unit Credit Method. Projected benefits based on compensation in excess of the 401(a)(17) compensation cap for a group of grandfathered employees for certain School Districts under Chapter 113, P.L. 1997 have been included in the determination of the Normal Cost.

Subsection C summarizes the Actuarial Accrued Liability and Gross Pension Normal Cost (1/55 formula) for active contributory members by employee type as of July 1, 2009.

Subsection D summarizes the development of the Excess Valuation Assets which are $0 as of July 1, 2009. The Excess Valuation Assets are determined by subtracting the Actuarial Accrued Liability for basic allowances and pension adjustment benefits, the Post Retirement Medical Premium Fund, the present value of the total projected normal cost in excess of the projected phased-in normal cost

C. Discussion of Supporting Exhibits (continued)

for pension adjustment benefits of active members and the BEF (prior to reduction for the additional formula normal contribution for fiscal year 2011) from the Valuation Assets.

Subsection E summarizes the development of the BEF as of July 1, 2009 and the Additional Formula Normal Contribution. Chapter 133, P.L. 2001 established the BEF as of June 30, 1999. The BEF is $0 as of June 30, 2009. The BEF is credited with excess assets not to exceed actual member contributions made to the system nor the present value of expected additional normal costs due to the formula change. Since there are no excess assets, there is no contribution to the BEF. Since the BEF is $0, there is no offset to the additional formula normal cost.

Subsection F summarizes the development of the State's estimated fiscal year 2011 Statutory Required Contributions to TPAF comprising three components: pension, non-contributory group life insurance, and ERI. The total pension contribution of $1,826,722,370 equals the Normal Contribution of $582,957,683 based on the 1/60 formula plus the Additional Formula Normal Contribution of $106,610,084 plus the Accrued Liability Contribution of $1,137,154,603. The non-contributory group life insurance contribution represents a one year term cost of lump sum death benefits payable during active service, terminated vested status and retiree status and is estimated to be $35,220,000. The State's combined ERI-3 and ERI-5 contributions are $1,624,780. The Statutory Required Contribution for the State's fiscal year 2011 is estimated to be $1,863,567,150. This is an estimate because the State will contribute the actual 2011 fiscal year non-contributory group life insurance benefits, not the estimated amount shown above.

Subsection G shows the Statutory Required Contribution as a percentage of appropriation payroll on two bases: (1) after reflecting the actual phase-in of the pension adjustment benefits and any BEF reductions – 19.10% and (2) as if the pension adjustment liabilities were fully phased-in, BEF reductions did not exist and the Market Value of Assets were used to determined the Accrued Liability Contribution – 25.88%. The latter figure is an estimate of the percentage of payroll that would need to be contributed each year for the next 30 years in order to fully amortize the unfunded actuarial pension liability assuming no gains or losses and a closed (amortization period is reduced by one year each year) amortization method.

C. Discussion of Supporting Exhibits (continued)

Subsection H summarizes these contributions as a percentage of appropriation payroll for the five previous fiscal years.

Subsection I shows the fiscal year 2011 Statutory Required Contribution based on the 1/60 formula, the Additional Formula Contribution after application of the BEF, the Accrued Liability Contribution and the estimated non-contributory group life insurance contribution payable by the State and certain State Colleges. The State's contribution is allocated between the Department of Higher Education, Department of Education, County Colleges, Charter Schools and other.

Subsection J shows the calculation of the total actuarial gain (loss). The general comments section outlines the areas where experience differed from that expected.

Actuarial Balance Sheet

Section IV provides the actuarial balance sheet summarizing the assets and liabilities by Fund as of June 30, 2009. The assets credited to the various funds include the portion of the investment income allocated to each fund for the year and ending June 30, 2009. The actuarial value of assets are used as the basis for the balance sheet. Note that the actuarial of assets are 39% higher than market value. The liabilities presented are based on the actuarial accrued liabilities summarized in Section III without any phase-in adjustments.

The actuarial balance sheet indicates the following transfers should be made:

(1) Retirement Reserve Fund

When a member retires, or when he dies and an allowance is payable to his beneficiary, the allowance including cost-of-living adjustments is paid from the Retirement Reserve Fund. The member's own contributions with interest are transferred from the Annuity Savings Fund, and the balance of the reserve on the total allowance is transferred from the Contingent Reserve Fund. As of June 30, 2009, the Retirement Reserve Fund has present assets of \$29,264,750,657 including accrued interest. The liabilities of the fund amount to \$30,209,460,137 so that there is a deficit of \$944,709,480 in the fund as of the valuation date. New Jersey statute states that the fund be put in balance as

C. Discussion of Supporting Exhibits (continued)

of June 30, 2009 by a transfer of assets from the Contingent Reserve Fund, and this transfer is shown in the balance sheet. Note that the balance in the Contingent Reserve Fund is negative so that this fund remains in balance.

(2) Pension Fund

The reserves held in the Pension Fund represent the reserves on retirement allowances payable to non-veteran members who retired prior to 1956. As of June 30, 2009, the Pension Fund has assets credited to it amounting to $136,392 including accrued interest. The liabilities of the fund amount to $128,965 so that there is a surplus of $7,427 in the fund as of the valuation date. It is recommended that the fund be put in balance as of June 30, 2009 by a transfer of assets to the Contingent Reserve Fund, and this transfer is shown in the balance sheet.

(3) Annuity Savings Fund and Contingent Reserve Fund

The Annuity Savings Fund, which is the fund to which members' contributions with interest are credited, has assets amounting to $8,516,171,922 as of June 30, 2009 after accrued interest has been added. The Contingent Reserve Fund is the fund to which contributions made by the State and local employers to provide the benefits paid from retirement fund monies are credited. The assets creditable on an actuarial value basis to the Contingent Reserve Fund amount to $(4,017,759,683) as of June 30, 2009 after adjustment is made on account of accrued interest and the amounts transferable to the Retirement Reserve Fund and from the Pension Fund. If a market value basis was used, assets creditable to the Contingent Reserve Fund after transfers would amount to $(13,751,874,114).

If a member withdraws from active service before qualifying for retirement, the amount of his accumulated deductions is paid to him from the Annuity Savings Fund. If he dies before retirement and no survivorship benefit is payable, his accumulated deductions are paid to his beneficiary from the Annuity Savings Fund. If he retires, or if he dies leaving a beneficiary eligible for a survivorship benefit, his accumulated deductions are transferred from the Annuity Savings Fund to the Retirement Reserve Fund, and the reserve on the allowance which

C. Discussion of Supporting Exhibits (continued)

is not provided by his own deductions is transferred from the Contingent Reserve Fund to the Retirement Reserve Fund. Any lump sum benefit payable upon the death of a member before or after retirement is paid by The Prudential Insurance Company of America.

(4) Benefit Enhancement Fund

The reserves held in the BEF are used to fund the additional formula normal contributions. The BEF is credited with excess assets not to exceed actual member contributions made to the system nor the present value of the expected additional formula normal contributions. No additional excess assets will be credited to the BEF after the maximum amount is attained. If excess assets permit, monies are transferred from the Contingent Reserve Fund. As of June 30, 2009, the BEF has no assets.

(5) Special Reserve Fund

The Special Reserve Fund is the fund to which any excess interest earnings are transferred and against which any losses from the sale of securities are charged. The maximum limit on the accumulations in this fund is set at one percent of the market value of the investments of the retirement fund; any amounts in excess of this limit are creditable to the Contingent Reserve Fund. The Special Reserve Fund is considered as an asset of the retirement fund. This fund has assets amounting to $0 as of June 30, 2009.

Accounting Information

Section V presents the accounting information required under Governmental Accounting Standards Statement No. 25 (GASB 25). Schedule A outlines the development of the Annual Required Contribution (ARC). The ARC comprises the employer's normal cost plus a specified amortization of the unfunded actuarial accrued liability (UAAL). The amortization method selected for this system is an open level percentage of projected payroll based on an assumed payroll growth rate of 4.0% for 30 years. For 2007 and later fiscal years (the 2005 and subsequent valuations), an actuarial determination of the cost for non-contributory and contributory group life insurance benefits is included in the calculation since these

C. Discussion of Supporting Exhibits (continued)

benefits are paid from TPAF. Prior years included a term cost for the non-contributory group life insurance and excluded the contributory group life insurance. The portion of the ARC for the 2011 fiscal year attributable to group life insurance benefits is $70.8 million. The total ARC for the 2011 fiscal year is $2,123.2 million.

Schedule B shows the projection of the Estimated Net Pension Obligation (NPO) as of June 30, 2010 and June 30, 2011. The NPO represents the cumulative difference between the Annual Pension Costs for the system and the contributions made. After the expected contributions of $96.6 million for fiscal year 2010 and $97.6 million for fiscal year 2011, the NPO as of June 30, 2011 is expected to be $9,972.4 million.

Schedule C is the Schedule of Funding Progress. This schedule presents the Actuarial Accrued Liability, the Actuarial Value of Assets, the Unfunded Accrued Liability, the funded ratio (assets as a percentage of Actuarial Accrued Liability), and the Unfunded Accrued Liability as a percentage of covered payroll. Six years of historical information are shown in compliance with GASB 25.

Schedule D is the Schedule of Employer Contributions. This schedule presents the ARC for the fiscal year, the employer contributions made for that fiscal year and the percentage of the ARC those contributions represent. For the fiscal year ending June 30, 2010 the employer contributions are 5.4% of the ARC and for the fiscal year ending June 30, 2011, the expected employer contributions are 4.6% of the ARC. Six years of historical information are shown in compliance with GASB 25. Schedule E presents the funding policy for the fiscal year. This disclosure includes the valuation date, the Actuarial Cost Method, the amortization period and method, the Asset Valuation Method, and certain key actuarial assumptions.

Census Data

Section VI summarizes the census data provided by the Division of Pensions and Benefits and utilized in the preparation of the actuarial valuation. Subsection A provides a reconciliation of the current year participant counts from the prior valuation. Subsection B shows the appropriation count and salary information by group. Subsection C shows the number and annual retirement allowances with pension adjustments by beneficiary type. Subsection D shows information on members who retired since the last valuation split between those who retired with

C. Discussion of Supporting Exhibits (continued)

less than and more than 25 years of service. Subsections E and F present a profile of Contributory and Non-contributory members split by gender, summarized by 5-year age and service groupings. Subsection G provides a profile of terminated vested members, retired members, disabled members, and beneficiaries broken down into 5-year age categories. The census data represents the status of plan participants as of June 30, 2009.

In performing this analysis, we relied, without audit, on census data, plan provisions, asset statements and other information (both written and oral) provided by the State of New Jersey Division of Pensions and Benefits. We have not audited or verified the census data, asset statements or other information. To the extent any of these are 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.

Actuarial Assumptions and Methods

Section VII summarizes the actuarial assumptions and methods utilized in the preparation of this actuarial valuation. Subsection A identifies the various assumptions. These assumptions are based on the assumptions developed in the Experience Study from July 1, 2003 to June 30, 2006 and the economic assumptions prescribed by the Treasurer. Subsection B summarizes the actuarial valuation methodology set forth in Chapter 62, P.L. 1994 as modified by Chapters 115, P.L. 1997, 133, P.L. 2001 and 92 P.L. 2007.

Future actuarial measurements may differ significantly from the current measurements presented in this analysis due to actual plan experience deviating from the actuarial assumptions, and changes in plan provisions, actuarial assumptions, and applicable law. An assessment of the potential range and cost effect of such differences is beyond the scope of this analysis.

C. Discussion of Supporting Exhibits (continued)

Summary of Principal Plan Provisions

Section VIII summarizes the principal plan provisions as of the valuation date and denotes any changes from the previous valuation.

Early Retirement Incentive Contribution Schedule

Appendix I presents the contribution schedule for the early retirement incentive programs (ERI-1, ERI-2, ERI-3, ERI-4 and ERI-5) by location for the 2011 fiscal year. It also provides the present value of the future contributions as of June 30, 2009. This list reflects locations who paid off their ERI liabilities through June 2009 as a result of Chapter 42, P.L. 2002.

SECTION II - ASSETS

A. Market Value of Assets as of June 30, 2009

1. Assets		
Cash	$	2,936,186
Investment Holdings		24,496,191,883
Employers' Contributions Receivable - NCGI		3,203,635
Employers' Contributions Receivable - State		86,304,976
Employers' Contributions Receivable - Local		43,068,612
Employers' Contributions Receivable - Delayed Enrollments		244,341
Employers' Contributions Receivable - Delayed Appropriations		4,778,875
Members' Contributions Receivable		83,068,268
Accrued Interest on Investments		256,997,854
Accounts Receivable		6,689,888
Loans Receivable		168,157,524
Dividends Receivable		46,906,378
Total	$	25,198,548,420
2. Liabilities		
Pension Payroll Payable	$	183,274,138
Pension Adjustment Payroll Payable		33,039,820
Withholdings Payable		29,976,150
Death Benefits Payable		3,203,635
Net Securities Lending Collateral		9,096,148
Accounts Payable - Other		31,347,619
Total	$	289,937,510
3. Market Value of Assets as of June 30, 2009: (1) - (2)	$	24,908,610,910
4. State's FY 2010 and 2011 Receivable Contributions due to ERI-5		2,876,346
5. State's FY 2010 Receivable Contributions from State		62,399,654
6. Adjusted Market Value of Assets as of June 30, 2009: (3) + (4) + (5)	$	24,973,886,910

SECTION II - ASSETS
(continued)

B. Reconciliation of Market Value of Assets from June 30, 2008 to June 30, 2009

		Pension
1. Market Value of Assets as of June 30, 2008	$	32,358,227,689
2. Increases		
Member Contributions excluding transfers from Other Systems	$	568,469,178
Member Transfer Contributions		7,147,019
Other Employer Contributions including Transfers From Other Systems, Delayed Appropriations, And Delayed Enrollments		6,912,898
State and Local Appropriations *		(70,423,324)
Investment Income		(5,070,623,384)
Total	$	(4,558,517,613)
* Includes reduction in State Contribution for fiscal year 2009		
3. Decreases		
Withdrawal of Member Contributions and Transfer Contributions	$	41,197,343
Retirement Allowances		2,453,071,751
Pension Adjustment Benefits		352,668,308
Death Benefit Claims		31,487,765
Administrative Expense		12,673,999
Medical Benefits and Expenses		0
Total	$	2,891,099,166
4. Market Value of Assets as of June 30, 2009: (1) + (2) - (3)	$	24,908,610,910
5. FY 2010 and 2011 Receivable Contributions due to ERI-5		2,876,346
6. FY 2010 Receivable Contributions from State		62,399,654
7. Adjusted Market Value of Assets as of June 30, 2009: (4) + (5) + (6)	$	24,973,886,910

SECTION II - ASSETS
(continued)

C. Development of Actuarial Value of Assets as of July 1, 2009

1. Actuarial Value of Pension Assets as of July 1, 2008	$ 36,541,083,946
2. Net Cash Flow without Investment Income	(2,378,993,395)
3. Investment Income at Actuarially Assumed Rate @ 8.25%	2,914,163,398
4. Receivable Contributions from State and Local Employers	65,276,000
5. Expected Actuarial Value of Pension Assets: (1) + (2) + (3) + (4)	37,141,529,949
6. Adjusted Market Value of Pension Assets as of June 30, 2009	24,973,886,910
7. Excess Market Value over Expected Actuarial Value Assets: (6) - (5)	(12,167,643,039)
8. 20% mark-up to reflect growth in Market Value: 20% x (7)	(2,433,528,608)
9. Actuarial Value of Pension Assets as of July 1, 2009: (5) + (8)	$ 34,708,001,341
10. Pension Actuarial/Market Value Ratio: (9) / (6)	139.0%

SECTION II - ASSETS
(continued)

D. Estimated Annual Rate of Return for year ending June 30, 2009

	Pension Actuarial Value	Pension Market Value
1. Value of Assets as of July 1, 2008	$ 36,541,083,946	$ 32,358,227,689
2. Employee Contributions	582,529,095	582,529,095
3. State and Local Appropriations	(70,423,324)	(70,423,324)
4. Receivable Contributions - State and Local Employers	65,276,000	65,276,000
5. Benefit Payments and Expenses	2,891,099,166	2,891,099,166
6. Value of Assets as of June 30, 2009	34,708,001,341	24,973,886,910
7. Non-Investment Increment: (2) + (3) - (5)	(2,378,993,395)	(2,378,993,395)
8. Investment Increment: (6) - (1) - (4) - (7)	480,634,790	(5,070,623,384)
9. Time Weighted Value: (1) +.5 x (7) *	35,300,631,704	31,117,775,447
10. Estimated Annual Rate of Return: (8) / (9)	1.36%	-16.29%

* Reflects timing adjustment on State contribution reduction for fiscal year 2009

E. Estimated Historical Rates of Return

Plan Year Ending	Actuarial Value	Market Value
June 30, 2009	1.36%	-16.29%
June 30, 2008	5.31%	-2.27%
June 30, 2007	7.15%	15.95%
June 30, 2006	5.35%	10.30%
June 30, 2005	4.50%	8.84%
5-Year Compounded Annual Rate of Return	4.72%	2.63%

SECTION III - LIABILITIES AND CONTRIBUTIONS

A. Actuarial Accrued Liability as of July 1, 2009 - 1/55th Formula

1. Projected Benefits Payable to Beneficiaries and Retirees	
Service Retirees (Including ERI Benefits)	$ 28,664,147,943
Disability Retirees	645,185,536
Beneficiaries	900,255,623
Total	$ 30,209,589,102
2. Projected Benefits for Vested Terminated Members	67,025,573
3. Projected Benefits for Non-Contributory Members	$ 511,054,102
4. Projected Benefits for Active Members	
Service Retirement	$ 18,363,985,010
Ordinary Disability Retirement	364,925,903
Accidental Disability Retirement	24,647,299
Return of Members' Contributions - Death	80,501,610
Return of Members' Contributions - Withdrawal	124,747,410
Deferred Retirement	362,043,630
Pension Adjustment Benefits	3,309,808,937
Total	$ 22,630,659,799
5. Total Pension Accrued Liability: (1) + (2) + (3) + (4)	$ 53,418,328,576

SECTION III - LIABILITIES AND CONTRIBUTIONS
(continued)

B. Development of Normal Cost payable July 1, 2009

	1/60th Formula	1/55th Formula
1. Basic Allowances	$ 959,987,152	$ 1,044,179,201
2. Pension Adjustment Benefits for active members		
a. Full Amount of Pension Adjustment Benefits	162,315,240	176,608,257
b. Phase-in Percentage	60.61%	N/A
c. Phased-in Amount of Pension Adjustment Benefits	98,379,267	N/A
3. Gross Pension Normal Cost		
a. Full Amount of Pension Normal Cost: (1) + (2a)	$ 1,122,302,392	$ 1,220,787,458
b. Phased-in Amount of Pension Normal Cost for Contribution Purposes: (1) + (2c)	1,058,366,419	N/A
4. Expected Member Contributions	519,837,382	519,837,382
5. Net Pension Normal Cost		
a. Full Amount of Net Pension Normal Cost: (3a) - (4)	602,465,010	700,950,076
b. Net Phased-in Amount of Pension Normal Cost for Contribution Purposes: (3b) - (4)	538,529,037	N/A

C. Summary of Active Member Actuarial Accrued Liability & Normal Cost payable July 1, 2009

Employee Type	Number of Members	Total Salary	Actuarial Accrued Liability	Gross Pension Normal Cost (1/55th Formula)
Class A & B	129,534	9,019,053,619	22,518,268,912	1,157,357,130
Class D	14,063	682,097,075	110,312,741	59,409,985
Class E	982	46,775,930	2,078,146	4,020,343
Total	144,579	9,747,926,624	22,630,659,799	1,220,787,458

SECTION III - LIABILITIES AND CONTRIBUTIONS
(continued)

D. Development of Excess Valuation Assets as of July 1, 2009

1. Valuation Assets	$ 34,708,001,341
2. Actuarial Accrued Liability for Basic Allowances & Pension Adjustment Benefits	53,418,328,576
3. Post Retirement Medical Premium Fund	0
4. Present Value of Total Projected Normal Cost in Excess of the Projected Phased-in Normal Cost for Pension Adjustment Benefits	469,017,673
5. Benefit Enhancement Fund (prior to reduction for additional formula normal cost)	0
6. Excess Valuation Assets as of July 1, 2009: (1)-(2)-(3)-(4)-(5), not less than $0	$ 0

SECTION III - LIABILITIES AND CONTRIBUTIONS
(continued)

E. Development of Benefit Enhancement Fund and Additional Formula Contribution As of July 1, 2009

1. Benefit Enhancement Fund as of July 1, 2008	$	0
2. Accrued Interest		0
3. Benefit Enhancement Fund as of July 1, 2009		0
4. Additional Formula Normal Cost to be paid by Benefit Enhancement Fund		
a. Gross Normal Cost payable July 1, 2009 - 1/55th Formula (B)(3)(a)		1,220,787,458
b. Gross Normal Cost payable July 1, 2009 - 1/60th Formula (B)(3)(a)		1,122,302,392
c. Additional Formula Normal Cost: (a) - (b)		98,485,066
5. Net Benefit Enhancement Fund Balance as of July 1, 2009 before Fiscal Year 2011 Contribution: (3) - (4c), not less than $0		0
6. State Additional Formula Contribution as of July 1, 2009: (4c) - (3), not less than $0		98,485,066
7. Estimated Fiscal Year 2011 Employee Contributions as of July 1, 2009		499,428,062
8. Limit on Fiscal Year 2011 Contribution to Benefit Enhancement Fund		
a. Present Value of Future Normal Costs as of June 30, 2009 - 1/55th Formula		12,673,064,716
b. Present Value of Future Normal Costs as of June 30, 2009 - 1/60th Formula		11,630,124,486
c. Limit: (a) - (b) - (5)		1,042,940,230
9. Excess Assets Available (D6)		0
10. Fiscal Year 2011 Allowable Contribution to Benefit Enhancement Fund: Lesser of (7), (8c), (9)	$	0

SECTION III - LIABILITIES AND CONTRIBUTIONS
(continued)

F. Development of State's Fiscal Year 2011 Statutory Required Contributions

1. Net Pension Normal Contribution as of July 1, 2009: B(5)(b)		$ 538,529,037
2. Net Pension Normal Contribution as of June 30, 2010		582,957,683
3. Additional Formula Contribution as of July 1, 2009: E(6)		98,485,066
4. Additional Formula Contribution as of June 30, 2010		106,610,084
5. Accrued Liability Contribution		
a. Actuarial Accrued Liability for Basic Allowances & Pension Adjustment Benefits	$ 53,418,328,576	
b. Adjusted Actuarial Value of Assets (excluding BEF)	34,708,001,341	
c. Reserve for previously earned reductions in Member Contributions	0	
d. Unfunded Pension Accrued Liability: (a) - (b) + (c)	$ 18,710,327,235	
e. 30 - Year Amortization with 4% increasing payments of Unfunded Pension Accrued Liability payable June 30, 2010		1,137,154,603
6. Total Pension Contribution for State's Fiscal Year 2011: (2) + (4) + (5e)		$ 1,826,722,370
7. State's FY 2011 Est. Non-contributory Group Life Insurance Contribution (NCGI)		35,220,000
8. State's Fiscal Year 2011 ERI-3 and ERI-5 Contributions		1,624,780
9. Total State's Fiscal Year 2011 Contribution for Pension, NCGI and ERI: (6) + (7) + (8)		$ 1,863,567,150

SECTION III - LIABILITIES AND CONTRIBUTIONS
(continued)

G. Statutory Required Contribution as a Percentage of Appropriation Payroll

	Percent of Payroll
Basic Allowances Net of Member Contributions - 1/60th Formula	4.89%
Active COLA (Phase-in percentage of 60.61%)-1/60th Formula	1.09%
Additional Formula Normal Cost (after any BEF reductions)	1.09%
Accrued Liability Contribution	11.67%
Total Pension Contribution for State's Fiscal Year 2011	18.74%
Estimated Non-contributory Group Life Insurance Benefits (NCGI)	0.36%
Total State's Fiscal Year 2011 Contribution for Pension and NCGI	**19.10%**
Increases in contribution if:	
COLA fully phased-in	0.71%
No BEF reductions existed	0.00%
Market Value of Assets used to determine the Accrued Liability Contribution	6.07%
Total Increases as a percent of payroll	6.78%
Total Contribution with these increases as a percent of payroll	**25.88%**

H. Historical Statutory Required Contributions as a Percentage of Appropriation Payroll

Fiscal Year Ending	Statutory Pension and NCGI	With Increases Above Included
June 30, 2011	19.10%	25.88%
June 30, 2010	16.56%	20.02%
June 30, 2009	15.21%	17.03%
June 30, 2008	15.13%	18.70%
June 30, 2007	14.08%	18.62%

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

I. Fiscal Year 2011 Statutory Required Contributions Payable by the State and Certain State Colleges

Group	Normal Contribution (1/60 Formula)	Additional Formula Contribution (After BEF reductions)	Accrued Liability Contribution	Estimated Non-Contributory Group Life Insurance	Total
Certain State Colleges					
NJ Institute of Technology	$7,611	$1,392	$14,846	$460	$24,309
Rowan University	15,274	2,793	29,794	923	$48,784
New Jersey University	53,330	9,753	104,029	3,222	$170,334
Kean University	37,989	6,947	74,103	2,295	$121,334
William Patterson University	41,253	7,544	80,471	2,492	$131,760
Montclair State U. (Group 4)	26,123	4,777	50,956	1,578	$83,434
The College of NJ	25,372	4,640	49,493	1,533	$81,038
Stockton State College	21,623	3,954	42,180	1,306	$69,063
Total for Certain State Colleges	**$228,575**	**$41,800**	**$445,872**	**$13,809**	**$730,056**
State					
Dept of Higher Education	0	0	0	0	$0
Dept of Education	1,123,749	205,509	2,192,058	67,893	$3,589,209
County Colleges	150,642	27,549	293,852	9,101	$481,144
Charter Schools	5,631,775	1,029,927	10,985,701	340,250	$17,987,653
Other	575,822,942	105,305,299	1,123,237,120	34,788,947	$1,839,154,308
Total for State	**$582,729,108**	**$106,568,284**	**$1,136,708,731**	**$35,206,191**	**$1,861,212,314**
Total for System	**$582,957,683**	**$106,610,084**	**$1,137,154,603**	**$35,220,000**	**$1,861,942,370**

SECTION III - LIABILITIES AND CONTRIBUTION
(continued)

J. Analysis of Actual Experience for the Year Ended June 30, 2009

1. Unfunded Accrued Liability as of June 30, 2008	$	14,117,194,328
2. Gross Normal Cost as of June 30, 2008		1,185,506,343
3. Interest: ((1) + (2)) * 8.25%		1,262,472,805
4. Employee and Employer Contributions Made with Interest *		561,039,508
5. Expected Unfunded Accrued Liability as of June 30, 2009: (1) + (2) + (3) - (4)	$	16,004,133,968
6. Increase/(Decrease) in liability due to assumption changes		0
7. Increase/(Decrease) in liability due to statutory changes		2,876,346
8. Expected Unfunded Accrued Liability after changes as of June 30, 2009: (5) + (6) + (7)	$	16,007,010,314
9. Actual Unfunded Accrued Liability as of June 30, 2009		18,710,327,235
10. Gain/(Loss): (8) - (9)	$	(2,703,316,921)

* Reflects ERI-5 and includes reduction in State Contribution for fiscal year 2009

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION IV - ACTUARIAL BALANCE SHEET AS OF JUNE 30, 2009

Assets		Liabilities	
Retirement Reserve Fund (RRF)		Payable from Retirement Reserve Fund	
Credited to Fund w/ Distribution of Income	$29,264,750,657	Retirees, Disableds and Beneficiaries	
Add/(deduct) reserve transferable from/(to) CRF	944,709,480	currently receiving benefits	$30,209,460,137
Adjusted Total	30,209,460,137		
Pension Fund (PF)		Payable from Pension Fund	
Credited to Fund w/ Distribution of Income	136,392	Retirees, Disableds and Beneficiaries	
Add/(deduct) reserve transferable from/(to) CRF	(7,427)	currently receiving benefits	128,965
Adjusted Total	128,965		
Annuity Savings Fund (ASF) w/ Distribution of Income	8,516,171,922	Payable from Annuity Savings Fund	
Contingent Reserve Fund (CRF)		and Contingent Reserve Fund	
Credited to Fund w/ Distribution of Income	(3,073,057,630)	Active Members	23,141,713,901
Add/(Deduct) from/(to) RRF, PF & SRF	(944,702,053)	Term Vested Members	67,025,573
Adjusted Total	(4,017,759,683)	Total	23,208,739,474
Benefit Enhancement Fund (BEF)	0		
Special Reserve Fund (SRF)	0		
Add/(deduct) reserve transferable from/(to) CRF	0		
Adjusted Total	0		
Total Actuarial Value of Assets as of June 30, 2009	$34,708,001,341		
Present Value of Prospective Contributions to the CRF and BEF for service accrued as of July 1, 2009	18,710,327,235		
Total Assets	$53,418,328,576	Total Liabilities	$53,418,328,576

SECTION V - GASB NO. 25 and 27 ACCOUNTING INFORMATION FOR STATE'S FISCAL YEAR 2011

A. Development of Annual Required Contribution as of June 30, 2011

1. Actuarial Value of Assets as of July 1, 2009		
a. Actuarial Value of Pension Assets	$34,708,001,341	
b. Market Value of Contributory Group Insurance Premium Fund	130,209,918	
c. Actuarial Value of Assets for GASB purposes: (a) + (b)		$34,838,211,259
2. Actuarial Accrued Liability as of July 1, 2009		
a. Actuarial Accrued Liability for pension benefits	$53,418,328,576	
b. Non-contributory and Contributory Group Insurance Benefits	1,157,732,448	
c. Accrued Liability for GASB purposes: (a) + (b)		54,576,061,024
3. Unfunded Accrued Liability as of July 1, 2009: (2c) - (1c)		$19,737,849,765
4. Amortization Payment payable July 1, 2009		1,108,179,379
5. Net Normal Cost as of July 1, 2009		
a. Basic Allowances and pension adjustments (including full cost of pension adjustment benefits)	$1,220,787,458	
b. Non-contributory and Contributory Group Insurance Benefits	39,754,028	
c. Expected Employee Contributions for pension benefits	519,837,382	
d. Expected Employee Contributions for Contributory Group Insurance Benefits	37,000,375	
e. Net Normal Cost as of July 1, 2009: (a) + (b) - (c) - (d)		703,703,729
6. Annual Required Contribution as of June 30, 2011		
a. Annual Required Contribution as of July 1, 2009: (4) + (5e)		$1,811,883,108
b. Interest to Expected Payment Date		311,292,842
c. Annual Required Contribution: (a) + (b)		$2,123,175,950

SECTION V - ACCOUNTING INFORMATION FOR STATE'S FISCAL YEAR 2011
(continued)

B. Projection of Net Pension Obligation as of June 30, 2010 and June 30, 2011

1. Net Pension Obligation as of June 30, 2009 *		$6,015,956,229
2. Annual Pension Cost for Fiscal Year 2010		
a. Annual Required Contribution	$1,796,358,016	
b. Interest on Net Pension Obligation	496,316,389	
c. Adjustment to ARC	395,795,366	
d. Annual Pension Cost: (a) + (b) - (c)		1,896,879,039
3. Expected Fiscal Year 2010 Contributions (4.1% of pension contribution plus est. NCGI)		96,579,654
4. Estimated Net Pension Obligation as of June 30, 2010: (1) + (2d) - (3)		$7,816,255,614
5. Annual Pension Cost for Fiscal Year 2011		
a. Annual Required Contribution	$2,123,175,950	
b. Interest on Net Pension Obligation	644,841,088	
c. Adjustment to ARC	514,238,738	
d. Annual Pension Cost: (a) + (b) - (c)		2,253,778,300
6. Expected Fiscal Year 2011 Contributions (3.4% of pension contribution plus est. NCGI)		97,618,500
7. Estimated Net Pension Obligation as of June 30, 2011: (4) + (5d) - (6)		$9,972,415,414

* The NPO as of June 30, 2009 has been updated from the estimated amount shown in the prior valuation to reflect actual employer contributions for the year ending June 30, 2009

SECTION V - ACCOUNTING INFORMATION FOR STATE'S FISCAL YEAR 2011
(continued)

C. Schedule of Funding Progress

Valuation Year	(1) Actuarial Value of Assets for GASB Purposes	(2) Accrued Liability for GASB Purposes	(3) Unfunded Accrued Liability (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Appropriation Payroll	(6) Unfunded Accrued Liability as a % of Payroll: (3) / (5)
2004	34,633,790,549	40,447,690,339	5,813,899,790	85.63%	8,047,272,269	72.25%
2005	34,789,389,875	43,967,927,299	9,178,537,424	79.12%	8,454,072,109	108.57%
2006	35,531,294,790	46,539,868,653	11,008,573,863	76.35%	8,748,623,186	125.83%
2007	36,714,578,745	49,161,247,363	12,446,668,618	74.68%	9,077,628,813	137.11%
2008	36,664,627,629	51,754,814,521	15,090,186,892	70.84%	9,419,083,203	160.21%
2009	34,838,211,259	54,576,061,024	19,737,849,765	63.83%	9,747,020,060	202.50%

SECTION V - ACCOUNTING INFORMATION FOR STATE'S FISCAL YEAR 2011
(continued)

D. Schedule of Employer Contributions

State's Fiscal Year	Annual Required Contribution	Employer Contributions		Percentage of ARC Contributed
2006	$1,177,674,055	$94,226,363		8.00%
2007	1,407,249,580	690,794,259		49.09%
2008	1,550,503,836	695,275,811		44.84%
2009	1,601,478,508	95,863,972	*	5.99%
2010	1,796,358,016	96,579,654	**	5.38%
2011	2,123,175,950	97,618,500	**	4.60%

* Updated from prior valuation reflecting actual contributions for fiscal year ending June 30,2009
** Estimated based on current understanding of state budget resolutions

E. Funding Policy for State's Fiscal Year 2011

Valuation Date	July 1, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Open
Payroll Growth Rate for Amortization	4.00%
Remaining Amortization Period	30 years
Asset Valuation Method	Actuarial Value
Actuarial Assumptions	
Investment Rate of Return	8.25%
Projected Salary Increases***	5.74%
Cost-of-Living Adjustments	60% of the assumed CPI at 3%

*** Variable scale, averaging approximately 5.74% based on 2006 Experience Study

SECTION VI - CENSUS DATA

A. Reconciliation with Prior Year

	Active Contrib	Active NonContrib	Deferred Vested	Retirees	Disableds	Beneficiaries	Domestic Relations Beneficiaries	Total
Members as of June 30, 2008	142,887	13,200	655	67,995	2,625	4,309	484	232,155
Terminated Vested	(35)	(48)	83	-	-	-	-	0
Terminated with Refund	(516)	(2,809)	(4)	-	-	-	-	(3,329)
Retired	(3,692)	(211)	(161)	4,064	-	-	-	0
Disabled	(99)	(39)	-	-	138	-	-	0
Died with Beneficiary	-	-	-	(347)	(21)	371	-	3
Died without Beneficiary	(73)	(29)	(1)	(1,238)	(71)	(186)	-	(1,598)
Payments Began	-	-	-	-	-	-	53	53
Payments Ceased	-	-	-	-	-	-	(20)	(20)
New Actives and Rehires	8,417	168	(3)	-	-	-	-	8,582
Changed to Contributing	2,060	(2,060)	-	-	-	-	-	0
Changed to Noncontributing	(4,361)	4,361	-	-	-	-	-	0
Data Corrections	(9)	(3)	(1)	9	3	46	-	45
Members as of June 30, 2009	144,579	12,530	568	70,483	2,674	4,540	517	235,891

SECTION VI - CENSUS DATA
(continued)

B. Appropriation Number and Salary by Group *

Group	Number of Employers	Number of Members	Salaries
Department of Higher Education	0	0	$ 0
Department of Education	2	215	18,789,028
New Jersey Institute of Technology	1	1	127,250
State Colleges	6	31	3,332,968
County Colleges	7	25	2,518,729
Charter Schools	60	1,787	94,162,964
Other	611	142,510	9,628,089,121
Total	687	144,569	$ 9,747,020,060

* Excludes veterans hired prior to 1955 and Chapter 198 members

SECTION VI - CENSUS DATA
(continued)

C. Number and Annual Benefits Including Pension Adjustments of Retirees, Beneficiaries, and Dependents on Roll

Group	Number	Annual Benefit
Service and Early Retirements	71,000	$ 2,670,513,732
Ordinary Disability Retirements	2,465	61,092,901
Accidental Disability Retirements	209	8,019,337
Ordinary Death Benefits	4	1,840
Accidental Death Benefits	2	57,624
Dependents of Deceased Beneficiaries	4,444	100,845,442
Dependents of Deceased Beneficiaries who elected to receive annuities certain instead of lump sum	90	2,136,796
Total	78,214	$ 2,842,667,672

SECTION VI - CENSUS DATA
(continued)

D. New* Retirees from Active Contributory Status

	Less than 25 years of service	At least 25 years of service	Total
Number of Retirements	374	3,294	3,668
Total Annual Pension	7,859,740	162,649,975	170,509,715
Average Annual Pension	21,015	49,378	46,486
Average Age at Retirement	63.8	60.6	61.0
Average Service at Retirement	15.1	32.4	30.6

* Members indicated as retired since last actuarial valuation and have not subsequently died prior to the valuation date.

SECTION VI - CENSUS DATA
(continued)

E. Age, Service and Salary Profile of Active Contributing Participants

Age Group	Males: Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total	Average Annual Salary
15-19	0	0	0	0	0	0	0	0	0	0	$0
20-24	393	2	0	0	0	0	0	0	0	395	45,923
25-29	2,822	800	0	0	0	0	0	0	0	3,622	48,772
30-34	1,415	3,333	502	1	0	0	0	0	0	5,251	55,897
35-39	706	1,762	2,143	237	1	0	0	0	0	4,849	65,164
40-44	498	966	1,309	1,116	161	1	0	0	0	4,051	72,758
45-49	394	724	637	648	764	173	0	0	0	3,340	76,584
50-54	322	618	517	450	579	913	374	0	0	3,773	81,862
55-59	305	552	427	409	517	547	1,319	706	1	4,783	88,266
60-64	178	402	263	299	299	246	369	1,116	291	3,463	93,125
65 & Up	42	127	92	89	74	59	42	74	249	848	93,259
Total	7,075	9,286	5,890	3,249	2,395	1,939	2,104	1,896	541	34,375	

Average Age	=	44.3
Average Service	=	13.9
Average Age at Entry	=	30.4
Average Annual Salary	=	$72,362

Age Group	Females: Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total	Average Annual Salary
15-19	0	0	0	0	0	0	0	0	0	0	$0
20-24	1,781	2	0	0	0	0	0	0	0	1,783	45,668
25-29	10,285	3,455	4	0	0	0	0	0	0	13,744	48,851
30-34	4,138	9,531	1,346	2	0	0	0	0	0	15,017	53,797
35-39	2,414	4,699	5,264	639	0	0	0	0	0	13,016	59,618
40-44	2,159	2,823	2,652	2,929	504	0	0	0	0	11,067	64,452
45-49	1,896	2,983	2,003	1,679	2,864	568	0	0	0	11,993	67,707
50-54	1,331	2,888	2,684	2,075	2,303	2,683	910	1	0	14,875	72,215
55-59	614	1,828	2,125	2,494	2,998	2,332	3,241	1,165	1	16,798	79,115
60-64	214	654	827	1,147	2,098	1,724	1,032	1,486	339	9,521	82,658
65 & Up	54	139	182	272	477	495	299	185	287	2,390	84,734
Total	24,886	29,002	17,087	11,237	11,244	7,802	5,482	2,837	627	110,204	

Average Age	=	44.3
Average Service	=	13.1
Average Age at Entry	=	31.2
Average Annual Salary	=	$65,830

SECTION VI - CENSUS DATA
(continued)

F. Age, Service and Salary Profile of Non-Contributing Participants

Age Group	Males Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total	Average Annual Salary
15-19	0	0	0	0	0	0	0	0	0	0	$0
20-24	13	0	0	0	0	0	0	0	0	13	43,884
25-29	250	4	0	0	0	0	0	0	0	254	44,468
30-34	213	78	4	0	0	0	0	0	0	295	47,671
35-39	132	77	52	0	0	0	0	0	0	261	52,197
40-44	91	54	87	10	1	0	0	0	0	243	55,354
45-49	88	24	67	24	9	0	0	0	0	212	54,722
50-54	82	27	70	35	21	4	0	0	0	239	55,111
55-59	73	22	114	58	20	2	5	0	0	294	51,660
60-64	86	19	61	23	13	3	4	0	0	209	49,252
65 & Up	86	10	12	14	10	8	2	1	2	145	41,072
Total	1,114	315	467	164	74	17	11	1	2	2,165	

Average Age	=	45.6
Average Service	=	7.0
Average Age at Entry	=	38.6
Average Annual Salary	=	$50,444

Age Group	Females Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total	Average Annual Salary
15-19	0	0	0	0	0	0	0	0	0	0	$0
20-24	51	0	0	0	0	0	0	0	0	51	42,806
25-29	1,165	112	0	0	0	0	0	0	0	1,277	44,769
30-34	1,073	1,171	77	0	0	0	0	0	0	2,321	49,103
35-39	557	597	596	6	0	0	0	0	0	1,756	50,584
40-44	332	190	628	85	3	0	0	0	0	1,238	50,314
45-49	331	101	417	101	17	4	0	0	0	971	48,567
50-54	265	89	341	122	42	15	2	0	0	876	47,926
55-59	182	85	553	229	60	7	3	0	0	1,119	45,858
60-64	119	34	204	113	27	10	5	7	0	519	42,487
65 & Up	129	19	29	28	13	8	3	6	2	237	38,742
Total	4,204	2,398	2,845	684	162	44	13	13	2	10,365	

Average Age	=	41.5
Average Service	=	7.4
Average Age at Entry	=	34.2
Average Annual Salary	=	$47,865

SECTION VI - CENSUS DATA
(continued)

G. Age and Benefit Profiles

Terminated Vested Participants

	Male		Female		Total	
Age	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
Under 35	0	$0	0	$0	0	$0
35-39	3	$72,180	8	$75,216	11	147,396
40-44	2	$27,132	18	$205,392	20	232,524
45-49	7	$74,928	25	$335,316	32	410,244
50-54	16	$207,312	58	$755,592	74	962,904
55-59	51	$596,772	276	$3,519,396	327	4,116,168
60 & Up	18	$186,096	86	$1,083,468	104	1,269,564
Total	97	$1,164,420	471	$5,974,380	568	$7,138,800

Average Age = 55.8
Average Annual Pension = $12,568

Service Retired Participants

	Male		Female		Total	
Age	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
Under 50	1	$27,281	15	$235,377	16	$262,658
50-54	89	3,010,042	215	6,780,349	304	9,790,391
55-59	1,286	58,699,716	3,282	138,776,066	4,568	197,475,782
60-64	5,766	271,862,684	11,017	442,301,241	16,783	714,163,925
65-69	5,953	272,631,068	10,623	402,166,387	16,576	674,797,455
70-74	3,957	174,421,249	6,956	245,238,657	10,913	419,659,906
75-79	3,491	143,389,602	5,537	176,783,021	9,028	320,172,623
80-84	2,356	83,662,607	4,355	115,372,379	6,711	199,034,986
85-89	1,077	31,482,933	2,670	57,670,906	3,747	89,153,839
90-94	360	8,647,847	1,293	23,772,673	1,653	32,420,520
95-99	97	2,334,895	476	8,652,604	573	10,987,499
100 & Up	11	288,850	117	2,305,298	128	2,594,148
Total	24,444	$1,050,458,774	46,556	$1,620,054,958	71,000	$2,670,513,732

Average Age = 70.5
Average Annual Pension = $37,613

SECTION VI - CENSUS DATA
(continued)

G. Age and Benefit Profiles (continued)

Disabled Retired Participants

	Male		Female		Total	
Age	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
Under 35	0	$0	0	$0	0	$0
35-39	0	0	7	151,863	7	151,863
40-44	5	108,199	25	536,423	30	644,622
45-49	10	280,418	61	1,619,924	71	1,900,342
50-54	48	1,309,979	169	4,667,739	217	5,977,718
55-59	90	2,582,973	319	8,657,383	409	11,240,356
60-64	173	4,868,878	487	13,386,924	660	18,255,802
65-69	119	3,163,889	427	11,314,660	546	14,478,549
70-74	82	2,165,819	265	6,784,300	347	8,950,119
75-79	43	858,430	158	3,329,245	201	4,187,675
80-84	28	487,115	96	1,816,077	124	2,303,192
85 & Up	16	284,458	46	737,542	62	1,022,000
Total	614	$16,110,158	2,060	$53,002,080	2,674	$69,112,238

Average Age	=	64.8
Average Annual Pension	=	$25,846

SECTION VI - CENSUS DATA
(continued)

G. Age and Benefit Profiles (continued)

Beneficiaries and Dependents

	Male		Female		Total	
Age	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
Under 25	5	$57,825	9	$145,346	14	$203,171
25-29	7	127,575	9	140,527	16	268,102
30-34	3	34,060	9	178,975	12	213,035
35-39	5	101,365	14	276,745	19	378,110
40-44	11	193,255	12	181,888	23	375,143
45-49	10	173,728	22	432,177	32	605,905
50-54	33	669,893	62	1,375,499	95	2,045,392
55-59	91	2,119,715	136	3,548,800	227	5,668,515
60-64	159	3,667,983	260	7,576,396	419	11,244,379
65-69	155	3,543,683	395	11,392,703	550	14,936,386
70-74	140	3,465,123	519	14,065,998	659	17,531,121
75-79	137	2,943,429	554	14,444,370	691	17,387,799
80-84	107	1,794,422	638	14,408,010	745	16,202,432
85-89	85	1,336,090	510	8,514,284	595	9,850,374
90-94	37	505,097	293	4,363,324	330	4,868,421
95-99	8	94,229	95	1,073,719	103	1,167,948
100 & Up	0	0	10	95,469	10	95,469
Total	993	20,827,472	3,547	82,214,230	4,540	103,041,702

Average Age = 74.8
Average Annual Pension = $22,696

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS AS OF JUNE 30, 2009

A. Actuarial Assumptions

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

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

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

Salary Scale: Salary increases vary by years of employment averaging 5.74% (based on the 2006 Experience Study). Schedule of rates are shown below.

Years of Employment	Annual Rate
0-12	7.35%
13	7.00
14	6.70
15	6.40
16	5.80
17	5.25
18	5.05
19	4.80
20	4.80
21	4.45
22	4.35
23-25	4.10
26-30	3.75
31+	3.50

Increases in Compensation Limits: The IRC Section 401(a)(17) limit is assumed to increase 3.0% per annum, compounded annually. The Social Security Taxable Wage Base is assumed to increase 4.0% per annum, compounded annually.

A. Actuarial Assumptions (Continued)

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

Less Than 10 Years of Employment

Years of Employment	Male	Female <40	Female 40+
0	8.19%	7.61%	7.61%
1	6.72	7.00	7.00
2	5.90	6.09	6.09
3	4.17	6.55	3.80
4	3.39	6.28	2.59
5	2.68	6.16	2.19
6	2.36	6.16	1.80
7	2.12	5.95	1.68
8	1.59	5.91	1.43
9	1.52	4.52	1.28

More Than 10 Years of Employment

	Annual Rates for Those With Deferred Annuity Benefits*		Annual Rates for Receiving Return of Contributions	
Age	Male	Female	Male	Female
25	0.65%	3.91%	0.44%	0.43%
30	0.65	3.91	0.44	0.43
35	0.68	2.92	0.41	0.31
40	0.57	1.36	0.27	0.16
45	0.47	0.63	0.17	0.06
50	0.57	0.64	0.12	0.06
55	1.09	1.22	0.08	0.08

*Members must have attained 10 years of service or 60 years of age (62 years of age for Class E members) in order to receive an annuity benefit.

A. Actuarial Assumptions (Continued)

Retirement: Rates of retirement vary by age, gender and eligibility for an unreduced pension and post-retirement medical benefits.

The rates listed below are for members hired prior to July 1, 2007 (Class A and B employees). Illustrative rates are shown below.

Less than Age 55 or Less than 25 Years of Service			Attainment of Age 55 and 25 Years of Service			
			First Eligibility		After First Eligibility	
Age	Male	Female	Male	Female	Male	Female
<47	1.1%	1.3%	N/A	N/A	N/A	N/A
48	1.4	1.5	N/A	N/A	N/A	N/A
49	1.6	1.7	N/A	N/A	N/A	N/A
50	1.9	2.0	N/A	N/A	N/A	N/A
51	2.2	2.5	N/A	N/A	N/A	N/A
52	2.5	3.0	N/A	N/A	N/A	N/A
53	3.5	4.0	N/A	N/A	N/A	N/A
54	4.5	5.0	N/A	N/A	N/A	N/A
55	N/A	N/A	15.0%	16.0%	N/A	N/A
56	N/A	N/A	20.0	19.0	12.0%	13.0%
57	N/A	N/A	20.0	19.0	13.0	14.0
58	N/A	N/A	22.0	22.0	14.0	14.0
59	N/A	N/A	22.0	22.0	15.0	15.0
60	11.0	8.0	24.0	30.0	21.0	20.0
61	11.0	8.0	26.0	32.0	23.0	22.0
62	11.0	10.0	38.0	46.0	36.0	32.0
63	11.0	10.0	40.0	44.0	30.0	26.5
64	11.0	10.0	40.0	44.0	30.0	26.5
65	17.0	18.0	50.0	50.0	38.0	35.0
66-70	17.0	15.0	50.0	50.0	30.0	30.0
71+	20.0	20.0	50.0	50.0	30.0	30.0

A. Actuarial Assumptions (Continued)

The rates listed below are for members hired on or after July 1, 2007 and before November 2, 2008 (Class D employees). Illustrative rates are shown below.

Less than Age 60 or Less than 25 Years of Service			Attainment of Age 60 and 25 Years of Service			
			First Eligibility		After First Eligibility	
Age	Male	Female	Male	Female	Male	Female
<47	0.55%	0.65%	N/A	N/A	N/A	N/A
48	0.70	0.75	N/A	N/A	N/A	N/A
49	0.80	0.85	N/A	N/A	N/A	N/A
50	0.95	1.00	N/A	N/A	N/A	N/A
51	1.10	1.25	N/A	N/A	N/A	N/A
52	1.25	1.50	N/A	N/A	N/A	N/A
53	1.75	2.00	N/A	N/A	N/A	N/A
54	2.25	2.50	N/A	N/A	N/A	N/A
55	11.00	12.00	N/A	N/A	N/A	N/A
56	12.00	12.00	N/A	N/A	N/A	N/A
57	12.50	12.50	N/A	N/A	N/A	N/A
58	13.50	13.50	N/A	N/A	N/A	N/A
59	14.00	14.00	N/A	N/A	N/A	N/A
60	11.00	8.00	26.0%	30.0%	N/A	N/A
61	11.00	8.00	26.0	32.0	23.0%	22.0%
62	11.00	10.00	38.0	46.0	36.0	32.0
63	11.00	10.00	40.0	44.0	30.0	26.5
64	11.00	10.00	40.0	44.0	30.0	26.5
65	17.00	18.00	50.0	50.0	38.0	35.0
66-70	17.00	15.00	50.0	50.0	30.0	30.0
71+	20.00	20.00	50.0	50.0	30.0	30.0

A. Actuarial Assumptions (Continued)

The rates listed below are for members hired after November 1, 2008 (Class E employees). Illustrative rates are shown below.

	Less than Age 62 or Less than 25 Years of Service		Attainment of Age 62 and 25 Years of Service			
			First Eligibility		After First Eligibility	
Age	Male	Female	Male	Female	Male	Female
<47	0.50%	0.60%	N/A	N/A	N/A	N/A
48	0.65	0.70	N/A	N/A	N/A	N/A
49	0.75	0.75	N/A	N/A	N/A	N/A
50	0.85	0.90	N/A	N/A	N/A	N/A
51	1.00	1.15	N/A	N/A	N/A	N/A
52	1.15	1.35	N/A	N/A	N/A	N/A
53	1.60	1.80	N/A	N/A	N/A	N/A
54	2.00	2.25	N/A	N/A	N/A	N/A
55	10.00	11.00	N/A	N/A	N/A	N/A
56	10.50	11.00	N/A	N/A	N/A	N/A
57	11.00	11.00	N/A	N/A	N/A	N/A
58	12.00	12.00	N/A	N/A	N/A	N/A
59	12.50	12.50	N/A	N/A	N/A	N/A
60	17.00	19.00	N/A	N/A	N/A	N/A
61	18.50	20.50	N/A	N/A	N/A	N/A
62	29.50	24.00	50.0%	46.0%	N/A	N/A
63	11.00	10.00	40.0	44.0	30.0%	26.5%
64	11.00	10.00	40.0	44.0	30.0	26.5
65	17.00	18.00	50.0	50.0	38.0	35.0
66-70	17.00	15.00	50.0	50.0	30.0	30.0
71+	20.00	20.00	50.0	50.0	30.0	30.0

A. Actuarial Assumptions (Continued)

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

	Ordinary		Accidental	
Age	Male	Female	Male	Female
25	0.0301%	0.0379%	0.0090%	0.0060%
30	0.0473	0.0550	0.0090	0.0060
35	0.0609	0.0674	0.0090	0.0060
40	0.0701	0.0893	0.0090	0.0060
45	0.1023	0.1317	0.0090	0.0060
50	0.1421	0.1759	0.0090	0.0060
55	0.3732	0.3506	0.0090	0.0060

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

	Ordinary	
Age	Male	Female
25	0.0326%	0.0242%
30	0.0365	0.0286
35	0.0348	0.0294
40	0.0582	0.0373
45	0.0869	0.0512
50	0.1290	0.0768
55	0.1873	0.1033
60	0.2594	0.1568
65	0.4062	0.2563
70	0.6446	0.5093

A. Actuarial Assumptions (Continued)

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

	Service Retirements and Beneficiaries		Scale AA		Disability Retirement	
Age	Male	Female	Male	Female	Male	Female
45	0.3791%	0.1528%	1.3%	1.6%	2.2571%	0.7450%
50	0.5100	0.2390	1.8	1.7	2.8975	1.1535
55	0.6574	0.3407	1.9	0.8	3.5442	1.6544
60	0.9625	0.5486	1.6	0.6	4.2042	2.1839
65	1.0985	0.7335	1.4	0.5	5.0174	2.8026
70	1.8200	1.1663	1.5	0.6	6.2583	3.7635
75	3.1758	1.9269	1.4	0.8	8.2067	5.2230
80	5.6098	3.3464	1.0	0.7	10.9372	7.2312
85	9.8827	7.1132	0.7	0.6	14.1603	10.0203

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

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

Form of Payment: Modified Cash Refund Annuity.

Special Data Adjustments: Determination of employee type is based on Class Code and was used as provided by the Division. Active members where no salary was provided, no date of birth was provided, or ASF was negative were excluded from the valuation. A liability equal to the ASF was held. For beneficiaries where no gender code or date of birth was provided, reasonable assumptions were made based on records provided in prior years or the deceased retiree's records. All such records were included in the valuation. Retiree members where no benefit

A. Actuarial Assumptions (Continued)

and monthly allowance was provided, or no cause, class, or option was provided were excluded from the valuation.

B. Actuarial Valuation Method

The Projected Unit Credit Method was used as required by Chapter 62, P.L. 1994 as modified by Chapters 115, P.L. 1997 and 133, P.L. 2001. Non-contributory life insurance benefits are funded on a term cost basis.

C. Asset Valuation Method

A five year average of market value with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period. Cash flows are based on an accrual accounting approach. This method is prescribed by statute. The market value of assets is used for the Contributory Group Insurance Premium Fund for GASB purposes.

D. Changes in Actuarial Assumptions

Due to the inclusion of Class E members in the valuation, new retirement assumptions were utilized.

SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS AS OF JUNE 30, 2009

This summary of plan provisions is intended only to describe the essential features of the plan. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself.

1. Type of Plan

   The Plan is a contributory, defined benefit plan. Effective July 1, 2007, contributions by Members are 5.5% of compensation. For members hired on or after July 1, 2007, compensation for contributions is capped at the Social Security Taxable Wage Base ($106,800 for 2009). For compensation in excess of the Social Security Taxable Wage Base, contributions of 5.5% of the excess compensation are made to the Defined Contribution Retirement Program.

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. The eligible employee must have an annual salary or remuneration amount of $7,500 or more effective November 1, 2008, per Chapter 89, P.L. 2008.

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. Class E members also must have an annual salary of $7,500 (indexed for inflation) and other members must have an annual salary of $500.

4. Definitions (continued)

   c. Final Compensation: This is the average annual compensation upon which contributions by a member are based on 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 hired prior to July 1, 2007 who contributes towards a retirement allowance based on 1/55th benefit rate per year of creditable service.

   h. Class D Member: Any member hired on or after July 1, 2007 and before November 2, 2008 who contributes up to the Social Security Taxable Wage Base towards a retirement allowance based on 1/55th benefit rate per year of creditable service payable at age 60.

   i. Class E Member: Any member hired after November 1, 2008 who contributes up to the Social Security Taxable Wage Base towards a retirement allowance based on 1/55th benefit rate per year of creditable service payable at age 62.

5. Cost-of-Living Adjustment

   The Pension Adjustment Program provides a cost-of-living adjustment (COLA) to retirees and their survivors who receive a monthly retirement allowance from the TPAF. The first adjustment is received in the 25th month after the member's retirement. Subsequent cost-of-living adjustments are computed annually and are

5. Cost-of-Living Adjustment (continued)

first reflected in February. The rate of increase is equal to 60 percent of the percentage change between the average CPI for the 12 month period ending December 31 in the year of retirement and the August 31 preceding the February adjustment.

6. Retirement Benefits

a. Service Retirement

Service Retirement Eligibility: Eligibility means age 60 (Class A, B, and D) or age 62 (Class E) 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, D and E 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:

(i) the lump sum withdrawal benefit described in 7.a. below; or

(ii) the Service Retirement Benefit reduced by 1/4 of one percent for each month the retirement date precedes age 55 for Class B members; or

(iii) the Service Retirement Benefit reduced by 1/12 of one percent for each month the retirement date precedes age 60 but over age 55 and by ¼ of one percent for each month the retirement date precedes age 55, for Class D members.

6. Retirement Benefits (continued)

(iv) the Service Retirement Benefit reduced by 1/12 of one percent for each month the retirement date precedes age 62 but over age 55 and by ¼ of one percent for each month the retirement date precedes age 55, for Class E members.

7. 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 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 (Class A, B, D) or age 62 (Class E) and after 10 years of Creditable Service.

Deferred Retirement Benefit: The benefit may be either:

(i) the lump sum withdrawal benefit described in 7.a. above; or

(ii) a deferred retirement benefit, commencing at age 60 (Class A, B, D) or age 62 (Class E), 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.

8. Death Benefits

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

Pre-retirement Death Benefit Eligibility: Any current active member is eligible.

8. Death Benefits (continued)

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 (Class A, B, D) or Age 62 (Class E) Eligibility: Eligible if disabled or retired early.

Post-retirement Death Benefit Prior to Age 60 (Class A, B, D) or Age 62 (Class E) Benefit: 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 an Early Retiree, the benefit is equal to 3/16 times Compensation.

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

Post-retirement Death Benefit After Age 60 (Class A, B, D) or Age 62 (Class E) Eligibility: Eligible after attainment of age 60 (Class A, B, D) or age 62 (Class E) 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 (Class A, B, D) or Age 62 (Class E) 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).

8. Death Benefits (continued)

   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:

   (i) The annuity benefit to a widow or widower is equal to 50% of Compensation, payable for life or until remarriage.

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

   (iii) 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.

   (iv) 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 (i), (ii) and (iii) above.

9. 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.

9. Disability Benefits (continued)

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

   (i) 1.64% of Final Compensation times the number of years of Creditable Service; or

   (ii) 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.

      Accident 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.

10. Additional Old-Plan Benefit: An additional pension is payable to any retiree 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. Benefit and Compensation Limits

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

The IRC Section 415 limit is $195,000 and the 401(a)(17) compensation cap is $245,000 for 2009 and is applied on a calendar year basis.

14. Forms of Payment

a. Maximum Option – Single life annuity.
b. Option 1 – Single life annuity with return of reserve option.
c. Option 2 – 100% joint and survivor annuity.
d. Option 3 – 50% joint and survivor annuity.
e. Option 4 – Other percentage joint and survivor annuity.
f. Option A – 100% pop-up joint and survivor annuity.
g. Option B – 75% pop-up joint and survivor annuity.
h. Option C – 50% pop-up joint and survivor annuity.
i. Option D – 25% pop-up joint and survivor annuity.

15. Contributions

a. Member Contributions: Each member becoming a member on or after January 1, 1956 and prior to July 1, 2007 contributes at the rate of contribution applicable to Class B members. Any members hired after June 30, 2007 and prior to November 2, 2008 are Class D members. Member hired after November 1, 2008 are Class E members.

   (i) Class D or E Membership: Class D or E members contribute at their applicable contribution rate up to the Social Security Taxable Wage Base.

   (ii) 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.

15. Contributions (continued)

(iii) Class A Membership: Any member who is not a veteran and does not elect to be classified as a Class B member continues to contribute at the rate of contribution applicable to his age at membership which was payable prior to the establishment of the integrated system, except that if he became a member subsequent to June 30, 1946 he will pay after January 1, 1955 at the rate of contribution in effect on June 30, 1946 applicable to his age at membership.

Prior to July 1, 1979 different contribution rates were established for men and women. Effective on that date members contribute at rates intermediate between the rates previously applicable to male and female members, computed to provide the same present value of future employee contributions at each entry age on the basis of the membership as constituted on the effective date.

b. Local Employer Contributions

(i) 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, Chapters 48, 138 and 163, P.L. 1993, Chapter 23, P.L. 2001 and Chapters 128 and 129, P.L. 2003 pay contributions to cover the additional liability for these programs over amortization periods chosen by the employer (15 years for Chapters 128 and 129) or the amortization period for the Unfunded Accrued Liability of the system (Chapter 23, P.L. 2002 and Chapter 21, P.L. 2008).

(ii) 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 this exemption at a member's date of retirement.

16. Changes in Plan Provisions Since Prior Valuation

This valuation reflects the adoption of Chapter 89, P.L. 2008 and Chapter 21, P.L. 2008.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE

Group	Number	Location Name	ERI 1 Present Value June 30, 2009	ERI 1 Fiscal Year 2011 Payment	ERI 2 Present Value June 30, 2009	ERI 2 Fiscal Year 2011 Payment
3	981	NJ INST OF TECH	$194,421	$25,621	$374,117	$26,250
5	1001	ATLANTIC COMMUNITY COLLEGE	63,029	8,306	N/A	N/A
6	911	ALLAMUCHY BD OF ED	N/A	N/A	111,599	10,609
6	300	ASBURY PARK BD OF ED	3,157,689	416,124	N/A	N/A
6	969	ATLANTIC CO VOCATIONAL SCHOOLS	189,959	25,033	N/A	N/A
6	4014	BERLIN BORO BD OF ED	N/A	N/A	66,100	36,464
6	4015	BERLIN TWP BD OF ED	180,838	23,831	139,214	26,439
6	412	BOONTON TWP BD OF ED	123,151	16,229	N/A	N/A
6	774	BYRAM TWP BD OF ED	216,602	28,544	N/A	N/A
6	4017	CHESILHURST BORO BD OF ED	27,493	3,623	21,167	4,020
6	4018	CLEMENTON BD OF ED	102,306	13,482	78,761	14,958
6	121	EAST WINDSOR REG SCHOOL DIST	N/A	N/A	173,645	32,978
6	6012	ESSEX CO EDUCATIONAL SERV COMM	188,798	24,880	N/A	N/A
6	329	FARMINGDALE BD OF ED	N/A	N/A	77,076	42,520
6	753	GREEN BROOK BD OF ED	287,666	37,909	N/A	N/A
6	8082	GUTTENBERG BORO BD OF ED	154,719	20,389	N/A	N/A
6	956	HUDSON CO VOCATIONAL SCHOOL	N/A	N/A	749,638	71,263
6	6040	IRVINGTON TWP BD OF ED	N/A	N/A	2,770,967	526,252
6	521	LAKEHURST BORO BD OF ED	80,831	10,652	N/A	N/A
6	645	LAKELAND REGIONAL	726,728	95,769	N/A	N/A
6	111	MERCER CO SPECIAL SERVICES	359,323	47,352	N/A	N/A
6	953	MERCER CO VOCATIONAL SCHOOLS	N/A	N/A	147,811	81,540
6	346	MONMOUTH BEACH BD OF ED	98,535	12,985	N/A	N/A
6	987	MONMOUTH CO VOCATIONAL SCHOOLS	581,380	76,615	N/A	N/A
6	3036	PEMBERTON TWP BD OF ED	$1,994,003	$262,772	N/A	N/A
6	210	PERTH AMBOY BD OF ED	N/A	N/A	$712,921	$393,283
6	4069	PINE HILL BORO BD OF ED	$261,555	$34,468	$119,753	$22,743
6	531	SEASIDE HEIGHTS BD OF ED	N/A	N/A	$4,436	$2,448
6	5071	SHILOH BOROUGH BD OF ED	$10,745	$1,416	N/A	N/A
6	641	WANAQUE BD OF ED	N/A	N/A	$242,186	$23,023
6	8070	WEST NEW YORK TWP BD OF ED	N/A	N/A	$2,632,352	$250,240
6	934	WHITE TWP BD OF ED	$203,201	$26,778	N/A	N/A
		Grand total for Local Employers	**$9,202,972**	**$1,212,778**	**$8,421,743**	**$1,565,030**

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE
(continued)

Group	Number	Location Name	ERI 3 Present Value June 30, 2009	ERI 3 Fiscal Year 2011 Payment	ERI 4 Present Value June 30, 2009	ERI 4 Fiscal Year 2011 Payment
2	90400	EDUCATION DEPARTMENT	$12,416,646	$815,027	N/A	N/A
2	90416	MARIE KATZENBACK SCH FOR DEAF	$2,209,621	$145,039	N/A	N/A
2	90207	OFFICE OF ADM LAW	$522,803	$34,317	N/A	N/A
3	981	NJ INST OF TECH	$518,423	$34,029	N/A	N/A
4	90411	NEW JERSEY UNIVERSITY	$2,577,962	$169,217	N/A	N/A
4	90412	KEAN UNIVERSITY	$1,348,418	$88,510	N/A	N/A
4	90414	MONTCLAIR STATE UNIVERSITY	$1,066,746	$70,021	N/A	N/A
4	90410	ROWAN UNIVERSITY	$437,282	$28,703	N/A	N/A
4	90415	THE COLLEGE OF NEW JERSEY	$274,181	$17,997	N/A	N/A
4	90413	WILLIAM PATERSON UNIVERSITY	$497,894	$32,682	N/A	N/A
6	8083	HARRISON TWP BD OF ED	N/A	N/A	$1,536,578	$202,492
6	956	HUDSON CO VOCATIONAL SCHOOL	N/A	N/A	$1,211,190	$159,612
6	620	PASSAIC BD OF ED	N/A	N/A	$18,964,295	$2,499,137
6	9034	STOCKTON BOROUGH BD OF ED	N/A	N/A	$97,943	$12,907
		Grand total for State Locations and Local Employers	**$21,869,976**	**$1,435,542**	**$21,810,006**	**$2,874,148**

Group	Number	Location Name	ERI 5 Present Value June 30, 2009	ERI 5 Fiscal Year 2011 Payment
2	90400	EDUCATION DEPARTMENT	$2,837,714	$186,696
2	90416	MARIE KATZENBACK SCH FOR DEAF	$38,632	$2,542
		Grand total for State Locations	**$2,876,346**	**$189,238**