

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

A DEPARTMENT OF THE STATE OF NEW JERSEY

50th COMPREHENSIVE ANNUAL FINANCIAL REPORT *For the Fiscal Year Ended June 30, 2005*

Jon S. Corzine
Governor

Bradley Abelow
Acting State Treasurer

Frederick J. Beaver
Director



STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
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Programs administered by the

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PERS Public Employees' Retirement System

TPAF Teachers' Pension and Annuity Fund

PFRS Police and Firemen's Retirement System

SPRS State Police Retirement System

JRS Judicial Retirement System

ABP Alternate Benefit Program

POPF Prison Officers' Pension Fund

CPF Consolidated Police and Firemen's Pension Fund

NJSEDCP NJ State Employees Deferred Compensation Plan

SACT Supplemental Annuity Collective Trust

ACTS Additional Contributions Tax-Sheltered Program

CPF Central Pension Fund

PAF Pension Adjustment Fund

UCTDSE Unemployment Compensation and Temporary Disability for State Employees

SHBP State Health Benefits Program

PDP Prescription Drug Plan

SEDP State Employee Dental Program

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

Commuter Tax\$ave State Employees Commuter Tax Savings Program

LTC State Employees Long Term Care Insurance Plan

INDEPENDENT AUDITOR

KPMG LLP

New Jersey Headquarters
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ACTUARIAL REPORTS

BUCK CONSULTANTS

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MILLIMAN

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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Jersey

Division of Pensions & Benefits

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Zielle

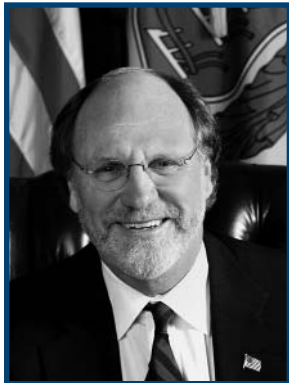
President

Jeffrey R. Emer

Executive Director



Mailing Address:
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Trenton, New Jersey



JON S. CORZINE
Governor



BRADLEY ABELOW
State Treasurer



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

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DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
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LETTER OF TRANSMITTAL

January 2006

To the Honorable

Jon S. Corzine, Governor
Bradley Abelow, Acting State Treasurer
Members of the Legislature
Members of the Boards of Trustees

On behalf of the Division of Pensions and Benefits, I am pleased to submit the 50th Comprehensive Annual Financial Report (CAFR) of the New Jersey State-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2005. The management of the Division of Pensions and Benefits (the Division) is responsible for the accuracy of the data and the completeness and fairness of the presentation. To the best of my knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner that fairly represents the financial position and results of the Division's operations.

STRUCTURE OF THE CAFR

This comprehensive annual financial report is divided into five sections:

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

THE REPORTING ENTITY

The Division was established in 1955 as the Division of Pensions to provide all administration of the state pension funds except investment. The Division

LETTER OF TRANSMITTAL

changed its name to the Division of Pensions and Benefits in 1992 to more accurately reflect its roles and responsibilities beyond the realm of pensions. Currently, the Division administers the second largest non-federal public benefits program in the nation, consisting of nine separate retirement systems, three supplemental retirement savings programs, a health benefits program for employees, retirees, and family members, and several other employee benefits programs. Over 763,000 members enjoy the benefits of the various pension systems administered by the Division and over 801,000 lives are covered in the State Health Benefits Program (SHBP). In addition to the State, 1,702 local public employers participate in the retirement systems and 969 local employers participate in the SHBP.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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

MAJOR INITIATIVES

The Internet Report of Contributions that now enables employers to report and transmit their employee pension data via an automated process. This has changed a very paper intensive process to an Internet-based application that will provide both the Division and local employers with a streamlined process that will ultimately lead to savings in processing time and operating expenses. To date, more than 50% of the 2,900 employer reporting entities have been converted to this new process. The Division is focusing on redirecting current staff that will no longer be required to process these reports, to a hot line phone function that will assist employers with the registration and technical aspects of electronic reporting.

Employer Pension Information Connection (EPIC) is a Web-based tool that provides employers with as many as fourteen applications to obtain pension and health benefit information for their members. Employers can now access various payroll certifications, member account information, health benefit status, retirement status, forms and letters and much more. The development of these applications has initially increased resources in the areas of staff, hours, and dollars. Over the next three years, the Division will realize savings that will become evident during that period.

The Member Benefits Online System is a set of Internet based applications that allows registered members access to their pension and if applicable, health benefits account information. Members can submit a pension loan online without the intervention of Division staff. The continued development of applications will have a direct impact on current work processing throughout the operational sections of the Division. An additional four applications will be available to members by the end of November 2005 and retiree applications will become available by early Spring 2006. Staff in these operational areas have become part of technical development teams and will be trained in telecommunications and electronic communications services.

FINANCIAL INFORMATION

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

- The Governmental Funds include the three separate State programs for Health Benefits, Prescription Drug, and Dental Expense.
- The Proprietary Funds include the three separate Local Group programs for Health Benefits, Prescription Drug, and Dental Expense.

LETTER OF TRANSMITTAL

- The Fiduciary Funds include eleven separate pension funds and two agency funds, the Alternate Benefit Program Fund and the Pension Adjustment Fund.

A summary of the condition of the funds administered by the Division of Pensions and Benefits is located in the "Management Discussion and Analysis" that begins on page 34 of the CAFR. Management is responsible for establishing and maintaining the accounting systems complete with internal controls so that the data presented is complete and fairly presents the financial position of the Division as of June 30, 2005. KPMG LLP independently audited the funds.

INVESTMENTS

The Division of Investment has the responsibility for investing the assets of the programs administered by the Division. This is done under the jurisdiction of the State Investment Council. Investments are guided by the "prudent person rule". During FY '05, investment returns on pension funds were 8.7 percent. When combined with the returns for previous years, the annualized returns over the past three, five and ten-year periods were +8.6 percent, +0.9 percent, and +8.97 percent, respectively.

FUNDING

Funding is the keystone of a good benefits system. A fully funded system that has assets sufficient to meet the disability and retirement benefits schedules of all its members is one that instills confidence and trust. I'm pleased to report that our benefits systems are in excellent financial condition despite the disappointing market returns over the past several years. The liabilities of the actuarially based pension systems are 87.2 percent funded. Members and retirees can feel confident that the State-administered retirement systems in New Jersey will meet their obligations now and in the future.

PROFESSIONAL SERVICES

The Division contracts with several professional organizations for advice and assistance in administering the programs for which it is responsible. The list of these organizations is found on page 97 of the CAFR. The Office of the Attorney General provides all legal services required by the Division of Pensions and Benefits and the retirement system Boards of Trustees.

ACKNOWLEDGEMENTS

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

Respectfully Submitted,



Frederick J. Beaver
Director

ALL IN A YEAR'S WORK...

- There are **543,399 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,710 PARTICIPATING EMPLOYERS** in the combined retirement systems; **6 NEW EMPLOYERS** began participating this year.
- There are **468,366 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **55,788 MEMBER ACCOUNTS** were audited internally.
- A total of **219,859 RETIREES AND BENEFICIARIES** received monthly pensions totally in excess of **\$5.7 BILLION** annually.
- Over **8,131 BENEFICIARY CLAIMS** were processed. Premiums in excess of **\$140.4 MILLION** were paid to the insurance carrier on behalf of active and retired members.
- Over **500,000 TELEPHONE CALLS** were received in Client Services. Counselors handled over 303,000 calls; over 1.2 million calls were handled by our automated telephone systems.
- **15,026 PERSONAL INTERVIEWS** were conducted by pensions counselors.
- **451 RETIREMENT SEMINARS** were conducted for over **15,181 MEMBERS**.
- **15,434 SERVICE PURCHASE REQUESTS** were processed.
- Over **66,191 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- There were **9,348 WITHDRAWALS** from the retirement systems.
- **14,486 MEMBERS RETIRED.**
- Over **112,962 PENSION LOANS** totaling **\$411,469,910** were processed.
- State and local membership in the State Health Benefits Program was **359,452 MEMBERS** with **801,021 LIVES COVERED.**
- A total of over **\$3.3 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers. **968 LOCAL EMPLOYERS** elected to participate in the SHBP this year.

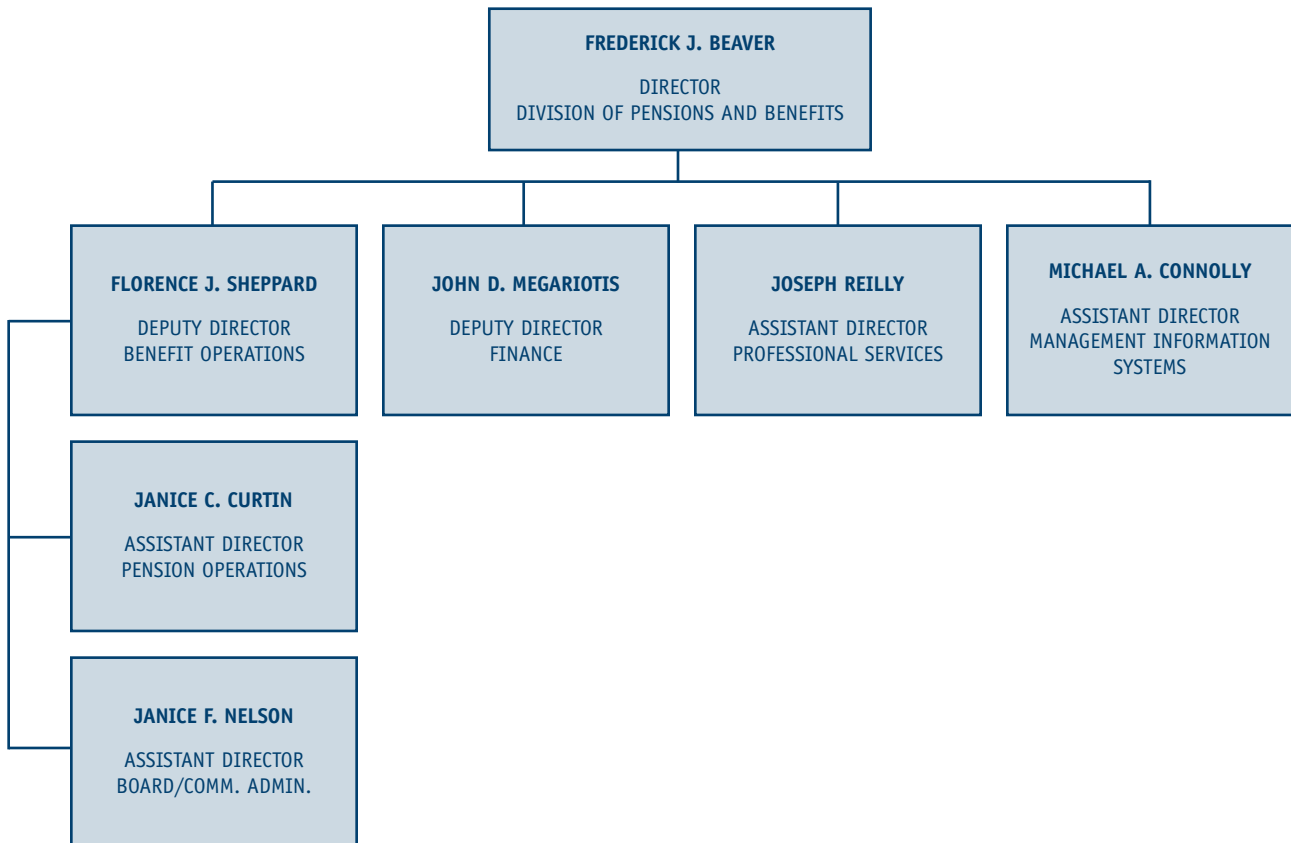
ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

Front Row (left to right): Janice C. Curtin, *Assistant Director, Pension Operations*
John D. Megariotis, *Deputy Director, Finance*
Florence J. Sheppard, *Deputy Director, Benefit Operations*

Back Row (left to right): Michael A. Connolly, *Assistant Director, MIS*
Frederick J. Beaver, *Director, Division of Pensions and Benefits*
Joseph Reilly, *Assistant Director, Professional Services*
Janice F. Nelson, *Assistant Director, Board and Commission Administration*



ORGANIZATION



CHIEFS AND MANAGERS

Seated, First Row (left to right): Virginia Martucci – *Claims*, Rita Partyka – *Client Services*, Sandra Horan – *Enrollments and Purchases*

Second Row (left to right): Timothy McMullen – *Budget and Compliance*, Wendy Jamison – *Boards of Trustees*, Christine Servis – *Health Benefits*, Michael Weik – *Administrative Services*, Timothy Rooney – *Information Technology*

Third Row (left to right): Joseph Zisa – *Defined Benefit and Contribution Plans*, David Pointer – *Retirements*, Frank Corliss – *MIS*, Francis Peterson — *Manager, Fiscal Resources*

DIRECTOR

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

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

OFFICE OF OPERATIONS

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

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

OFFICE OF HEALTH BENEFITS

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

ORGANIZATION

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

OFFICE OF FINANCIAL SERVICES

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

The Office of Financial Services is charged with the custodianship of pension and health benefits assets. These assets are in excess of \$75 billion and include over 763,000 individual member accounts. The office is responsible for the accounting and budget functions necessary for the successful operations of the various pension funds, health benefits and agency funds, as well as the administration of the Pension Adjustment Program, the Supplemental Annuity Collective Trust, and Deferred Compensation Plan.

OFFICE OF CLIENT SERVICES

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

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

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

OFFICE OF MANAGEMENT INFORMATION AND SUPPORT SERVICES

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

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

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

OFFICE OF PROFESSIONAL SERVICES

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

OFFICE OF BOARD OF TRUSTEES ADMINISTRATION

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

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

ORGANIZATION

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

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

ACTUARIAL ADVISORS

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

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

LEGAL ADVISOR

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

MEDICAL ADVISORS

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

ORGANIZATION — BOARDS OF TRUSTEES



PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- Seated: Kathleen Coates, *Board Secretary*
(l to r) Roderick Lewis
George B. Babula, *Chairperson*
Jackie Bussanich, *Support Staff*
- Standing: Frederick J. Beaver, *Treasurer's Representative*
(l to r) Stephen Florek
Susanne Culliton, *Deputy Attorney General*
Edward Thomson, III
Leon Flanagan
- Absent: Ronald Winthers
Suzanna Buriani-DeSantis
James Brey



TEACHERS' PENSION AND ANNUITY FUND

- Seated: Kathleen Coates, *Board Secretary*
(l to r) James Clemente, *Chairperson*
Grace Haislip
Gail Griffin
- Standing: Frederick J. Beaver, *Treasurer's Representative*
(l to r) Marie Flynn
John Keeler
- Absent: Deborah Rivosa
Susanne Culliton, *Deputy Attorney General*
Vacant Seat



POLICE AND FIREMEN'S RETIREMENT SYSTEM

- Seated: Alan C. Levine
(l to r) John Sierchio
Mark Kandrach, *Chairperson*
Dennis Connelly
Richard Mikutsky
- Standing: Vincent Foti
(l to r) Frederick J. Beaver, *Treasurer's Representative*
Tom Murphy
Wendy Jamison, *Board Secretary*
Gail Griffin
Frank Leake
- Absent: Joseph Boucher
Nichole Fava
Susanne Culliton, *Deputy Attorney General*

ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Seated: Susanne Culliton, *Deputy Attorney General*
(l to r) James Grant
Jackie Bussanich, *Support Staff*

Standing: Peter Gorman, *Treasurer's Representative*
(l to r) John K. Sayers
Wendy Jamison, *Board Secretary*
Korneilus Vanderploeg

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

Spencer H. Smith, Jr., *Chairperson (deceased, March 5, 2005)*
Louis J. Risacher, *Vice Chairperson*
Thomas Tighe, *Governor Appointee*
William H. Schlueter, *Governor Appointee*
William A. Nagy, Jr., *Governor Appointee*
Frederick J. Beaver, *Treasurer's Representative*

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

John E. McCormac, *State Treasurer*
Donald Bryan, *Acting Commissioner, Department of Banking and Insurance*
Charlene Holzbour, *Director and State Comptroller,*
Office of Management and Budget, Department of the Treasury

STATE HEALTH BENEFITS COMMISSION

John E. McCormac, *State Treasurer, Chairperson*
Donald Bryan, *Acting Commissioner, Department of Banking and Insurance*
Rolando Torres, Jr., *Commissioner, Department of Personnel*
Frederick J. Beaver, *Secretary*
Eric E. Richard, *State Employees' Representative of the AFL-CIO*
Brian Volz, *NJEA Representative*

DEFERRED COMPENSATION BOARD

John E. McCormac, *State Treasurer*
Donald Bryan, *Acting Commissioner, Department of Banking and Insurance*
Charlene Holzbour, *Director and State Comptroller,*
Office of Management and Budget, Department of the Treasury

SIGNIFICANT LEGISLATION

CHAPTER 86, P.L. 2004

This law requires health insurers, including health, hospital and medical service corporations, commercial individual, small employer and group health insurers, health maintenance organizations, and the State Health Benefits Program (SHBP), to provide health benefits coverage for expenses incurred in conducting a mammogram for women under 40 years of age who have a family history of breast cancer or other breast cancer risk factors, at such age and intervals as deemed medically necessary by the woman's health care provider.

The law also codifies in statute that the SHBP shall provide coverage for one baseline mammogram examination for women who are at least 35 but less than 40 years of age and a mammogram every year for women age 40 and over.

This act shall take effect on the 90th day after enactment and shall apply to all contracts and policies that are delivered, issued, executed, or renewed or approved for issuance or renewal in this State on or after the effective date.

This law was effective October 5, 2004.

CHAPTER 177, P.L. 2004

This law concerns the retirement allowance of Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS) veteran members who retire after having attained age 55, and who have at least 35 years of service credit. It provides that the retirement allowance shall be based on the 12-month period of membership providing the largest possible benefit to the member or the member's beneficiary instead of the last year of employment upon which contributions to the annuity savings fund or contingent reserve fund are made.

This law was effective December 22, 2004.

CHAPTER 6, P.L. 2005

This law allows retired administrative law judges and workers' compensation judges to be recalled for service, with the judge's consent.

It amends N.J.S.A.52:14F-4 and N.J.S.A.34:15-49, which requires these judges to retire upon attaining age 70, to provide that upon such recall the retired administrative law judge or judge of compensation will have all the powers of such a judge and will be paid a per diem allowance to be fixed by the Director/ Chief Administrative Law Judge or the Director/Chief Judge of the Division of Workers' Compensation, as applicable. The recalled judge will be reimbursed for reasonable expenses actually incurred in connection with the assignment and will be provided with such facilities as may be required in the performance of the judge's duties. Those per diem compensation and expenses will be paid by the State. Payment for services and expenses will be made in the same manner as payment is made to the judges of the Office of Administrative Law or Division of Workers' Compensation, as applicable, from which the judge retired.

This law was effective January 19, 2005.

CHAPTER 64, P.L. 2005

This law amends several statutes to define members of Operations Northern Watch and Southern Watch as veterans for the purposes of civil service hiring preferences, the purchase of service credit and the calculation of veterans benefits in the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF), the purchase of service credit in the Police and Firemen's Retirement System (PFRS), and the receipt of a property tax deduction or exemption.

Operation Northern Watch and Operation Southern Watch are the names given to the missions that monitored and controlled airspace above and below the 33rd parallel in Iraq, otherwise known as "no-fly zones."

The pension-related sections of this law are effective immediately (April 7, 2005).

SCOPE OF OPERATIONS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

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

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

TEACHERS' PENSION AND ANNUITY FUND (TPAF)

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

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

POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)

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

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

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

STATE POLICE RETIREMENT SYSTEM (SPRS)

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

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

JUDICIAL RETIREMENT SYSTEM (JRS)

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

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

ALTERNATIVE BENEFIT PROGRAM (ABP)

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

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

SCOPE OF OPERATIONS

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

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

PRISON OFFICERS’ PENSION FUND (POPF)

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

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

CONSOLIDATED POLICE AND FIREMEN’S PENSION FUND (CPFPF)

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

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

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN (NJSEDCP)

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

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

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

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

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

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

ADDITIONAL CONTRIBUTIONS TAX-SHELTERED PROGRAM (ACTS)

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

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

CENTRAL PENSION FUND (CPF)

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

SCOPE OF OPERATIONS

PENSION ADJUSTMENT FUND (PAF)

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

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

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

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

STATE HEALTH BENEFITS PROGRAM (SHBP)

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

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

PRESCRIPTION DRUG PLAN (PDP)

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

Program. The Division of Pensions and Benefits became responsible for its administration in November 1976.

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

STATE EMPLOYEE DENTAL PROGRAM (SEDP)

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

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

TAX\$AVE

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

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

SCOPE OF OPERATIONS

COMMUTER TAX\$AVE

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

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

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

STATE EMPLOYEES LONG TERM CARE INSURANCE PLAN

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

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

MEMBERSHIP

ACTIVE MEMBERSHIP	RETIREMENT SYSTEM	2004	2005
	Public Employees' Retirement System	314,673*	322,985*
Teachers' Pension & Annuity Fund	151,911*	154,854*	
Police & Firemen's Retirement System	45,124*	45,263*	
State Police Retirement System	2,710*	2,950*	
Judicial Retirement System	432	427	
Alternate Benefit Program	17,615	16,920	
Prison Officers' Pension Fund	0	0	
Consolidated Police & Firemen's Pension Fund	0	0	
Central Pension Fund	NA	NA	
Total	532,465	543,399	
<p><i>*Both the 2004 and 2005 figures represent the total number of Active and Inactive accounts. The 2005 Inactive (noncontributing) accounts are as follows: PERS Inactive — 51,170, TPAF Inactive — 14,201, PFRS Inactive — 2,014, SPRS Inactive — 124</i></p>			
RETIRED MEMBERSHIP & BENEFICIARIES	RETIREMENT SYSTEM	2004	2005
	Public Employees' Retirement System	118,114	121,177
Teachers' Pension & Annuity Fund	61,965	65,401	
Police & Firemen's Retirement System	27,826	29,192	
State Police Retirement System	2,204	2,299	
Judicial Retirement System	419	432	
Alternate Benefit Program	NA	NA	
Prison Officers' Pension Fund	200	186	
Consolidated Police & Firemen's Pension Fund	941	831	
Central Pension Fund	350	341	
Total	212,019	219,859	
<p><i>*The number of retirees varies slightly from those reported in the Notes to the Financial Statements due to differences in the effective dates of said tabulations.</i></p>			
PARTICIPATION IN HEALTH BENEFITS PROGRAM	HEALTH PROGRAM	2004	2005
	State Health Benefits Program	358,609	363,435
Prescription Drug Plan	148,164	150,780	
Employee Dental Expense Plan	99,072	134,505	

MEMBERSHIP

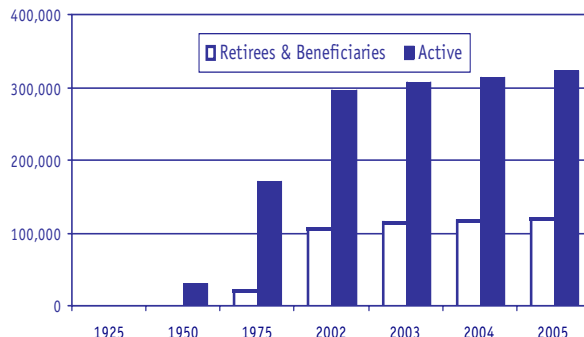
PUBLIC EMPLOYEES'S RETIREMENT SYSTEM

As of June 30, 2005, the active membership of the system totaled 444,162. There were 121,177 retirees and beneficiaries receiving annual pensions totaling \$1,605,184,591*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$103,933,291.

The system's assets totaled \$28,028,338,402 at the close of the fiscal year 2005.

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



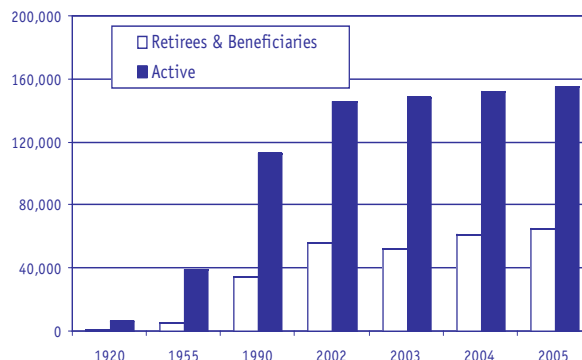
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2005, the active membership of the system totaled 220,255. There were 65,401 retirees and beneficiaries receiving annual pensions totaling \$1,998,447,461*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$62,786,215.

The fund's assets totaled \$35,080,115,665 at the close of the fiscal year 2005.

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



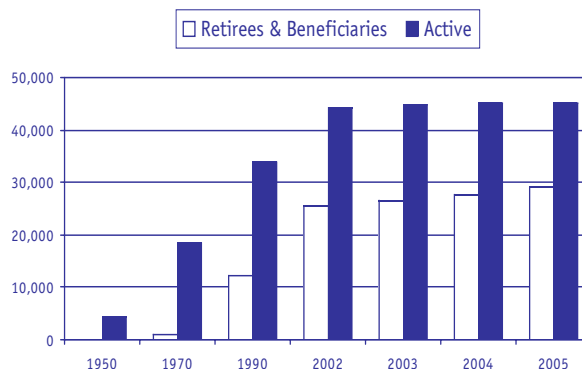
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2005, the active membership of the system totaled 74,455. There were 29,192 retirees and beneficiaries receiving annual pensions totaling \$1,037,521,253*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$26,942,000.

The system's assets totaled \$20,082,541,678 at the close of the fiscal year 2005.

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



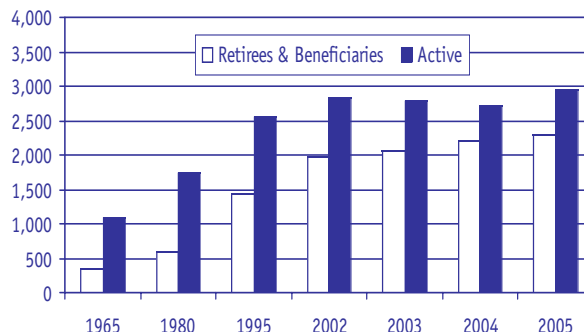
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2005, the active membership of the system totaled 5,249. There were 2,299 retirees and beneficiaries receiving annual pensions totaling \$97,942,622*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$927,128.

The system's assets totaled \$2,026,126,514 at the close of the fiscal year 2005.

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

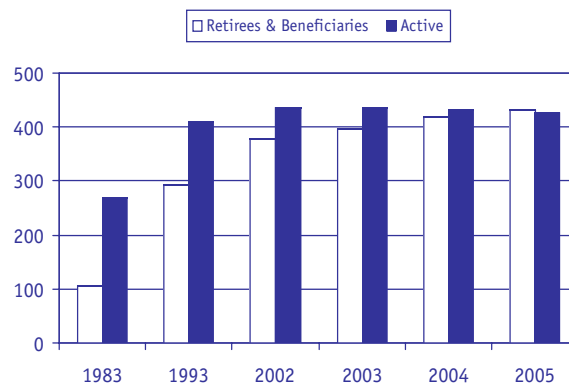


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2005, the active membership of the system totaled 859. There were 432 retirees and beneficiaries receiving annual pensions totaling \$28,756,368.

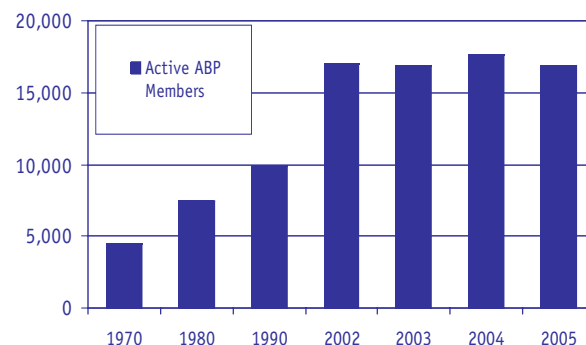
The system's assets totaled \$382,725,780 at the close of the fiscal year 2005.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2005, the State paid \$114,066,388 on behalf of 16,920 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$10,128,022 in lump sum death benefits.



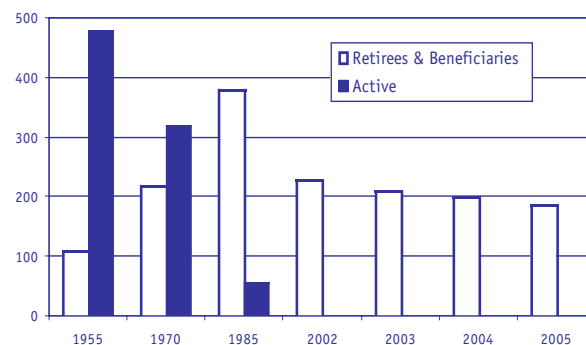
PRISON OFFICERS' PENSION FUND

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

This fund was closed to new membership in January 1960.

As of June 30, 2005, the active membership of the fund totaled zero. There were 186 retirees and beneficiaries receiving annual pensions totaling \$2,631,732.

The fund's assets totaled \$16,075,161 at the close of the fiscal year 2005.

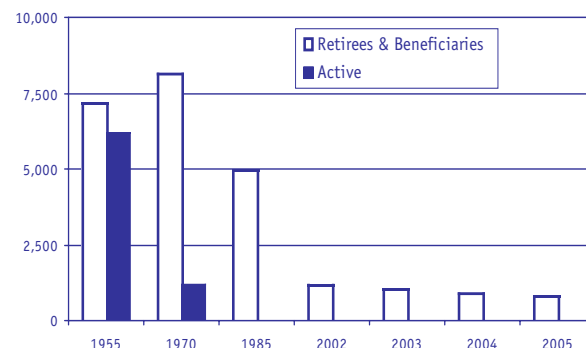


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

As of June 30, 2005, the active membership of the fund totaled zero. There were 831 retirees and beneficiaries receiving annual pensions totaling \$15,137,682.

The fund's assets totaled \$18,057,251 at the close of the fiscal year 2005.



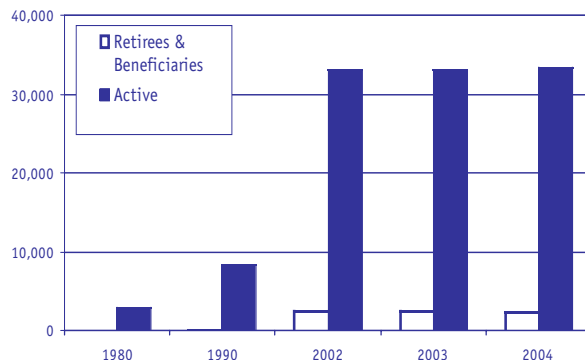
MEMBERSHIP

NJ STATE EMPLOYEES' DEFERRED COMPENSATION PLAN

Fiscal year 2005 continues to show a marked increase in active participation due to membership campaigns conducted by the Division of Pensions and Benefits.

As of June 30, 2005, the membership of the New Jersey State Employees' Deferred Compensation Plan totaled 34,414. There were 2,332 members receiving monthly installment payments.

The plan's net assets (participants' balances) were \$1,516,374,059 at the close of the fiscal year 2005.

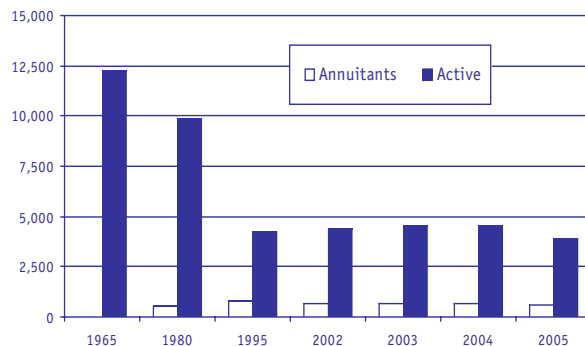


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2005, the active membership of the trust totaled 3,956. The unit value was \$58.1906, an increase of \$3.2024 from the June 30, 2004 value of \$54.9882.

There were 626 annuitants.

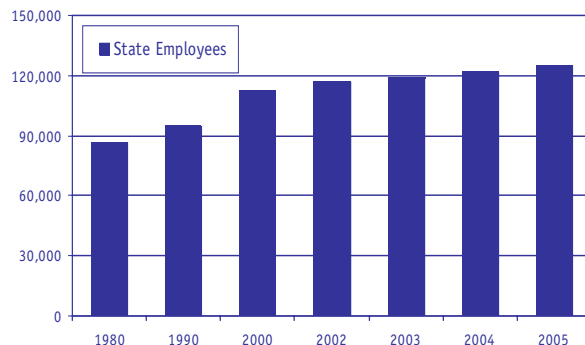
The trust's assets totaled \$152,933,129 at the close of the fiscal year 2005.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

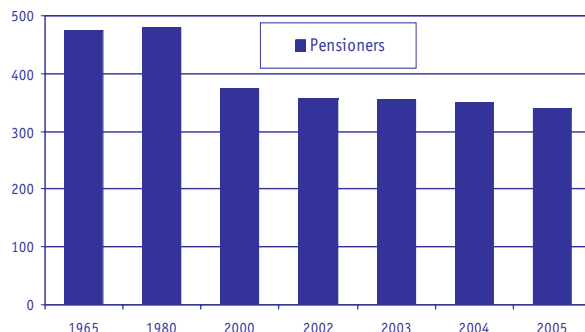
As of June 30, 2005, the Unemployment Compensation Program for State employees covered as many as 124,849 persons, and the Division remitted \$9,528,219 on behalf of the State. There were 4,507 requests for unemployment benefits filed, and \$13,390,593 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 129,489 employees, and the Division remitted \$23,870,986 on behalf of the State. Claims paid totaled \$29,302,395.



CENTRAL PENSION FUND

As of June 30, 2005, there were 341 beneficiaries receiving annual pensions totaling \$443,764.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

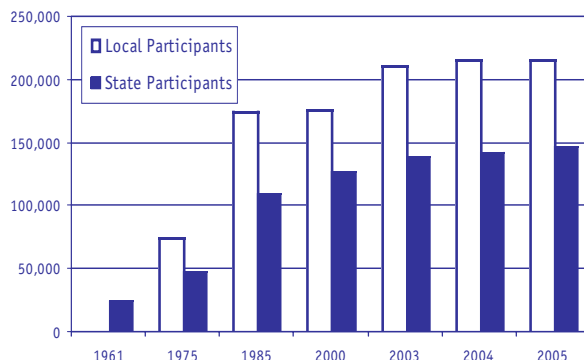
There were 193,791 pensioners who were paid \$561,198,004 during the fiscal year 2005.



STATE HEALTH BENEFITS PROGRAM

As of June 30, 2005, there were 363,435 covered participants (active and retired) consisting of 147,298 State participants and 216,137 participants of 969 local participating employers.

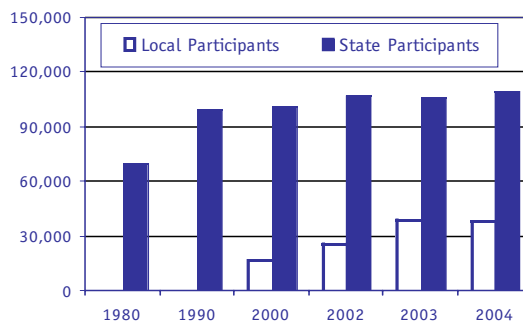
The State and state employee contributions were \$1,096,996,160 while payment made by local employers and employees was \$1,833,697,629.



PRESCRIPTION DRUG PLAN

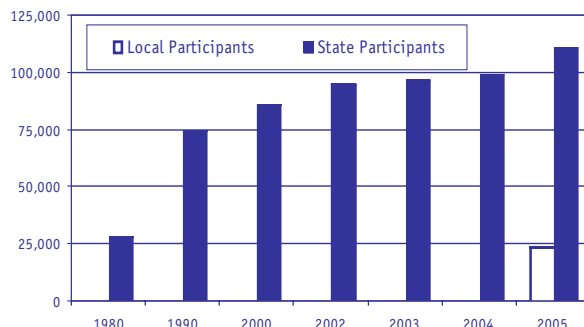
The Prescription Drug Plan covered as many as 114,090 State employees and 36,690 local employees during fiscal year 2005.

The State's contribution was \$229,292,754 while payment made by local employers was \$91,541,927.



EMPLOYEE DENTAL PROGRAM

The Employee Dental Program covered as many as 110,831 eligible State employees and 23,674 local employees during fiscal year 2005. The State of New Jersey as the employer expended \$22,148,809 while payment made by local employers was \$210,736.



FINANCIAL SECTION

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STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

June 30, 2005

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KPMG LLP
Princeton Pike Corporate Center
PO Box 7348
Princeton, NJ 08543-7348

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the State of New Jersey Division of Pensions and Benefits (the Division) as of and for the year ended June 30, 2005, which collectively comprise the Division's basic financial statements as listed in the accompanying index. These financial statements are the responsibility of the Division's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Division are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, and each major fund, of the State that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the State of New Jersey Division of Pensions and Benefits as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Division's basic financial statements. The combining schedules and schedule of administrative expenses, schedule of investment expenses, and schedule of expenses for consultants are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

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

KPMG LLP

December 14, 2005

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Management's Discussion and Analysis
June 30, 2005

Our discussion and analysis of the financial performance of the governmental funds, proprietary funds, and fiduciary funds (the Funds) administered by the Division of Pensions and Benefits (the Division) provides an overview of the Funds' financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

Governmental Activities:

- For Health Benefits Program-State, net assets increased by \$36.1 million, decreasing the deficit from \$(63.5) million to \$(27.4) million. For Prescription Drug Program-State, net assets increased by \$7.3 million from \$27.6 million to \$34.9 million. For Dental Expense Program-State, net assets decreased by \$9.4 million from \$12.1 million to \$2.7 million.
- Revenues recognized during the year were as follows: \$1.1 billion for the Health Benefits Program-State; \$231.7 million for the Prescription Drug Program-State; and \$58.9 million for the Dental Expense Program-State.
- Expenses incurred during the year were as follows: \$1.1 billion for the Health Benefits Program-State; \$224.4 million for the Prescription Drug Program-State; and \$68.3 million for the Dental Expense Program-State.

Business-Type Activities:

- For Health Benefits Program-Local, net assets increased by \$68.2 million from \$128.4 million to \$196.6 million. For Prescription Drug Program-Local, net assets increased by \$12.3 million from \$9.0 million to \$21.3 million. For Dental Expense Program-Local which became effective January 1, 2005, net assets have a deficit of \$(1.2) million.
- Revenues recognized during the year were as follows: \$1.8 billion for the Health Benefits Program-Local; \$92.4 million for the Prescription Drug Program-Local; and \$5.4 million for the Dental Expense Program-Local.
- Expenses incurred during the year were as follows: \$1.8 billion for the Health Benefits Program-Local; \$80.0 million for the Prescription Drug Program-Local; and \$6.6 million for the Dental Expense Program-Local.

Fund Financial Statements

Fiduciary Funds:

Pension Trust Funds:

- Fiduciary net assets increased by \$3.1 billion as a result of this year's operations from \$71.6 billion to \$74.7 billion.
- Additions for the year were \$9.0 billion, which are comprised of member and employer pension contributions of \$2.9 billion and investment income of \$ 6.1 billion.
- Deductions for the year were \$5.9 billion, which are comprised of benefit and refund payments of \$5.9 billion and administrative expenses of \$47.3 million.

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Agency Funds:

- The Funds' total additions were \$141.0 million mostly consisting of member and employer contributions of \$140.6 million and investment income of \$0.4 million.
- The Funds' total deductions were \$141.0 million consisting of pension and insurance benefit charges of \$138.6 million and other expenses of \$2.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

Governmental Activities:

Health Benefits Program – State

Prescription Drug Program – State

Dental Expense Program – State

Business-Type Activities:

Health Benefits Program – Local

Prescription Drug Program – Local

Dental Expense Program – Local

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Division uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Division can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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Governmental Funds:

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

The Division administers thirteen fiduciary funds: eleven pension trust funds and two agency funds. The basic fiduciary fund financial statements consist of the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Notes to the financial statements

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

Other information

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

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FINANCIAL ANALYSIS

Government-wide:

STATEMENT OF NET ASSETS (DEFICIT)

Governmental Activities:

	2005	2004	Increase (Decrease)
Assets	\$ 203,595,080	\$ 152,666,147	\$ 50,928,933
Liabilities	193,408,330	176,501,958	16,906,372
Net Assets (Deficit)	\$ 10,186,750	\$ (23,835,811)	\$ 34,022,561

Business-Type Activities:

	2005	2004	Increase (Decrease)
Assets	\$ 518,065,490	\$ 399,618,655	\$ 118,446,835
Liabilities	301,420,577	262,269,465	39,151,112
Net Assets (Deficit)	\$ 216,644,913	\$ 137,349,190	\$ 79,295,723

Assets mainly consist of cash, investments, and contributions due from members, participating employers and former members who are covered under the rules of the Federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), and contributions due from Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) to provide funding for post-retirement medical benefits. For the Governmental Activities, between fiscal years 2004 and 2005, total assets increased by \$50.9 million or 33.4%. For the Business-Type Activities, total assets increased by \$118.4 million or 29.6%. The increase in total assets is mainly due to an increase in fair value balances invested in the Cash Management Fund (CMF) and an increase in charges for services in 2005.

Liabilities mainly consist of outstanding medical and long-term disability claim payments, including incurred but not reported (IBNR) claims. For the Governmental Activities, total liabilities increased by \$16.9 million or 9.6%. For the Business-Type Activities, total liabilities increased by \$39.1 million or 14.9%. The increase in total liabilities is mainly due to an increase in claims payable including IBNR.

For the Governmental Activities, net assets increased by \$34.0 million or 142.7%. For the Business-Type Activities, net assets increased by \$79.3 million or 57.7%. The increase in net assets is due to an increase in fair value of investments and revenues exceeding expenses.

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STATEMENT OF ACTIVITIES

REVENUES - ADDITIONS TO NET ASSETS (DEFICIT)

Governmental Activities:

	2005	2004	Increase (Decrease)
Member Contributions	\$ 114,227,002	\$ 108,605,249	\$ 5,621,753
Employer Contributions	1,271,991,065	1,142,379,402	129,611,663
CMF Investment & Other	3,558,790	856,232	2,702,558
Totals	\$ 1,389,776,857	\$ 1,251,840,883	\$137,935,974

Business-Type Activities:

	2005	2004	Increase (Decrease)
Member Contributions	\$ 93,328,849	\$ 85,621,581	\$ 7,707,268
Employer Contributions	1,837,856,549	1,683,134,186	154,722,363
CMF Investment & Other	8,674,083	2,841,106	5,832,977
Totals	\$ 1,939,859,481	\$ 1,771,596,873	\$168,262,608

Revenues primarily consist of member and employer contributions and earnings from CMF Investment activities. For the Governmental Activities, revenues increased by \$137.9 million or 11.0%. For the Business-Type Activities, total revenues increased by \$168.3 million or 9.5%. The increase in revenues is attributable to an increase in the premium rates for the health, dental, and prescription drug plans. Member contributions increased by 5.2% for the Governmental Activities and by 9.0% for the Business-Type Activities for the same reason. The increase in investment and other revenues is primarily due to net appreciation in fair value of investments and a higher CMF interest rate.

EXPENSES - DEDUCTIONS FROM NET ASSETS (DEFICIT)

Governmental Activities:

	2005	2004	Increase (Decrease)
Benefits	\$ 1,353,189,620	\$ 1,218,641,656	\$134,547,964
Administrative Expenses	2,564,676	2,656,283	(91,607)
Totals	\$ 1,355,754,296	\$ 1,221,297,939	\$134,456,357

Expenses primarily consist of claim charges for the self-insured health, prescription drug, and dental plans, premium charges for the insured health and dental programs, and administrative expenses. During the year, expenses increased by \$134.5 million or 11.0% for the Governmental Activities. For the insured plans, expenses increased due to the higher premium rates for calendar year 2005. The average premium rate increase for all plans is 3.9% for active members and 9.5% for retirees in calendar year 2005. For the self-insured plans, the increase in benefit expenses was due to higher claim charges, which is attributable to the rising cost of health services.

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Business-Type Activities:

	2005	2004	Increase (Decrease)
Benefits	\$1,856,716,744	\$ 1,696,844,732	\$ 159,872,012
Administrative Expenses	3,847,014	3,835,625	11,389
Totals	\$1,860,563,758	\$ 1,700,680,357	\$159,883,401

Expenses primarily consist of claim charges for the self-insured health, prescription drug, and dental plans, premium charges for the insured health and dental programs, and administrative expenses. During the year, expenses increased by \$159.9 million or 9.4% for the Business-Type Activities. For the insured plans, expenses increased due to higher premium rates for calendar year 2005. The average premium rate increase for all plans is 7.5% for active members and 8.5% for retirees in calendar year 2005. For the self-insured plans, the increase in benefit expenses was due to higher claim charges, which is attributable to the rising cost of health services.

Fiduciary Funds:

STATEMENT OF FIDUCIARY NET ASSETS

Pension Trust Funds:

	2005	2004	Increase (Decrease)
Assets	\$ 87,314,303,498	\$83,331,702,856	\$ 3,982,600,642
Liabilities	12,582,266,466	11,682,856,217	899,410,249
Net Assets	\$ 74,732,037,032	\$71,648,846,639	\$3,083,190,393

Assets mainly consist of cash, securities lending collateral, investments, and contributions due from members and participating employers. Between fiscal years 2004 and 2005, total assets increased by \$4.0 billion or 4.8%. The total assets increased partly due to an increase in fair value of investments. It is also related to an increase in member contributions and employer contributions receivables. Employer contributions receivables were based on Chapter 23, P.L. 2002 (early retirement incentive benefits to State employees) for Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS); Chapter 128 and 129, P.L. 2003 (early retirement incentive benefits to local employees) for TPAF; Chapter 127, 128, and 129 for PERS; Chapter 130 for Police and Firemen's Retirement System (PFRS); and Chapter 108, P.L. 2003 (pension obligation payments by local employers through a five-year phase-in) for PERS and PFRS.

Liabilities consist of pension and death benefit payments owed to members and beneficiaries, outstanding insurance premium payments, securities lending collateral and rebates payable, and other payables. Total liabilities increased by \$899.4 million or 7.7% over last year. This is mainly due to an increase in benefits payable to retirees and beneficiaries.

Net assets increased by \$3.1 billion or 4.3%.

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Agency Funds:

	2005	2004	Increase (Decrease)
Assets	\$ 30,761,110	\$ 27,295,305	\$ 3,465,805
Liabilities	30,761,110	27,295,305	3,465,805
Net Assets (Deficit)	\$ 0	\$ 0	\$ 0

The Funds' assets mainly consist of cash, investments and contributions due from the State and local employers. Between fiscal years 2004 and 2005, total assets increased by \$3.5 million or 12.7%. This is mainly due to an increase in other receivables.

Liabilities mainly consist of pension reimbursements owed by the State of New Jersey to state/county colleges and outstanding life and long-term disability insurance premium charges in the Alternate Benefit Program Fund (ABP). Between fiscal year 2004 and 2005, total liabilities increased by \$3.5 million or 12.7%. The increase in the liabilities is mainly related to an increase in Due to State General Fund.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

Pension Trust Funds:

	2005	2004	Increase (Decrease)
Member Contributions	\$ 1,460,882,145	\$ 1,196,974,064	\$ 263,908,081
Employer Contributions & Other	1,461,575,456	1,515,936,587	(54,361,131)
Investment	6,058,920,769	8,805,203,159	(2,746,282,390)
Totals	\$ 8,981,378,370	\$11,518,113,810	\$ (2,536,735,440)

Additions primarily consist of member and employer contributions and earnings from investment activities. There was an increase by \$263.9 million or 22.1% in total member contributions. In all pension trust funds other than Judicial Retirement System (JRS), member contributions increased between 2004 and 2005 partly due to normal salary increases or increased membership. Also, in TPAF and PERS, the increase is partly due to elimination of a reduction in the employee contribution rate (i.e., returning to the normal rate of 5% from 3%), which was effective January 1, 2004 for TPAF, July 1, 2004 for PERS-State, and January 1, 2005 for PERS-Local. The increases in member contributions ranged from 2.1% in Supplemental Annuity Collective Trust (SACT) to 42.4% in PERS. JRS decreased by 17.5%.

Employer contributions (excluding pension adjustment fund) decreased by \$53.4 million or 3.6%. The decrease was mainly from PERS by \$363.7 million or 47.0%. Employer contributions included appropriation from local employers due April 1, 2006 for PERS and PFRS based on Chapter 108, P.L. 2003; contributions from local employers for TPAF, PERS, and PFRS based on Chapter 127, 128, 129, and/or 130, P.L. 2003; and contributions from State appropriation for TPAF and PERS based on Chapter 23, P.L. 2002.

The State made a contribution of \$494.7 million for TPAF and \$190.8 million for PERS fiscal year 2005 post-retirement medical (PRM).

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The State made a contribution of \$6.2 million to JRS, \$7.0 million to Consolidated Police and Firemen's Pension Fund (CPFPF), and \$49.3 million to PFRS to satisfy the actuarially accrued liabilities in fiscal year 2005. Also, the State made a contribution of \$187.9 thousand to State Police Retirement System (SPRS).

For fiscal year 2005, the 50% of TPAF, PERS, and PFRS available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997.

Investment & other revenues decreased by \$2.7 billion or 31.2% due to decrease in net appreciation in fair value of investments.

The total investment gain for all pension funds was estimated to be 8.7% compared to 14.2% in the prior year.

Agency Funds:

	2005	2004	Increase (Decrease)
Member Contributions	\$ 737,213	\$ 699,121	\$ 38,092
Employer Contributions	139,907,140	132,369,860	7,537,280
Investment & Other	353,072	174,436	178,636
Totals	\$ 140,997,425	\$ 133,243,417	\$ 7,754,008

For the ABP, additions primarily consist of member and employer contributions and earnings from investment activities. During the year, member contribution increased by 5.5% due to higher base salaries. Employer contributions increased by \$9.4 million or 7.8% due to higher base salaries. Investment earnings increased by 116.7% due to net appreciation in fair value of investments and a higher CMF interest rate.

For the PAF, additions consist of employer contributions and earnings from investment activities. Contributions recognized by the PAF decreased by \$1.9 million or 16.3% over last year due to a decrease in number of retirees and beneficiaries receiving pension adjustment benefit. Investment earnings increased by 82.6% due to net appreciation in fair value of investments and a higher CMF interest rate.

DEDUCTIONS FROM FIDUCIARY NET ASSETS

Pension Trust Funds:

	2005	2004	Increase (Decrease)
Benefits	\$ 5,750,478,219	\$ 5,276,329,933	\$ 474,148,286
Refunds & Adjustments	100,425,050	101,777,214	(1,352,164)
Administrative Expenses	47,284,708	32,219,076	15,065,632
Totals	\$ 5,898,187,977	\$ 5,410,326,223	\$ 487,861,754

Deductions are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members, and administrative costs incurred by the Funds. Benefit payments increased by \$487.9 million or 9.0%. It is partly due to an increase in number of retirees. The number of refunds processed decreased

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by \$1.4 million or 1.3% compared to last year. Administrative expenses increased by \$15.1 million or 46.8% mainly due to the reimbursement to the State General Fund for the Special Project Fund Appropriation for the system reengineering project.

Agency Funds:

	2005	2004	Increase (Decrease)
Benefits	\$ 138,562,001	\$ 132,187,587	\$ 6,374,414
Refunds & Amounts Due the General Fund	2,435,424	1,055,830	1,379,594
Totals	\$ 140,997,425	\$ 133,243,417	\$ 7,754,008

The increase in benefit payments is mainly due to the increase in the State reimbursement expense to state/county colleges based on 8% of the base salaries of active participants in the ABP. Benefit payments increased by \$7.4 million or 6.1% in the ABP. The number of active and retired claims processed was higher as compared to the prior year.

Refunds and amounts due the general fund primarily represent contributions received from the State of New Jersey in excess of the amount required to cover benefit charges incurred by the Funds. There was an increase in this expense by \$1.4 million or 130.7% between 2005 and 2004.

OVERALL FINANCIAL CONDITION OF THE FUNDS

For the pension benefit funds, the combined funded ratios of 87.2% for fiscal year 2005 and 93.7% for 2004 indicate that these funds have sufficient assets to meet their benefit obligations.

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

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

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

CONTACTING SYSTEM FINANCIAL MANAGEMENT

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

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STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Net Assets
June 30, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Cash and cash equivalents	\$32,860	464,502	\$497,362
Investments, at fair value:			
Cash Management Fund	148,862,136	431,963,542	580,825,678
Total investments	148,862,136	431,963,542	580,825,678
Receivables:			
Other	54,573,513	85,145,096	139,718,609
Due from other funds	126,571	492,350	618,921
Total receivables	54,700,084	85,637,446	140,337,530
Total assets	\$203,595,080	518,065,490	\$721,660,570
Liabilities:			
Accounts payable and accrued expenses	\$47,436,699	38,770,570	\$86,207,269
Cash overdraft	577,346	216,949	794,295
Incurred but not reported claims	143,039,000	261,500,000	404,539,000
Deferred revenue	1,934,908	—	1,934,908
Other	293,806	440,708	734,514
Due to other funds	126,571	492,350	618,921
Total liabilities	193,408,330	301,420,577	494,828,907
Net assets — unrestricted	10,186,750	216,644,913	226,831,663
Total liabilities and net assets — unrestricted	\$203,595,080	518,065,490	\$721,660,570

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Statement of Activities
 Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets (Deficit)	
		Charges for Services (Contributions)	Governmental Activities	Business-Type Activities	TOTAL
Primary government:					
Governmental activities:					
Health Benefits Program - State	\$ 1,063,128,414	1,096,996,160	33,867,746	—	\$ 33,867,746
Dental Expense Program	68,270,257	58,467,105	(9,803,152)	—	(9,803,152)
Prescription Drug Program - State	224,355,625	230,754,802	6,399,177	—	6,399,177
Total governmental activities	1,355,754,296	1,386,218,067	30,463,771	—	30,463,771
Business-type activities:					
Health Benefits Program - Local	1,773,894,997	1,833,697,629	—	59,802,632	59,802,632
Dental Expense Program - Local	6,605,724	5,346,636	—	(1,259,088)	(1,259,088)
Prescription Drug Program - Local	80,063,037	92,141,133	—	12,078,096	12,078,096
Total business-type activities	1,860,563,758	1,931,185,398	—	70,621,640	70,621,640
Total primary government	\$ 3,216,318,054	3,317,403,465	30,463,771	70,621,640	\$ 101,085,411
General Revenues:					
Investment Earnings			\$ 3,558,790	8,674,083	\$ 12,232,873
Total general revenues			3,558,790	8,674,083	12,232,873
Change in Net Assets			34,022,561	79,295,723	113,318,284
Net assets (deficit) - Beginning of year			(23,835,811)	137,349,190	113,513,379
Net assets - End of year			\$ 10,186,750	216,644,913	\$ 226,831,663

See accompanying notes to financial statements.

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

Balance Sheet
Governmental Funds

June 30, 2005

	HEALTH BENEFITS PROGRAM FUND STATE	DENTAL EXPENSE PROGRAM FUND STATE	PRESCRIPTION DRUG PROGRAM FUND STATE	TOTAL
Assets:				
Cash and cash equivalents	\$ —	—	32,860	\$ 32,860
Investments, at fair value:				
Cash Management Fund	99,068,720	9,942,140	39,851,276	148,862,136
Total investments	99,068,720	9,942,140	39,851,276	148,862,136
Receivables:				
Other	53,077,780	1,456,177	39,556	54,573,513
Due from other funds	121,511	5,060	—	126,571
Total receivables	53,199,291	1,461,237	39,556	54,700,084
Total assets	\$ 152,268,011	11,403,377	39,923,692	\$ 203,595,080
Liabilities:				
Accounts payable and accrued expenses	\$ 41,401,041	1,135,658	4,900,000	\$ 47,436,699
Cash overdraft	145,120	432,226	—	577,346
Deferred revenue	1,015,342	917,216	2,350	1,934,908
Other	293,806	—	—	293,806
Due to other funds	5,060	—	121,511	126,571
Total liabilities	42,860,369	2,485,100	5,023,861	50,369,330
Fund balances:				
Unreserved	109,407,642	8,918,277	34,899,831	153,225,750
Total liabilities and fund balances	\$ 152,268,011	11,403,377	39,923,692	\$ 203,595,080
Amounts reported in the statement of net assets are different because: Long term liabilities including IBNR are not due and payable in the current period and therefore not reported in the funds.	(136,794,000)	(6,245,000)	—	(143,039,000)
Fund Balances (Deficiencies)	\$ (27,386,358)	2,673,277	34,899,831	\$ 10,186,750

See accompanying notes to financial statements.

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STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	HEALTH BENEFITS PROGRAM FUND STATE	DENTAL EXPENSE PROGRAM FUND STATE	PRESCRIPTION DRUG PROGRAM FUND STATE	TOTAL
Revenues:				
Contributions:				
Members	\$ 76,446,658	36,318,296	1,462,048	\$ 114,227,002
Employers	1,020,549,502	22,148,809	229,292,754	1,271,991,065
Total contributions	1,096,996,160	58,467,105	230,754,802	1,386,218,067
Investment income:				
Net appreciation (depreciation) in fair value of investments	5,341	2,028	570	7,939
Interest	2,240,912	383,285	926,654	3,550,851
Total investment income	2,246,253	385,313	927,224	3,558,790
Total revenues	1,099,242,413	58,852,418	231,682,026	1,389,776,857
Expenditures:				
Benefits	1,044,426,738	67,595,257	224,355,625	1,336,377,620
Administrative expense	2,564,676	—	—	2,564,676
Total expenditures	1,046,991,414	67,595,257	224,355,625	1,338,942,296
Excess (deficiency) of revenues over (under) expenditures	52,250,999	(8,742,839)	7,326,401	50,834,561
Fund Balances:				
Beginning of year	57,156,643	17,661,116	27,573,430	102,391,189
End of year	\$ 109,407,642	8,918,277	34,899,831	\$ 153,225,750
Benefits — Modified Accrual	1,044,426,738	67,595,257	224,355,625	1,336,377,620
Benefits — Full Accrual	1,060,563,738	68,270,257	224,355,625	1,353,189,620
Adjustment of IBNR	(16,137,000)	(675,000)	—	(16,812,000)
Change in Net Assets	\$ 36,113,999	(9,417,839)	7,326,401	\$ 34,022,561

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Net Assets

Proprietary Funds

June 30, 2005

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL	DENTAL EXPENSE PROGRAM FUND LOCAL	TOTAL
Assets:				
Cash and cash equivalents	\$ —	430,217	34,285	\$ 464,502
Investments, at fair value:				
Cash Management Fund	416,483,163	14,869,941	610,438	431,963,542
Total investments	416,483,163	14,869,941	610,438	431,963,542
Receivables:				
Other	77,817,663	7,308,917	18,516	85,145,096
Due from other funds	13,064	479,286	—	492,350
Total receivables	77,830,727	7,788,203	18,516	85,637,446
Total assets	\$ 494,313,890	23,088,361	663,239	\$ 518,065,490
Liabilities:				
Accounts payable and accrued expenses	\$ 38,770,570	—	—	\$ 38,770,570
Incurred but not reported claims	257,800,000	1,800,000	1,900,000	261,500,000
Cash overdraft	216,949	—	—	216,949
Deferred revenue	—	—	—	—
Other	440,708	—	—	440,708
Due to other funds	479,286	—	13,064	492,350
Total liabilities	297,707,513	1,800,000	1,913,064	301,420,577
Net Assets	\$ 196,606,377	21,288,361	(1,249,825)	\$ 216,644,913

See accompanying notes to financial statements.

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

Statement of Revenues, Expenses, and Changes in Net Assets

Proprietary Funds

Year Ended June 30, 2005

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL	DENTAL EXPENSE PROGRAM FUND LOCAL	TOTAL
Operating Revenues:				
Contributions:				
Members	\$ 87,593,743	599,206	5,135,900	\$ 93,328,849
Employers	1,746,103,886	91,541,927	210,736	1,837,856,549
Total operating revenues	1,833,697,629	92,141,133	5,346,636	1,931,185,398
Operating Expenses:				
Benefits	1,770,047,983	80,063,037	6,605,724	1,856,716,744
Administrative expense	3,847,014	—	—	3,847,014
Total operating expenses	1,773,894,997	80,063,037	6,605,724	1,860,563,758
Operating income	59,802,632	12,078,096	(1,259,088)	70,621,640
Non-operating revenue:				
Investment income:				
Net appreciation (depreciation) in fair value of investments	17,723	142	130	17,995
Interest	8,415,291	231,664	9,133	8,656,088
Total non-operating revenue	8,433,014	231,806	9,263	8,674,083
Change in net assets	68,235,646	12,309,902	(1,249,825)	79,295,723
Net Assets				
Beginning of year	128,370,731	8,978,459	—	137,349,190
End of year	\$ 196,606,377	21,288,361	(1,249,825)	\$ 216,644,913

See accompanying notes to financial statements.

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2005

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL	DENTAL EXPENSE PROGRAM FUND LOCAL	TOTAL
Cash flows from operating activities:				
Receipts — Employer Contributions	\$1,745,735,909	91,441,293	208,986	\$ 1,837,386,188
Receipts — Member Contributions	87,431,069	608,800	5,119,134	93,159,003
Benefit payments	(1,671,766,145)	(85,113,896)	(4,692,660)	(1,761,572,701)
Premium payments	(56,309,732)	—	—	(56,309,732)
Administrative expense	(3,747,162)	—	—	(3,747,162)
Net cash provided by operating activities	101,343,939	6,936,197	635,460	108,915,596
Cash flows from noncapital financing activities:				
Cash overdraft	216,949	—	—	216,949
Net cash provided by non-capital financing activities	216,949	—	—	216,949
Cash flows from investing activities:				
Interest and dividends	8,415,291	231,664	9,133	8,656,088
Sale/purchase of investments	(110,794,429)	(6,870,829)	(610,308)	(118,275,566)
Net cash provided by investing activities	(102,379,138)	(6,639,165)	(601,175)	(109,619,478)
Increase/decrease in cash equivalents	(818,250)	297,032	34,285	(486,933)
Cash and cash equivalents beginning of year	818,250	133,185	—	951,435
Cash and cash equivalents end of year	\$ —	430,217	34,285	\$ 464,502
Reconciliation of operating income to net cash provided by operating activities				
Operating Income	\$ 59,802,632	12,078,096	(1,259,088)	\$ 70,621,640
Adjustments to reconcile operating income to net cash used by operating activities:				
Changes in assets and liabilities:				
(Increase)/decrease in accounts receivable	(1,038,446)	(91,040)	(18,516)	(1,148,002)
(Increase)/decrease in interfund receivable	507,795	—	—	507,795
Increase/(decrease) in accounts payable	41,592,672	(4,530,000)	1,900,000	38,962,672
Increase/(decrease) in service charges payable	—	—	—	—
Increase/(decrease) in due to other funds	479,286	(520,859)	13,064	(28,509)
Total adjustments	41,541,307	(5,141,899)	1,894,548	38,293,956
Net cash provided by operating activities	\$ 101,343,939	6,936,197	635,460	\$ 108,915,596
Non-cash transactions:				
Change in fair value of investments	\$ 17,723	142	130	\$ 17,995

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	PENSION TRUST FUNDS	AGENCY FUNDS	TOTAL
Assets:			
Cash and cash equivalents	\$ 590,792	1,011,474	\$ 1,602,266
Securities lending collateral	12,122,692,569	—	12,122,692,569
Investments, at fair value:			
Cash Management Fund	2,351,835,217	7,666,775	2,359,501,992
Bonds	396,703,495	—	396,703,495
Common Pension Fund A	35,571,503,404	—	35,571,503,404
Common Pension Fund B	17,497,083,859	—	17,497,083,859
Common Pension Fund D	13,688,046,009	—	13,688,046,009
Common and preferred stocks	1,104,822,874	—	1,104,822,874
Mortgages	1,241,301,096	—	1,241,301,096
Total investments	71,851,295,954	7,666,775	71,858,962,729
Receivables:			
Contributions:			
Members	192,924,978	—	192,924,978
Employers	1,605,075,951	1,747,855	1,606,823,806
Accrued interest and dividends	389,149,406	—	389,149,406
Members' loans	1,120,643,002	—	1,120,643,002
Other	31,930,846	20,335,006	52,265,852
Due from other funds	—	—	—
Total receivables	3,339,724,183	22,082,861	3,361,807,044
Total assets	\$ 87,314,303,498	30,761,110	\$ 87,345,064,608
Liabilities:			
Accounts payable and accrued expenses	\$ 27,194,426	22,351,581	\$ 49,546,007
Retirement benefits payable	417,048,590	—	417,048,590
NCGI premiums payable	7,578,739	—	7,578,739
Cash overdraft	7,752,142	—	7,752,142
Securities lending collateral and rebates payable	12,122,692,569	—	12,122,692,569
Participant distributions payable	—	3,040,538	3,040,538
Pension adjustment payroll payable	—	831,130	831,130
Due to State of New Jersey	—	3,203,001	3,203,001
Other	—	1,334,860	1,334,860
Total liabilities	12,582,266,466	30,761,110	12,613,027,576
Net Assets:			
Held in trust for pension benefits	\$ 74,732,037,032	—	\$ 74,732,037,032

See accompanying notes to financial statements.

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

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

June 30, 2005

	ALTERNATE BENEFIT LONG TERM DISABILITY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	DEFERRED COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS' PENSION FUND
Assets:							
Cash	\$ —	16,732	132,802	130,241	33,576	—	277,441
Securities lending collateral Investments, at fair value:	—	—	158,152	—	52,589,726	2,578,670,674	1,055,853
Cash Management Fund	3,626,852	38,400	14,813,796	342,723,902	20,006,810	538,642,642	9,057,530
Bonds	—	—	88,480	220,448,406	—	3,052,179	5,181,450
Common Pension Fund A	—	—	—	—	167,553,524	8,267,954,828	—
Common Pension Fund B	—	—	—	—	73,835,513	3,250,307,191	—
Common Pension Fund D	—	—	—	—	63,009,709	3,141,068,036	—
Common and Preferred Stocks	—	—	—	956,868,107	—	—	—
Mortgages	—	—	752,339	—	3,319,369	991,411,345	431,996
Total investments	3,626,852	38,400	15,654,615	1,520,040,415	327,724,925	16,192,436,221	14,670,976
Receivables:							
Contributions:							
Members	—	—	—	(13,307)	70,225	47,861,340	—
Employers	—	—	—	—	—	701,894,418	—
Accrued interest and dividends	—	20	4,979	3,550,565	1,688,575	85,743,875	—
Members' loans	—	—	—	—	618,753	451,221,016	—
Other	—	—	2,106,703	—	—	24,714,134	70,891
Total receivables	—	20	2,111,682	3,537,258	2,377,553	1,311,434,783	70,891
Total assets	\$ 3,626,852	55,152	18,057,251	1,523,707,914	382,725,780	20,082,541,678	16,075,161
Liabilities:							
Accounts payable and accrued expenses	\$ —	15,094	25,573	673,518	50,719	1,640,149	5,608
Retirement benefits payable	—	40,058	1,242,823	6,660,337	2,486,459	88,473,032	230,235
NCGI premiums payable	—	—	—	—	—	2,227,401	—
Cash overdraft	—	—	—	—	—	1,551,071	—
Securities lending collateral and rebates payable	—	—	158,152	—	52,589,726	2,578,670,674	1,055,853
Total liabilities	—	55,152	1,426,548	7,333,855	55,126,904	2,672,562,327	1,291,696
Net assets held in trust for pension and post-retirement medical benefits	\$ 3,626,852	—	16,630,703	1,516,374,059	327,598,876	17,409,979,351	14,783,465

See accompanying notes to financial statements.

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

June 30, 2005

	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PERS POST- RETIREMENT MEDICAL FUND	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS' PENSION AND ANNUITY FUND	TPAF POST- RETIREMENT MEDICAL FUND	TOTAL
Assets:							
Cash	—	—	—	—	—	—	\$590,792
Securities lending collateral	3,953,288,908	—	273,620,853	—	5,263,308,403	—	12,122,692,569
Investments, at fair value:							
Cash Management Fund	691,868,555	32,864	115,047,240	3,275,078	612,691,720	9,828	2,351,835,217
Bonds	118,360,381	6,828	—	—	49,564,719	1,052	396,703,495
Common Pension Fund A	11,409,902,828	658,209	874,350,488	—	14,850,768,277	315,250	35,571,503,404
Common Pension Fund B	5,873,527,783	338,829	387,544,934	—	7,911,361,668	167,941	17,497,083,859
Common Pension Fund D	4,404,736,054	254,098	330,268,014	—	5,748,588,068	122,030	13,688,046,009
Common and Preferred Stocks	—	—	—	147,954,767	—	—	1,104,822,874
Mortgages	105,990,035	6,114	6,756,191	—	132,630,891	2,816	1,241,301,096
Total investments	22,604,385,636	1,296,942	1,713,966,867	151,229,845	29,305,605,343	618,917	71,851,295,954
Receivables:							
Contributions:							
Members	68,518,669	—	939,761	427,494	75,120,796	—	192,924,978
Employers	845,969,563	—	—	—	57,211,970	—	1,605,075,951
Accrued interest and dividends	124,743,734	—	8,764,347	205,262	164,448,049	—	389,149,406
Members' loans	427,671,798	—	28,757,540	—	212,373,895	—	1,120,643,002
Other	2,463,152	—	77,146	1,070,528	1,428,292	—	31,930,846
Total receivables	1,469,366,916	—	38,538,794	1,703,284	510,583,002	—	3,339,724,183
Total assets	28,027,041,460	1,296,942	2,026,126,514	152,933,129	35,079,496,748	618,917	\$87,314,303,498
Liabilities:							
Accounts payable and accrued expenses	14,320,010	—	217,304	102,189	10,144,262	—	\$27,194,426
Retirement benefits payable	138,076,181	—	8,269,034	655,973	170,914,458	—	417,048,590
NCGI premiums payable	3,699,778	—	—	—	1,651,560	—	7,578,739
Cash overdraft	3,139,910	—	97,942	1,097,773	1,865,446	—	7,752,142
Securities lending collateral and rebates payable	3,953,288,908	—	273,620,853	—	5,263,308,403	—	12,122,692,569
Total liabilities	4,112,524,787	—	282,205,133	1,855,935	5,447,884,129	—	12,582,266,466
Net assets held in trust for pension and post-retirement medical benefits	23,914,516,673	1,296,942	1,743,921,381	151,077,194	29,631,612,619	618,917	\$74,732,037,032

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2005

	PENSION TRUST FUNDS
Additions:	
Contributions:	
Members	\$ 1,460,882,145
Employers	1,451,192,245
Other	10,383,211
Total contributions	2,922,457,601
Investment income:	
Net appreciation in fair value of investments	3,870,407,856
Interest	1,454,126,661
Dividends	742,177,621
Less: investment expense	6,066,712,138
	7,791,369
Net investment income	6,058,920,769
Total additions	8,981,378,370
Deductions:	
Benefits	5,750,478,219
Refunds of contributions and due General Fund	100,425,050
Administrative expenses	47,284,708
Total deductions	5,898,187,977
Change in net assets	3,083,190,393
Net assets — Beginning of year	71,648,846,639
Net assets — End of year	\$ 74,732,037,032

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

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

Year Ended June 30, 2005

	ALTERNATE BENEFIT LONG TERM DISABILITY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	DEFERRED COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS' PENSION FUND
Additions:							
Contributions							
Members	\$ —	—	—	137,662,924	1,480,942	276,195,076	—
Employers	2,400,000	430,878	7,074,835	—	6,162,076	473,227,921	—
Other	—	25,248	9,137,417	—	—	—	1,219,507
Total contributions	2,400,000	456,126	16,212,252	137,662,924	7,643,018	749,422,997	1,219,507
Investment income:							
Net appreciation (depreciation) in fair value							
of investments	224	—	(22,830)	59,555,956	17,347,395	932,344,545	(250,279)
Interest	99,043	2,276	262,766	17,621,147	6,004,780	285,746,114	577,547
Dividends	—	—	—	16,113,875	3,424,124	166,201,533	—
Less: investment expense	99,267	2,276	239,936	93,290,978	26,776,299	1,384,292,192	327,268
	—	—	8,587	207,771	12,889	895,806	1,804
Net investment income	99,267	2,276	231,349	93,083,207	26,763,410	1,383,396,386	325,464
Total additions	2,499,267	458,402	16,443,601	230,746,131	34,406,428	2,132,819,383	1,544,971
Deductions:							
Benefits	1,974,304	443,764	15,137,682	66,714,506	29,018,355	1,064,463,253	2,631,732
Refunds of contributions	—	14,638	—	—	—	5,609,036	—
Administrative expenses	—	—	54,494	933,696	169,357	5,964,075	14,202
Total deductions	1,974,304	458,402	15,192,176	67,648,202	29,187,712	1,076,036,364	2,645,934
Net increase (decrease)	524,963	—	1,251,425	163,097,929	5,218,716	1,056,783,019	(1,100,963)
Net assets held in trust for pension and post-retirement medical benefits:							
Beginning of year	3,101,889	—	15,379,278	1,353,276,130	322,380,160	16,353,196,332	15,884,428
End of year	\$ 3,626,852	—	16,630,703	1,516,374,059	327,598,876	17,409,979,351	14,783,465

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

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

Year Ended June 30, 2005

	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PERS POST- RETIREMENT MEDICAL FUND	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS' PENSION AND ANNUITY FUND	TPAF POST- RETIREMENT MEDICAL FUND	TOTAL
Additions:							
Contributions							
Members	533,862,353	—	15,450,745	7,368,235	488,861,870	—	\$1,460,882,145
Employers	219,912,516	190,824,454	437,652	—	56,025,944	494,695,969	1,451,192,245
Other	—	—	39	—	1,000	—	10,383,211
Total contributions	753,774,869	190,824,454	15,888,436	7,368,235	544,888,814	494,965,969	2,922,457,601
Investment income:							
Net appreciation (depreciation) in fair value of investments	1,189,990,877	97,706	90,220,101	11,573,953	1,569,513,311	36,897	3,870,407,856
Interest	511,024,216	—	32,426,017	42,199	600,320,556	—	1,454,126,661
Dividends	231,924,448	—	17,811,325	2,630,548	304,071,768	—	742,177,621
Less: investment expense	1,932,939,541	97,706	140,457,443	14,246,700	2,473,905,635	36,897	6,066,712,138
	4,215,006	—	70,687	—	2,378,819	—	7,791,369
Net investment income	1,928,724,535	97,706	140,386,756	14,246,700	2,471,526,816	36,897	6,058,920,769
Total additions	2,682,499,404	190,922,160	156,275,192	21,614,935	3,016,415,630	494,732,866	8,981,378,370
Deductions:							
Benefits	1,709,117,882	190,753,469	98,869,750	15,578,830	2,061,234,677	494,540,015	5,750,478,219
Refunds of contributions	65,486,887	—	78,730	—	29,235,759	—	100,425,050
Administrative expenses	25,602,118	—	490,227	—	14,056,539	—	47,284,708
Total deductions	1,800,206,887	190,753,469	99,438,707	15,578,830	2,104,526,975	494,540,015	5,898,187,977
Net increase (decrease)	882,292,517	168,691	56,836,485	6,036,105	911,888,655	192,851	3,083,190,393
Net assets held in trust for pension and post-retirement medical benefits:							
Beginning of year	23,032,224,156	1,128,251	1,687,084,896	145,041,089	28,719,723,964	426,066	71,648,846,639
End of year	23,914,516,673	1,296,942	1,743,921,381	151,077,194	29,631,612,619	618,917	\$74,732,037,032

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Notes to Financial Statements
June 30, 2005

(1) DESCRIPTION OF THE FUNDS

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

Pension Trust Funds:

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

Agency Funds:

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

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

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

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

Reporting Entity:

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

Fund Accounting:

The accounts of the Division are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that the resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Government-wide Financial Statements:

The government-wide financial statements consist of the statement of net assets and the statement of activities. The statement of net assets presents information on all of the assets and liabilities of the Funds, with the difference between the two reported as net assets (deficit). Over time, increases or decreases in the net assets (deficit) provide one indication of whether the financial health of the Funds is improving or declining. The statement of activities presents information showing how the Funds' net assets (deficit) changed during the most recent fiscal year. All changes in net assets (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Fiduciary funds of the primary government that are fiduciary in nature are not included in the government-wide financial statements.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Division uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Division can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

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

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

Measurement Focus and Basis of Accounting:

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

The governmental funds are accounted for using a current financial resources measurement focus and modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases, i.e., revenues and other financing additions, and decreases, i.e., expenditures and other deductions, in net assets. The accrual basis of accounting is used for measuring financial position and changes in net assets of pension trust funds. Under this method, revenues are recorded in the accounting period in which they are earned, and deductions are recorded at the time the liabilities are incurred. The financial statements of the pension trust funds conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contributions Plans" and No. 26, "Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans." Employer contributions are recognized when payable to the funds. Benefits and refunds are recognized when payable in accordance with the terms of the funds.

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

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

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

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

Capital Assets:

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

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

Significant Legislation:

Chapter 246, P.L. 2004, "Domestic Partnership Act" established the rights and responsibilities of domestic partnerships effective July 10, 2004.

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

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

Chapter 108, P.L. 2003 also provided that local employer PFRS normal and accrued liability contributions will be 20% of the amount certified by the PFRS for payments due in State fiscal year 2004 and thereafter a percentage of the amount certified by the PFRS as the State Treasurer will determine, but not more than 40% in fiscal year 2005, not more than 60% in fiscal year 2006, and not more than 80% in fiscal year 2007. According to the Appropriation Act of 2003, the State as well will pay pension obligations through a five-year phase-in.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

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

Membership and Contributing Employers:

Membership and contributing employers of the Pension Trust Funds consisted of the following at June 30, 2004, the date of the most recent actuarial valuations (June 30, 2005 for SACT, CPF, NJSEDCP, and ABPLTD):

	JRS	CPFPF	PFRS	POPF	PERS	SPRS	TPAF	SACT	CPF
Retiree members:									
Retirees and beneficiaries receiving benefits currently	417	948	27,871	205	117,363	2,204	61,993	626	341
Terminated employees entitled to benefits but not yet receiving them	4	—	61	—	1,827	—	925	—	—
Total retiree members	421	948	27,932	205	119,190	2,204	62,918	626	341
Active members:									
Vested	217	—	27,386	—	140,529	1,767	76,328	3,956	—
Non-vested	216	—	16,810	—	162,433	917	72,769	—	—
Total active members	433	—	44,196	—	302,962	2,684	149,097	3,956	—
Total	854	948	72,128	205	422,152	4,888	212,015	4,582	341
Contributing Employers	1	1	586	1	1,683	1	102	—	1

	NJSEDCP	ABPLTD
Retiree members:		
Retirees and beneficiaries receiving benefits currently	2,332	—
Terminated employees entitled to benefits but not yet receiving them	—	—
Total retiree members	2,332	—
Active members:		
Vested	32,082	118
Non-vested	—	—
Total active members	32,082	118
Total	34,414	118
Contributing Employers	—	1

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

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

Membership in the other funds, systems, and trusts administered by the Division consisted of the following as of June 30, 2005:

	STATE	LOCAL	TOTAL
Health Benefits Program Fund*	147,298	216,137	363,435
Prescription Drug Program Fund	114,090	36,690	150,780
Dental Expense Program Fund	110,831	23,674	134,505
Alternate Benefit Program Fund**	13,879	3,041	16,920
Pension Adjustment Fund	95,662	98,129	193,791

* active and retired participants

** including those receiving long-term disability benefits

Adoption of Accounting Standard:

Effective July 1, 2004, the Division adopted Statement No. 40 of the Governmental Accounting Standards Board (GASB), "Deposit and Investment Risk Disclosures", an amendment of GASB Statement No. 3.

Valuation of Investments:

Investments are reported at fair value as follows:

- U.S. Government and Agency, Foreign and Corporate obligations – prices quoted by a major dealer in such securities.
- Common Stock and Equity Funds, Foreign Equity Securities, Forward Foreign Exchange Contracts – closing prices as reported on the primary market or exchange on which they trade.
- Money Market Instruments – amortized cost which approximates fair value.
- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.

Investment Transactions:

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

Unit Transactions:

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

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

Securities Lending:

Common Funds A, B and D and several of the direct pension plan portfolios participate in securities lending programs with their custodian banks, whereby securities are loaned to brokers and, in return, the Pension Funds

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

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

have rights to the collateral received. All of the securities held in Common Funds A, B and D are eligible for the securities lending program. Collateral received may consist of cash, letters of credit, or government securities having a market value equal to or exceeding 102% (U.S. dollar denominated) or 105% (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. For Common Funds A and B, in the event that the market value of the collateral falls below 101% of the market value of all the outstanding loaned securities, additional collateral shall be transferred by the borrower to the respective funds no later than the close of the next business day so that the market value of such additional collateral, when added to the market value of the other collateral, shall equal 102% of the market value of the loaned securities. For Common Fund D, in the event that the market value of the collateral falls below the collateral requirement of either 102% or 105% of the market value of the outstanding loaned securities, additional collateral shall be transferred in an amount that will increase the aggregate of the borrower's collateral to meet the collateral requirements. As of June 30, 2005, the Common Funds have no aggregate credit risk exposure to brokers because the collateral amount held by the Common Funds exceeded the market value of the securities on loan.

The contracts with the Common Funds' custodian banks require them to indemnify the Common Funds if the brokers fail to return the securities or fail to pay the Common Funds for income distributions by the securities' issuers while the securities are on loan. The securities loans can be terminated by notification by either the broker or the Common Funds. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of the cash collateral.

Derivatives:

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

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

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

The fair value of foreign forward currency contracts outstanding as of June 30, 2005 is as follows:

		Amount
Forward currency receivable	\$	745,577,063
Forward currency payable		745,525,163
Net unrealized gain		(51,900)

The net unrealized gain is included in investments in the accompanying statements of net assets at June 30, 2005.

The Common Funds utilize covered call options in an effort to add value to the portfolio (collect premiums). Covered call options are agreements that give the owner of the option the right, but not obligation, to buy a specific amount of an asset from the Common Funds for a specific price (called the strike price) on or before a specified expiration date. As the writer of financial options, the Common Funds receive a premium at the outset of the agreement and bear the risk of an unfavorable change in the price of the instrument underlying the option. The Common Funds have written call options on 215,400 shares with a fair value of \$548,100 at June 30, 2005 which are reflected as a contra-asset to the fair value of the portfolio.

Members' Loans:

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

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

Administrative Expenses:

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

Income Tax Status:

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

(3) INVESTMENTS

The Division's investments as of June 30, 2005 are as follows:

		Amount
Cash management funds	\$	2,359,501,992
Domestic equities		35,887,098,993
International equities		11,232,483,997
Domestic fixed income		16,521,446,786
International fixed income		2,201,826,936
Domestic floating rate securities		77,922,181
Police and Firemen's mortgages		896,706,544
Net forward foreign exchange contracts		51,900
U.S. Government and Agency obligations		185,878,456
Other fixed income securities		34,569,950
Other		2,461,474,994
	\$	71,858,962,729

Investments included in the Governmental and Proprietary funds consist of cash management funds of \$580,825,678.

New Jersey state statute provides for a State Investment Council (Council) and a Director. Investment authority is vested in the Director of the Division and the role of the Council is to formulate investment policies. The Council issues regulations which establish guidelines for permissible investments which include domestic and international equities, obligations of the U.S. Treasury, government agencies, corporations, finance companies and banks, international government and agency obligations, Canadian obligations, New Jersey State and Municipal general obligations, public authority revenue obligations, collateralized notes and mortgages, commercial paper, certificates of deposit, repurchase agreements, bankers acceptances, guaranteed income contracts and money market funds.

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

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

(3) INVESTMENTS, Continued

amount that can be invested in any one issuer or issue as follows:

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

(3) INVESTMENTS, Continued

With respect to SACT, not more than 10% of the market value can be invested in the common stock and convertible securities of any one corporation. With respect to NJSEDCP, not more than 10% of the market value of the equity or small capitalization equity accounts can be invested in any one corporation, not more than 10% of the market value of the fixed income account can be invested in the debt of any one corporation, and not more than 10% of any one issue may be purchased at the time of issue.

For securities exposed to credit risk in the fixed income portfolio, the following table discloses aggregate market value, by major credit quality rating category at June 30, 2005:

(000's)	Moody's Rating			
	Aaa	Aa	A	Baa
United States Treasury Notes	\$ 1,912,675	—	—	—
United States Treasury TIPS	603,195	—	—	—
United States Treasury Bonds	2,193,224	—	—	—
United States Treasury Strips	42,326	—	—	—
Title XI Merchant Marine Notes	3,956	—	—	—
Federal Agricultural Mortgage Corp. Notes	—	101,698	—	—
Federal Farm Credit Bank Bonds	109,251	—	—	—
Federal Home Loan Bank Bonds	521,527	—	—	—
Federal Home Loan Bank Discounted Notes	4,244	—	—	—
Federal Home Loan Mortgage Corp. Notes	301,126	26,953	—	—
Federal National Mortgage Association Notes	698,324	26,078	—	—
Resolution Funding Corp. Obligations	7,337	—	—	—
Floating Rate Notes	25,026	19,983	9,999	22,914
Corporate Obligations	645,239	604,490	2,732,068	1,310,398
Real Estate Investment Trust Obligations	—	—	—	99,301
Finance Company Debt	285,528	978,641	757,113	132,094
Supranational Obligations	122,496	—	—	—
International Bonds and Notes	420,419	—	—	—
Foreign Government Obligations	1,293,765	283,284	58,319	—
Remic/FHLMC	638,865	—	—	—
Remic/FNMA	73,982	—	—	—
Remic/GNMA	17,993	—	—	—
GNMA Mortgage Backed Certificates	112,091	—	—	—
FHLM Mortgage Backed Certificates	774,802	—	—	—
FNMA Mortgage Backed Certificates	684,226	—	—	—
Asset Backed Obligations	252,973	—	—	—
Private Export Obligations	34,127	—	—	—
Exchange Traded Securities	—	—	56,050	—
	\$ 11,778,717	2,041,127	3,613,549	1,564,707

The table does not include certain investments which do not have a Moody's rating which include foreign government obligations totaling \$18,842,884 with an S&P rating of AAA and convertible zero coupon bonds totaling \$4,701,462 with an S&P rating of BBB. The Police and Firemen's Mortgages and the Cash Management Fund are unrated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Commercial paper must mature within 270 days. Certificates of deposits and bankers acceptances are

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

(3) INVESTMENTS, Continued

limited to a term of one year or less. The maturity of repurchase agreements shall not exceed 15 days. The investment in a guaranteed income contract is limited to a term of 10 years or less. With respect to NJSED-CP, Council regulations provide limitations in the amounts that can be invested in fixed income securities maturing more than 12 months from date of purchase for finance company debt and New Jersey state and municipal general obligations.

The following table summarizes the maturities of the fixed income portfolio at June 30, 2005:

Fixed Income Investment Type	Market Value	Maturities in Years			
		Total Less than 1	1-5	6-10	More than 10
United States Treasury Notes	\$ 1,912,674	125,549	864,912	922,213	—
United States Treasury Tips	603,195	—	5,070	517,312	80,813
United States Treasury Bonds	2,193,224	—	—	—	2,193,224
United States Treasury Strips	42,326	—	—	—	42,326
Title XI Merchant Marine Notes	3,956	—	—	—	3,956
Federal Agricultural Mortgage Corp. Notes	101,698	—	101,698	—	—
Federal Farm Credit Bank Bonds	109,251	56,604	52,647	—	—
Federal Home Loan Bank Bonds	521,527	49,610	471,917	—	—
Federal Home Loan Bank Discounted Notes	4,244	—	—	—	4,244
Federal Home Loan Mortgage Corp. Notes	328,079	4,005	197,403	117,092	9,579
Federal National Mortgage Association Notes	724,402	226,752	315,835	26,078	155,737
Resolution Funding Corp. Obligations	7,337	—	—	—	7,337
Floating Rate Notes	77,922	—	67,923	9,999	—
Corporate Obligations	5,292,195	497,039	1,642,054	1,514,393	1,638,709
Real Estate Investment Trust Obligations	99,301	—	19,836	79,465	—
Finance Company Debt	2,153,376	410,204	1,031,596	576,593	134,983
Supranational Obligations	122,496	25,227	—	—	97,269
International Bonds and Notes	420,419	54,846	300,229	19,865	45,479
Foreign Government Obligations	1,654,211	45,065	632,606	567,437	409,103
Remic/FHLMC	638,865	—	9,872	20,959	608,034
Remic/FNMA	73,982	196	4,734	18,358	50,694
Remic/GNMA	17,993	—	—	—	17,993
Police and Firemen's Mortgages	896,707	—	—	—	896,707
GNMA Mortgage Backed Certificates	112,091	41	1,479	—	110,571
FHLM Mortgage Backed Certificates	774,802	—	265	4,999	769,538
FNMA Mortgage Backed Certificates	684,227	15,162	30,598	29,116	609,351
Asset Backed Obligations	252,973	—	153,828	34,509	64,636
Private Export Obligations	34,127	—	12,289	21,838	—
Convertible Zero Coupon Bonds	4,701	—	—	4,701	—
	\$ 19,862,301	1,510,300	5,916,791	4,484,927	7,950,283

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

(3) INVESTMENTS, Continued

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Common Funds invest in global markets. The Common Funds can invest in securities of companies incorporated in one of thirty countries approved by the Council. The market value of international preferred and common stocks and issues convertible into common stocks, when combined with the market value of international government and agency obligations, cannot exceed 22 percent of the market value of forward contracts totaling approximately \$650 million at June 30, 2005. At June 30, 2005, the Common Funds had the following foreign currency exposure (expressed in U.S. dollars):

Currency	Total Market Value	Equities	Foreign Government Obligations
Australian dollar	\$ 401,418,580	272,431,668	128,986,912
Canadian dollar	587,693,580	502,887,128	84,806,452
Danish krone	148,396,127	148,396,128	—
Euro	4,447,969,733	3,646,096,193	801,873,540
Hong Kong dollar	167,808,826	167,808,826	—
Japanese yen	2,218,395,101	2,213,693,639	4,701,462
Mexican peso	40,732,398	40,732,398	—
New Zealand dollar	72,765,425	32,928,859	39,836,566
Norwegian krone	198,279,321	91,284,080	106,995,241
Pound sterling	2,181,964,380	1,957,488,690	224,475,690
Singapore dollar	75,677,979	75,677,979	—
South Korean won	141,633,342	141,633,342	—
Swedish krona	735,391,335	628,135,901	107,255,434
Swiss franc	1,017,523,657	1,017,523,657	—
	<u>\$ 12,435,649,784</u>	<u>10,936,718,487</u>	<u>1,498,931,297</u>

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

Net appreciation or depreciation in fair value of investments includes net realized gains and the change in net unrealized gains and losses on investments for the fiscal year ended June 30, 2005. The net realized gain from investment transactions amounted to \$2,730,596,688 and the net increase in unrealized gains on investments amounted to \$1,006,112,689 for the year ended June 30, 2005.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

(4) SECURITIES LENDING COLLATERAL

The securities lending collateral is subject to various risks. Among these risks are credit risk, concentration of credit risk and interest rate risk. Agreements with the lending agents require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue as follows:

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

Maturities of corporate obligations, U.S. finance company debt, bank debentures, collateralized notes and mortgages and guaranteed income contracts must be less than 25 months. Commercial paper maturities cannot exceed 270 days. Repurchase agreement maturities cannot exceed 15 days. Certificates of deposit and banker's acceptances must mature in one year or less. The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

(4) SECURITIES LENDING COLLATERAL, *Continued*

Total exposure to any individual issuer is limited, except for U.S. Treasury and Government Agency Obligations. For money market funds, the total amount of shares or units purchased or acquired of any money market fund shall not exceed five percent of the shares or units outstanding of said money market fund. For Collateralized Notes and Mortgages, not more than two percent of the assets of the collateral portfolio shall be invested in the obligations of any one issuer. For Guaranteed Income Contracts, the total investment in any one issuer shall be limited to 2.5% of the collateral portfolio. The Division sets individual issuer limits for Commercial Paper and Certificate of Deposits. For Corporate Obligations, U.S. Finance Company Debt, Bank Debentures and Bankers Acceptances, exposure to any one issuer shall be limited to the following percentages of the collateral portfolio in accordance with the issuer's rating from Moody's: Aaa (4%), Aa (3%) and A (2%).

For securities exposed to credit risk in the collateral portfolio, the following table discloses aggregate market value, by major credit quality rating category at June 30, 2005:

(000's)	Moody's Rating				S&P
	Aaa	Aa	A	P-1	Rating (1)
Corporate Obligations	\$ 440,053	3,748,203	2,052,074	—	—
Commercial Paper	—	—	—	2,373,183	—
Certificates of Deposit	—	1,357,406	—	—	97,900
Repurchase Agreements	—	—	—	—	—
Guaranteed Investment Contracts	—	150,000	200,000	—	—
Money Market Funds	103,815	—	—	—	—
Collateralized Notes	10,000	—	—	—	—
	\$ 553,868	5,255,609	2,252,074	2,373,183	97,900

(1) *Moody's rating not available*

In addition, the collateral portfolio includes money market funds with a current market value of \$1,074,355 and repurchase agreements with a current market value of \$1,588,984,270 at June 30, 2005 which are not rated.

The following table summarizes the maturities of the collateral portfolio at June 30, 2005:

(000's)	Total Market Value	Maturities	
		Less than one year	One year to 25 months
Corporate Obligations	\$ 6,240,331	4,753,161	1,487,170
Commercial Paper	2,373,183	2,373,183	—
Certificates of Deposits	1,455,306	1,455,306	—
Repurchase Agreements	1,588,984	1,588,984	—
Guaranteed Investment Contracts	350,000	250,000	100,000
Money Market Funds	104,889	104,889	—
Collateralized Notes	10,000	10,000	—
	\$ 12,122,693	10,535,523	1,587,170

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

(4) SECURITIES LENDING COLLATERAL, *Continued*

As of June 30, 2005, the Common Funds had received cash collateral of \$12,166,888,240 for outstanding loaned investment securities having market values of \$11,780,098,612. In addition, as of June 30, 2005, the Common Funds loaned investment securities having market values of \$38,245,996, against which it had received non cash collateral with a current value of \$39,118,460, which is not reflected in the accompanying financial statements.

(5) CONTRIBUTIONS

Contribution Requirements - JRS

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

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

The State made a contribution of \$6.16 million to satisfy the actuarially accrued liability in fiscal year 2005.

Contribution Requirements - CPFPPF

The contribution policy is set by N.J.S.A. 43:16 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Contributions by active members are based on 7% of their salary. Employers are required to contribute at an actuarially determined rate.

The State made a contribution of \$7.05 million to satisfy the actuarially accrued liability in fiscal year 2005.

Contribution Requirements - PFRS

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

For fiscal year 2005, the 50% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey and the local participating employers.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

(5) CONTRIBUTIONS, *Continued*

In 2005 there were no excess valuation assets to fund the required State or local employer contributions.

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

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

Contribution Requirements - POPF

The contribution policy is set by N.J.S.A. 43:7 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Contributions by active members are based on 6% of their salary. Employers are required to contribute at an actuarially determined rate.

Contribution Requirements - PERS

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate is 5% of base salary. However, as a result of special legislation (Chapter 415, P.L. 1999), the employee rate was reduced to 3% of base salary effective January 1, 2000. The rate for State and local employees returned to the normal rate of 5% effective July 1, 2004 and January 1, 2005, respectively per statute since there are no longer surplus assets available in the System. On the other hand, the rate for members who are eligible for the Prosecutors Part of the PERS (Chapter 366, P.L. 2001) remains unchanged at 7.5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Beginning in 1996, the State has made an additional contribution to the Post-Retirement Medical Reserve Fund to ensure an increase in the fund balance of 1/2 of 1% of the salary of active state employees.

For fiscal year 2005, the 50% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to the PERS between the years 1997 and 2004. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey and the local participating employers.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

(5) CONTRIBUTIONS, *Continued*

The State made a contribution of \$190.82 million for fiscal year 2005 post-retirement medical (PRM). Legislation passed in 2002 (Chapter 11, P.L. 2002) allowed the State to use net assets in PRM Fund to cover the required pay-as-you-go medical premiums.

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

The BEF will also provide funding for the benefit increases under Chapter 353, P.L. 2001. Actuarially determined excess valuation assets will cover the additional accrued liability incurred by the retirement system. No additional formula State contribution is required in fiscal year 2005; instead, that contribution will be covered by the BEF.

Chapter 108, P.L. 2003, provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by the PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008. According to the Appropriation Act of 2003, the State as well is paying pension obligations through a five-year phase-in. In fiscal year 2005, the State paid 30% of the normal and accrued liability pension costs by using the BEF.

Contribution Requirements - SPRS

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

The State made a contribution of \$188 thousand to the System in fiscal year 2005, the first time since 1997, to satisfy the actuarially accrued liability. The normal contributions had been funded using net assets (excess assets above the required funding level) till fiscal year 2004 due to Pension Security legislation passed in 1997. According to the Appropriation Act of 2003, the State is paying pension obligations through a five-year phase-in.

Contribution Requirements - TPAF

The contribution policy is set by N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. In accordance with legislation passed in 2001 (Chapter 133, P.L. 2001), the employee contribution rate was lowered to 3% effective January 1, 2002. Prior to this date, employees had been contributing at a rate of 4.5%. The rate returned to the normal rate of 5% effective January 1, 2004 per statute since there are no longer surplus assets available in the Fund. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accor-

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

(5) CONTRIBUTIONS, *Continued*

dance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Beginning 1996, the State has made an additional contribution to the Post-Retirement Medical Reserve Fund to ensure an increase in the fund balance of 1/2 of 1% of the salary of active state employees.

For fiscal year 2005, the 50% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to the TPAF in between the years 1997 and 2005. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey and the local participating employers.

The State made a contribution of \$494.70 million for fiscal year 2005 post-retirement medical (PRM). Legislation passed in 2002 (Chapter 11, P.L. 2002) allowed the State to use net assets in PRM Fund to cover the required pay-as-you-go medical premiums.

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

The BEF will also provide funding for the benefit increases under Chapter 353, P.L. 2001. Actuarially determined excess valuation assets will cover the additional accrued liability incurred by the retirement fund. No additional formula State contribution is required in fiscal year 2005; instead, that contribution will be covered by the BEF.

According to the Appropriation Act of 2003, the State is paying pension obligations through a five-year phase-in. In fiscal year 2005, the State paid 30% of the normal and accrued liability pension cost by using the BEF.

Contribution Requirements - SACT

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

Contribution Requirements - CPF

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

The contribution amount required and paid by the State of New Jersey for the fiscal year ended June 30, 2005 was \$431 thousand.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

(5) CONTRIBUTIONS, *Continued*

Contribution Requirements - SHBP- State and Local

Contributions to pay for the health premiums of participating employees in the State Health Benefits Program (SHBP) are collected from the State of New Jersey, participating local employers, active members, retired members, the Public Employees' Retirement System (PERS), and the Teachers' Pension and Annuity Fund (TPAF). The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are generally distributed to the SHBP on a monthly basis. Local employer payments, active and retired member contributions, and payments from the PERS and TPAF are generally received on a monthly basis. Certain State employees share in the cost of their premiums, as provided by Chapter 8, P.L. 1996.

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

Contribution Requirements - PDPF- State and Local

Contributions to pay for the premiums of participating employees in the Prescription Drug Program Fund are collected from the State of New Jersey, participating local employers, and former active and retired members who have elected to participate under the rules of COBRA. The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are distributed to the PDPF on a monthly basis. Local employer payments as well as COBRA contributions are also received on a monthly basis.

Contribution Requirements - DEPF- State and Local

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

Contribution Requirements - NJSEDCP

Participants may defer between 1% and 100% of their salary and less any 414h reductions or \$14 thousand annually. Under the limited "catch-up" provision, a participant may be eligible to defer up to a maximum of twice the annual maximum in the three years immediately preceding the retirement age at which no reduction in benefits would be applicable. The employer does not make contributions to the Plan.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Notes to Financial Statements, Continued
 June 30, 2005

(5) CONTRIBUTIONS, Continued

Contribution Requirements - ABPLTD

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

Contribution Requirements - ABP

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

Contribution Requirements - PAF

The contribution requirements were established by N.J.S.A. 43:3B-4. The State of New Jersey is required to make an annual appropriation payment to fund the cost-of-living increases payable to retirees and beneficiaries of retired members in the Consolidated Police and Firemen's Pension Fund, Prison Officers' Pension Fund and the Central Pension Fund. Funding is on a pay-as-you-go basis.

(6) VESTING AND BENEFITS

Vesting and Benefit Provisions - JRS

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

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

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

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

(6) VESTING AND BENEFITS, *Continued*

Vesting and Benefit Provisions - CPFPP

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

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

Vesting and Benefit Provisions - PFRS

The vesting and benefit provisions are set by N.J.S.A. 43:16A and 43:3B. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service. The annual benefit under special retirement is 65% of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70 percent of final compensation.

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

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

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

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

Chapter 4, P.L. 2001 provided increased benefits to certain members who retired prior to December 29, 1989

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

(6) VESTING AND BENEFITS, *Continued*

with at least 25 years of creditable service. The maximum amount of the increase was 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension benefit would increase from 65% to 70% of final compensation.

Vesting and Benefit Provisions - POPF

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

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions - PERS

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

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

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

Chapter 23, P.L. 2002 provided early retirement incentive benefits to State employees who meet specified age and service requirements and who retire within a specified time period that generally extends from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with at least 20 but less than 25 years of service credit; and an additional monthly benefit of \$500 per month for 24 months following the date of retirement to employ-

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

(6) VESTING AND BENEFITS, Continued

ees who are at least 60 years of age with at least 10 but not more than 20 years of service credit. For those eligible for veterans' retirement benefit, the incentive is an additional pension of 3/55 of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit. Similarly, Chapter 127, 128, and 129, P.L. 2003 provided early retirement incentive benefits to local employees.

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

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

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

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

Vesting and Benefit Provisions - SPRS

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

Members are always fully vested for their own contributions.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Notes to Financial Statements, Continued
June 30, 2005

(6) VESTING AND BENEFITS, *Continued*

Vesting and Benefit Provisions - TPAF

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

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

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

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

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

Chapter 133, P.L. 2001 increased the retirement benefits under service, deferred, and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduced the age

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(6) VESTING AND BENEFITS, Continued

qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Vesting and Benefit Provisions - SACT

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

Benefit Provisions - CPF

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

Vesting and Benefit Provisions - SHBP - State and Local

The Program provides medical coverage to qualified active and retired participants. Under Chapter 136, P.L. 1977, the State of New Jersey pays for the health insurance coverage of all enrolled retired State employees (regardless of age) whose pensions are based upon 25 years or more of credited service or a disability retirement regardless of years of service. The State of New Jersey also provides free coverage to members of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service or on a disability retirement. Partially funded benefits are also provided to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents.

Benefit Provisions - PDPF - State and Local

The Program provides coverage to employees and their eligible dependents for drugs which under federal or State law may be dispensed only upon a prescription written by a physician. State and local employees are eligible for coverage after 60 days of employment.

Benefit Provisions - DEPF- State and Local

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

Vesting and Benefit Provisions - NJSEDCP

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

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(6) VESTING AND BENEFITS, *Continued*

Benefit Provisions - ABPLTD

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

Vesting and Benefit Provisions - ABP

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

Benefit Provisions - PAF

The pension adjustment program covers eligible retirees and survivors of the Consolidated Police and Firemen's Pension Fund, Prison Officers' Pension Fund, and Central Pension Fund. Eligible retirees and/or survivors are those who have been retired at least 24 months.

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

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

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

(7) FUNDS

The Funds maintain the following legally required funds as follows (amounts indicated in parenthesis represent respective fund balances or net asset balances for the funds indicated):

Members' Annuity Savings Fund - JRS (\$27,758,263); TPAF (\$6,813,180,653); PERS (\$7,273,813,479); PFRS (\$2,399,046,135); SPRS (\$142,516,383)

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

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(7) FUNDS, Continued

Contingent Reserve Fund - JRS (\$151,132,055); TPAF (\$1,312,591,471); PERS (\$830,151,874); SPRS (\$1,051,611,513)

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

Retirement Reserve Fund - JRS (\$148,708,558); TPAF (\$20,785,937,925); PERS (\$14,764,795,737); PFRS (\$8,481,386,767); SPRS (\$549,793,485)

The Retirement Reserve Fund is the account from which retirement benefits other than life insurance premiums, contributory group insurance premiums, and post-retirement medical premiums, including cost-of-living benefits, are paid. Upon retirement of a member, accumulated contributions together with accumulated interest are transferred to the Retirement Reserve Fund from the Members' Annuity Savings Fund. Any additional reserves needed to fund the balance of the retirement benefit are transferred from the Contingent Reserve Fund or Pension Accumulation Fund. Annually, interest as determined by the State Treasurer (8.75% for 2005) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund - POPF (\$14,783,465)

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

Special Reserve Fund - TPAF (\$328,374,407); PERS (\$197,407,522); PFRS (\$315,555,099)

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

Contributory Group Insurance Premium Fund - TPAF (\$101,254,877); PERS (\$211,220,174)

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

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

Pension Accumulation Fund - PFRS (\$6,213,991,350)

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

Pension Reserve Fund - CPFPPF (\$16,630,703)

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

Reserve Fund - SHBP - State (\$109,407,642); PDPF - State (\$34,899,831); DEPF - State (\$8,918,277)

The fund balances of the SHBP - State, PDPF - State, and DEPF - State are available to pay claims of future periods. These reserves are maintained by the Funds to stabilize rates and to meet unexpected increase in claims.

Reserve Fund - SHBP - Local (\$196,606,377); PDPF - Local (\$21,288,361); DEPF - Local (-\$1,249,825)

The SHBP - Local and PDPF - Local have net assets, which are available to pay claims of future periods. The DEPF - Local became effective January 1, 2005. It has net deficit of \$1,249,825 as of June 30, 2005.

Reserve Fund - Alternate Benefit - Long Term Disability (\$3,626,852)

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

Post-Retirement Medical Fund - TPAF (\$618,917); PERS (\$1,296,942)

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

Benefit Enhancement Reserve Fund - TPAF (\$290,273,286); PERS (\$637,127,887)

The Benefit Enhancement Reserve Fund is a special reserve fund from which the required normal contributions to provide benefit increases under Chapter 353, P.L. 2001 and Chapter 133, P.L. 2001 will be charged. The fund was established in 2002 and credited with excess assets equivalent to member contributions for fiscal years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the Benefit Enhancement Fund. Additional transfers will be made, as required, to maintain a fund balance equal to the present value of expected additional normal contributions due to the increased benefits. The State will be required to make contributions to the Benefit Enhancement Fund on behalf of State and local employers if excess valuation assets are not available.

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(7) FUNDS, Continued

Various Reserve Fund fund balances or net asset balances as of June 30, 2005 as described previously:

FUNDS	PENSION TRUST FUNDS	GOVERNMENTAL FUNDS	PROPRIETARY FUNDS
Members' Annuity Savings Fund	\$16,656,314,913		
Contingent Reserve Fund	3,345,486,913		
Retirement Reserve Fund	44,745,405,937		
Special Reserve Fund	841,337,028		
Contributory Group Insurance Premium Fund	312,475,051		
Pension Accumulation Fund	6,213,991,350		
Pension Reserve Fund	16,630,703		
Reserve Fund	3,626,852	\$153,225,750	\$216,644,913
Post-Retirement Medical Fund	1,915,859		
Benefit Enhancement Reserve Fund	927,401,173		
Variable Accumulation Reserve Account	1,639,510,804		
Variable Benefits Reserve Account	27,940,449		
Total	\$74,732,037,032	\$153,225,750	\$216,644,913

STATE OF NEW JERSEY
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 June 30, 2005

(8) UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the Division established a liability for both reported and unreported claims, which includes estimates of future payments of claims and related claim adjustment expenses. The following represent changes in those aggregate liabilities for Governmental Activities and Business-Type Activities during the fiscal year 2005:

	HEALTH BENEFITS PROGRAM FUND STATE	PRESCRIPTION DRUG PROGRAM FUND STATE	DENTAL EXPENSE PROGRAM FUND STATE
Unpaid claims at beginning of year	\$ 154,886,603	\$ 5,940,000	\$ 6,689,379
Incurring claims:			
Provision for insured events of current year	1,060,563,738	224,355,625	68,270,257
Payments	(1,039,833,464)	(225,395,625)	(67,637,209)
Unpaid claims at end of year	\$ 175,616,877	\$ 4,900,000	\$ 7,322,427

	HEALTH BENEFITS PROGRAM FUND LOCAL	PRESCRIPTION DRUG PROGRAM FUND LOCAL	DENTAL EXPENSE PROGRAM FUND LOCAL
Unpaid claims at beginning of year	\$ 250,241,143	\$ 6,330,000	\$ 0
Incurring claims:			
Provision for insured events of current year	1,770,047,983	80,063,037	6,605,724
Payments	(1,723,731,848)	(84,593,037)	(4,705,724)
Unpaid claims at end of year	\$ 296,557,278	\$ 1,800,000	\$ 1,900,000

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JUDICIAL RETIREMENT SYSTEM (JRS)						
June 30, 1997	\$317,289,094	\$295,150,638	\$(22,138,456)	107.5%	\$46,912,950	(47.2%)
June 30, 1998	333,437,794	305,779,217	(27,658,577)	109.0%	48,196,350	(57.4%)
June 30, 1999	352,858,160	313,873,659	(38,984,501)	112.4%	48,886,350	(79.7%)
June 30, 2000	374,486,433	350,920,345	(23,566,088)	106.7%	55,514,214	(42.5%)
June 30, 2001	379,592,346	372,760,069	(6,832,277)	101.8%	57,800,334	(11.8%)
June 30, 2002	373,231,198	388,950,803	15,719,605	96.0%	61,873,500	25.4%
June 30, 2003	372,835,265	431,450,218	58,614,953	86.4%	61,600,500	95.2%
June 30, 2004	371,730,163	445,922,358	74,192,195	83.4%	61,576,750	120.5%
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND (CPFPF)						
June 30, 1997	\$70,420,937	\$66,004,245	\$(4,416,692)	106.7%	N/A	N/A
June 30, 1998	62,205,001	59,272,789	(2,932,212)	104.9%	N/A	N/A
June 30, 1999	54,018,660	52,226,208	(1,792,452)	103.4%	N/A	N/A
June 30, 2000	46,078,644	46,544,429	465,785	99.0%	N/A	N/A
June 30, 2001	38,656,261	41,658,355	3,002,094	92.8%	N/A	N/A
June 30, 2002	31,842,796	36,350,384	4,507,588	87.6%	N/A	N/A
June 30, 2003	27,623,585	41,396,376	13,772,791	66.7%	N/A	N/A
June 30, 2004	21,735,396	35,052,202	13,316,806	62.0%	N/A	N/A
POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)						
State						
June 30, 1997	\$1,183,747,522	\$1,234,959,165	\$51,211,643	95.9%	\$315,690,310	16.2%
June 30, 1998	1,559,131,933	1,377,734,455	(181,397,478)	113.2%	346,079,078	(52.4%)
June 30, 1999	1,717,248,151	1,534,470,501	(182,777,650)	111.9%	362,949,950	(50.4%)
June 30, 2000	1,884,870,936	1,666,842,906	(218,028,030)	113.1%	363,360,250	(60.0%)
June 30, 2001	1,991,299,968	1,866,140,391	(125,159,577)	106.7%	398,118,379	(31.4%)
June 30, 2002	2,032,977,241	2,046,820,189	13,842,948	99.3%	418,849,259	3.3%
June 30, 2003	1,907,752,767	2,330,909,918	423,157,151	81.8%	447,470,022	94.6%
June 30, 2004	1,940,936,459	2,509,192,584	568,256,125	77.4%	450,406,301	126.2%
Local						
June 30, 1997	10,854,173,290	11,746,169,752	891,996,462	92.4%	1,767,762,346	50.5%
June 30, 1998	13,169,957,658	12,881,842,367	(288,115,291)	102.2%	1,870,322,787	(15.4%)
June 30, 1999	14,536,570,357	13,894,951,617	(641,618,740)	104.6%	1,971,087,124	(32.6%)
June 30, 2000	15,644,750,281	14,924,699,712	(720,050,569)	104.8%	2,055,781,766	(35.0%)
June 30, 2001	16,083,153,842	16,056,446,646	(26,707,196)	100.2%	2,163,590,060	(1.2%)
June 30, 2002	16,392,195,411	17,181,142,310	788,946,899	95.4%	2,275,130,620	34.7%
June 30, 2003	16,447,380,691	18,422,073,072	1,974,692,381	89.3%	2,393,467,444	82.5%
June 30, 2004	16,762,453,668	19,769,046,766	3,006,593,098	84.8%	2,524,859,162	119.1%

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PRISON OFFICERS' PENSION FUND (POPF)						
June 30, 1997	\$20,977,035	\$17,479,545	\$(3,497,490)	120.0%	N/A	N/A
June 30, 1998	20,096,072	16,430,313	(3,665,759)	122.3%	N/A	N/A
June 30, 1999	19,137,919	15,292,629	(3,845,290)	125.1%	N/A	N/A
June 30, 2000	18,268,489	14,216,588	(4,051,901)	128.5%	N/A	N/A
June 30, 2001	18,269,899	12,994,567	(5,275,332)	140.6%	N/A	N/A
June 30, 2002	17,908,452	11,781,734	(6,126,718)	152.0%	N/A	N/A
June 30, 2003	17,277,953	10,727,647	(6,550,306)	161.1%	N/A	N/A
June 30, 2004	15,884,428	10,060,710	(5,823,718)	157.9%	N/A	N/A
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)						
State						
March 31, 1997	\$6,987,217,172	\$6,606,707,924	\$(380,509,248)	105.8%	\$2,714,991,457	(14.0%)
March 31, 1998	7,600,621,930	7,155,035,122	(445,586,808)	106.2%	2,805,791,909	(15.9%)
June 30, 1999	8,879,920,323	7,823,576,056	(1,056,344,267)	113.5%	2,928,470,790	(36.1%)
June 30, 2000	9,743,727,383	8,538,685,222	(1,205,042,161)	114.1%	3,094,280,664	(38.9%)
June 30, 2001	11,123,818,861	9,886,463,368	(1,237,355,493)	112.5%	3,288,383,788	(37.6%)
June 30, 2002	11,073,156,965	10,760,557,483	(312,599,482)	102.9%	3,511,151,199	(8.9%)
June 30, 2003	10,829,953,189	11,942,299,170	1,112,345,981	90.7%	3,576,118,300	31.1%
June 30, 2004	10,693,508,592	12,620,379,435	1,926,870,843	84.7%	3,751,765,096	51.4%
Local						
March 31, 1997	10,523,061,499	9,599,816,842	(923,244,657)	109.6%	4,407,751,955	(20.9%)
March 31, 1998	11,486,495,310	10,286,532,879	(1,199,962,431)	111.7%	4,513,357,772	(26.6%)
June 30, 1999	13,171,311,650	11,163,283,877	(2,008,027,773)	118.0%	4,655,241,261	(43.1%)
June 30, 2000	14,380,511,913	12,007,160,806	(2,373,351,107)	119.8%	4,910,962,708	(48.3%)
June 30, 2001	16,625,288,260	13,819,038,491	(2,806,249,769)	120.3%	5,240,338,738	(53.6%)
June 30, 2002	16,503,081,054	14,929,334,103	(1,573,746,951)	110.5%	5,534,322,805	(28.4%)
June 30, 2003	16,406,284,200	15,887,012,746	(519,271,454)	103.3%	5,811,726,702	(8.9%)
June 30, 2004	16,414,022,003	17,077,938,057	663,916,054	96.1%	6,140,413,756	10.8%
STATE POLICE RETIREMENT SYSTEM (SPRS)						
June 30, 1997	\$1,322,406,703	\$1,272,242,451	\$(50,164,252)	103.9%	\$142,636,260	(35.2%)
June 30, 1998	1,458,600,992	1,369,277,968	(89,323,024)	106.5%	167,145,161	(53.4%)
June 30, 1999	1,600,165,104	1,469,144,146	(131,020,958)	108.9%	178,203,420	(73.5%)
June 30, 2000	1,752,423,441	1,512,909,805	(239,513,636)	115.8%	188,466,237	(127.1%)
June 30, 2001	1,829,414,353	1,626,631,656	(202,782,697)	112.5%	199,727,203	(101.5%)
June 30, 2002	1,853,684,177	1,739,427,739	(114,256,438)	106.6%	215,161,126	(53.1%)
June 30, 2003	1,865,079,083	1,815,725,256	(49,353,827)	102.7%	217,448,864	(22.7%)
June 30, 2004	1,897,525,210	1,949,309,641	51,784,431	97.3%	223,552,154	23.2%

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TEACHERS' PENSION AND ANNUITY FUND (TPAF)						
March 31, 1997	\$22,045,481,579	\$21,224,484,588	\$(820,996,991)	103.9%	\$5,771,763,164	(14.2%)
March 31, 1998	24,478,860,383	23,484,403,450	(994,456,933)	104.2%	5,989,748,156	(16.6%)
June 30, 1999	27,457,451,678	25,546,083,289	(1,911,368,389)	107.5%	6,254,198,406	(30.6%)
June 30, 2000	30,203,205,322	27,404,618,051	(2,798,587,271)	110.2%	6,571,641,181	(42.6%)
June 30, 2001	35,351,379,511	32,745,357,185	(2,606,022,326)	108.0%	6,948,381,383	(37.5%)
June 30, 2002	35,148,246,433	35,146,591,842	(1,654,591)	100.0%	7,348,993,141	0.0%
June 30, 2003	34,651,825,932	37,383,732,882	2,731,906,950	92.7%	7,702,854,159	35.5%
June 30, 2004	34,633,790,549	40,447,690,339	5,813,899,790	85.6%	8,047,272,269	72.2%

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

Significant actuarial methods and assumptions used in the most recent 2004 actuarial valuations include the following:

	JRS	CPFPF
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	2.00%
Salary range	4.00%	—
Cost-of-living adjustments	1.80%	—
Valuation date	June 30, 2004	June 30, 2004
	PFRS	POPF
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	Market value
Amortization method	Level percent, closed	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	5.00%
Salary range	5.95%	—
Cost-of-living adjustments	1.80%	—
Valuation date	June 30, 2004	June 30, 2004

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

	PERS	SPRS
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level percent, closed	Level dollar, closed
Remaining amortization period	37 years for UAAL balance; 7 years for asset method change	30 years
Actuarial assumptions:		
Interest rate	8.25%	8.25%
Salary range	5.45%	5.45%
Cost-of-living adjustments	1.80%	1.80%
Valuation date	June 30, 2004	June 30, 2004
TPAF		
Actuarial cost method	Projected unit credit	
Asset valuation method	5 year average of market value	
Amortization method	Level percent, closed	
Remaining amortization period	30 years	
Actuarial assumptions:		
Interest rate	8.25%	
Salary range	5.45%	
Cost-of-living adjustments	1.80%	
Valuation date	June 30, 2004	

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

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS ⁽¹⁾	PERCENTAGE CONTRIBUTED
JUDICIAL RETIREMENT SYSTEM			
1997	\$18,406,865	\$110,483,753 ⁽²⁾	600.2%
1998	14,658,095	13,478,708	92.0%
1999	13,416,851	—	0.0%
2000	13,407,153	—	0.0%
2001	12,816,557	—	0.0%
2002	15,575,602	—	0.0%
2003	16,913,237	8,467,287	50.1%
2004	18,720,233	3,355,438	17.9%
2005	22,525,773	6,162,076	27.4%
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND			
1997	\$10,580,991	\$43,995,746 ⁽²⁾	415.8%
1998	—	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	550,864	506,541	92.0%
2003	3,550,445	2,713,914	76.4%
2004	5,330,714	1,950,425	36.6%
2005	14,329,212	7,046,000	49.2%
POLICE AND FIREMEN'S RETIREMENT SYSTEM			
State			
1997	\$111,775,028	\$715,344,385 ⁽²⁾	640.0%
1998	84,167,834	73,587,848	87.4%
1999	93,920,617	23,730,087	25.3%
2000	98,974,449	60,521,749	61.1%
2001	95,883,272	—	0.0%
2002	103,580,989	—	0.0%
2003	104,998,547	—	0.0%
2004	118,297,232	22,215,429	18.8%
2005	161,455,508	49,326,846	30.6%
Local			
1997	250,220,580	234,963,865	93.9%
1998	238,002,765	223,491,008	93.9%
1999	273,210,113	256,551,862	93.9%
2000	275,790,739	214,164,848	77.7%
2001	249,746,232	75,670,018	30.3%
2002	248,754,078	185,415	0.1%
2003	259,969,532	364,850	0.1%
2004	316,272,883	53,396,685	16.9%
2005	355,229,715	132,740,650	37.4%

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

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS ⁽¹⁾	PERCENTAGE CONTRIBUTED
PRISON OFFICERS' PENSION FUND			
1997	\$2,949,604	\$21,688,219 ⁽²⁾	735.3%
1998	—	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	—	—	N/A
2003	—	—	N/A
2004	—	—	N/A
2005	—	—	N/A
PUBLIC EMPLOYEES' RETIREMENT SYSTEM⁽³⁾			
State			
1997	\$134,878,582	\$241,106,642 ⁽²⁾	178.8%
1998	78,833,287	—	0.0%
1999	86,945,810	—	0.0%
2000	103,033,425	—	0.0%
2001	85,078,620	—	0.0%
2002	88,911,187	—	0.0%
2003	44,636,619	—	0.0%
2004	50,365,892	526,505	1.0%
2005	115,017,395	463,342	0.4%
Local			
1997	142,672,255	67,476,771	47.3%
1998	84,639,988	19,034,673	22.5%
1999	111,886,040	19,599,153	17.5%
2000	112,800,127	20,541,177	18.2%
2001	88,717,727	21,670,774	24.4%
2002	77,254,063	16,174,534	20.9%
2003	—	16,987,033	N/A
2004	—	20,882,718	N/A
2005	29,425,853	56,916,883	193.4%
STATE POLICE RETIREMENT SYSTEM			
1997	\$44,384,679	\$120,308,862 ⁽²⁾	271.1%
1998	33,317,314	—	0.0%
1999	33,116,255	—	0.0%
2000	33,598,843	—	0.0%
2001	35,341,259	—	0.0%
2002	24,990,652	—	0.0%
2003	29,449,164	—	0.0%
2004	37,600,821	—	0.0%
2005	37,943,519	187,909	0.5%

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

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS ⁽¹⁾	PERCENTAGE CONTRIBUTED
TEACHERS' PENSION AND ANNUITY FUND			
1997	\$372,060,546	\$1,601,688,633 ⁽²⁾	430.5%
1998	297,219,462	—	0.0%
1999	314,671,482	258,816,649	82.2%
2000	368,904,564	—	0.0%
2001	—	—	N/A
2002	—	—	N/A
2003	194,435,594	—	0.0%
2004	686,284,850	—	0.0%
2005	883,460,483	—	0.0%

Notes to schedule:

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

DIVISION OF PENSIONS AND BENEFITS
Schedule of Loss Development Information
June 30, 2005

		FISCAL YEAR ENDED JUNE 30, 2005
HEALTH BENEFITS PROGRAM FUND — LOCAL		
Premiums and investment revenue earned	\$	1,842,130,643
Estimated losses and expenses		1,773,894,997
PRESCRIPTION DRUG PROGRAM FUND — LOCAL		
Premiums and investment revenue earned	\$	92,372,939
Estimated losses and expenses		80,063,037
DENTAL EXPENSE PROGRAM FUND — LOCAL		
Premiums and investment revenue earned	\$	5,355,899
Estimated losses and expenses		6,605,724

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Schedule of Administrative Expenses
 Year Ended June 30, 2005

	PERS	TPAF	PFRS	CPPPF	POPF	SPRS	JRS	NJSEDCP	TOTAL
Personnel Services									
Salaries & Wages	\$8,739,027	\$4,354,808	\$1,472,190	\$16,176	\$2,938	\$104,425	\$76,758	\$217,871	\$14,984,193
Employee Benefits	2,900,795	1,445,515	488,672	5,369	976	34,662	25,512	97,528	4,999,029
Total Personnel Services	11,639,822	5,800,323	1,960,862	21,545	3,914	139,087	102,270	315,399	19,983,222
Professional Services									
Actuarial Services*	782,365	151,611	421,602	4,706	1,053	29,726	4,848		1,395,911
Data Processing	1,356,559	675,996	228,528	2,511	457	16,209	2,740	60,229	2,343,229
Information Systems	2,203,476	1,098,030	371,202	4,079	742	26,329	4,450	92,449	3,800,757
Other Professional**	446,513	221,953	83,922	826	150	5,531	902	87,600	847,397
Medical Review*	227,222	59,444	236,193			13,153			536,012
Elections*	131,636		39,188						170,824
Internal Audit & Legal	416,471	207,535	70,159	771	140	4,976	841		700,893
Total Professional Services	5,564,242	2,414,569	1,450,794	12,893	2,542	95,924	13,781	240,278	9,795,023
Communication									
Travel	11,304	20,587	5,886	16	3	378	17	4,284	42,475
Telephone	150,910	75,201	25,422	279	51	1,803	305	2,800	256,771
Postage	536,703	267,448	90,414	994	181	6,413	1,084	42,000	945,237
Motor Pool	11,352	5,657	1,912	21	4	136	23		19,105
Printing & Office	453,079	212,858	81,173	1,075	437	7,138	1,169	5,809	762,738
Total Communication	1,163,348	581,751	204,807	2,385	676	15,868	2,598	54,893	2,026,326
Miscellaneous									
Office Space	1,451,044	723,080	244,537	2,686	488	17,338	2,930	12,000	2,454,103
Maintenance	51,947	25,886	8,754	96	17	621	105		87,426
Equipment	85,392	42,553	14,391	158	29	1,020	172		143,715
Other Services & Charges	5,646,323	4,468,377	2,079,930	14,731	6,536	220,369	47,501	311,126	12,794,893
Total Miscellaneous	7,234,706	5,259,896	2,347,612	17,671	7,070	239,348	50,708	323,126	15,480,137
Total Administrative Expense	\$25,602,118	\$14,056,539	\$5,964,075	\$54,494	\$14,202	\$490,227	\$169,357	\$933,696	\$47,284,708

* Consulting

** Portion of Consulting

Schedule 5

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

Schedule of Investment Expenses
Year Ended June 30, 2005

	PERS	TPAF	PFRS	CPFPP	POPF	SPRS	JRS	NJSEDCP	TOTAL
Investment Expense	\$3,877,723	\$1,928,444	\$657,466	\$8,587	\$1,804	\$44,206	\$7,658	\$207,771	\$6,733,659
Global Custody, Fees	337,283	450,375	238,340			26,481	5,231		1,057,710
Total Investment Expenses	\$4,215,006	\$2,378,819	\$895,806	\$8,587	\$1,804	\$70,687	\$12,889	\$207,771	\$7,791,369

Schedule 6

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

Schedule of Expenses for Consultants
Year Ended June 30, 2005

	PERS	TPAF	PFRS	CPFPP	POPF	SPRS	JRS	TOTAL
Actuarial								
Buck Consultants	\$782,365		\$421,602	\$4,706	\$1,053	\$29,726	\$4,848	\$1,244,300
Miliman		151,611						151,611
Exams/Hearings	227,222	59,444	236,193			13,153		536,012
Unemployment Contract								
TALX	30,614	15,229	5,197			360	51	51,451
Elections								
Corporate Marketing	131,636		39,188					170,824
Total Expenses for Consultants	\$1,171,837	\$226,284	\$702,180	\$4,706	\$1,053	\$43,239	\$4,899	\$2,154,198

DIVISION OF PENSIONS AND BENEFITS

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	PENSION TRUST FUNDS	POST-RETIREMENT MEDICAL FUNDS	TOTAL
Assets:			
Cash and cash equivalents	\$ 590,792	—	\$ 590,792
Securities lending collateral	12,122,692,569	—	12,122,692,569
Investments, at fair value:			
Cash Management Fund	2,351,792,525	42,692	2,351,835,217
Bonds	396,695,615	7,880	396,703,495
Common Pension Fund A	35,570,529,945	973,459	35,571,503,404
Common Pension Fund B	17,496,577,089	506,770	17,497,083,859
Common Pension Fund D	13,687,669,881	376,128	13,688,046,009
Common and preferred stocks	1,104,822,874	—	1,104,822,874
Mortgages	1,241,292,166	8,930	1,241,301,096
Total investments	71,849,380,095	1,915,859	71,851,295,954
Receivables:			
Contributions:			
Members	192,924,978	—	192,924,978
Employers	1,605,075,951	—	1,605,075,951
Accrued interest and dividends	389,149,406	—	389,149,406
Members' loans	1,120,643,002	—	1,120,643,002
Other	31,930,846	—	31,930,846
Total receivables	3,339,724,183	—	3,339,724,183
Total assets	\$ 87,312,387,639	1,915,859	\$ 87,314,303,498
Liabilities:			
Accounts payable and accrued expenses	\$ 27,194,426	—	\$ 27,194,426
Retirement benefits payable	417,048,590	—	417,048,590
NCGI premiums payable	7,578,739	—	7,578,739
Cash overdraft	7,752,142	—	7,752,142
Securities lending collateral and rebates payable	12,122,692,569	—	12,122,692,569
Total liabilities	12,582,266,466	—	12,582,266,466
Net assets held in trust for pension and post-retirement medical benefits	\$ 74,730,121,173	1,915,859	\$ 74,732,037,032

DIVISION OF PENSIONS AND BENEFITS
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year Ended June 30, 2005

	PENSION TRUST FUNDS	POST-RETIREMENT MEDICAL FUNDS	TOTAL
Additions:			
Contributions:			
Members	\$ 1,460,882,145	—	\$ 1,460,882,145
Employers	765,671,822	685,520,423	1,451,192,245
Other	10,383,211	—	10,383,211
Total contributions	2,236,937,178	685,520,423	2,922,457,601
Investment income:			
Net appreciation in fair value of investments	3,870,273,253	134,603	3,870,407,856
Interest	1,454,126,661	—	1,454,126,661
Dividends	742,177,621	—	742,177,621
	6,066,577,535	134,603	6,066,712,138
Less: investment expense	7,791,369	—	7,791,369
Net investment income	6,058,786,166	134,603	6,058,920,769
Total additions	8,295,723,344	685,655,026	8,981,378,370
Deductions:			
Benefits	5,065,184,735	685,293,484	5,750,478,219
Refunds of contributions	100,425,050	—	100,425,050
Administrative expenses	47,284,708	—	47,284,708
Total deductions	5,212,894,493	685,293,484	5,898,187,977
Net increase	3,082,828,851	361,542	3,083,190,393
Net assets held in trust for pension and post-retirement medical benefits:			
Beginning of year	71,647,292,322	1,554,317	71,648,846,639
End of year	\$ 74,730,121,173	1,915,859	\$ 74,732,037,032

DIVISION OF PENSIONS AND BENEFITS

Balance Sheet

Fiduciary Funds - Agency Funds

June 30, 2005

	ALTERNATE BENEFIT PROGRAM FUND	PENSION ADJUSTMENT FUND	TOTAL
Assets:			
Cash and cash equivalents	\$ 981,712	29,762	\$ 1,011,474
Investments, at fair value:			
Cash Management Fund	4,186,500	3,480,275	7,666,775
Total investments	4,186,500	3,480,275	7,666,775
Receivables:			
State related employer contributions	—	1,747,855	1,747,855
Other	20,312,923	22,083	20,335,006
Total receivables	20,312,923	1,769,938	22,082,861
Total assets	\$ 25,481,135	5,279,975	\$ 30,761,110
Liabilities:			
Accounts payable and accrued expenses	\$ 22,351,581	—	\$ 22,351,581
Assets held for state-related employers	—	3,040,538	3,040,538
Pension adjustment payroll payable	—	831,130	831,130
Due to State of New Jersey	3,129,554	73,447	3,203,001
Other	—	1,334,860	1,334,860
Total liabilities	\$ 25,481,135	5,279,975	\$ 30,761,110

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
 Schedule of Changes in Fiduciary Net Assets
 Agency Funds
 Year ended June 30, 2005

	ALTERNATE BENEFIT PROGRAM FUND	PENSION ADJUSTMENT FUND	TOTAL
Additions:			
Contributions:			
Members	\$ 737,213	—	\$ 737,213
Employers	130,366,136	9,541,004	139,907,140
Total contributions	131,103,349	9,541,004	140,644,353
Investment income:			
Net appreciation (depreciation) in fair value of investments	1,563	252	1,815
Interest	218,107	133,150	351,257
Total investment income	219,670	133,402	353,072
Total additions	131,323,019	9,674,406	140,997,425
Deductions:			
Benefits	128,188,984	10,373,017	138,562,001
Refunds of contributions and due General Fund	3,134,035	(698,611)	2,435,424
Total deductions	131,323,019	9,674,406	140,997,425
Change in net assets	—	—	—
Net assets — Beginning of year	—	—	—
Net assets — End of year	\$ —	—	\$ —

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INVESTMENT SECTION

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State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
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JON S. CORZINE
Governor

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Trenton, New Jersey
BRADLEY I. ABELOW
Acting State Treasurer
FREDERICK J. BEAVER
Director

June 30, 2005

REVIEWS OF MAJOR POLICY ISSUES

The Division, under the jurisdiction of the State Investment Council, has the investment responsibility for 184 funds, including seven pension and annuity funds. The Council includes eleven persons appointed to fixed terms. Five employee representatives are appointed by their respective pension fund boards for one-year terms, and five members are appointed by the Governor for staggered five-year terms. In addition, one member is appointed by the Governor from a list of three candidates to be nominated jointly by the President of the Senate and the Speaker of the Assembly. All gubernatorial appointments to the Council are subject to the advice and consent of the State Senate. State law requires that no Council member shall hold any office, position, or employment with any political party, and none can benefit from the transactions of the Division.

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

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

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

William G. Clark

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

Director, Division of Investment

INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

STATE INVESTMENT COUNCIL REGULATIONS PERTAINING TO PENSION FUND ASSETS

- Equity investments are limited to no more than 70 percent of the portfolio, including both domestic and international equities.
- Investment in international securities are limited to 22 percent of the portfolio, including both international equities and bonds.
- International investments are limited to countries that have at least one AA sovereign rating, except for five emerging markets countries. No more than five percent of the portfolio's international investments may consist of stocks issued by corporations domiciled in emerging markets countries.
- The currency exposure on international investments may be hedged through currency transactions.
- Unlimited investment is permitted in securities issued by the U.S. Government and designated agencies.
- Investment in domestic corporate bonds is permitted subject to the following minimum rating requirements: A/A for bank and finance companies, and Baa/BBB for all other companies.
- Up to three percent of the domestic equity portfolio may consist of debt in lieu of common stock, regardless of the credit rating of the issuing company.
- Investment by the pension funds in mortgages is limited to mortgages that are secured by the Federal Housing Administration (FHA) and mortgage-backed securities with a rating of BBB or higher.
- Investments in securities backed by underlying collateral such as mortgage-backed securities and various forms of receivables are permitted, but such investments cannot exceed more than ten percent of the overall fixed income portfolio.
- Investments in international fixed income securities are limited to bonds issued or guaranteed by foreign governments and designated agencies.
- Investments in municipal bonds, commercial paper, repurchase agreements, certificates of deposit, bankers acceptances, etc. are all permitted by specific regulations which specify high credit standards and conservative investment limits.
- Subject to limitations established by the State Investment Council, futures contracts and exchange-traded funds may be utilized in the management of the portfolios.
- The Council regulations contain limits on (1) the percentage of the portfolio that can be invested in any one security and (2) the percentage of the outstanding amount of any one security that can be owned by that portfolio. These limits help to insure that the portfolio is adequately diversified and that competitive market pricing is obtained.

PROXY VOTING

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

INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

INVESTMENT RETURNS

	2005	ANNUALIZED	
		3-YEAR	5-YEAR
TOTAL PORTFOLIO	8.7%	8.6%	0.9%
Equity Segment			
Domestic	7.5	8.6	-3.1
S&P 1500	7.2	8.9	-1.2
S&P 500	6.3	8.3	-2.4
International	15.2	12.3	-1.7
MSCI EAFE International Stock Index (Net)	13.7	12.1	-0.5
Fixed Income Segment			
Domestic	7.7	6.5	7.9
Lehman Brothers-Govt/Credit Index	7.3	6.4	7.7
International	12.5	14.2	11.4
Citigroup Non-US World Government Bond Index	7.8	11.0	7.9
Mortgages	3.4	4.1	6.6
Lehman Mortgage Index	6.1	4.7	6.7
Cash Management Fund	2.2	1.7	2.9
91-Day Treasury Bills	2.0	1.5	2.5

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

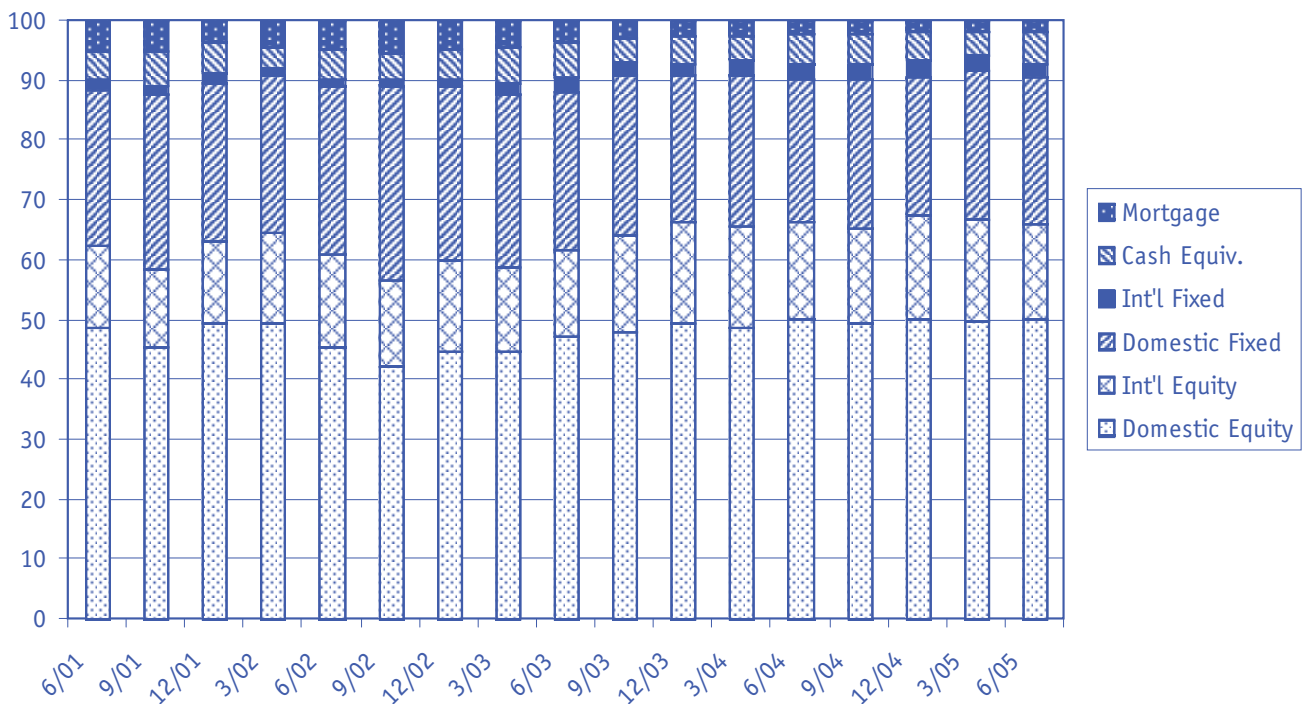
FAIR VALUE AND THE PERCENT OF TOTAL FAIR VALUE FOR EACH MAJOR TYPE OF INVESTMENT

	9/2004		12/2004		3/2005		6/2005	
	(MILS.)	%	(MILS.)	%	(MILS.)	%	(MILS.)	%
Domestic Equity	32,958	49.5	35,382	50.3	34,546	49.8	34,801	50.0
International Equity	10,571	15.9	12,064	17.2	11,797	17.0	11,232	16.2
Domestic Fixed	16,469	24.8	16,341	23.2	17,170	24.8	16,924	24.3
International Fixed	1,796	2.7	1,912	2.7	1,796	2.6	1,500	2.2
Cash Equivalents	3,355	5.0	3,270	4.7	2,749	4.0	3,832	5.5
Mortgage	1,381	2.1	1,352	1.9	1,295	1.9	1,256	1.8
Total	66,530	100.0	70,321	100.0	69,353	100.0	69,545	100.0

INVESTMENTS

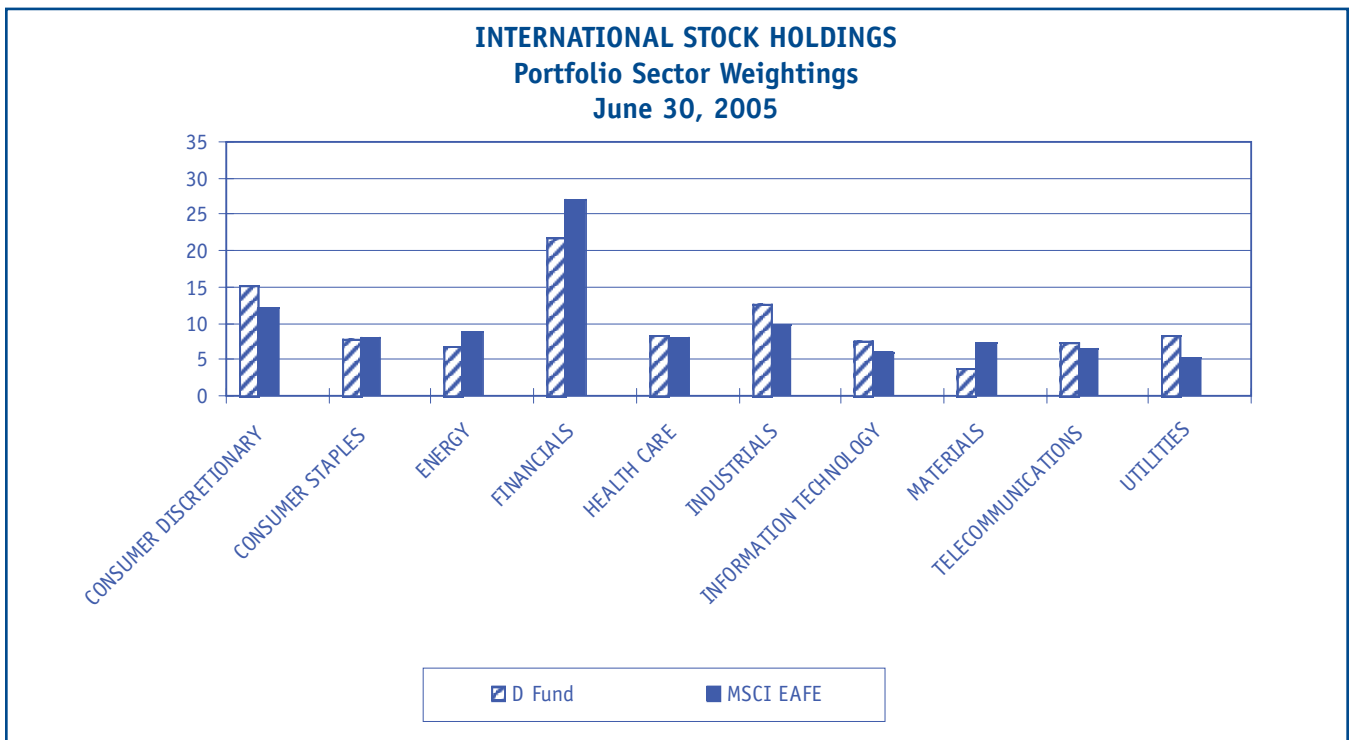
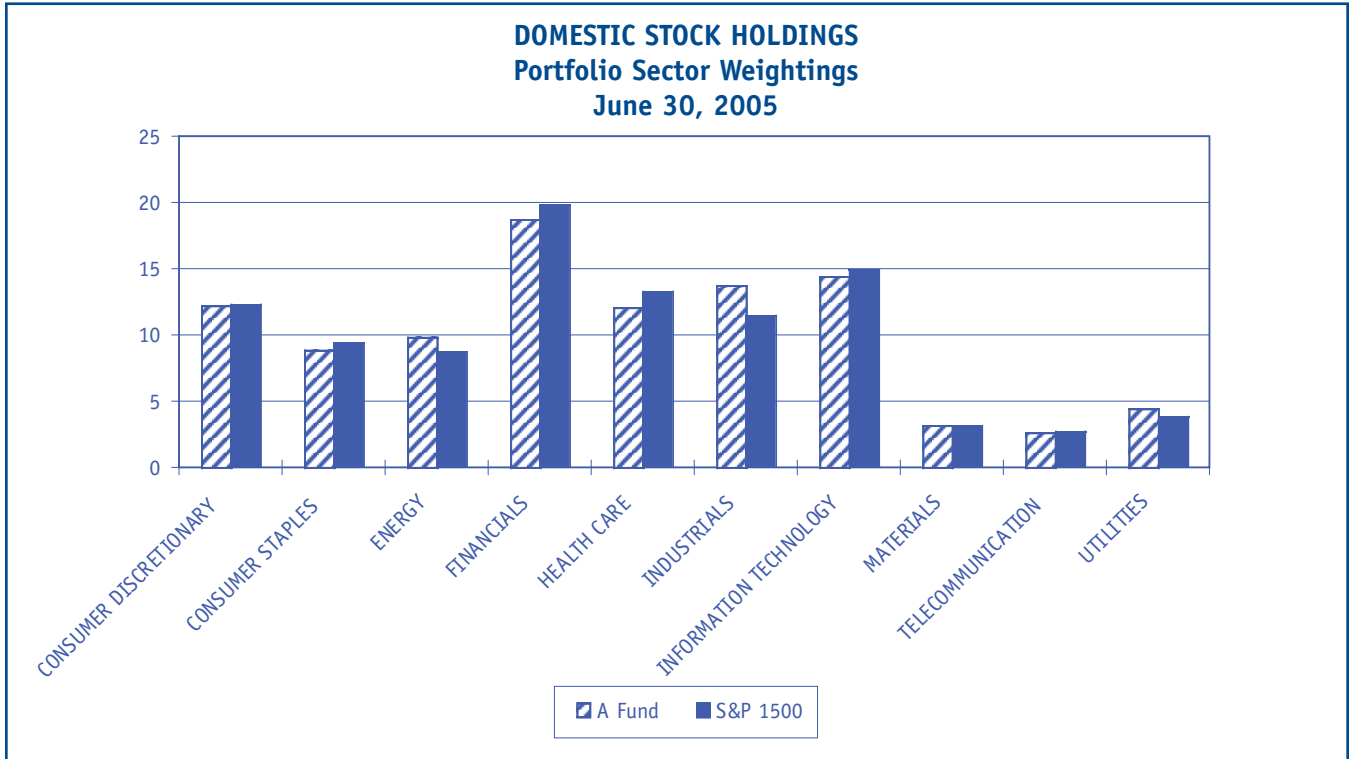
STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

STATE OF NEW JERSEY COMPOSITE ASSET ALLOCATION HISTORY



INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS



INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

LIST OF THE LARGEST ASSETS HELD

LARGEST DOMESTIC STOCK HOLDINGS (BY MARKET VALUE)

JUNE 30, 2005

	SHARES	STOCK	MARKET VALUE (MIL)
1)	32,630,000	General Electric Co.	\$1,130.6
2)	18,357,264	Exxon Mobil Corp.	1,055.0
3)	42,000,000	Microsoft Corp.	1,043.3
4)	17,201,601	Citigroup Inc.	795.2
5)	13,836,092	Bank of America Corp.	631.1
6)	22,010,392	Pfizer Inc.	607.0
7)	10,409,000	Wal-Mart Stores, Inc.	501.7
8)	8,050,329	American International Group, Inc.	467.7
9)	23,900,000	Time Warner Inc.	399.4
10)	15,200,000	Intel Corp.	395.5

LARGEST DOMESTIC BOND HOLDINGS (BY MARKET VALUE)

JUNE 30, 2005

	PAR	BONDS	COUPON	DUE	RATING	MARKET VALUE (USD)
1)	383,200,000	US Treasury Bonds	6.250%	08/15/23	AAA	\$477,547,672
2)	220,000,000	US Treasury Bonds	6.000%	02/15/26	AAA	271,064,200
3)	250,000,000	US Treasury Notes	4.250%	08/15/13	AAA	256,250,000
4)	163,000,000	US Treasury Bonds	7.125%	02/15/23	AAA	220,279,830
5)	175,000,000	US Treasury Inflation Index Notes	3.000%	07/15/12	AAA	207,987,922
6)	120,000,000	FNMA Notes	6.625%	11/15/30	AAA	155,737,200
7)	100,000,000	US Treasury Bonds	8.125%	08/15/19	AAA	141,703,000
8)	130,000,000	US Treasury Notes	5.000%	08/15/11	AAA	138,596,900
9)	100,000,000	US Treasury Bonds	7.250%	08/15/22	AAA	136,078,000
10)	125,000,000	FPL Group Capital	6.125%	05/15/07	A2	129,443,750

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

INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

LARGEST INTERNATIONAL STOCK HOLDINGS (BY MARKET VALUE) JUNE 30, 2005

	SHARES	STOCK	MARKET VALUE (MIL)
1)	61,500,000	Ericsson (L.M.)	\$240,836,217
2)	13,000,000	Diageo	191,800,910
3)	2,265,000	Sanofi-Aventis	186,213,222
4)	72,958,873	Vodafone Group	177,878,927
5)	15,000,000	Pearson PLC	176,804,979
6)	750,000	Total	176,443,880
7)	3,500,000	Novartis	166,842,352
8)	6,000,000	Repsol YPF	153,723,211
9)	600,000	Nestle	153,665,964
10)	14,000,000	Barclays PLC	139,418,233

LARGEST INTERNATIONAL BOND HOLDINGS (BY MARKET VALUE) JUNE 30, 2005

	PAR (LOCAL)	BONDS	COUPON	DUE	MARKET VALUE (USD)
1)	575,000,000	Government of Norway	6.500%	05/15/13	\$106,995,241
2)	45,000,000	Int'l Bank of Reconstruction and Redevelopment	5.750%	06/07/32	97,268,788
3)	65,000,000	Government of Germany	4.750%	07/04/34	93,930,863
4)	50,000,000	UK Treasury	4.250%	06/07/32	90,291,995
5)	65,000,000	Government of Finland	2.750%	09/15/10	79,531,541
6)	60,000,000	Government of Spain	4.000%	01/31/10	77,483,473
7)	55,000,000	Republic of Ireland	5.000%	04/18/13	76,215,523
8)	60,000,000	Government of France	3.500%	04/25/15	74,869,597
9)	55,000,000	Republic of Austria	3.500%	07/15/15	68,515,922
10)	300,000,000	Kingdom of Sweden	6.750%	05/05/14	49,868,703

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

INVESTMENTS

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

DOMESTIC EQUITY TRADING

FISCAL YEAR 2005

BROKERAGE FIRM	NUMBER OF SHARES TRADED	TOTAL COMMISSIONS*	COMMISSIONS PER SHARE
La Branche Financial Services	24,902,498	\$882,502	\$0.035
Westminster Research Associates	19,759,147	977,957	0.049
Susquehanna Financial Group	19,725,836	532,982	0.027
BNY	16,811,026	540,682	0.032
Prudential Equity Group	15,756,011	627,733	0.040
Bear Sterns & Co	14,319,788	685,137	0.048
Hill, Thompson, Magid & Co	13,271,572	354,693	0.027
Citigroup Global Markets	13,260,700	616,670	0.047
Griswold Company	12,581,240	314,795	0.025
Morgan Stanley	12,115,700	327,985	0.027

*Includes Listed and NASDAQ (Implied @0.05)

INTERNATIONAL EQUITY TRADING

FISCAL YEAR 2005

BROKERAGE FIRM	NUMBER OF SHARES TRADED	TOTAL COMMISSIONS	COMMISSIONS PER SHARE
Citigroup Global Markets	92,717,489	\$1,064,904	\$0.011
Credit Suisse First Boston	60,860,364	1,119,423	0.018
Nomura Securities	58,423,954	598,777	0.010
Deutsche Bank	55,239,490	1,003,072	0.018
Goldman Sachs & Co	54,918,569	997,080	0.018
Merrill Lynch	51,620,346	757,106	0.015
Dresdner Dleinwort Wasserstein	38,866,302	884,993	0.023
UBS Securities	35,219,690	594,238	0.017
Morgan Stanley	33,589,809	706,728	0.021
Mizuho Securities	33,017,859	505,548	0.015

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

ACTUARIAL SECTION

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October 19, 2005

Board of Trustees
Public Employees' Retirement System
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

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

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

The provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds and to use any excess valuation assets to reduce required normal contributions payable by the State and Local employers by up to 100% of excess assets through the July 1, 2001 valuation, and on a declining maximum percentage of excess assets basis thereafter (50% for the July 1, 2004 valuation). The legislation (as amended by Chapter 415, P.L. 1999) also provided for a reduction from excess assets of the contributions by employees of the State and Local employers of up to 2% in contributions in future valuations under certain conditions. The valuation also reflects the provisions of Chapter 259, P.L. 2001, Chapter 353, P.L. 2001, and Chapter 366, P.L. 2001 which provided benefit improvements for certain members of the System and prescribed the funding policy for additional costs to the System. (In accordance with Chapter 259, P.L. 2001, any required contributions due to this legislation are payable by assets to be transferred from the Second Injury Fund.) In addition, the valuation reflects the provisions of Chapter 108, P.L. 2003 which provided for a reduction with regard to the required Local contribution for fiscal year 2005. The valuation also reflects the potential effect of the Appropriation Act for fiscal year 2005 (for the July 1, 2003 valuation, the State contribution was reduced to 30% of the recommended amount and the Benefit Enhancement Fund was used to fund the reduced contribution. The valuation again reflects the provisions of Chapter 42, P.L. 2002 which allowed Local employers to issue refunding bonds to retire the unfunded accrued liability due to certain early retirement incentive programs. Finally, the valuation reflects the early retirement incentive (ERI) programs offered under Chapter 23 P.L. 2002 for eligible State and State autonomous authorities and Chapters 127, 128, and 129, P.L. 2003 for non-State locations.

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

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

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

As stipulated in the statutes, an actuarial investigation of the mortality, service and compensation experience of the members and beneficiaries of PERS is made once in every three-year period. The contributions for the fiscal year beginning July 1, 2005 were based on the revised actuarial assumptions that were determined from the April 1, 1999 to June 30, 2002 Experience Study (which was approved by the Board of Trustees at the August 19, 2003 Board meeting) and the projected unit credit funding method. The valuation also reflected the changes approved by the Treasurer, upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, with regard to the economic assumptions used for the valuation. The rate of investment return has been revised from 8.75% per annum to 8.25% per annum, assumed future salaries have been revised from an average of 5.95% per annum to 5.45% per annum, the Cost-of-Living Adjustment assumption for future benefit increases has been revised from 4.0% per annum to 3.0% per annum, and the assumed rate of annual payment increase of unfunded accrued liability contributions has been revised from 6% per annum to 4% per annum. The asset valuation method used was a five-year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes except that, in the determination of the Annual Required Contribution (ARC), the actuarial surplus attributable to the change in asset method due to Chapter 133, P.L. 2001 was amortized over a 10 year period and the balance of the actuarial surplus was amortized over 40 years. Both amortization payments are increasing at 4% per year (but not less than the current year's unfunded COLA normal cost contribution) and excess assets were not used to offset required normal cost contributions.

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

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

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

Respectfully submitted,
Buck Consultants



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

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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

The actuarial assumptions used for the July 1, 2004 actuarial valuation of the PERS were based on the results of the experience study which covered the period from April 1, 1999 to June 30, 2002.

In addition, the valuation reflects a change in the assumed rate of investment return from 8.75% to 8.25% per year, a decrease in the assumed rate of annual salary increase from 5.95% to 5.45% per year, a decrease in the Cost-of-Living Adjustment from 4.0% to 3.0% per year, and a change in the assumed rate of annual payment increase of unfunded accrued liability contributions from 6% to 4% per year. The Treasurer, upon recommendation from the Directors of the Division of Pensions and Benefits and Division of Investments, approved this change in order to better reflect the expected investment yield for the System's current investment portfolio. There were no other changes in actuarial assumption and methods since the previous valuation.

An outline of the actuarial assumptions and methods used for the July 1, 2004 valuation is as follows:

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

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

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

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

** A separate rate is used for accidental death.

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

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

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

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

** A separate rate is used for accidental death.

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

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

AGE	LENGTH OF SERVICE			
	LESS THAN 20 YEARS		20 YEARS	21 TO 24 YEARS
	STATE	LOCAL		
40	0.71%	0.34%	2.50%	0.00%
45	1.20	0.57	2.50	0.00
50	2.06	0.99	3.75	0.00
55	3.39	1.74	5.00	0.00
60	5.34	2.98	5.00	0.00
65	8.31	4.90	37.50	0.00
69	12.50	7.84	37.50	0.00

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

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

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

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

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

Expenses: Payable from excess investment return through employer contributions.

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

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

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

STATE

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	** NUMBER	ANNUAL*** ALLOWANCE		
7/1/04	2,465	\$41,087,800	2,040	\$18,123,597	37,430	\$649,160,674	5.03%	\$17,343
7/1/03	6,051	154,122,311	1,421	16,371,634	37,005	618,042,446	29.84	16,702
7/1/02	2,245	40,460,481	1,388	13,602,265	32,375	475,998,551	17.32	14,703
7/1/01	2,278	35,883,305	1,248	11,826,820	31,518	405,725,967	8.29	12,873
7/1/00	2,795	40,943,697	1,705	15,679,964	30,488	374,653,652	8.48	12,289
7/1/99*	2,248	32,283,106	1,059	6,927,298	29,398	345,379,931	7.92	11,748

LOCAL EMPLOYERS

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	** NUMBER	ANNUAL*** ALLOWANCE		
7/1/04	5,474	\$81,309,151	3,238	\$28,093,121	79,933	\$875,412,159	8.13%	\$10,952
7/1/03	6,012	85,716,302	3,489	28,120,105	77,697	809,593,263	8.55	10,420
7/1/02	4,976	65,124,052	3,209	23,136,078	75,174	745,795,398	17.79	9,921
7/1/01	4,800	52,657,599	3,148	22,448,803	73,407	633,154,111	7.04	8,625
7/1/00	6,211	65,505,051	4,091	27,237,422	71,755	591,523,823	8.14	8,244
7/1/99*	5,232	53,039,508	2,562	12,187,251	69,635	546,988,481	8.07	7,855

TOTAL SYSTEM

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	** NUMBER	ANNUAL*** ALLOWANCE		
7/1/04	7,939	\$122,396,951	5,278	\$46,216,798	117,363	\$1,524,572,833	6.79%	\$12,990
7/1/03	12,063	239,838,613	4,910	44,491,739	114,702	1,427,635,709	16.85	12,446
7/1/02	7,221	105,584,533	4,597	36,738,343	107,549	1,221,793,949	17.61	11,360
7/1/01	7,078	88,540,904	4,396	34,275,623	104,925	1,038,880,078	7.52	9,901
7/1/00	9,006	106,448,748	5,796	42,917,386	102,243	966,177,475	8.27	9,450
7/1/99*	7,480	85,322,614	3,621	19,114,549	99,033	892,368,412	8.01	9,011

* Census data as of March 31, 1999.

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

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

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

STATE

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/04	81,391	\$3,751,765,096	\$46,096	0.68%
7/1/03	78,108	3,576,118,300	45,784	1.03
7/1/02	79,127	3,511,151,199	44,374	4.37
7/1/01	77,345	3,288,383,788	42,516	2.79
7/1/00	74,808	3,094,277,064	41,363	3.17
7/1/99*	73,044	2,928,470,790	40,092	4.40

LOCAL EMPLOYERS

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/04	185,676	\$6,140,413,756	\$33,071	3.30%
7/1/03	181,528	5,811,726,702	32,016	2.76
7/1/02	177,627	5,534,322,805	31,157	2.35
7/1/01	172,138	5,240,338,738	30,443	3.14
7/1/00	166,388	4,910,966,308	29,515	2.95
7/1/99*	162,378	4,655,241,261	28,669	2.70

TOTAL SYSTEM

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/04	267,067	\$9,892,178,852	\$37,040	2.44%
7/1/03	259,636	9,387,845,002	36,158	2.63
7/1/02	256,754	9,045,474,004	35,230	3.05
7/1/01	249,483	8,528,722,526	34,186	3.00
7/1/00	241,196	8,005,243,372	33,190	3.03
7/1/99*	235,422	7,583,712,051	32,213	3.32

* Census data as of March 31, 1999.

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

SOLVENCY TEST

STATE

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS**	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/04	\$2,678,625,495	\$6,114,590,251	\$3,827,163,689	\$10,694,018,235	100.00%	100.00%	49.67%
7/1/03	2,479,268,714	5,882,058,811	3,580,971,645	10,830,479,694	100.00	100.00	68.95
7/1/02	2,602,398,450	4,348,154,633	3,810,004,399	11,073,156,965	100.00	100.00	100.00
7/1/01	2,411,616,329	3,969,922,145	3,504,924,894	11,123,818,861***	100.00	100.00	100.00
7/1/00	2,246,319,591	3,426,353,181	2,866,012,450	9,743,727,383	100.00	100.00	100.00
7/1/99*	2,109,392,676	3,147,877,213	2,601,596,967	8,915,211,123	100.00	100.00	100.00

LOCAL EMPLOYERS

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS**	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/04	\$3,871,732,121	\$7,806,043,153	\$5,400,162,783	\$16,456,927,812	100.00%	100.00%	88.50%
7/1/03	658,588,521	7,269,911,978	4,958,512,247	16,406,284,200	100.00	100.00	100.00
7/1/02	3,453,882,543	6,678,451,349	4,797,000,211	16,503,081,054	100.00	100.00	100.00
7/1/01	3,234,451,958	5,885,278,088	4,699,308,445	16,625,288,260***	100.00	100.00	100.00
7/1/00	3,025,058,034	5,140,058,713	3,842,044,059	14,380,511,913	100.00	100.00	100.00
7/1/99*	2,871,669,798	4,735,008,728	3,633,774,845	13,248,481,144	100.00	100.00	100.00

TOTAL SYSTEM

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS**	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/04	\$6,550,357,616	\$13,920,633,404	\$9,227,326,472	\$27,150,946,047	100.00%	100.00%	72.39%
7/1/03	6,137,857,235	13,151,970,789	8,539,483,892	27,236,763,894	100.00	100.00	93.06
7/1/02	6,056,280,993	11,026,605,982	8,607,004,610	25,576,238,019	100.00	100.00	100.00
7/1/01	5,646,068,287	9,855,200,233	8,2004,233,339	27,749,107,121***	100.00	100.00	100.00
7/1/00	5,271,377,625	8,566,411,894	6,708,056,509	24,124,239,236	100.00	100.00	100.00
7/1/99*	4,981,062,474	7,882,885,941	6,235,371,812	22,163,692,267	100.00	100.00	100.00

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

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

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

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

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF EMPLOYER CONTRIBUTION RATES

STATE

VALUATION YEAR	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999
Effective Prior Year Contribution Rate	6.52%	4.19%	4.68%	3.74%	3.91%	3.63%
Net Change Due to:						
Current New Entrants	0.01	0.02	(0.03)	0.04	0.02	0.02
Excess Salary Increases	(0.02)	0.02	0.01	0.01	0.01	0.02
Assumption/Method Changes	0.72	0.17	0.00	0.00	0.29	0.08
COLA Increases and Phase-In	0.06	0.08	0.03	0.03	0.03	0.07
Active Experience	(0.01)	(0.06)	(0.15)	0.37	(0.11)	0.09
Other Experience	0.07	(0.02)	(0.21)	0.06	(0.07)	(0.03)
Investment Loss/(Gain)	0.67	0.91	0.03	0.00	0.00	0.00
Non-Contributory Group Insurance						
Premium Fund Experience	(0.08)	0.03	(0.30)	(0.28)	(0.34)	0.03
Chapter 133 Benefit Improvements***	0.12	0.68	0.11	0.71	0.00	0.00
Net Effect of Chapter 133**	(0.80)	(0.68)	(0.11)	(0.71)	0.00	0.00
Chapter 366 Benefit Improvement	0.00	0.00	0.02	0.00	0.00	0.00
Net Effect of Chapter 366	0.00	0.06	(0.01)	0.00	0.00	0.00
Net Effect of Chapter 115*	0.00	0.00	0.00	(3.97)	(3.74)	(3.91)
Effect of Chapter 23	0.19	0.23	N/A	N/A	N/A	N/A
Appropriation Act	0.19	0.21	N/A	N/A	N/A	N/A
Actual Contribution Rate	7.64%	5.84%	4.07%	0.00%	0.00%	0.00%

LOCAL EMPLOYERS

VALUATION YEAR	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999
Effective Prior Year Contribution Rate	4.56%	4.50%	4.38%	3.37%	3.70%	3.37%
Net Change Due to:						
Current New Entrants	0.03	0.02	(0.01)	0.03	0.04	0.03
Excess Salary Increases	(0.01)	0.01	0.03	0.07	0.01	0.01
Assumption/Method Changes	0.46	0.06	0.00	0.00	0.17	0.08
COLA Increases and Phase-In	0.26	0.00	0.05	0.05	0.03	0.06
Active Experience	(0.02)	(0.06)	(0.10)	0.55	(0.20)	0.09
Other Experience	0.10	(0.11)	0.05	0.06	(0.01)	0.09
Investment Loss/(Gain)	0.16	0.09	0.00	0.00	0.00	0.00
Non-Contributory Group Insurance						
Premium Fund Experience	(0.02)	0.02	(0.02)	(0.41)	(0.37)	(0.03)
Chapter 133 Benefit Improvements***	(0.05)	0.03	0.06	0.66	0.00	0.00
Net Effect of Chapter 133**	(0.74)	(0.03)	(0.06)	(0.66)	0.00	0.00
Chapter 366 Benefit Improvement	0.00	0.00	0.06	0.00	0.00	0.00
Net Effect of Chapter 366	(0.06)	(0.03)	(0.05)	0.00	0.00	0.00
Net Effect of Chapter 115*	0.00	(0.85)	(4.39)	(3.72)	(3.37)	(3.70)
Chapter 108	0.29	N/A	N/A	N/A	N/A	N/A
Actual Contribution Rate	4.96%	3.65%	0.00%	0.00%	0.00%	0.00%

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

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

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

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

1. DEFINITIONS

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

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

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

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

2. BENEFITS*

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

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

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

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

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

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

benefit based on service and FC at date of termination.

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

Ordinary Death (Insured):

BEFORE RETIREMENT

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

AFTER RETIREMENT

Before Age 60:

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

After Age 60 or Early Retirement:

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

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

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

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

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

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

DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

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

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

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

Special Benefits:

VETERANS

Service Retirement:

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

Chapter 220 Benefit:

Eligible if age 55 and completes 35 years of service. Benefit equals 1/55th of final contributory compensation for each year of service.

LAW ENFORCEMENT

Service Retirement:

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

Chapter 4, P.L. 2001 Special Retirement:

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

Ordinary Disability:

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

Death After Retirement:

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

LEGISLATORS

Service Retirement:

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

Vested Retirement:

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

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

Service Retirement:

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

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

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

Special Retirement:

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

**DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

Vested Termination:

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

Death Benefits:

Ordinary Death Benefit — Lump Sum

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

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

WORKERS' COMPENSATION JUDGES

PART (Chapter 259, P.L. 2001)

Service Retirement:

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

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

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

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

Age 60 while serving as a judge of compensation, 5 consecutive years of service as a judge

of compensation and 20 years in the aggregate of public service.

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

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

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

Early Retirement:

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

Vested Termination:

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

Death Benefits (Insured):

Before Retirement:

Death of an active member of the plan. Benefit

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

is equal to

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

After Retirement:

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

3. CONTRIBUTIONS

By Members:

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

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

By Employers:

NORMAL CONTRIBUTION

The State and Local employers pay annually a nor-

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

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

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

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

The valuation reflects the potential effect of the Appropriation Act for fiscal year 2005 which reduced the State fiscal year 2005 required normal contribution by 70% and any residual amount was covered by assets from the Benefit Enhancement Fund. The State required normal contribution for subsequent fiscal years could be subject to the Appropriation Act of that fiscal year.

ACCRUED LIABILITY CONTRIBUTIONS

The State and Local employers pay contributions to cover any unfunded accrued liability. An unfunded accrued liability contribution was estab-

**DIVISION OF PENSIONS AND BENEFITS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

lished for active life COLAs. The amortization periods for funding these liabilities were set initially at 40 years. The accrued liability contribution for active members' COLA liabilities are being phased in. Experience gains or losses for the 10 valuation years following the March 31, 1992 valuation will increase or decrease the unfunded accrued liability. Thereafter, actuarial gains or losses will increase or decrease the amortization period unless an increase will cause it to exceed 30 years. Chapter 366, P.L. 2001 requires that the State be liable for any increase in pension costs to a county that results from the enrollment of prosecutors in the Prosecutors Part. Any increase in the unfunded accrued liability in the Retirement System arising from the benefits established for the Prosecutors Part are to be amortized over a period of 30 years in the manner provided for other such liability in the Retirement System.

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

The valuation reflects the potential effect of the Appropriation Act for fiscal year 2005 which reduced the State fiscal year 2005 required accrued liability contribution by 70% and any residual amount was covered by assets from the Benefit Enhancement Fund. The State required accrued liability contribution for subsequent fiscal years could be subject to the Appropriation Act of that fiscal year.

The Local required accrued liability contribution for fiscal year 2005 has been reduced by 80% in accordance with Chapter 108, P.L. 2003.



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September 27, 2005

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

Re: Actuary's Certification Letter

Members of the Board:

This letter constitutes the actuary's certification letter for the Comprehensive Annual Financial Report (CAFR) of the Teachers' Pension and Annuity Fund of New Jersey (TPAF). It reflects the results of the June 30, 2004 Annual Actuarial Valuation of TPAF.

The funding objective of the plan, as modified by Chapter 133, P.L. 2001 and Chapter 115, P.L. 1997, is to have the State make sufficient contributions into the plan to cover the normal cost of the plan subject to a phase-in of the pension adjustment benefits (for the 2004 valuation, 48.96% of the cost of such benefits was reflected).

If there are sufficient assets in the Benefit Enhancement Fund (BEF), the State may reduce its contribution up to the additional normal cost of the plan (the difference between the 1/55th formula and the 1/60th formula normal costs). The BEF was established by Chapter 133, P.L. 2001. As of the June 30, 2004 Actuarial Valuation, there were sufficient assets in the BEF, and the State reduced its contribution accordingly.

In the event there are assets in excess of Actuarial Accrued Liabilities, liabilities for future member contribution reductions, the BEF, and the value of future unphased-in normal costs for pension adjustments, the State may reduce both its contribution and Member contributions. As of the June 30, 2004 Actuarial Valuation, there were no such "excess assets", and neither the State's nor Members' contributions were reduced based on such excess assets. In fact, Unfunded Actuarial Liabilities existed and the State amortized them over a 30-year period as a level percentage of payroll.

The budget for the 2006 fiscal year, which appropriated funds to cover the contribution developed in the 2004 valuation, authorized the payment of 31% of the State contribution described above and authorized payment of that amount out of the BEF. Thus the State appropriated \$88,213,175 of cash contributions for the 2006 fiscal year.

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

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assumptions for the current valuation. The actuarial assumptions and methods used for funding purposes meet the parameters set forth in Governmental Accounting Standards Board (GASB) Statement No. 25 except with respect to the phase-in regarding the normal cost of pension adjustment benefits.

The Annual Required Contribution shown on the attached reflects the full normal cost of pension adjustment benefits.

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

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

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

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

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

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

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

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

Respectfully submitted,

MILLIMAN, INC.



By: William A. Reimert, FSA, MAAA

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

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

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

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

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

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

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

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

ANNUAL RATE FOR THOSE WITH DEFERRED ANNUITY BENEFITS*			ANNUAL RATES FOR RECEIVING RETURN OF CONTRIBUTIONS	
AGE	MALE	FEMALE	MALE	FEMALE
25	0.83%	2.28%	0.55%	0.76%
30	0.83	2.28	0.55	0.76
35	0.68	1.80	0.46	0.61
40	0.46	0.98	0.30	0.29
45	0.39	0.57	0.18	0.13
50	0.52	0.64	0.11	0.09
55	0.93	1.04	0.08	0.08

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

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

A. Actuarial Assumptions, *Continued*

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

LESS THAN 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	2.3	2.5	N/A	N/A	N/A	N/A
52-54	2.8	3.0	N/A	N/A	N/A	N/A
55	N/A	N/A	15.0%	16.0%	N/A	N/A
56	N/A	N/A	18.0	19.0	12.0%	13.0%
57	N/A	N/A	18.0	19.0	13.0	13.5
58	N/A	N/A	20.0	20.0	14.0	14.0
59	N/A	N/A	20.0	20.0	15.0	14.5
60	12.0%	10.0%	22.0	32.0	21.0	20.0
61	12.0	10.0	23.0	34.0	23.0	22.0
62	12.0	10.0	40.0	48.0	36.0	32.0
63	12.0	10.0	43.0	45.0	30.0	26.5
64	12.0	10.0	43.0	45.0	30.0	26.5
65	17.0	20.0	43.0	57.0	38.0	36.0
66-70	18.0	16.0	50.0	50.0	30.0	30.0
71	20.0	20.0	50.0	50.0	30.0	30.0

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

A. Actuarial Assumptions, *Continued*

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

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

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

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

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

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

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

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

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

Form of Payment: Modified Cash Refund Annuity.

- B. Actuarial Valuation Method:** The projected Unit Credit Method was used as required by Chapter 62, P.L. 1994 as modified by Chapter 115, P.L. 1997 and 133, P.L. 2001.
- C. Asset Valuation Method:** A five year average of market value with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period. Cash flows are based on an accrual accounting approach. This method is prescribed by statute.
- D. Changes in Actuarial Assumptions:** This valuation reflects changes to the economic assumption as prescribed by the Treasurer. Specifically, the investment return decreased from 5.95% to 5.45% and the Cost-of-Living inflation rate decreased from 4.00% to 3.00%.

The assumptions shown above in Section A are the assumptions recommended as a result of the 2000 to 2003 Experience Study. These assumptions are first reflected in this report.

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

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

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE		
3/31/98	3,186	N/A	1,758	N/A	46,817	\$959,119,419	5.08%	\$20,487
6/30/99	3,840	N/A	1,597	N/A	49,060	1,052,601,920	4.72	21,455
6/30/00	4,379	N/A	2,074	N/A	51,365	1,159,146,402	5.18	22,567
6/30/01	4,228	N/A	1,701	N/A	53,892	1,282,856,638	5.48	23,804
6/30/02	4,185	N/A	1,840	N/A	56,237	1,534,472,671	14.63	27,286
6/30/03	4,963	N/A	1,869	N/A	59,331	1,684,758,604	4.07	28,396
6/30/04	4,506	N/A	1,844	N/A	61,993	1,831,763,953	4.06	29,548

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

VALUATION DATE	NUMBER OF ACTIVE MEMBERS (a)	ANNUAL COMPENSATION (b)	AVERAGE COMPENSATION (b/a)	% INCREASE IN AVERAGE COMPENSATION
3/31/98	121,251	\$6,251,626,008	\$51,559	1.82%
6/30/99	124,823	6,540,450,038	52,398	1.63
6/30/00	129,987	6,900,894,090	53,089	1.32
6/30/01	135,850	7,317,893,866	53,867	1.47
6/30/02	142,160	7,766,083,756	54,629	1.41
6/30/03	145,882	8,161,471,273	55,946	2.41
6/30/04	149,097	8,552,030,730	57,359	2.53

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS		
	(1) ACTIVE MEMBER CONTRIBUTIONS	(2) RETIREES & DEFERRED VESTED	(3) ACTIVE MEMBERS (EMPLOYER FINANCED)		(1)	(2)	(3)
3/31/98	\$4,158,202,803	\$9,872,134,353	\$9,454,066,294	\$24,478,860,383	100.00%	100.00%	100.00%
6/30/99	4,663,478,090	10,850,247,466	10,032,357,733	27,457,451,678	100.00	100.00	100.00
6/30/00	5,034,537,874	12,125,009,498	10,245,070,679	30,203,205,322	100.00	100.00	100.00
6/30/01	5,372,735,178	14,623,923,361	12,748,698,646	35,351,379,511	100.00	100.00	100.00
6/30/02	5,718,032,988	16,318,453,947	13,110,104,907	35,148,246,433	100.00	100.00	100.00
6/30/03	5,966,376,950	17,994,420,585	13,422,935,347	34,651,825,932	100.00	100.00	80.00
6/30/04	6,358,150,720	19,279,884,745	14,809,654,874	34,633,790,549	100.00	100.00	61.00

*Valuation Assets

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

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

TYPE OF ACTIVITY	ACTUAL VALUATION AS OF	
	JUNE 30, 2004 (\$ MILLIONS)	JUNE 30, 2003 (\$ MILLIONS)
<u>Economic Factors:</u>		
Investment Return	\$(1,503.8)	\$(2,051.1)
Salary Increases	162.9	83.2
COLA Adjustments	222.6	187.7
Expenses	(9.2)	(10.3)
<u>Demographic Factors:</u>		
Active Members	(222.9)	(264.9)
New Entrants	(54.8)	(50.5)
Non-Contributing Members	(24.0)	(19.9)
Retirees and Beneficiaries	36.2	124.9
Net Actuarial Gains or (Losses)	\$(1,393.0)	\$(2,000.9)

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF PRINCIPAL PLAN PROVISIONS

1. TYPE OF PLAN

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

2. EFFECTIVE DATE

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

3. ELIGIBILITY FOR MEMBERSHIP

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

4. DEFINITIONS

a. ***Fiscal Year:*** A Fiscal Year is a 12-month period beginning on July 1 and ending on June 30.

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

c. ***Final Compensation:*** This is the average annual compensation for the three consecutive years of Creditable Service immediately preceding retirement or the highest three fiscal years of Membership Service.

d. ***Final Year Compensation:*** This is the compensation upon which contributions by a Member to the Annuity Savings Fund are based in the last year of Membership Service.

e. ***Aggregate Member Contributions:*** This is the sum of all amounts deducted from the compensation of

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

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

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

5. RETIREMENT BENEFITS

a. ***Service Retirement:***

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

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

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

b. ***Early Retirement:***

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

EARLY RETIREMENT BENEFIT: The benefit may be either:

(1) the lump sum withdrawal benefit described in 6.a. below; or

(2) the service retirement benefit reduced by 1/4 of one percent for each month the retirement date precedes age 55.

6. TERMINATION BENEFITS

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

ELIGIBILITY: A Member is eligible upon termination of service.

DIVISION OF PENSIONS AND BENEFITS
TEACHERS' PENSION AND ANNUITY FUND

SUMMARY OF PRINCIPAL PLAN PROVISIONS, *Continued*

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

b. *Deferred Retirement:*

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

DEFERRED RETIREMENT BENEFIT: The benefit may be either:

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

7. DEATH BENEFITS

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

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

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

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

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

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

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

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

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

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

c. *Pre-retirement Accidental Death Benefit:*

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

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

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

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

SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

(3) The annuity benefit, when there is no spouse or children, is equal to 25% of Compensation for one dependent parent and 40% for two dependent parents.

(4) The benefit, when there is no relation as stated above, is equal to the Aggregate Contributions with interest allowed thereon and is payable to a beneficiary or to the Member's estate. This is also the minimum benefit payable under (1), (2), and (3) above.

8. DISABILITY BENEFITS

a. *Ordinary Disability Retirement:*

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

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

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

(2) 43.6% of Final Compensation

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

b. *Accidental Disability Retirement:*

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

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

9. COST-OF-LIVING PENSION ADJUSTMENT BENEFITS

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

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

10. ADDITIONAL OLD-PLAN BENEFIT

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

11. SPECIAL MINIMUM BENEFIT

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

12. SPECIAL BENEFITS FOR VETERANS

a. ***Service Retirement:*** Eligible if member attains age 60 and completes 20 years of service or attains age 55 and completes 25 years of service. Benefit equals 54.5% of highest 12-month contributory compensation.

b. ***Chapter 97 Benefit:*** Eligible if age 55 and completes 35 years of service. Benefit equals 1/55th of final year compensation for each year of service.

13. POST RETIREMENT MEDICAL BENEFITS

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

14. BENEFIT AND COMPENSATION LIMITS

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

The IRC Section 415 limit is \$165,000 and the 401(a)(17) compensation cap is \$205,000 and is applied on a calendar year basis.

15. FORMS OF PAYMENT

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

SUMMARY OF PRINCIPAL PLAN PROVISIONS, Continued

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

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.

16. CONTRIBUTIONS

- a. Member Contributions: Each member becoming a member on or after January 1, 1956 contributes at the rate of contribution applicable to Class B members.
 - (1) CLASS B MEMBERSHIP: Any member on December 31, 1955 may elect to be classified as a Class B member and contribute at the rate of contribution applicable to Class B members at his age at membership. Any such member may elect to increase his accumulated deductions by the amount required by the Board to receive credit as a Class B member for all or part of his service prior to such election.
 - (2) CLASS A MEMBERSHIP: Any member who is not a veteran and does not elect to be classified as a Class B member continues to contribute at the rate of contribution applicable to his age at membership which was payable prior to the establishment of the integrated system, except that if he became a member subsequent to June 30, 1946 he will pay after January 1,

b. **Local Employer Contributions:**

- (1) EARLY RETIREMENT INCENTIVE CONTRIBUTIONS: The State and Local employers which elected to participate in the early retirement incentive programs authorized by Chapters 137, 229 and 231, P.L. 1991 and Chapters 48, 138 and 163, P.L. 1993 and Chapter 23, P.L. 2002 and Chapters 128 and 129, P.L. 2003 pay contributions to cover the additional liability for these programs over amortization periods chosen by the employer (15 years for Chapters 128 and 129) or the amortization period for the Unfunded Accrued Liability of the system (Chapter 23).
- (2) CHAPTER 113 CONTRIBUTIONS: Certain School Districts have elected to exempt a select group of employees from the compensation limit under IRC Section 401(A)(17) incorporated under Chapter 113. These school districts will pay the full cost of the exemption at a member's date of retirement.

17. CHANGES IN PLAN PROVISIONS SINCE PRIOR EVALUATION

There have been no changes since the previous valuation.



October 19, 2005

Board of Trustees
Police and Firemen's Retirement System
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

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

In accordance with the New Jersey statutes, employers are required to make two contributions to the System, a normal contribution and an accrued liability contribution. The normal contribution for basic allowances and cost of living adjustments (COLA's) is defined under the Projected Unit Credit funding method as the present value of the benefits accruing during the current year. The unfunded accrued liability contribution for basic allowances and COLA's is determined as a level percentage of pay required to amortize the unfunded accrued liability in annual payments increasing by 4% per year and paid annually for a specific time as determined by the State Treasurer. (This period was determined to be 40 years as of July 1, 1992.)

The provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds and to use any excess valuation assets to reduce required normal contributions payable by the State and Local employers by up to 100% of excess assets through the July 1, 2000 valuation, and on a declining maximum percentage of excess assets basis thereafter (50% as of the July 1, 2004 valuation).

Also, the provisions of Chapter 428, P.L. 1999 and Chapter 8, P.L. 2000 made significant changes to the benefit provisions and funding of the System retroactive to the July 1, 1998 valuation. The funding changes included a revision to the actuarial value of assets used for the July 1, 1998 valuation, a change in the definition of excess valuation assets (to cover the expected additional normal cost contributions attributable to the legislation) and elimination of the basic accrued liability contribution payable by the Municipalities and Local Groups for the valuation period ending June 30, 1997.

The July 1, 2004 valuation report reflects additional members who elected to retire under Early Retirement Incentive (ERI) provisions of Chapter 126, P.L. 2000 offered by Union County, the ERI program offered under the provisions of Chapter 130, P.L. 2003 to members of ten Local employer locations who adopted the program and the provisions of Chapter 42, P.L. 2002 which allowed for the bonding of existing Local ERI liability.

The valuation also incorporates the provisions of Chapter 108, P.L. 2003 and assumes that the State Treasurer will reduce the required Local employers' normal and accrued liability contributions for fiscal year 2006 to 60% of the recommended amount of \$434,977,639. Accordingly, a fiscal year 2006 receivable Local employer contribution of \$260,986,583 was recognized for purposes of this valuation. For the State, the valuation reflects the potential impact of the Appropriation Act for fiscal year 2006. Similar to the provisions of Chapter 122, P.L. 2003 (the Appropriation Act of 2003 which reduced the required State contribution for fiscal year 2004), the Appropriation Act for fiscal year 2006 is anticipated to allow the State Treasurer to reduce the State normal and accrued liability

contributions for fiscal year 2006 to 40% of the recommended amount of \$199,032,528. Accordingly, a fiscal year 2006 receivable State contribution of \$79,613,011 was recognized for purposes of this valuation.

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

As stipulated in the statutes, an actuarial investigation of the mortality, service and compensation experience of the members and beneficiaries of the Police and Firemen's Retirement System is made once in every three-year period. The contributions for the fiscal year beginning July 1, 2006 were based on the revised actuarial assumptions that were determined from the July 1, 1998 to June 30, 2001 Experience Study (which was approved by the Board of Trustees at the August 19, 2002 Board meeting) and the projected unit credit funding method. The valuation also reflects a change in the assumed rate of investment return from 8.75% to 8.25% per year, a decrease in the Cost-of-Living Adjustment from 4.0% to 3.0% per year, and a change in the assumed rate of annual payment increase of unfunded accrued liability contributions from 5.95% to 4.0% per year. The Treasurer, upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, has approved this change in order to better reflect the expected investment yield for the System's current investment portfolio. (These changes in economic assumptions are effective for fiscal year 2006. Accordingly, the July 1, 2003 valuation results were revised.) The asset valuation method used was a five-year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

In addition to the changes in economic assumptions, the revised July 1, 2003 valuation also reflects a receivable contribution for fiscal year 2005 equal to 30% of the contribution recommended for the State as part of the July 1, 2002 valuation. (Previously, a 40% assumption was used for the State. The 40% assumption used for Local employers has not been changed.)

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

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

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

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

Respectfully submitted,

Buck Consultants



George M. Lovaglio, M.A.A.A., A.S.A., E.A., F.C.A.

Principal, Consulting Actuary

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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

The July 1, 2004 actuarial valuation of the Police and Firemen's Retirement System reflects the recognition of the revised actuarial assumptions determined from the July 1, 1998 to June 30, 2001 Experience Study which was approved by the Board of Trustees at the August 19, 2002 Board Meeting.

The valuation reflects a change in the assumed rate of investment return from 8.75% to 8.25% per year, a decrease in the Cost-of-Living Adjustment from 4.0% to 3.0% per year, and a change in the assumed rate of annual payment increase of unfunded accrued liability contributions from 5.95% to 4.0% per year. The Treasurer, upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, has approved this change in order to better reflect the expected investment yield for the System's current investment portfolio. These changes in economic assumptions are effective for fiscal year 2006. Accordingly, the July 1, 2003 valuation results were revised.

An outline of the actuarial assumptions and methods used for the July 1, 2004 valuation is as follows:

Valuation Interest Rate: 8-1/4% per annum, compounded annually.

Salary Increases: 5.95% per year.

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

ANNUAL RATES OF						
AGE	SELECT WITHDRAWAL					ULTIMATE WITHDRAWAL
	UP TO THE 1ST YEAR	2ND YEAR	3RD YEAR	4TH YEAR	5 TO 9 YEARS	AFTER 9 YEARS
25	3.50%	2.25%	1.85%	1.74%	1.00%	0.00%
30	4.00	2.25	1.85	1.74	1.20	0.60
35	4.50	2.25	1.85	1.74	1.50	0.39
40	5.00	2.25	1.85	2.32	1.50	0.40
45	3.50	2.25	1.85	2.32	1.50	0.32
50	0.00	2.25	1.85	2.00	2.00	0.30
55	0.00	0.00	0.00	0.00	0.00	0.00

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

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

ANNUAL RATES OF								
AGE	DEATH		DISABILITY		SERVICE RETIREMENT — LENGTH OF SERVICE			
	ORDINARY	ACCIDENTAL	ORDINARY	ACCIDENTAL	LESS THAN	21 TO 24	25 YEARS	26 OR MORE
					21 YEARS*	YEARS		
25	0.050%	0.006%	0.100%	0.029%	2.50%	0.00%	41.00%	15.40%
30	0.065	0.006	0.150	0.071	2.50	0.00	41.00	15.40
35	0.065	0.008	0.250	0.122	2.50	0.00	41.00	15.40
40	0.120	0.008	0.385	0.153	2.50	0.00	41.00	15.40
45	0.180	0.009	0.418	0.151	2.50	0.00	44.15	15.40
50	0.250	0.009	0.363	0.119	3.75	0.00	47.31	15.40
55	0.300	0.014	0.600	0.107	5.00	0.00	49.20	17.48
60	0.600	0.013	0.160	0.107	5.00	0.00	55.35	22.78
64	0.600	0.008	0.300	0.107	37.50	0.00	55.35	37.80
65 & OVER	0.000	0.000	0.000	0.000	100.00	100.00	100.00	100.00

* Retirement assumption prior to age 55 is for any member as of January 18, 2000 upon completion of 20 years of service up to age 54.

Deaths After Retirement: Representative values of the assumed annual rates of mortality are as follows:

AGE	SERVICE RETIREMENTS		BENEFICIARIES		AGE	DISABILITY RETIREMENTS
	MEN	WOMEN	MEN	WOMEN		
55	0.90%	0.254%	0.90%	0.699%	35	1.494%
60	1.42	0.424	1.42	1.027	40	1.584
65	2.17	0.706	2.17	1.563	45	1.674
70	2.75	1.238	2.75	1.981	50	1.761
75	4.46	2.399	4.46	2.399	55	2.016
80	7.41	4.294	7.41	4.294	60	2.376
85	11.48	6.992	11.48	6.992	65	2.736

Marriage: Husbands are assumed to be 3 years older than wives. Among the active population, 90% of participants are assumed to be married. No children are assumed. Neither the percentage married nor the number of children assumptions are necessarily individually explicit, but they are considered reasonable, when viewed as a single combined assumption.

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

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

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

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

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

STATE

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL** ALLOWANCE		
7/1/04	303	\$10,413,610	52	\$1,400,032	2,650	\$83,473,756	14.02%	\$31,500
7/1/03	348	11,490,364	44	1,071,506	2,399	73,208,008	17.49	30,516
7/1/02	307	8,648,702	42	1,045,611	2,095	62,307,941	17.07	29,741
7/1/01	256	7,604,419	34	661,393	1,830	53,224,047	16.06	29,084
7/1/00	216	6,208,112	42	732,185	1,608	45,858,348	16.96	28,519
7/1/99	162	4,141,868	35	494,862	1,434	39,207,781	11.24	27,342

LOCAL EMPLOYERS

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL** ALLOWANCE		
7/1/04	1,599	\$68,764,835	661	\$17,778,633	25,221	\$899,485,274	7.44%	\$35,664
7/1/03	1,572	63,945,587	695	17,071,934	24,283	837,223,152	6.79	34,478
7/1/02	1,560	60,716,320	643	16,347,238	23,406	784,019,183	8.30	33,497
7/1/01	1,618	62,452,533	553	12,812,463	22,489	723,911,119	9.51	32,190
7/1/00	1,625	64,489,523	547	17,011,684	21,424	661,062,382	11.83	30,856
7/1/99	1,472	52,069,752	534	11,662,127	20,346	591,154,754	8.23	29,055

TOTAL SYSTEM

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL** ALLOWANCE		
7/1/04	1,902	\$79,178,445	713	\$19,178,665	27,871	\$982,959,030	7.97%	\$35,268
7/1/03	1,920	75,435,951	739	18,143,440	26,682	910,431,160	7.57	34,122
7/1/02	1,867	69,365,022	685	17,392,849	25,501	846,327,124	8.90	33,188
7/1/01	1,794	70,056,952	587	13,473,856	24,319	777,135,166	9.93	31,956
7/1/00	1,841	70,697,635	589	17,743,869	23,032	706,920,730	12.15	30,693
7/1/99	1,634	56,211,620	569	12,156,989	21,780	630,362,535	8.41	28,942

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

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

STATE OF NEW JERSEY

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

STATE

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/04	7,998	\$466,157,835	\$58,284	0.61%
7/1/03	7,990	462,879,721	57,932	5.85
7/1/02	7,952	435,230,202	54,732	3.42
7/1/01	7,835	414,643,442	52,922	5.08
7/1/00	7,503	377,863,772	50,362	0.99
7/1/99	7,507	374,359,999	49,868	4.11

LOCAL EMPLOYERS

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/04	36,198	\$2,563,358,351	\$70,815	4.71%
7/1/03	35,988	2,433,953,717	67,632	3.93
7/1/02	35,639	2,319,108,068	65,072	3.88
7/1/01	35,184	2,204,057,642	62,644	4.59
7/1/00	34,927	2,091,947,933	59,895	3.98
7/1/99	34,800	2,004,643,544	57,605	3.34

TOTAL SYSTEM

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/04	44,196	\$3,029,516,186	\$68,547	4.06%
7/1/03	43,978	2,896,833,438	65,870	4.25
7/1/02	43,591	2,754,338,270	63,186	3.80
7/1/01	43,019	2,618,701,084	60,873	4.58
7/1/00	42,430	2,469,811,705	58,209	3.52
7/1/99	42,307	2,379,003,543	56,232	3.48

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SOLVENCY TEST

STATE

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/04	\$339,117,363	\$1,034,973,512	\$1,135,101,709	\$2,001,836,285	100.00%	100.00%	55.30%
7/1/03 ^(a)	318,757,994	908,545,557	1,103,606,367	1,940,629,499	100.00	100.00	64.64
7/1/02	300,242,722	780,388,408	966,189,059	1,889,473,235 ^(b)	100.00	100.00	83.71
7/1/01	280,381,468	666,781,730	918,977,193	1,897,865,088	100.00	100.00	100.00
7/1/00	259,428,152	570,067,176	837,347,578	1,796,414,245	100.00	100.00	100.00
7/1/99	240,447,593	494,266,204**	799,756,704	1,694,130,762**	100.00	100.00	100.00

LOCAL EMPLOYERS

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/04	\$1,919,225,430	\$10,453,405,141	\$7,396,416,195	\$16,833,303,026	100.00%	100.00%	60.31%
7/1/03 ^(a)	1,801,722,545	9,765,120,630	6,855,229,897	16,470,946,424	100.00	100.00	71.54
7/1/02	1,687,453,715	9,268,750,917	6,224,937,678	16,338,075,972 ^(b)	100.00	100.00	86.46
7/1/01	1,574,607,783	8,587,173,988	5,894,664,875	16,176,404,513	100.00	100.00	100.00
7/1/00	1,475,019,276	7,881,569,163	5,568,111,273	15,809,047,487	100.00	100.00	100.00
7/1/99	1,393,167,721	7,134,170,599**	5,367,613,297	14,384,636,223**	100.00	100.00	100.00

TOTAL SYSTEM

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE AND INACTIVE MEMBERS		(1)	(2)	(3)
7/1/04	\$2,258,342,793	\$11,488,378,653	\$8,531,517,904	\$18,835,139,311	100.00%	100.00%	59.64%
7/1/03 ^(a)	2,120,480,539	10,673,666,187	7,958,836,264	18,411,575,923	100.00	100.00	70.58
7/1/02	1,987,696,437	10,049,139,325	7,191,126,737	18,227,549,207 ^(b)	100.00	100.00	86.09
7/1/01	1,854,989,251	9,253,955,718	6,813,642,068	18,074,269,601	100.00	100.00	100.00
7/1/00	1,734,447,428	8,451,636,339	6,405,458,851	17,605,461,732	100.00	100.00	100.00
7/1/99	1,633,615,314	7,628,436,803**	6,167,370,001	16,078,766,985**	100.00	100.00	100.00

* Actuarial Value including receivable amounts.

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

(a) Revised amounts reflecting the change in economic assumptions and a revised receivable contribution for fiscal year 2005 equal to 30% of the contribution recommended for the State (previously, a 40% assumption was used).

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

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF EMPLOYER CONTRIBUTION RATES

STATE

VALUATION YEAR	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999
Effective Prior Year Contribution Rate	44.48%	38.05%	31.63%	30.43%	29.51%	27.34%
Initial Adjustment Due to Chapter 122 ^o	N/A	1.21	N/A	N/A	N/A	N/A
Revised Prior Year Contribution Rate	44.48%	39.26	31.63%	30.43%	29.51%	27.34%
Net Change Due to:						
Current New Entrants	0.07	0.01	0.02	0.02	0.07	0.44
Excess Salary Increases	(0.08)	0.01	0.01	0.01	0.03	(0.04)
Assumption/Method Changes	0.00	3.20##	0.00	0.00	0.00	1.15
COLA	(0.10)	(0.06)	(0.09)	(0.10)	(0.09)	(0.10)
Active and Other Experience	3.00	(0.22)	(0.58)	0.57	0.69	1.34
Retiree Experience	0.33	0.63	(0.53)	0.10	0.55	0.11
Investment Loss/(Gain)	(1.09)	0.17	0.10	0.60	(0.33)	(0.73)
Net Effect of Chapter 115*	0.00	0.00	0.00	(1.96)	(28.65)	(27.79)
Net Effect of Chapter 8**	0.16	0.06	7.49	(1.77)	(1.78)	(1.72)
Cumulative Effect of Chapter 122	1.61	1.42##	N/A	N/A	N/A	N/A
Actual Contribution Rate	48.38%	44.48%	38.05%	27.90%	0.00%	0.00%

LOCAL EMPLOYERS

VALUATION YEAR	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999
Effective Prior Year Contribution Rate	19.55%	15.50%	14.70%	13.82%	13.61%	13.26%
Initial Adjustment Due to Chapter 108	N/A	0.47	N/A	N/A	N/A	N/A
Revised Prior Year Contribution Rate	19.55%	15.97%	14.70%	13.82%	13.61%	13.26%
Net Change Due to:						
Current New Entrants	0.05	0.02	0.02	0.01	0.05	0.18
Excess Salary Increases	(0.10)	0.01	0.03	0.02	0.03	0.34
Assumption/Method Changes	0.00	2.00##	0.00	0.00	0.00	0.53
COLA	(0.18)	(0.21)	(0.37)	(0.10)	(0.09)	(0.25)
Active and Other Experience	3.55	0.49	0.49	0.14	0.47	(0.35)
Retiree Experience	0.59	0.62	0.44	0.23	0.59	0.07
Investment Loss/(Gain)	(1.57)	0.23	0.19	0.58	(0.85)	(1.58)
Net Effect of Chapter 115*	0.00	0.00	0.00	(0.89)	(12.31)	(7.24)
Net Effect of Chapter 8**	(1.38)	(1.38)	(1.38)	(1.47)	(1.48)	(4.95)
Chapter 108	0.42	0.42##	N/A	N/A	N/A	N/A
Actual Contribution Rate#	20.93%	18.17%	14.12%	12.34%	0.02%	0.01%

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

** Net effect of the change in the calculation of the July 1, 1998 actuarial value of the System assets and elimination of the Local Employers' accrued liability contribution for the period ending June 30, 1997..

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

The original July 1, 2003 valuation was prepared prior to the change in economic assumptions and anticipated that the Appropriation Act for fiscal year 2005 would reduce the State's fiscal year 2005 contribution to 40% of the contribution recommended as part of the July 1, 2002 valuation rather than 30%. These entries reflect the net effect of these changes.

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

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

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

ELIGIBILITY FOR MEMBERSHIP

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

1. DEFINITIONS

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

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

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

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

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

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

2. BENEFITS

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

- (i) 1/60th of FC for each year of Credited Service;
- or

- (ii) 2% of FC multiplied by years of Credited Service up to 30 plus 1% of FC multiplied by years of Service over 30. (Prior to January 18, 2000, this benefit was based on AFC rather than FC. However, Policy Memorandum 4-2000, which interpreted the provisions of Chapter 428, P.L. 1999, authorized the change in the salary basis).

- (iii) 50% of FC if the member has 20 or more years of Credited Service.

Chapter 428 also requires that, in addition to the 50% of FC benefit, any member as of January 18, 2000 who will have 20 or more years of Credited Service and is required to retire upon attaining age 65, shall receive an additional benefit equal to 3% of FC for each year of Credited Service over 20 years but not over 25 years.

Special Retirement: After completion of 25 years of Credited Service. The annual retirement benefit is equal to a member annuity plus an employer pension which together equal 65% of FC plus 1% of FC for each year of Credited Service over 25. There is a maximum benefit of 70% of FC except for those members with 30 or more years of Credited Service on June 30, 1979.

Vested Termination:

- a. Eligible upon termination of service prior to age 55 and prior to 10 years of Service. The benefit equals a refund of Accumulated Deductions less any outstanding loans.
- b. Eligible upon termination of service prior to age 55 and after 10 years of Service (but less than 20 years if a member on or prior to January 18, 2000 or less than 25 years of service if a member after January 18, 2000). The benefit is a deferred retirement benefit, commencing at age 55, equal to a member annuity plus an employer pension which together provide a retirement allowance equal to 2% of FC multiplied by years of Credited Service, up to 30 plus 1% of FC multiplied by years of credited service over 30.

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

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, Continued

Death Benefits:

ORDINARY DEATH BENEFIT - LUMP SUM

- (1) If a member dies prior to retirement, the benefit payable is as follows:

A lump sum amount equal to 3-1/2 times FC payable to the member's beneficiary.

- (2) After retirement but prior to age 55, the benefit is as follows:

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

(ii) For death while a Deferred Retiree the benefit is equal to his Accumulated Deductions.

(iii) For death while a Retiree who has completed 20 years of Service, the benefit is equal to 1/2 times FC.

- (3) After retirement and after age 55, the benefit payable is equal to 1/2 times Compensation. (Note: If a Member is not disabled, 10 years of Credited Service is required for Members enrolling after July 1, 1971.)

ORDINARY DEATH BENEFIT - SURVIVOR ANNUITY

- (1) If a member dies prior to retirement, the benefit payable to a widow (widower) is equal to 50% of FC (20% of FC payable to one child, 35% of FC payable to two children or 50% of FC payable to three or more children if there is no surviving widow or widower or if the widow or widower dies or remarries or 25% of FC payable to one parent or 40% of FC payable to two parents if no surviving widow, widower, or child. If no widow, widower, child, or parent, the benefit payable to a beneficiary is the aggregate Accumulated Contributions at the time of death).

- (2) For any member who retired after December 18, 1967, the benefit payable to widow (widower) is equal to 50% of FC plus 15% of FC for one child and 25% of FC for two or more children.

If no spouse, or spouse remarries, the benefit is equal to 20% of FC for one child, 35% for two children, and 50% for three or more children.

There is also a minimum benefit payable to widows (widowers) of \$4,500 a year.

- (3) For any member who retired with an Accidental Disability Benefit, the benefit payable is equal to \$4,500 a year to the widow (widower). If there is no widow (widower) the benefit payable is \$600 a year for 1 child, \$960 a year for 2 children, and \$1,500 a year for 3 or more children. The benefit for children is payable until age 18.

ACCIDENTAL DEATH BENEFIT

A death while active resulting from injuries received from an accident during performance of duty is eligible for a lump sum equal to the Accumulated Deductions plus 3-1/2 times Compensation plus an annuity benefit payable is as follows:

- (i) The benefit to a widow or widower is equal to 70% of Compensation.

(ii) The benefit, when there is no spouse, or spouse is remarried, is equal to 20% of Compensation for one child, 35% for two children, 50% for three or more children. The benefit is payable while the children are under age 18, or until age 24 if they are full-time students, or it is payable for life if they are disabled.

(iii) The benefit, when there is no spouse or children, is equal to 25% of Compensation for one parent and 40% for two parents.

(iv) The benefit, when there is no relation as stated above, is equal to the Accumulated Deductions and is payable to a beneficiary or to the Member's estate. This is also the minimum benefit payable under (i), (ii) and (iii).

Disability Benefits:

ORDINARY DISABILITY RETIREMENT

A Member is eligible for Ordinary Disability

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
POLICE AND FIREMEN'S RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, Continued

Retirement if he (she) has 4 years of Service and is totally and permanently incapacitated from the performance of usual or available duties. The benefit is equal to the greater of:

- (i) 1-1/2% of FC times the number of years of Credited Service; or
- (ii) 40% of FC.

In addition, a member who has at least 20 years but less than 25 years of Credited Service and who is required to retire upon application by the employer on or after January 18, 2000 shall receive a benefit equal to a member annuity plus an employer pension which together provide a total retirement allowance equal to 50% of FC plus 3% of FC multiplied by the number of years of Credited Service over 20 but not over 25.

ACCIDENTAL DISABILITY RETIREMENT

A Member is eligible upon total and permanent incapacitation from the performance of usual or

available duties as a result of injury during the performance of regular duties. The benefit payable is equal to a Member annuity plus an employer pension which together equals 2/3 of the Compensation at date of injury.

SPECIAL DISABILITY RETIREMENT

A member is eligible for Special Disability Retirement if he (she) has 5 years of Credited Service, is under age 55, and has received a heart transplant. The benefit payable is equal to a Member annuity plus an employer pension which together equals 50% of FC.

3. MEMBER CONTRIBUTIONS

Each member contributes 8-1/2% of Compensation.



October 19, 2005

Board of Trustees
State Police Retirement System
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

An actuarial valuation of the State Police Retirement System is performed annually to measure the ongoing costs of the System and the progress towards the funding goals of the System over time. In general, the financial goals of the State Police Retirement System are a pattern of contributions which is relatively stable over time as a percentage of pay for a stationary employee population.

In accordance with the New Jersey statutes, employers are required to make two contributions to the System, a normal contribution and an accrued liability contribution. The normal contribution for basic allowances and cost of living adjustments (COLA's) is defined under the Projected Unit Credit funding method as the present value of the benefits accruing during the current year. The unfunded accrued liability contribution for basic allowances and COLA's is determined as a level percentage of pay required to amortize the unfunded accrued liability in annual payments increasing by 4.0% per year and paid annually for a specific time as determined by the State Treasurer.

The provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds and to use any excess valuation assets to reduce required normal contributions payable by the System up to 100% of excess assets through the July 1, 2001 valuation, and on a declining maximum percentage of excess assets basis thereafter (50% for the July 1, 2004 valuation). In addition, the valuation reflects the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study. The valuation also reflects the potential effect of the Appropriation Act for fiscal year 2005 (20% of the contribution recommended for the July 1, 2003 valuation has been included as a receivable contribution for this valuation).

A contribution of \$43,588,488 is required for the fiscal year beginning July 1, 2005. This amount is comprised of an unfunded accrued liability payment of \$3,135,874 plus a normal contribution of \$40,452,614.

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

As stipulated in the statutes, an actuarial investigation of the mortality, service and compensation experience of the members and beneficiaries of the State Police Retirement System is made once in every three-year period. The contributions for the fiscal year beginning July 1, 2005 were calculated using the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study and the projected unit credit funding method. The valuation also reflected the changes approved by the Treasurer upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, with regard to the economic assumptions used for the valuation. The rate of investment return has been revised from 8.75% per annum to 8.25% per annum, the assumed future salary increase has been revised from 5.95% per annum to 5.45% per annum, the Cost-of-Living Adjustment assumption for future benefit increases has been revised from 4.0% per annum to 3.0% per annum and the assumed rate of annual payment increase of unfunded accrued liability contributions has been revised from

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5.95% to 4.0% per annum. The asset valuation method used was a five-year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes.

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

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

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

Respectfully submitted,

Buck Consultants



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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
STATE POLICE RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Section 32 of Chapter 89, P.L. 1965 of the New Jersey Statutes provides that once in every three-year period the actuary shall examine in detail the mortality, service and compensation experience of the members and beneficiaries of the State Police Retirement System to assure that the tables used for determining the expected liabilities are consistent with recent experience.

The assumptions used for the July 1, 2004 actuarial valuation of the State Police Retirement System were based on the results of the experience study which covered the period from July 1, 1999 to June 30, 2002.

In addition, the valuation reflects a change in the assumed rate of investment return from 8.75% to 8.25%, a decrease in the rate of annual salary increases from 5.95% to 5.45%, a decrease in the Cost-of-Living Adjustment from 4.0% to 3.0% per year, and a decrease in the assumed rate of annual payment increase of the unfunded accrued liability contributions from 5.95% to 4.0% per year. The Treasurer, upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, approved these changes in order to better reflect the expected investment return for the System's current investment portfolio. There were no other changes in actuarial assumptions and methods since the previous valuation.

An outline of the actuarial assumptions and methods used for the July 1, 2004 valuation is as follows:

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

COLA: 3.0% per annum, compounded annually. The COLA is 60% of the cumulative increase.

Salary Increases: Salaries are assumed to increase by 5.45% per year.

Termination: Withdrawal rates vary by length of service. Illustrative rates are shown below:

AGE	LIVES PER THOUSAND	
	LESS THAN 5 YEARS OF SERVICE	FIVE TO NINETEEN YEARS OF SERVICE
25	8.3%	0.0%
30	5.0	4.0
35	8.3	1.0
40	0.0	1.5
45	0.0	2.0
50	0.0	0.0

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

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

*Per one thousand lives.

Marriage: Husbands are assumed to be 3 years older than wives. Among the active population, 83.3% of participants are assumed married. No children are assumed. Neither the percentage married or the number of children assumptions are individually explicit but they are as a single combined assumption.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
STATE POLICE RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, *Continued*

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

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

Health Insurance Benefits: Retiree Health Insurance benefits are funded by the State on a pay-as-you-go basis and are not included in the actuarial valuation.

Deaths After Retirement: For Healthy Inactive Mortality the 1983 Group Annuity Mortality Table for males and females is used. Illustrative rates of mortality for retired members are shown below:

AGE	LIVES PER THOUSAND				
	RETIRED MEMBERS		BENEFICIARIES OF DECEASED MEMBERS		DISABLED MALES AND FEMALES
	MALES	FEMALES	MALES	FEMALES	
55	6.1%	2.5%	6.1%	2.5%	9.6%
60	9.2	4.2	9.2	4.2	13.6
65	15.6	7.1	15.6	7.1	19.8
70	27.5	12.4	27.5	12.4	29.5
75	44.6	24.0	44.6	28.8	44.5
80	74.1	42.9	74.1	51.5	67.3
85	114.8	69.9	114.8	83.9	101.1
90	166.3	111.8	166.3	134.1	149.4

Rates of Retirement: Rates of retirement vary by length of service and age (if more than 24 years of service) with 100% of those remaining at age 55 retiring at age 55. The rates are shown below.

SERVICE	LIVES PER 100
20	2.0%
21	0.5
22	0.0
23	0.0
24	0.0
with 25	
(a) through age 42	25.0
(b) ages 43-54	20.0
greater than 25:	
(a) through age 47	5.0
(b) ages 48-52	15.0
(c) ages 53-54	22.0

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

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

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL** ALLOWANCE		
7/1/04	170	\$9,133,184	46	\$1,027,006	2,204	\$92,315,891	11.10%	\$41,886
7/1/03	151	8,155,381	40	996,340	2,080	83,095,494	10.33	39,950
7/1/02	113	5,019,831	50	1,231,049	1,969	75,314,289	7.67	38,250
7/1/01	123	6,007,487	31	697,270	1,906	69,952,007	10.25	36,701
7/1/00	115	5,342,514	31	836,813	1,814	63,449,663	9.23	34,978
7/1/99	103	4,572,188	38	402,070	1,730	58,086,934	7.73	33,576

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

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/04	2,684	\$223,552,154	\$83,291	3.15%
7/1/03	2,693	217,448,864	80,746	4.82
7/1/02	2,793	215,161,126	77,036	3.18
7/1/01	2,675	199,727,203	74,664	3.36
7/1/00	2,609	188,466,237	72,237	8.68
7/1/99	2,698	179,329,453	66,468	4.67

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS		
	(1) ACTIVE MEMBER CONTRIBUTIONS	(2) RETIREES & DEFERRED VESTED	(3) ACTIVE MEMBERS (EMPLOYER FINANCED)		(1)	(2)	(3)
7/1/04	\$134,121,126	\$1,117,321,901	\$697,866,614	\$1,897,713,119	100.00%	100.00%	92.61%
7/1/03	130,718,799	1,014,285,416	670,721,041	1,865,079,083	100.00	100.00	100.00
7/1/02	126,682,063	917,195,351	695,550,325	1,853,684,177	100.00	100.00	100.00
7/1/01	118,427,463	856,126,296	652,077,897	1,829,414,353	100.00	100.00	100.00
7/1/00	112,610,765	779,919,713	620,379,327	1,752,423,441	100.00	100.00	100.00
7/1/99	106,193,262	726,980,559	635,970,327	1,600,165,104	100.00	100.00	100.00

*Actuarial value including receivable amounts.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
STATE POLICE RETIREMENT SYSTEM

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF EMPLOYER CONTRIBUTION RATES

VALUATION YEAR	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999
Effective Prior Year Contribution Rate	17.31%	18.98%	18.80%	18.61%	21.80%	21.26%
Net Change Due to:						
Current New Entrants	0.51	0.08	0.52	0.49	0.00	0.65
Excess Salary Increases	0.16	0.04	0.03	0.06	0.65	0.27
Assumption/Method Changes	(0.20)	(0.78)	N/A	N/A	(3.44)	N/A
COLA	(0.15)	0.00	0.00	0.00	0.00	0.00
Retiree Mortality	0.20	0.00	0.00	0.00	0.00	0.00
Active and Other Experience	0.13	(1.01)	(0.37)	(0.36)	(0.40)	(0.38)
Investment Loss/(Gain)	1.12	0.00	0.00	0.00	0.00	0.00
Net Effect of Chapter 115*	0.00	(16.88)	(18.98)	(18.80)	(18.61)	(21.80)
Appropriation Act for Fiscal Year 2005	0.02	N/A	N/A	N/A	N/A	N/A
Actual Contribution Rate	19.50%	0.43%	0.00%	0.00%	0.00%	0.00%

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

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

STATE POLICE RETIREMENT SYSTEM

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

ELIGIBILITY FOR MEMBERSHIP

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

1. DEFINITIONS

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

Service: Service rendered while a member as described above.

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

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

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

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

Adjusted Final Compensation: The amount of final compensation or final compensation as adjusted,

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

2. BENEFITS

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

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

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

Ordinary Death:

BEFORE RETIREMENT

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

- a. Lump sum payment equal to 3-1/2 times final

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

STATE POLICE RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

compensation, plus

- b. Spousal life annuity of 50% of final compensation payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 20%, 35% or 50% of final compensation payable to one, two or three dependent children, respectively. If there is no surviving spouse (or dependent children), 25% or 40% of final compensation to one or two dependent parents, respectively.

Minimum benefit: Aggregate contributions.

AFTER RETIREMENT

Death of a retired member of the plan. The benefit is equal to:

- a. Lump sum of 50% of final compensation, plus
- b. Spousal life annuity of 50% of final compensation payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 20%, 35% or 50% of final compensation payable to one, two or three dependent children, respectively.

Accidental Death: Death of an active member of the plan resulting during performance of duties. Benefit is equal to:

- a. Lump sum payment equal to 3-1/2 times final compensation, plus
- b. Spousal life annuity of 70% of final compensation payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 20%, 35% or 50% of adjusted final compensation payable to one, two, or three dependent children, respectively. If there is no surviving spouse (or dependent children), 25% or 40% of final compensation to one or two dependent parents, respectively.

Ordinary Disability Retirement: Mentally or physically incapacitated for the performance of his usual duty and of any other available duty in the Division of State Police and such incapacity is likely to be permanent.

- a. The benefit for members with less than four years of service is a refund of the member's aggregate contributions.
- b. For members with four but less than twenty years of service, the benefit is an immediate life annuity equal to 40% of final compensation plus 1-1/2% of final compensation for years of creditable service in excess of 26-2/3.
- c. For members with 20 but less than 25 years of service, the benefit is 50% of the member's final compensation plus 3% of final compensation for each year of service in excess of 20 years, to a maximum of 65% of final compensation.

For death following disability retirement, a lump sum equal to 3-1/2 times final compensation if death occurs prior to age 55 or 1/2 of final compensation after age 55.

Accidental Disability Retirement: Totally and permanently disabled as a direct result of a traumatic event occurring during and as a result of his regular or assigned duties. Benefit is an immediate life annuity equal to 2/3 of final compensation. Upon death after disability retirement, lump sum benefit of 3-1/2 times final compensation if death occurs before 55 and 1/2 times final compensation if death occurs after 55.

Loan Provision: Eligible if an active member of the State Police Retirement System with at least 3 years of contributory service. If eligible, a member may borrow an amount which is greater than \$50, but not more than 50% of aggregate contributions. The loan accrues interest at 4% per annum.



October 19, 2005

State House Commission
Judicial Retirement System
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

An actuarial valuation of the Judicial Retirement System is performed annually to measure the ongoing costs of the System and the progress towards the funding goals of the System over time. In general, the financial goals of the Judicial Retirement System are a pattern of contributions which is relatively stable over time as a percentage of pay for a stationary employee population.

In accordance with the New Jersey statutes, employers are required to make two contributions to the System, a normal contribution and an accrued liability contribution. The normal contribution for basic allowances and cost of living adjustments (COLA's) is defined under the Projected Unit Credit funding method as the present value of the benefits accruing during the current year. The unfunded accrued liability contribution for basic allowances and COLA's is determined as a level percentage of pay required to amortize the unfunded accrued liability in annual payments increasing by 4.0% per year and paid annually for a specific time as determined by the State Treasurer.

The provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds and to use any excess valuation assets to reduce required normal contributions payable by the System up to 100% of excess assets through the July 1, 2001 valuation, and on a declining maximum percentage of excess assets basis thereafter (50% for the July 1, 2004 valuation). In addition, the valuation was prepared on the basis of the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study. The valuation also reflects the potential effect of the Appropriation Act for fiscal year 2005 (30% of the contribution recommended for the July 1, 2004 valuation has been included as a receivable contribution for this valuation).

A contribution of \$21,068,907 was required for the fiscal year beginning July 1, 2005. This was comprised of an unfunded accrued liability payment of \$4,134,655 and a normal contribution of \$16,934,252.

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

As stipulated in the statutes, an actuarial investigation of the mortality, experience of the members and beneficiaries of the Judicial Retirement System is made once in every three-year period. The contributions for the fiscal year beginning July 1, 2005 were calculated using the revised actuarial assumptions that were determined from the July 1, 1999 to June 30, 2002 Experience Study and the projected unit credit funding method. The valuation also reflected the changes approved by the Treasurer upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, with regard to the economic assumptions used for the valuation. The rate of investment return has been revised from 8.75% per annum to 8.25% per annum, the assumed future salary increase has been revised from 5.95% per annum to 5.45% per annum, the Cost-of-Living Adjustment assumption for future benefit increases has been revised from 4.0% per annum to 3.0% per annum and the assumed rate of annual payment increase of unfunded accrued liability contributions has been revised from 5.95% to 4% per year.

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

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes.

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

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

- Summary of Actuarial Assumptions and Methods
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Respectfully submitted,

Buck Consultants



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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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

The assumptions used for the July 1, 2004 actuarial valuation of the Judicial Retirement System were based on the results of the experience study which covered the period from July 1, 1999 to June 30, 2002.

In addition, the valuation reflects a change in the assumed rate of investment return from 8.75% to 8.25%, a decrease in the rate of annual salary increases from 5.95% to 5.45%, a decrease in the Cost-of-Living Adjustment from 4.0% to 3.0% per year, and a decrease in the assumed rate of annual payment increase of unfunded accrued liability contributions from 5.95% to 4% per year. The Treasurer, upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, approved these changes in order to better reflect the expected investment return for the System's current investment portfolio. There were no other changes in actuarial assumptions and methods since the previous valuation.

An outline of the actuarial assumptions and methods used for the July 1, 2004 valuation is as follows:

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

COLA: 3.0% per annum, compounded annually. The Cola is 60% of the cumulative increase.

Salary Increases: Salaries are assumed to increase by 5.45% per year for inflation.

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

	<u>LIVES PER THOUSAND</u>		
	<u>DEATH</u>		
<u>AGE</u>	<u>MALE</u>	<u>FEMALE</u>	<u>DISABILITY</u>
30	0.46%	0.34%	0.22%
35	0.61	0.48	0.26
40	0.86	0.67	0.33
45	1.24	1.01	0.64
50	2.18	1.65	1.14
55	3.91	2.54	1.97
60	6.13	4.24	3.26
65	9.16	7.06	4.73

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS, Continued

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

<u>AGE</u>	<u>RETIRED MEMBERS</u>		<u>LIVES PER THOUSAND</u> <u>BENEFICIARIES OF DECEASED MEMBERS</u>		<u>DISABLED MALES</u> <u>AND FEMALES</u>
	<u>MALES</u>	<u>FEMALES</u>	<u>MALES</u>	<u>FEMALES</u>	
55	4.8%	2.5%	4.8%	2.5%	11.1%
60	7.1	4.2	7.1	4.2	19.8
65	11.1	7.1	11.1	7.1	33.4
70	19.8	12.4	19.8	12.4	54.8
75	33.4	24.0	33.4	28.8	89.3
80	39.6	39.7	39.6	39.7	133.9
85	59.8	59.6	59.8	59.6	190.5
90	109.6	79.3	79.3	79.3	264.0

Retirement: It was assumed that the probability of retirement at age 65 for those judges who have 12 or more years of judicial service at age 65 is at 25% per year. In addition, retirement for members who have attained age 60 with 20 years of judicial service or attained age 65 with 15 years of judicial service is at 30% at age 60, 25% at age 65, and 10% for all other ages between ages 60 and 70. At age 70, all remaining active members are assumed to retire.

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

Health Insurance Benefits: Retiree Health Insurance benefits are funded by the State on a pay-as-you-go basis and are not included in the actuarial valuation.

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

**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM**

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

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER*	ANNUAL** ALLOWANCE		
7/1/04	28	\$2,769,616	13	\$1,231,030	417	\$27,442,244	7.16%	\$65,809
7/1/03	36	2,526,962	18	1,022,984	402	25,609,088	4.53	63,704
7/1/02	26	1,749,451	10	516,107	384	24,499,032	7.00	63,800
7/1/01	31	2,395,394	23	979,909	368	22,895,875	8.33	62,217
7/1/00	42	2,945,702	23	1,398,405	360	21,135,815	8.99	58,711
7/1/99	23	1,481,748	25	1,219,077	341	19,392,375	1.37	56,869

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

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

VALUATION DATE	NUMBER OF ACTIVE MEMBERS	ANNUAL COMPENSATION	AVERAGE COMPENSATION	% INCREASE IN AVERAGE COMPENSATION
7/1/04	433	\$61,576,750	\$142,210	(0.04)%
7/1/03	433	61,600,500	142,264	0.04
7/1/02	438	62,288,830	142,212	2.84
7/1/01	418	57,800,334	138,278	3.12
7/1/00	414	55,514,214	134,092	15.48
7/1/99	421	48,886,350	116,120	(0.01)

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE & INACTIVE MEMBERS		(1)	(2)	(3)
7/1/04	\$13,289,489	\$259,849,101	\$172,783,768	\$377,892,239	100.00%	100.00%	60.63%
7/1/03	12,213,449	242,660,854	176,575,915	376,190,703	100.00	100.00	68.70
7/1/02	11,048,668	216,290,946	161,611,189	381,698,485	100.00	100.00	95.51
7/1/01	9,728,331	203,342,902	159,688,836	379,592,346	100.00	100.00	100.00
7/1/00	8,655,005	186,540,969	155,724,371	374,486,433	100.00	100.00	100.00
7/1/99	7,963,661	161,315,303	144,594,695	352,858,160	100.00	100.00	100.00

*Actuarial value including receivable amounts.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF EMPLOYER CONTRIBUTION RATES

VALUATION YEAR	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999
Effective Prior Year Contribution Rate	33.57%	27.25%	27.83%	28.24%	28.25%	28.65%
Net Change Due to:						
Current New Entrants	0.80	1.10	2.07	1.26	0.94	1.31
Excess Salary Increases	(0.84)	(2.18)	(0.97)	(0.68)	1.22	(1.59)
Assumption/Method Changes	1.68	4.74	0.00	0.00	0.28	0.00
COLA	0.05	(0.50)	(0.80)	0.00	0.00	0.00
Retiree Mortality	0.09	(0.27)	(0.18)	0.00	0.00	0.00
Active and Other Experience	(3.24)	0.74	(2.11)	(0.99)	(2.45)	(0.12)
Investment Loss/(Gain)	1.00	1.55	1.41	0.00	0.00	0.00
Net Effect of Chapter 115*	0.00	0.00	0.00	(13.01)	(28.24)	(28.25)
Appropriation Act	1.11	1.14	N/A	N/A	N/A	N/A
Actual Contribution Rate	34.22%	33.57%	27.25%	14.82%	0.00%	0.00%

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

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

JUDICIAL RETIREMENT SYSTEM

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

ELIGIBILITY FOR MEMBERSHIP

Chief Justice and associate justices of the Supreme Court, judges of the Superior Court and tax courts of the State of New Jersey.

1. DEFINITIONS

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

Service: A year is credited for each year of service as a public employee in the State of New Jersey. Any service, for which member did not receive annual salary of at least \$500, shall be excluded.

Final Salary: Annual salary received by the member at the time of retirement or other termination of service. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code).

Accumulated Deductions: The sum of all amounts deducted from the compensation of a member or contributed by him or on his behalf.

Retirement Allowance: Pension derived from contributions of the State plus the annuity derived from employee contributions.

2. BENEFITS

Service Retirement:

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

- (1) Age 70 and 10 years of judicial service;
- (2) Age 65 and 15 years of judicial service; or
- (3) Age 60 and 20 years of judicial service.

Benefit is an annual retirement allowance equal to 75% of final salary.

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

Age 60 while serving as a judge, 5 consecutive years of judicial service and 20 years in the

aggregate of public service.

Benefit is an annual retirement allowance equal to 50% of final salary.

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

d. Age 60 while serving as a judge. Benefit is an annual retirement allowance equal to 2% of final salary for each year of judicial service up to 25 years plus 1% for each year in excess of 25 years.

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

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

Death Benefits:

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

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
JUDICIAL RETIREMENT SYSTEM

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

30%) of final salary payable to one (two, three or more) dependent child (children). If there is no surviving spouse (or dependent children), 20% or 30% of final salary to one or two dependent parents.

AFTER RETIREMENT: Death of a retired member of the plan. Benefit is equal to:

- a. Lump sum of 25% of final salary for a member retired under normal or early retirement. If a member were receiving a disability benefit, a lump sum 1-1/2 times final salary if death occurred before the member attained age 60 and ¾ times final salary if death occurred after age 60.
- b. Spousal life annuity of 25% of final salary plus 10% (15%) to one (two or more) surviving children payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children).

Disability Retirement: Physically or otherwise incapacitated for a full and efficient service to State in his judicial capacity and such incapacity is likely to be permanent. Benefit is an annual retirement allowance of 75% of final salary.

3. MEMBER CONTRIBUTIONS

Any member enrolled prior to January 1, 1996 contributes 3% of the difference between current salary and salary for that position on January 18, 1982. Members enrolled on and after January 1, 1996 contribute 3% of their full salary.



October 19, 2005

Commission
Consolidated Police and Firemen's Pension Fund
of New Jersey

Re: Actuary's Certification Letter

Members of the Commission:

An actuarial valuation of the Consolidated Police and Firemen's Pension Fund is performed annually to measure the ongoing costs of the Fund and the progress towards the funding goals of the Fund over time. Since the Retirement System is closed to new entrants and there are no active participants, the financial goals of the Consolidated Police and Firemen's Pension Fund are to ensure that the combination of future State appropriations and current Trust assets, both projected forward with expected investment earnings, are sufficient to provide for all future benefit payments.

The unfunded accrued liability for basic allowances was initially determined as of June 30, 1990 and was to be amortized over a 9 year period. However, the provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liabilities from the proceeds of pension obligation bonds.

A contribution of \$6,396,222 was required for the fiscal year beginning July 1, 2005. The required normal cost contribution is \$0 and the unfunded accrued liability contribution is \$6,396,222. As noted above, the latest unfunded accrued liability payment schedule required the amortization of any plan gains or losses over the remainder of the 9 year period that began on June 30, 1991. Without additional guidance, we have assumed the immediate payment of any unfunded accrued liability.

The contribution requirement for the fiscal year beginning July 1, 2005 was based on the method described above using an interest rate of 2.00% per annum. The asset valuation method used was a five-year average of market values with write-up. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period.

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

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes.

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

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

- Summary of Actuarial Assumptions and Methods
- Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls
- Schedule of Active Member Valuation Data
- Solvency Test
- Analysis of Past Financial Experience
Reconciliation of Unfunded Accrued Liability/(Surplus)
- Summary of the Benefit and Contribution Provisions as Interpreted for Valuation Purposes

Respectfully submitted,

Buck Consultants



George M. Lovaglio, M.A.A.A., A.S.A., E.A., F.C.A.

Principal, Consulting Actuary

DIVISION OF PENSIONS AND BENEFITS
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

An outline of the actuarial assumptions and methods used for the July 1, 2004 valuation is as follows:

Valuation Interest Rate: 2.00% per annum, compounded annually for development of costs.

Deaths After Retirement: Rates vary by age. Representative values of the assumed rates of mortality are as follows:

AGE	LIVES PER 1,000		
	SERVICE PENSIONERS	DISABILITY PENSIONERS	WIDOWS
50	6.2%	12.8%	2.2%
55	9.9	17.4	3.3
60	15.6	24.5	5.5
65	23.9	35.7	9.6
70	30.3	53.2	16.5
75	49.1	80.2	32.4
80	81.5	121.1	56.1
85	126.3	182.0	89.2

Marriage: Males are assumed to be 4 years older than females, no assumption was made as to children.

For those participants with listed beneficiaries, the beneficiary allowance was assumed to be the greater of twice the amount contained in the record or the minimum benefit of \$4,500/yr. (The information contained in the record has not been updated for the change from 25% to 50% payment to the survivor.)

For those participants without listed beneficiaries, 65% were assumed to be married and the beneficiary amount was assumed to be the minimum benefit payable (\$4,500/yr.).

Actuarial Method: The unfunded accrued liability was measured as of June 30, 1990 and the accrued liability contribution rate was then determined such that the unfunded accrued liability was to be amortized over a period of 9 years with contributions expected to remain constant.

In determining the unfunded accrued liability and the contribution rate, the actuarial value of assets as of June 30, 1990 was based upon 100% of the market value of system assets. For subsequent actuarial valuations, the actuarial value of assets is adjusted to reflect actual contributions and benefit payments, an assumed rate of return on the previous years' assets and current years' cash flow at an annual rate of 2.00% (8.75% prior to the July 1, 2004 valuation) with an adjustment to reflect 20% of the difference between the resulting value and the actual market value of Fund assets.

In developing the unfunded accrued liability contribution rate as of June 30, 1991 and subsequent years, the contribution rate is adjusted to amortize any gains or losses over the remainder of the 9-year period. (Without additional guidance, we have assumed that the unfunded accrued liability determined as of June 30, 2003 will be amortized over 1 year.)

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE*		
7/1/04	18	\$137,823	132	\$983,127	948	\$6,425,755	(11.63)%	\$6,778
7/1/03	13	107,909	149	992,671	1,062	7,271,059	(10.85)	6,847
7/1/02	10	82,279	176	1,026,521	1,198	8,155,821	(10.36)	6,808
7/1/01	20	148,516	154	1,035,622	1,364	9,098,678	(7.25)	6,671
7/1/00	28	169,790	187	1,076,510	1,498	9,809,706	(8.46)	6,549
7/1/99	32	200,528	240	1,391,030	1,657	10,716,426	(10.00)	6,467

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

THERE HAVE BEEN NO ACTIVE PARTICIPANTS IN THE FUND SINCE JULY 1, 1992.

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE & INACTIVE MEMBERS		(1)	(2)	(3)
7/1/04	\$0	\$35,052,202	\$0	\$28,781,396	N/A	82.11%	N/A
7/1/03	0	41,396,376	0	29,574,010	N/A	71.44	N/A
7/1/02	0	36,350,384	0	34,556,890	N/A	95.07	N/A
7/1/01	0	41,658,355	0	39,162,802	N/A	94.01	N/A
7/1/00	0	46,544,429	0	46,078,644	N/A	99.00	N/A
7/1/99	0	52,226,208	0	54,018,660	N/A	100.00	N/A

*Actuarial value including receivable amounts.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

VALUATION YEAR	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999
Prior Year Unfunded/(Surplus)	\$11,822,366	\$1,793,494	\$2,495,553	\$465,785	\$(1,792,452)	\$(2,932,212)
Net Change Due to:						
Interest in Prior Year						
Unfunded/(Surplus)	236,447	156,931	218,361	40,756	(156,840)	256,569
Investment Loss/(Gain)	1,589,030	1,898,244	1,824,534	1,767,982	1,923,399	1,793,342
Retiree Experience	(331,037)	(10,906)	(31,040)	139,610	491,678	(397,013)
State Appropriations	(7,046,000)	(1,950,425)	(2,713,914)	(506,541)	0	0
Assumption, Benefit, or						
Method Changes	N/A	9,935,028*	N/A	587,961**	N/A	N/A
Actual Unfunded/(Surplus)	\$6,270,806	\$11,822,366	\$1,793,494	\$2,495,553	\$465,785	\$(1,792,452)

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

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

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

ELIGIBILITY FOR MEMBERSHIP

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

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

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

1. DEFINITIONS

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

Service: Service rendered while a member as described above.

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

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

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

2. BENEFITS

Service Retirement: Mandatory retirement at age 65 with 25 years of service (a municipality may retain the Chief of Police until age 70). Voluntary

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

Death benefit:

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

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

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

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



October 19, 2005

Board of Trustees
Prison Officers' Pension Fund
of New Jersey

Re: Actuary's Certification Letter

Members of the Board:

An actuarial valuation of the Prison Officers' Pension Fund is performed annually to measure the ongoing costs of the Fund and the progress towards the funding goals of the Fund over time. Since the retirement system is closed to new entrants and there are no active participants, the financial goals of the Prison Officers' Pension Fund are to ensure that the combination of future State appropriations and current Trust assets, both projected forward with expected investment earnings, are sufficient to provide for all future benefit payments.

The unfunded accrued liability for basic allowances was initially determined as of July 1, 1989 and was to be amortized over the 14-year period beginning July 1, 1989 and ending on July 1, 2002. However, the provisions of Chapter 115, P.L. 1997 of the Pension Security Legislation permitted the State to pay off the unfunded accrued liability from the proceeds of pension obligation bonds. The net effect of this legislation and plan experience was that no contributions were required for the fiscal year beginning July 1, 2005. (There were no required unfunded accrued liability payments due to the fact that a net surplus existed as of July 1, 2004.)

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

The contribution requirement for the fiscal year beginning July 1, 2005 was based on the method described above using an interest rate of 5.00%. Assets are valued at book value which is equivalent to market value.

The assumptions used to prepare the information required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) were the same as those used for funding purposes.

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

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

- Summary of Actuarial Assumptions and Methods
- Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls

- Schedule of Active Member Valuation Data
- Solvency Test
- Analysis of Past Financial Experience
Reconciliation of Unfunded Accrued Liability/(Surplus)
- Summary of the Benefit and Contribution Provisions as Interpreted for Valuation Purposes

Respectfully submitted,

Buck Consultants

A handwritten signature in blue ink that reads "George M. Lovaglio". The signature is written in a cursive style with a horizontal line at the end.

George M. Lovaglio, M.A.A.A., A.S.A., E.A., F.C.A.

Principal, Consulting Actuary

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STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PRISON OFFICERS' PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

An outline of the actuarial assumptions and methods used for the July 1, 2004 valuation is as follows:

Valuation Interest Rate: 5.0% per annum, compounded annually.

Deaths After Retirement: Representative values of the assumed annual rates of mortality for current retirees are as follows:

AGE	SERVICE RETIREMENT	DISABILITY RETIREMENT	WIDOWS
40	0.21%	0.90%	0.56%
45	0.34	1.10	0.68
50	0.56	1.42	0.87
55	0.90	1.93	1.18
60	1.42	2.72	1.67
65	2.17	3.97	2.43
70	2.75	5.91	3.63
75	4.46	8.91	5.50
80	7.41	13.46	8.39
85	11.48	20.22	12.80

Marriage: Husbands are assumed to be 3 years older than wives.

Valuation Method: The unfunded accrued liability (the difference between the present value of benefits and the valuation assets) was determined as of July 1, 1988. This liability was amortized over the 14-year period beginning July 1, 1989, and ending on July 1, 2002. Each year the amortization payments were adjusted to reflect any experience gains or losses that occurred during the previous plan year. All gains and losses will be amortized over the remaining original amortization period. (Without guidance, we have assumed that any unfunded accrued liability that develops after the July 1, 2001 valuation will be amortized over 1 year.)

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

**STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PRISON OFFICERS' PENSION FUND**

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

VALUATION DATE	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT END OF YEAR		% INCREASE IN AVERAGE ANNUAL ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE	NUMBER	ANNUAL ALLOWANCE*		
7/1/04	3	\$14,394	12	\$50,358	205	\$1,491,969	(2.35)%	\$7,278
7/1/03	2	7,870	19	100,109	214	1,527,933	(5.69)	7,140
7/1/02	7	28,788	25	149,834	231	1,620,172	(6.95)	7,014
7/1/01	10	51,395	19	147,997	249	1,741,218	(5.26)	6,993
7/1/00	6	28,174	16	103,882	258	1,837,820	(3.96)	7,123
7/1/99	5	23,456	18	103,344	268	1,913,528	(4.01)	7,140

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

THERE HAVE BEEN NO ACTIVE PARTICIPANTS IN THE FUND SINCE JULY 1, 1994.

SOLVENCY TEST

VALUATION DATE	ACCRUED LIABILITIES FOR			NET ASSETS AVAILABLE FOR BENEFITS*	PERCENTAGE OF ACCRUED LIABILITIES COVERED BY NET ASSETS AVAILABLE		
	(1) AGGREGATE MEMBER CONTRIBUTIONS	(2) CURRENT RETIREES & BENEFICIARIES	(3) ACTIVE & INACTIVE MEMBERS		(1)	(2)	(3)
7/1/04	\$0	\$10,060,710	\$0	\$15,884,428	N/A	100.00%	N/A
7/1/03	0	10,727,647	0	17,277,953	N/A	100.00	N/A
7/1/02	0	11,781,734	0	17,908,452	N/A	100.00	N/A
7/1/01	0	12,994,567	0	18,269,899	N/A	100.00	N/A
7/1/00	0	14,216,588	0	18,268,489	N/A	100.00	N/A
7/1/99	0	15,292,629	0	19,137,919	N/A	100.00	N/A

*Market value including receivable amounts.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
PRISON OFFICERS' PENSION FUND

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

VALUATION YEAR	JULY 1, 2004	JULY 1, 2003	JULY 1, 2002	JULY 1, 2001	JULY 1, 2000	JULY 1, 1999
Prior Year Unfunded/(Surplus)	\$(6,550,306)	\$(6,126,718)	\$(5,275,332)	\$(4,051,901)	\$(3,845,290)	\$(3,665,759)
Net Change Due to:						
Interest in Prior Year						
Unfunded/(Surplus)	(327,515)	(306,336)	(263,767)	(202,595)	(192,265)	(183,288)
Investment Loss/(Gain)	1,052,564	(73,377)	(419,953)	(888,341)	(65,701)	(47,498)
Retiree Experience	1,539	(43,875)	(167,666)	(132,495)	51,355	51,255
Assumption/Method Changes	N/A	N/A	N/A	N/A	N/A	N/A
Actual Unfunded/(Surplus)	\$(5,823,718)	\$(6,550,306)	\$(6,126,718)	\$(5,275,332)	\$(4,051,901)	\$(3,845,290)

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

PRISON OFFICERS' PENSION FUND

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

Eligibility for Membership

Employees of State penal institutions, employed prior to January 1, 1960 who did not transfer to the Police & Firemen's Retirement System in accordance with Chapter 205 of Public Law 1989. The System no longer accepts new members.

1. DEFINITIONS

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

Service: A year is credited for each year an employee is a member of the retirement system.

Average Final Compensation (AFC): Average annual compensation (or base salary) for 3 years of Service immediately preceding retirement. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code.)

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

2. BENEFITS

Service Retirements: 25 years of service, or age 55 and 20 years of service. The benefit is a life annuity equal to the greater of (a), (b), and (c) below:

- a. 2% of AFC up to 30 years of service plus 1% for each year in excess of 30 and prior to age 65;
- b. 50% of final pay; and
- c. For member with 25 years of service, 2% of AFC up to 30 years of service plus 1% for each year in excess of 30.

Vested Retirements: Eligible upon termination of employment. Benefits are summarized as follows:

Termination with 10 or more years of service: Benefit is a deferred life annuity equal to 2% of AFC for service up to 30 years plus 1% for service over 30 years.

Termination with less than 10 years of service: Refund of accumulated deductions.

Ordinary Disability Retirement: Permanent and total disability for causes other than as a direct result of a traumatic event occurring during the performance of regular or assigned duties. Benefit is an immediate life annuity equal to 1/2 of AFC.

Accidental Disability Retirement: Permanent and total disabled as a direct result of a traumatic event occurring while performing regular or assigned duties. Benefit is an immediate life annuity equal to 2/3 of AFC.

Death Benefits: Death of member of system. Spouse must be married to member prior to retirement, or at least five years before member's death. Benefit is an annuity equal to 25% of member's AFC plus an additional 15% (25%) for one (two or more) surviving dependent child (children). If there is no spouse or if the spouse dies or remarries, 20% (35%, 50%) of AFC to one (two, three or more) surviving child (children). If there is no surviving spouse or children, 25% (40%) of AFC to one (two) dependent parent(s). The provision for a survivor annuity payable to dependent parents does not apply in the death of a retired member of the system. Minimum benefits: Minimum spousal annuity is \$1,600 per annum. If no other benefit is payable prior to retirement, the member's beneficiary shall receive the accumulated deductibles.



October 19, 2005

Council
Supplemental Annuity Collective Trust
of New Jersey

Re: Actuary's Certification Letter

Members of the Council:

An actuarial valuation of the Supplemental Annuity Collective Trust is performed at least once in every three-year period to measure the ongoing costs of the Trust and the progress towards the funding goals of the Trust over time. The financial goals of the Supplemental Annuity Collective Trust are to ensure that current Trust assets are sufficient to provide for all future annuity payments. The most recent valuation was prepared as of June 30, 2003.

The Supplemental Annuity Collective Trust of New Jersey was established under the provisions of Chapter 123, P.L. 1963, which was approved July 1, 1963. The act permits active members of the following retirement systems administered by the State of New Jersey to make voluntary additional contributions through their retirement systems to purchase either a variable or fixed annuity to supplement the benefits provided by their systems:

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

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

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

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

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

Respectfully submitted,

Buck Consultants

A handwritten signature in blue ink that reads "George M. Lovaglio". The signature is written in a cursive style with a long horizontal flourish at the end.

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

An outline of the actuarial assumptions and methods used for the July 1, 2003 valuation is as follows:

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

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

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

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

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

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

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

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

**These values exclude suspended members.

SOLVENCY TEST

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

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STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST
ANALYSIS OF PAST FINANCIAL EXPERIENCE
RECONCILIATION OF UNFUNDED ACCRUED LIABILITY/(SURPLUS)

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

DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

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

A summary of the benefit and contribution provisions of the Trust in effect on the valuation date is presented in the following digest. Participants' accounts are expressed in terms of equity units. The value of an equity unit was initially set at \$10. The dollar value of the unit is computed at the end of each month. It varies as a result of mortality experience and gains and losses and dividend earnings on the Variable Division's investments.

Eligibility: Member of a State-administered retirement system may become a participant upon filing an application for enrollment.

Participant Accounts: Although contributions are permitted in either fixed or variable accounts, only the variable system is currently in place.

- (a) Three optional participant accounts:
- (1) Variable annuity account.
 - (2) Tax sheltered annuity account under Section 403(b) of the Internal Revenue Code.
 - (3) Qualified voluntary employee contribution account (QVEC) – eliminated January 1, 1987.
- (b) Value of Account: The total number of equity units in force in the variable account at the end of each month shall be determined as follows:
- (1) The number of equity units in force at the start of the month; plus
 - (2) The number of equity units credited as of the first of the month for participant's contributions received during the preceding quarter, if any; less
 - (3) The number of equity units paid out in the current month on account of terminations for death or withdrawal during the preceding month; less
 - (4) The number of equity units transferred as of the first of the month for retirement during the preceding month; plus
 - (5) One third of one percent of the balance so obtained.

BENEFITS

Retirement: Upon retirement a participant is paid a life annuity which is the fixed number of variable equity units per month computed as the actuarial equivalent of the number of equity units in his account at the close of the month of retirement, multiplied by the value of each unit as of the end of the quarter preceding the month of payment.

At retirement the participant may elect in lieu of the variable life annuity either (1) a single cash payment, or (2) an equivalent reduced annuity with the provision that:

- (a) In case of death prior to 5 years from the effective date of the annuity, the annuity will be continued to his designated beneficiary for the remainder of the 5-year period, or
- (b) In case of death prior to 10 years from the effective date of the annuity, the annuity will be continued to his designated beneficiary for the remainder of the 10-year period, or
- (c) At the death of the participant, his variable annuity will be continued throughout the life of such other person as the participant shall have designated at the time of retirement, or
- (d) At the death of the participant, one-half of his variable annuity will be continued throughout the life of such other person as the participant shall have designated at the time of retirement.

In the event the value of the participant's account at retirement results in an annuity with initial monthly payments of less than \$10, the benefit shall be paid in a single cash payment.

Death Before Retirement: If a participant dies before retirement, a lump sum payment equal to the value of his account on the last day of the month of his death is paid to his designated beneficiary or to his estate. If the beneficiary is a natural person, he may elect, in lieu of a lump sum payment, an annuity under any of the methods of settlement available to a retiree.

Withdrawal: Withdrawal is permitted only if membership in the basic State administered retirement system

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STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

SUMMARY OF THE BENEFIT AND CONTRIBUTION PROVISIONS, *Continued*

is terminated. However, the Council may terminate an inactive account if the value of the account is less than \$100. The amount paid on withdrawal is the value of the participant's account as of the end of the month of termination.

CONTRIBUTIONS

Participants: Each participant contributes through payroll deductions integral dollar amounts not in excess of 10% of his salary. He may also make lump sum contributions by direct payments in integral dollar amounts of not less than \$50, provided that total

contributions for any one year may not exceed 10% of his annual salary. Up to \$2,000 per year may be contributed in the form of qualified voluntary employee contributions.

Employers: Employers may contribute, on behalf of eligible employees who agree to a salary reduction equivalent to the amount of the contribution, even dollar amounts which shall be from 1% to 10% of base salary.

The amounts by which the employee's salary is reduced must be within the exclusion allowance provided under Section 403(b) of the Internal Revenue Code.

STATISTICAL SECTION

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STATISTICAL INFORMATION

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

(Based on the most recent actuarial valuation prepared as of 6/30/04)

GROUP	PERS (STATE)	PERS (LOCAL)	TPAF	PFRS	SPRS	JRS	CPPFF	POPF	TOTAL
SERVICE RETIREMENTS									
Number	30,914	67,062	56,100	18,446	1,673	268	142	78	174,683
Annual Allowance	\$562,481,839	\$739,565,869	\$1,717,126,891	\$779,568,218	\$77,122,623	\$22,434,382	\$1,623,664	\$958,184	\$3,900,881,670
Average Annual Allowance	\$48,195	\$11,028	\$30,608	\$42,262	\$46,098	\$83,710	\$11,434	\$12,284	\$22,331
ORDINARY DISABILITY RETIREMENTS									
Number	3,240	5,133	2,085	2,147	111	7	9	9	12,741
Annual Allowance	\$48,373,931	\$66,351,689	\$43,466,304	\$42,307,411	\$2,817,136	\$539,357	\$34,339	\$59,721	\$203,949,888
Average Annual Allowance	\$14,930	\$12,926	\$20,847	\$19,705	\$25,380	\$77,051	\$3,815	\$6,636	\$16,007
ACCIDENTAL DISABILITY RETIREMENTS									
Number	307	474	188	1,514	89	—	4	4	2,580
Annual Allowance	\$6,072,388	\$9,103,048	\$6,095,852	\$46,411,667	\$3,668,850	—	\$26,483	\$33,554	\$71,411,842
Average Annual Allowance	\$19,780	\$19,205	\$32,425	\$30,655	\$41,223	—	\$6,621	\$8,389	\$27,679
ACTIVE MEMBERS'									
DEATH BENEFITS									
Number	38	88	9	368	80	26	628	19	1,256
Annual Allowance	\$477,194	\$1,070,622	\$85,430	\$10,003,368	\$2,352,053	\$712,815	\$3,907,037	\$68,677	\$18,677,196
Average Annual Allowance	\$12,558	\$12,166	\$9,492	\$27,183	\$29,401	\$27,416	\$6,221	\$3,615	\$14,870
RETIRED MEMBERS									
DEATH BENEFITS									
Number	2,931	7,176	3,611	5,396	251	116	165	95	19,741
Annual Allowance	\$31,755,322	\$59,320,931	\$64,989,476	\$104,668,366	\$6,355,229	\$3,755,690	\$834,232	\$371,833	\$272,051,079
Average Annual Allowance	\$10,834	\$8,267	\$17,998	\$19,397	\$25,320	\$32,377	\$5,056	\$3,914	\$13,781
DEFERRED TERMINATION VESTED									
Number	526	1,301	925	61	—	4	—	—	2,817
Annual Allowance	\$5,502,252	\$10,338,336	\$9,295,908	\$803,100	—	\$130,582	—	—	\$26,070,178
Average Annual Allowance	\$10,461	\$7,946	\$10,050	\$13,166	—	\$32,646	—	—	\$9,255

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

STATISTICAL INFORMATION

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

	FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	PERCENTAGE OF ANNUAL COVERED COMPENSATION	INVESTMENT AND OTHER REVENUES	TOTAL
PUBLIC EMPLOYEES' RETIREMENT SYSTEM	1996	367,184,462	160,732,148	2.13	1,732,843,175	2,260,759,785
	1997	412,729,797	315,374,644	4.46	3,316,721,345	4,044,825,786
	1998	412,345,804	51,336,169	.72	4,134,555,086	4,598,237,059
	1999	401,374,967	16,887,862	.23	3,490,937,590	3,909,200,419
	2000	345,462,658	57,282,988	.76	2,913,614,685	3,316,360,331
	2001	314,235,958	86,099,027	1.08	(2,569,536,756)	(2,169,201,771)
	2002	340,363,504	1,208,577	0.01	(1,889,813,125)	(1,548,241,044)
	2003	354,900,256	70,822,302	0.78	717,963,666	1,143,686,224
	2004	374,864,048	774,456,965	8.25	2,778,643,257	3,927,964,270
	2005	533,862,353	410,736,970	4.15	1,928,822,241	2,873,421,564
TEACHERS' PENSION AND ANNUITY FUND	1996	286,302,170	194,881,707	3.47	2,091,708,844	2,572,892,721
	1997	327,980,876	1,747,001,558	31.23	3,976,089,516	6,051,071,950
	1998	340,170,480	101,625,768	1.76	5,107,667,149	5,549,463,397
	1999	343,423,617	375,532,163	6.26	4,304,402,267	5,023,358,047
	2000	349,654,313	122,528,636	1.96	3,752,666,882	4,224,849,831
	2001	371,618,136	177,542,203	2.70	(3,394,654,946)	(2,845,494,607)
	2002	331,060,403	4,134,785	0.06	(2,509,722,711)	(2,174,527,523)
	2003	303,570,787	301,344,033	4.10	787,190,897	1,392,105,717
	2004	405,695,555	456,411,646	5.93	3,652,597,813	4,514,705,014
	2005	488,861,870	550,722,913	6.84	2,471,563,713	3,511,148,496
POLICE AND FIREMEN'S RETIREMENT SYSTEM	1996	178,207,387	338,933,472	18.38	998,719,216	1,515,860,075
	1997	183,222,535	964,953,912	49.03	1,943,581,395	3,091,757,842
	1998	196,837,955	379,946,171	18.23	2,567,346,432	3,144,130,558
	1999	206,734,066	230,332,291	10.39	2,257,163,794	2,694,230,151
	2000	213,362,233	38,053,275	1.63	1,899,789,314	2,151,204,822
	2001	228,714,280	1,295,929	0.05	(1,627,111,008)	(1,397,100,799)
	2002	240,012,580	286,887,105	11.20	(1,258,970,598)	(732,070,913)
	2003	252,281,888	(79,875,166)	(2.96)	430,240,420	602,647,142
	2004	263,173,065	264,164,091	9.30	1,943,638,309	2,470,975,465
	2005	276,195,076	473,227,921	15.91	1,383,396,386	2,132,819,383
STATE POLICE RETIREMENT SYSTEM	1996	10,540,032	29,817,484	22.27	121,754,107	162,111,623
	1997	10,412,007	120,312,579	84.50	219,377,581	350,102,167
	1998	15,999,870	12,916,482	9.05	283,478,541	312,394,893
	1999	12,079,791	112,418	0.07	245,595,153	257,787,362
	2000	12,563,753	318,326	0.18	214,155,533	227,037,612
	2001	12,796,153	99,201	0.05	(191,175,391)	(178,280,037)
	2002	13,758,972	389,092	0.19	(135,318,494)	(121,170,430)
	2003	14,198,794	193,099	0.09	48,430,409	62,822,302
	2004	14,682,524	45,339	0.02	216,209,057	230,936,920
	2005	15,450,745	437,652	0.20	140,386,795	156,275,192

STATISTICAL INFORMATION

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

	FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	PERCENTAGE OF ANNUAL COVERED COMPENSATION	INVESTMENT AND OTHER REVENUES	TOTAL
JUDICIAL RETIREMENT SYSTEM	1996	965,657	15,726,316	39.47	24,190,412	40,882,385
	1997	1,013,367	110,483,753	232.16	33,629,781	145,126,901
	1998	1,550,943	14,053,520	29.95	56,431,549	72,036,012
	1999	1,150,466	238,564	0.50	52,232,630	53,621,660
	2000	1,384,587	223,946	0.46	45,304,419	46,912,952
	2001	1,818,915	173,556	0.31	(40,392,369)	(38,399,898)
	2002	2,323,835	579,630	1.00	(28,754,613)	(25,851,148)
	2003	2,578,620	9,065,435	14.65	7,700,448	19,344,503
	2004	1,795,721	5,084,315	8.25	43,476,173	50,356,209
	2005	1,480,942	6,162,076	10.01	26,763,410	34,406,428
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	1996	—	9,324,857	—	19,851,929	29,176,786
	1997	—	44,133,378	—	18,075,965	62,209,343
	1998	—	105,882	—	19,032,736	19,138,618
	1999	—	66,610	—	16,988,031	17,054,641
	2000	—	90,137	—	15,456,548	15,546,685
	2001	—	82,355	—	15,240,052	15,322,407
	2002	—	563,793	—	13,180,008	13,743,801
	2003	—	2,776,011	—	11,424,375	14,200,386
	2004	—	2,000,402	—	10,206,935	12,207,337
	2005	—	7,074,835	—	9,368,766	16,443,601
PRISON OFFICERS' PENSION FUND	1996	—	2,798,192	—	1,593,775	4,391,967
	1997	—	21,688,219	—	1,536,389	23,224,608
	1998	—	—	—	2,618,476	2,618,476
	1999	—	—	—	2,446,333	2,446,333
	2000	—	—	—	2,434,818	2,434,818
	2001	—	—	—	3,194,401	3,194,401
	2002	—	—	—	2,641,594	2,641,594
	2003	—	—	—	2,223,922	2,223,922
	2004	—	—	—	1,363,329	1,363,329
	2005	—	—	—	1,544,971	1,544,971
PENSION TRUST FUNDS	1996	843,199,708	752,214,176	4.96	4,990,661,458	6,586,075,342
	1997	935,358,582	3,323,948,043	22.43	9,509,011,972	13,768,318,597
	1998	966,905,052	559,983,992	3.69	12,171,129,969	13,698,019,013
	1999	964,762,907	623,169,908	3.94	10,369,765,798	11,957,698,613
	2000	922,427,544	218,497,308	1.32	8,843,422,199	9,984,347,051
	2001	929,183,442	265,292,271	1.54	(7,804,436,017)	(6,609,960,304)
	2002	927,519,294	293,762,982	1.61	(5,806,757,939)	(4,585,475,663)
	2003	927,530,345	304,325,714	1.57	2,005,174,137	3,237,030,196
	2004	1,060,210,913	1,502,162,758	7.43	8,646,134,873	11,208,508,544
	2005	1,615,850,986	1,448,362,367	6.83	5,961,846,282	9,026,059,635

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS SCHEDULE OF EXPENSES BY TYPE

	FISCAL YEAR	BENEFITS		WITHDRAWALS, ADMINISTRATIVE AND OTHER EXPENSES	TRANSFERS TO OTHER RETIREMENT SYSTEMS	TOTAL
		RETIREMENT	OTHER			
PUBLIC EMPLOYEES' RETIREMENT SYSTEM	1996	625,378,350	210,601,232	76,021,322	29,220,846	941,221,750
	1997	665,382,560	225,158,866	86,290,194	11,094,076	987,925,696
	1998	720,471,861	231,259,847	77,682,393	12,016,848	1,041,430,949
	1999	786,056,682	243,292,530	79,082,242	10,583,135	1,119,014,589
	2000	842,332,716	263,314,394	81,900,016	11,373,329	1,198,920,455
	2001	908,535,003	282,754,727	76,344,177	14,325,482	1,281,959,389
	2002	1,036,242,359	321,913,258	74,311,705	16,203,972	1,448,671,294
	2003	1,256,269,524	391,337,785	73,681,006	13,153,810	1,734,442,125
	2004	1,342,672,462	429,133,774	69,093,929	15,202,812	1,856,102,977
	2005	1,430,518,096	469,353,256	77,859,834	13,229,171	1,990,960,357
TEACHERS' PENSION AND ANNUITY FUND	1996	677,938,451	269,048,008	26,250,876	1,464,630	974,701,965
	1997	746,522,580	298,953,221	23,059,591	1,788,380	1,070,323,772
	1998	814,840,526	288,707,561	21,708,411	1,727,638	1,126,984,136
	1999	906,686,068	318,152,389	25,944,573	2,482,967	1,253,265,997
	2000	1,005,848,093	340,381,641	52,184,484	1,226,046	1,399,640,264
	2001	1,118,484,119	420,933,207	29,182,131	2,473,707	1,571,073,164
	2002	1,301,023,793	490,491,474	29,708,217	2,565,759	1,823,789,243
	2003	1,477,951,606	587,364,087	33,649,450	2,114,920	2,101,080,063
	2004	1,615,493,787	690,695,012	34,115,575	3,411,106	2,343,715,480
	2005	1,778,364,298	777,410,393	40,688,935	2,603,363	2,599,066,989
POLICE AND FIREMEN'S RETIREMENT SYSTEM	1996	425,596,917	79,630,510	10,036,195	285,729	515,549,351
	1997	456,752,610	88,417,802	10,322,684	198,172	555,691,268
	1998	491,352,903	96,934,255	9,429,666	18,022,184	615,739,008
	1999	532,195,764	106,001,916	11,807,597	653,265	650,658,542
	2000	586,744,099	110,656,186	13,272,663	1,006,855	711,679,803
	2001	648,621,718	117,801,144	158,469,703	830,329	925,722,894
	2002	711,972,889	130,078,692	9,407,227	754,516	852,213,324
	2003	766,321,314	150,561,160	10,428,854	424,583	927,735,911
	2004	828,110,553	158,945,146	9,998,813	680,232	997,734,724
	2005	899,263,678	165,199,575	10,978,333	594,778	1,076,036,364
STATE POLICE RETIREMENT SYSTEM	1996	34,924,327	8,649,359	350,950	—	43,924,636
	1997	39,435,676	9,915,265	316,123	—	49,667,064
	1998	42,975,870	10,814,040	223,345	—	54,013,255
	1999	46,463,359	10,759,457	379,811	—	57,602,627
	2000	51,227,196	11,233,585	325,463	383	62,786,627
	2001	57,124,125	12,144,123	305,093	238,969	69,812,310
	2002	60,822,507	13,986,105	319,500	57,837	75,185,949
	2003	67,100,468	14,971,851	306,511	5,856	82,384,686
	2004	74,612,608	14,659,455	307,349	11,477	89,590,889
	2005	83,114,429	15,755,321	536,941	32,016	99,438,707

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS SCHEDULE OF EXPENSES BY TYPE

	FISCAL YEAR	BENEFITS		WITHDRAWALS, ADMINISTRATIVE AND OTHER EXPENSES	TRANSFERS TO OTHER RETIREMENT SYSTEMS	TOTAL
		RETIREMENT	OTHER			
JUDICIAL RETIREMENT SYSTEM	1996	13,920,408	3,129,348	125,655	—	17,175,411
	1997	14,797,214	3,818,079	60,372	—	18,675,665
	1998	16,074,349	2,966,037	60,337	—	19,100,723
	1999	16,730,580	3,176,784	80,339	—	19,987,703
	2000	17,491,090	3,218,845	85,285	—	20,795,220
	2001	19,744,957	3,124,585	43,793	—	22,913,335
	2002	21,103,047	3,483,177	76,943	—	24,663,167
	2003	22,512,788	3,038,212	171,486	—	25,722,486
	2004	23,787,469	3,276,925	309,713	—	27,374,107
	2005	25,775,961	3,242,394	169,357	—	29,187,712
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	1996	32,356,141	139,935	—	—	32,496,076
	1997	30,221,538	106,527	—	—	30,328,065
	1998	28,213,699	66,819	—	—	28,280,518
	1999	26,094,004	—	93,378	—	26,187,382
	2000	23,924,006	—	82,924	—	24,006,930
	2001	22,065,779	—	57,343	—	22,123,122
	2002	20,721,197	—	62,095	—	20,783,292
	2003	18,664,638	—	49,980	—	18,714,618
	2004	16,829,838	—	28,831	—	16,858,669
	2005	15,137,682	—	54,494	—	15,192,176
PRISON OFFICERS' PENSION FUND	1996	3,618,375	20,508	—	—	3,638,883
	1997	3,530,615	11,226	—	—	3,541,841
	1998	3,486,834	12,605	—	—	3,499,439
	1999	3,378,965	—	16,521	—	3,404,486
	2000	3,285,303	—	18,945	—	3,304,248
	2001	3,175,985	—	17,006	—	3,192,991
	2002	2,990,730	—	12,311	—	3,003,041
	2003	2,843,716	—	10,705	—	2,854,421
	2004	2,750,556	—	6,298	—	2,756,854
	2005	2,631,732	—	14,202	—	2,645,934
PENSION TRUST FUNDS	1996	1,813,732,969	571,218,900	112,784,998	30,971,205	2,528,708,072
	1997	1,956,642,793	626,380,986	120,048,964	13,080,628	2,716,153,371
	1998	2,117,416,042	630,761,164	109,104,152	31,766,670	2,889,048,028
	1999	2,317,614,422	681,383,076	117,404,461	13,719,367	3,130,121,326
	2000	2,530,852,503	728,804,651	147,869,780	13,606,613	3,421,133,547
	2001	2,777,751,686	836,757,786	264,419,246	17,868,487	3,896,797,205
	2002	3,154,876,522	959,952,706	113,897,998	19,582,084	4,248,309,310
	2003	3,611,664,054	1,147,273,095	118,297,992	15,699,169	4,892,934,310
	2004	3,904,257,253	1,296,710,312	113,860,508	19,305,627	5,334,133,700
	2005	4,234,805,876	1,430,960,939	130,302,096	16,459,328	5,812,528,239

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS

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

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

STATISTICAL INFORMATION

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS, *Continued*

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

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STATISTICAL INFORMATION

PARTICIPATING COUNTY AND MUNICIPAL EMPLOYERS, *Continued*

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

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STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PARTICIPATING EDUCATION EMPLOYERS

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

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STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *Continued*

ELMWOOD PARK BD OF ED (*)	GLOUCESTER CO SPEC SERV SCH DIST	HOLMDEL TWP BD OF ED (*)
EL SINBORO TWP BD OF ED (*)	GLOUCESTER CO VOC SCH	HOPATCONG BD OF ED
ELYSIAN CHARTER SCH HOBOKEN (*)	GLOUCESTER COUNTY COLL	HOPE TWP BD OF ED (*)
EMERSON BORO BD OF ED (*)	GLOUCESTER TWP BD OF ED	HOPEWELL TWP BD OF ED (CUMB)
EMILY FISHER CHART SCH (*)	GRANVILLE CHARTER SCH (*)	HOPEWELL VALLEY REG SCH
ENGLEWOOD CITY BD OF ED (*)	GRAY CHARTER SCH (*)	HOWELL TWP BD OF ED
ENGLEWOOD CLIFFS BORO BD OF ED (*)	GREAT MEADOWS REG BD ED	HUDSON CO COMM COLL (*)
ENGLEWOOD/PALIS CHART SCH (*)	GREATER BRUNSWICK CHAR SCH (*)	HUDSON CO TEC SCHOOL
ESSEX & UNION JNT MTG UN EMP (*)	GREATER EGG HARBOR REG	HUNTERDON CENTRAL HIGH
ESSEX & UNION JOINT MEETING (*)	GREATER TRENTON AREA ACAD (*)	HUNTERDON CO AUDIO VIS (*)
ESSEX CO EDUC SRV COMM	GREEN BROOK BD OF ED (*)	HUNTERDON CO EDUC SERV
ESSEX CO VOC SCH (*)	GREEN BROOK REG CENTER	HUNTERDON COUNTY VOC (*)
ESSEX COUNTY COLL (*)	GREEN TWP BD OF ED (*)	INTERLAKEN BORO BD OF ED
ESSEX FELS BD OF ED	GREENWICH TWP BD ED (CUMB) (*)	INTERNATIONAL CHARTER SCH
ESTELL MANOR BD OF ED (*)	GREENWICH TWP BD ED (GLO) (*)	IRVINGTON BD OF ED
EVESHAM TWP BD OF ED	GREENWICH TWP BD ED (WARREN)	ISLAND HEIGHTS BORO BD OF ED (*)
EWING TWP BD OF ED (*)	GUTTENBERG BORO BD OF ED	JACKSON TWP BD OF ED
FAIR HAVEN BORO BD OF ED (*)	HACKENSACK CITY BD OF ED (*)	JERSEY CITY BO OF ED (*)
FAIR LAWN BD OF ED	HACKETTSTOWN BD OF ED	JERSEY CITY COMM CHART SCH (*)
FAIRFIELD TWP BD ED (CUMB) (*)	HADDON HGHTS BORO BD ED	JERSEY CITY GOLDEN DOOR CHT SC
FAIRFIELD TWP BD ED (ESSEX)	HADDON TWP BD OF ED	JOINT MEETING ESSEX & UNION
FAIRVIEW BORO BD OF ED (*)	HADDONFIELD BORO BD OF ED	KEANSBURG BD OF ED
FARMINGDALE BD OF ED (*)	HAINESPORT TWP BD OF ED	KEARNY TOWN BD OF ED (*)
FLEMINGTON RARITAN BD OF ED	HALEDON BORO BD OF ED (*)	KENILWORTH BORO BD OF ED
FLORENCE TWP BD OF ED	HAMBURG BORO BD OF ED	KEYPORT BORO BD OF ED
FLORHAM PARK BD OF ED (*)	HAMILTON TWP BD ED (ATL) (*)	KINGSWAY REGIONAL H S DIST
FOLSOM BORO BD OF ED (*)	HAMILTON TWP BD ED (MER)	KINGWOOD TWP BD OF ED (*)
FORT LEE BD OF ED (*)	HAMMONTON TOWN BD OF ED (*)	KINNELON BORO BD OF ED (*)
FRANKFORD TWP BD OF ED (*)	HAMPTON BORO BD OF ED (*)	KITTATINNY REGIONAL HS
FRANKLIN BORO BD OF ED (*)	HAMPTON TWP BD OF ED (*)	KNOWLTON TWP BD OF ED (*)
FRANKLIN BORO BD OF ED CUST (*)	HANOVER PARK REG H S DIST (*)	LACEY TWP BD OF ED (*)
FRANKLIN LAKES BD OF ED (*)	HANOVER TWP BD OF ED (*)	LAFAYETTE TWP BD OF ED
FRANKLIN TWP BD ED (GLOUC)	HARDING TWP BD OF ED	LAKEHURST BORO BD OF ED (*)
FRANKLIN TWP BD ED (HUNT) (*)	HARDWICK TWP SCH DIST	LAKELAND REGIONAL HS DIST
FRANKLIN TWP BD ED (SOMER)	HARDYSTON TWP BD OF ED	LAKEWOOD TWP BD OF ED (*)
FRANKLIN TWP BD ED (WARREN)	HARMONY TWP BD OF ED	LAMBERTVILLE CITY BD OF ED (*)
FREDON TWP BD OF ED	HARRINGTON PARK BD OF ED (*)	LAUREL SPRINGS BORO BD OF ED
FREEHOLD BORO BD OF ED	HARRISON TOWN BD OF ED	LAVALLETTE BORO BD OF ED
FREEHOLD REG H S DIST	HARRISON TWP BD OF ED	LAWNSIDE BORO BD OF ED
FREEHOLD TWP BD OF ED	HASBROUCK HGHTS BD OF ED (*)	LAWRENCE TWP BD ED (CUMB)
FRELINGHUYSEN TWP BD OF ED (*)	HAWORTH BORO BD OF ED (*)	LAWRENCE TWP BD ED (MER)
FRENCHTOWN BORO BD OF ED (*)	HAWTHORNE BORO BD OF ED (*)	LEAP ACADEMY CHARTER SCH (*)
GALLOWAY CHARTER SCH	HAZLET TWP BD OF ED	LEARNING CENTER CHARTER SCH
GALLOWAY TWP BD OF ED	HELMETTA BORO BD OF ED (*)	LEARNING COMM CHARTER SCH (*)
GARFIELD CITY BD OF ED (*)	HENRY HUDSON REG SCH	LEBANON BORO BD OF ED (*)
GARWOOD BORO BD OF ED	HIGH BRIDGE BORO BD OF ED (*)	LEBANON TWP BD OF ED
GATEWAY CHARTER SCH (*)	HIGH POINT REG HIGH SCH	LENAPE REG H S DIST
GATEWAY REG HIGH SCH	HIGHLAND PARK BD OF ED (*)	LENAPE VALLEY REG H S DIST
GIBBSBORO BD OF ED	HILLSBOROUGH TWP BD OF ED	LEONIA BORO BD OF ED (*)
GLASSBORO BORO BD OF ED	HILLSDALE BORO BD OF ED (*)	LIBERTY ACADEMY CHARTER SCH
GLEN GARDNER BORO BD OF ED (*)	HILLSIDE TWP BD OF ED (*)	LINCOLN PARK BD OF ED
GLEN RIDGE BD OF ED (*)	HO HO KUS BORO BD OF ED (*)	LINDEN CITY BD OF ED
GLEN RIDGE BORO (*)	HOBOKEN CHARTER SCH (*)	LINDENWOLD BORO BD OF ED
GLEN ROCK BORO BD OF ED (*)	HOBOKEN CITY BD OF ED (*)	LINWOOD CITY BD OF ED (*)
GLOUCESTER CITY BD OF ED (*)	HOLLAND TWP BD OF ED	LITTLE EGG HARBOR TWP BD ED

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STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *Continued*

LITTLE FALLS BD OF ED (*)
 LITTLE SILVER BORO BD ED (*)
 LIVINGSTON BD OF ED
 LODI BD OF ED
 LOGAN TWP BD OF ED
 LONG BEACH ISLAND BD ED (*)
 LONG BRANCH CITY BD ED (*)
 LONG HILL TWP BD OF ED
 LONGPORT BORO BD OF ED (*)
 LOPATCONG TWP BD OF ED
 LOWER ALLOWAYS CRK BD ED (*)
 LOWER CAPE MAY REG SCH (*)
 LOWER TWP BD OF ED (*)
 LUMBERTON TWP BD OF ED
 LYNDHURST TWP BD OF ED
 MADISON BORO BD OF ED
 MAGNOLIA BORO BD OF ED
 MAHWAH BD OF ED
 MAINLAND REGIONAL HS (*)
 MANALAPAN ENGLISHTOWN REG SCHS (*)
 MANASQUAN BORO BD OF ED
 MANCHESTER TWP BD OF ED
 MANNINGTON TWP BD OF ED
 MANSFIELD TWP BD OF ED (WAR) (*)
 MANSFIELD TWP BD OF ED (BUR)
 MANTALOKING BORO BD OF ED
 MANTUA TWP BD OF ED
 MANVILLE BORO BD OF ED
 MAPLE SHADE BD OF ED
 MARGATE CITY BD OF ED (*)
 MARIA L V RODGER CHAR SCH (*)
 MARION P. THOMAS CHAR SCH (*)
 MARLBORO TWP BD OF ED
 MATAWAN-ABERDEEN SCH
 MAURICE RIVER TWP BD OF ED
 MAYWOOD BD OF ED (*)
 MEDFORD LAKES BD OF ED
 MEDFORD TWP BD OF ED
 MENDHAM BORO BD OF ED (*)
 MENDHAM TWP BD OF ED (*)
 MENDHAM TWP BD OF ED (*)
 MERCER CO AUDIO VISUAL (*)
 MERCER CO COMM COLL (*)
 MERCER CO SPEC SERV
 MERCER CO VOC SCH
 MERCHANTVILLE BD OF ED (*)
 METUCHEN BORO BD OF ED
 MIDDLE TWP BD OF ED (*)
 MIDDLESEX BORO BD OF ED
 MIDDLESEX CO AUDIO VISUAL (*)
 MIDDLESEX CO ED SERV COMM
 MIDDLESEX CO VOC SCH
 MIDDLESEX COUNTY COLL
 MIDDLETOWN TWP BD OF ED
 MIDLAND PARK BD OF ED (*)
 MILFORD BORO BD OF ED (*)
 MILLBURN TWP PUB SCH
 MILLSTONE BORO BD OF ED
 MILLSTONE TWP BD OF ED
 MILLTOWN BORO BD OF ED
 MILLVILLE BD OF ED
 MINE HILL TWP BD OF ED (*)
 MONMOUTH BEACH BD OF ED (*)
 MONMOUTH CO AUDIO VISUAL (*)
 MONMOUTH CO VOC SCH (*)
 MONMOUTH REG SCH
 MONMOUTH-OCEAN ED SERV
 MONROE TWP BD OF ED (GLO)
 MONROE TWP BD OF ED (MID)
 MONTAGUE BD OF ED
 MONTCLAIR BD OF ED
 MONTCLAIR STATE UNIVERSITY (*)
 MONTGOMERY TWP BD OF ED
 MONTVALE BORO BD OF ED (*)
 MONTVILLE TWP BD OF ED
 MOONACHIE BORO BD OF ED
 MORRIS AUDIO VIS COMM (*)
 MORRIS CO ED SERV COMM
 MORRIS CO VOC SCH DIST (*)
 MORRIS COUNTY COLL (*)
 MORRIS HILLS REG DIST
 MORRIS PLAINS BORO BD ED
 MORRIS SCHOOL DIST (*)
 MORRIS-UNION JOINTURE COMM
 MOUNT ARLINGTON BD OF ED (*)
 MOUNT EPHRAIM BORO BD ED
 MOUNT HOLLY TWP BD ED
 MOUNT LAUREL TWP BD OF ED
 MOUNTAIN LAKES BD OF ED (*)
 MOUNTAINSIDE BD OF ED (*)
 MT OLIVE TWP BD OF ED
 MULLICA TWP BD OF ED (*)
 N PLAINFIELD BORO BD OF ED (*)
 NATIONAL PARK BORO BD OF ED
 NEPTUNE CITY BORO BD OF ED (*)
 NEPTUNE TWP BD OF ED
 NETCONG BORO BD OF ED (*)
 NEW BRUNSWICK BD OF ED
 NEW HANOVER TWP BD OF ED
 NEW HORIZON COMM CHART SCH
 NEW MILFORD BD OF ED (*)
 NEW PROVIDENCE BORO BD OF ED
 NEWARK BD OF ED (*)
 NEWARK CHARTER SCH
 NEWARK PUBLIC SCH
 NEWARK TEACHERS UNION
 NEWTON TOWN BD OF ED
 NJ CITY STATE UNIVERSITY (*)
 NJ EDUC ASSOCIATION¹
 NJ EDUC FACILITIES AUTH (*)
 NJ INSTITUTE OF TECHNOLOGY (*)
 NJ SCHOOL BOARDS ASSOC (*)
 NJ SCHOOL BOARDS INS GROUP (*)
 NJ SCHOOLS CONST CORP (*)
 NORTH ARLINGTON BD OF ED (*)
 NORTH ARLINGTON LYNDH JT MTG (*)
 NORTH BERGEN TWP BD OF ED (*)
 NORTH BRUNSWICK TWP BD OF ED
 NORTH CALDWELL BD OF ED (*)
 NORTH HALEDON BORO BD ED (*)
 NORTH HANOVER TWP BD OF ED
 NORTH HUNTERDON-VOORHEES REG HS
 NORTH STAR ACAD CHART SCH (*)
 NORTH WARREN REG H S
 NORTH WILDWOOD CITY BD ED (*)
 NORTHERN BURLINGTON CO REG
 NORTHERN HIGHLNDS REG H S (*)
 NORTHERN VALLEY REG H S (*)
 NORTHFIELD BD OF ED
 NORTHFIELD CITY (*)
 NORTHVALE BORO (*)
 NORTHVALE BORO BD OF ED (*)
 NORWOOD BD OF ED (*)
 NUTLEY BD OF ED (*)
 OAKLAND BORO BD OF ED
 OAKLYN BORO BD OF ED
 OCEAN CITY BD OF ED (*)
 OCEAN CITY CHARTER TECH HS
 OCEAN CO AUD VIS AIDS COMM (*)
 OCEAN CO JOINT TRN PART ACT
 OCEAN CO NORTH SHORE JNT
 OCEAN CO VOC SCH (*)
 OCEAN COUNTY COLL (*)
 OCEAN GATE BD OF ED (*)
 OCEAN TWP BD OF ED (MON)
 OCEAN TWP BD OF ED (OCEAN)
 OCEANPORT SCH
 OCEANSIDE CHARTER SCH
 OGDENSBURG BD OF ED (*)
 OLD BRIDGE BD OF ED
 OLD TAPPAN BD OF ED
 OLDSMANS TWP BD OF ED
 ORADELL BORO BD OF ED (*)
 ORANGE CITY BD OF ED (*)
 OXFORD TWP BD OF ED (*)
 PACE CHARTER SCH OF HAMILTON
 PALISADES PARK BD ED (*)
 PALMYRA BORO BD OF ED
 PARK RIDGE BD OF ED
 PARSIPANNY TROY HILLS BD ED
 PASCACK VALLEY REG H S (*)
 PASSAIC CITY BD OF ED (*)
 PASSAIC CO COMM COLL (*)
 PASSAIC CO ED SERV COMM (*)
 PASSAIC CO MANCHESTER REG HS (*)

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

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

STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *Continued*

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

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

STATISTICAL INFORMATION

PARTICIPATING EDUCATION EMPLOYERS, *Continued*

UNION CO ED SERV COMM (*)
UNION CO VOCATIONAL SCH (*)
UNION TWP BD OF ED (HUNT)
UNION TWP BD OF ED (UNION) (*)
UNITY CHARTER SCH
UNIVERSITY ACAD CHARTER SCH
UPPER DEERFIELD TWP BD ED
UPPER FREEHOLD REG SCH
UPPER PITTSBORO TWP BD OF ED
UPPER SADDLE RIVER BORO BD OF ED (*)
UPPER TWP BD OF ED
VENTNOR CITY BD OF ED (*)
VERNON TWP BD OF ED
VERONA BORO BD OF ED (*)
VICTORY GARDENS BORO BD ED (*)
VILLAGE CHARTER SCH (*)
VINELAND CITY BD OF ED
VOORHEES TWP BD OF ED
WALDWICK BORO BD OF ED (*)
WALL TWP BD OF ED
WALLINGTON BORO BD OF ED (*)
WALLKILL VALL REG HS
WANAQUE BD OF ED
WARREN CO AUDIO VIS AIDS
WARREN CO COMM COLL (*)
WARREN CO SPEC SERV SCH DIST (*)
WARREN CO VOC SCH (*)
WARREN HILLS REG SCH
WARREN TWP BD OF ED
WASHINGTON BORO BD OF ED
WASHINGTON TWP BD ED (BUR)
WASHINGTON TWP BD ED (GLO)
WASHINGTON TWP BD ED (MER) (*)
WASHINGTON TWP BD ED (MOR) (*)
WASHINGTON TWP BD ED (WAR)
WATCHUNG BORO BD OF ED
WATCHUNG HILLS REG H S (*)
WATERFORD TWP BD OF ED
WAYNE BD OF ED
WEEHAWKEN TWP BD OF ED (*)
WENONAH BORO BD OF ED (*)
WEST AMWELL TWP BD OF ED (*)
WEST CAPE MAY BORO BD ED (*)
WEST DEPTFORD TWP BD ED
WEST ESSEX REG BD OF ED
WEST ESSEX REG SCH DIST (*)
WEST LONG BRANCH BD ED
WEST MILFORD TWP BD OF ED
WEST MORRIS REG H S DIST (*)
WEST NEW YORK BD OF ED (*)
WEST ORANGE TWP BD ED
WEST PATERSON BORO BD ED (*)
WEST WINDSOR-PLAINSBORO REG
WESTAMPTON TWP BD OF ED
WESTFIELD TOWN BD OF ED
WESTVILLE BORO BD OF ED (*)
WESTWOOD REG SCH DIST (*)
WEYMOUTH TWP BD OF ED (*)

WHARTON BORO BD OF ED (*)
WHITE TWP BD OF ED
WILDWOOD CITY BD OF ED (*)
WILDWOOD CREST BORO BD OF ED (*)
WILDWOODS JNT CONST OFF (*)
WILLIAM PATERSON UNIV OF NJ (*)
WILLINGBORO TWP BD OF ED (*)
WINFIELD TWP BD OF ED (*)
WINSLOW TWP BD OF ED
WOODBINE BORO BD OF ED (*)
WOODBURGH TWP BD OF ED
WOODBURY CITY BD OF ED (*)
WOODBURY HGHTS BORO BD OF ED (*)
WOODCLIFF LAKE BORO BD OF ED (*)
WOODLAND TWP BD OF ED (*)
WOODLYNNE BORO BD OF ED (*)
WOOD-RIDGE BORO BD OF ED (*)
WOODSTOWN PILESGROVE REG
WYCKOFF TWP BD OF ED (*)

STATISTICAL INFORMATION

STATE OF NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PARTICIPATING AGENCIES AND AUTHORITIES

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

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STATISTICAL INFORMATION

PARTICIPATING AGENCIES AND AUTHORITIES, *Continued*

MADISON BORO HOUS AUTH
MIDDLETOWN TWP HOUS (*)
MILLVILLE HOUS AUTH
MORRIS COUNTY HOUS AUTH
MORRISTOWN HOUS AUTH (*)
NEPTUNE CITY HOUS AUTH
NEPTUNE TWP HOUS AUTH (*)
NEW BRUNSWICK HOUS (*)
NEWTON TOWN HOUS (*)
NEWARK HOUS AUTHORITY (*)
NORTH BERGEN TWP HOUSE AUTH (*)
OCEAN CITY HOUS AUTH (*)
ORANGE CITY HOUS (*)
PASSAIC CITY HOUS (*)
PATERSON HOUS AUTH
PENNS GROVE BORO HOUS (*)
PERTH AMBOY CITY HOUS
PHILLIPSBURG HOUS AUTH
PLAINFIELD CITY HOUS (*)
PLEASANTVILLE HOUS (*)
PRINCETON HOUS AUTH
RAHWAY HOUS AUTH (*)
RED BANK BORO HOUS (*)
SALEM CITY HOUS (*)
SAYREVILLE HOUS AUTH (*)
SOUTH AMBOY CITY HOUS AUTH (*)
TRENTON HOUS AUTH (*)
UNION CITY HOUS AUTH (*)
VINELAND CITY HOUS
WEEHAWKEN TWP HOUS (*)
WEST NEW YORK HOUS
WILDWOOD CITY HOUS (*)
WOODBRIIDGE TWP HOUS (*)

ATL HGHLNDS-HGH REG SEWERAGE AUTH (*)
ATLANTIC CITY MUN UTIL AUTH (*)
ATLANTIC CO UTIL AUTH (*)
BAYONNE MUN UTIL AUTH (*)
BAYSHORE REG SEWERAGE AUTH (*)
BEACH HAVEN SEWERAGE AUTH (*)
BEACHWOOD BORO SEWERAGE AUTH (*)
BERGEN CO UTIL AUTH
BERKELEY TWP MUN UTIL (*)
BERKELEY TWP SEWERAGE AUTH (*)
BERNARDS TWP SEWERAGE AUTH
BEVERLY SEWERAGE AUTH
BORDENTOWN SEWERAGE AUTH (*)
BRICK TWP MUN UTIL AUTH (*)
BUENA BORO MUN UTIL AUTH (*)
BURLINGTON WATER COMM
CAMDEN CO MUN UTIL AUTH
CAPE MAY CO MUN UTIL AUTH
CARLSTADT SEWERAGE AUTH
CARNEYS PT TWP SEWERAGE
CINNAMINSON SEWERAGE AUTH
CLEMENTON SEWERAGE AUTH (*)

CLINTON TWP SEWERAGE AUTH (*)
CUMBERLAND CO UTIL AUTH (*)
DELANCO TWP SEWERAGE AUTH (*)
DELAWARE TWP MUN UTIL AUTH
DELTRAN TWP SEWERAGE AUTH (*)
DEPTFORD TWP MUN UTIL (*)
DOVER TWP MUN UTIL AUTH (*)
E BRUNSWICK SEWERAGE AUTH
E WINDSOR MUN UTIL AUTH (*)
EATONTOWN SEWERAGE AUTH
EDGEWATER PARK SEWERAGE AUTH
EGG HARBOR TWP MUN UTIL (*)
ELK TWP MUN UTIL AUTH
EVESHAM MUN UTIL AUTH
EWING LAWRENCE SEWERAGE (*)
FLORHAM PARK SEWERAGE
FRANKLIN TWP SEWERAGE (*)
GLOUCESTER CO UTIL AUTH
GLOUCESTER TWP MUN UTIL
HACKETTSTOWN TOWN MUA (*)
HAMILTON TWP MUN UTIL (ATL) (*)
HANOVER SEWERAGE AUTH (*)
HAZLET TWP SEWERAGE (*)
HILLSBOROUGH TWP MUN UTIL (*)
HACKETTSTOWN MUN UTIL (*)
HUDSON CO UTIL AUTH (*)
JACKSON TWP MUN UTIL AUTH (*)
JERSEY CITY MUA
KEANSBURG MUN UTIL AUTH
KEARNY TOWN MUN UTIL AUTH (*)
LACEY TWP MUN UTIL AUTH (*)
LAKEWOOD TWP MUN UTIL AUTH
LAMBERTVILLE SEWERAGE (*)
LANDIS SEWERAGE AUTH
LAUREL SPRINGS SEWERAGE AUTH
LEBANON BORO SEWERAGE AUTH
LINDEN ROSELLE SEWERAGE (*)
LITTLE EGG HARBOR TWP MUA (*)
LOGAN TOP MUN UTIL AUTH
LONG BRANCH SEWERAGE (*)
LOWER TWP MUN UTIL AUTH (*)
MANASQUAN RIVER REG SEWERAGE
MANVILLE BORO PUB WORKS (*)
MANTUA TWP MUN UTIL (*)
MANTUA TWP MUN UTIL (*)
MANVILLE BORO PUB WORKS (*)
MARLBORO TWP MUN UTIL (*)
MIDDLESEX CO UTIL AUTH
MIDDLETOWN TWP SEWERAGE (*)
MONROE TWP MUA (GLO) (*)
MONROE TWP MUA (MID) (*)
MONTVILLE TWP MUN UTIL
MOUNT HOLLY TWP MUA
MOUNT LAUREL TWP MUA
MUSCONETCONG SEWERAGE AUTH (*)
NEPTUNE TWP SEWERAGE (*)

NORTH BERGEN MUN UTIL AUTH
NORTH HUDSON SEWERAGE AUTH (*)
NORTHWEST BERGEN CO UTIL (*)
NORTH JERSEY WATER SUPPLY (*)
OCEAN TWP SEWERAGE (MON) (*)
OCEAN CO UTILITIES AUTH (*)
OCEAN TWP MUA (OCEAN) (*)
OLD BRIDGE MUN UTIL AUTH
PASSAIC COUNTY UTIL AUTH
PASSAIC VALLEY SEWERAGE (*)
PASSAIC VALLEY WATER COMM (*)
PEMBERTON TWP MUN UTIL
PENNS GROVE SEWERAGE
PENNSAUKEN TWP SEWERAGE (*)
PENNSVILLE SEWERAGE
PEQ LIN PK & FLD SEWERAGE (*)
PLAINFIELD AREA SEWERAGE AUTH (*)
PLAINFIELD MUN UTIL AUTH
POMPTON LAKES MUN UTIL (*)
RAHWAY VALLEY SEWERAGE (*)
RARITAN TWP MUN UTIL (*)
READINGTON-LEBANON SEWERAGE (*)
RIVERSIDE SEWERAGE
ROCKAWAY VALL SEWERAGE (*)
ROCKLEIGH BORO SEWERAGE
RUNNEMEDE SEWERAGE
SALEM CO UTILITIES AUTH (*)
SOMERS POINT SEWERAGE AUTH
SOMERSET RARITAN VALL SEWERAGE (*)
SOUTH MONMOUTH REG SEWERAGE (*)
SOUTH TOMS RIVER SEWERAGE
SOUTHEAST MORRIS CO MUA (*)
STAFFORD MUN UTIL AUTH
STRATFORD BORO SEWERAGE AUTH (*)
STONY BROOK REG SEWERAGE (*)
SUSSEX CO MUN UTIL AUTH (*)
UNION CO UTILITIES AUTH
WANAQUE BORO SEWERAGE
WANAQUE VALL REG SEWERAGE AUTH
WARREN CO MUN UTIL AUTH (*)
WATERFORD TWP MUA (*)
WEST MILFORD TWP MUA (*)
WESTERN MONMOUTH UTIL (*)
WEYMOUTH TWP MUA
WILLINGBORO TWP MUN UTIL (*)
WOODBINE MUN UTIL AUTH (*)
WOODSTOWN SEWERAGE AUTH
WRIGHTSTOWN MUN UTIL (*)

BERGEN CO SOIL CONSERV (*)
BERGEN CO SOIL CONSERV (*)
BURLINGTON CO SOIL CONS (*)
CAMDEN CO SOIL CONSERV (*)
CAPE ATLANTIC SOIL CONS (*)
CUMBERLAND SOIL CONSERV (*)
FREEHOLD SOIL CNSRVTN DIST (*)

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STATISTICAL INFORMATION

PARTICIPATING AGENCIES AND AUTHORITIES, *Continued*

GLOUCESTER CO SOIL CON DIST (*)	PARSIPANNY TROY HILLS TWP LIBR (*)	LAKE HOPATCONG COMM (*)
HUDSON-ESSEX PASSAIC SOIL (*)	PASSAIC CITY PUBLIC LIBRARY (*)	MERCER CO PARK COMM (*)
HUNTERDON CO SOIL CONS (*)	PRINCETON JNT PUB LIBRARY	MERCER CO PARK COMM (*)
MERCER CO SOIL CONSERV (*)	RAHWAY PUBLIC LIBRARY	MERCHANTVL PENNSKN WATER COMM
MORRIS CO SOIL CONSERV DIST (*)	RIDGEWOOD LIBRARY (*)	MIDDLESEX CO MUN JT INS (*)
OCEAN CO SOIL CONS (*)	ROSELLE BORO LIBRARY	MONMOUTH CO BAYSHORE OUTFALL (*)
SALEM COUNTY SOIL CONSRV DST (*)	SALEM CITY FREE PUB LIBRARY (*)	MORRIS COUNTY PARK COMM
SUSSEX CO SOIL CONSERV (*)	SUSSEX CO LIBRARY (*)	NEWARK MANPOWER TRAINING
WARREN CO SOIL CONSERV (*)	TRENTON CITY LIBRARY (*)	NJ ASSOC OF COUNTIES
	UNION TWP LIBRARY (UNION)	NJ BUILDING AUTH (*)
ATLANTIC CO IMPRVMT AUTH (*)	WEST ORANGE TWP LIBRARY (*)	NJ COMM & ECON GROW COMM (*)
BERGEN CO IMPROV AUTH (*)	WYCKOFF TWP LIBRARY (*)	NJ DEV AUTH SM BUS (*)
CAMDEN CO IMPROVEMENT AUTH		NJ ECON DEV AUTH (*)
CUMBERLAND CO IMPRVMT (*)	CAMDEN CO HEALTH SERV CTR	NJ HIGHWAY AUTH
ESSEX CO IMPROVMT AUTH (*)	ESSEX REG HEALTH COMM (*)	NJ HOUS/MORT FIN (*)
GLOUCESTER CO IMPROVEMENT	HUDSON REG HEALTH COMM (*)	NJ MEADOWLANDS COMM (*)
HUDSON CO IMPROVEMENT AUTH (*)	MID BERGEN REG HEALTH COMM (*)	NJ STATE LEAG MUNIC (*)
MERCER CO IMPROVEMENT (*)	MIDDLE BROOK REG HEALTH (*)	NJ TRANSIT CORPORATION
MERCER CO IMPROVEMENT (*)	MONMOUTH CO REG HEALTH DEPT	NJ TURNPIKE AUTH
MIDDLESEX CO IMPROVE AUTH	MONMOUTH CO REG HEALTH (*)	NJ URBAN DEVELOPMENT CORP (*)
	NJ FIREMEN'S HOME (*)	NJ WATER SUPPLY AUTH (*)
ATLANTIC CO WELFARE BD	NJ HEALTH CARE FACIL FIN AUTH (*)	NORTH HUDSON REG COMM CENTER
CAMDEN CO BD SOC SERV (*)	NORTHWEST BERGEN REG HLTH (*)	NORTH HUNTERDON MUN COURT (*)
BERGEN CO BD OF SOC SERV (*)	OCEAN CO BD OF HEALTH	NORTH JERSEY WATER SUPPLY (*)
BURLINGTON CO BD SOC SERV (*)	SUSSEX CO HEALTH & PUB SAFE (*)	NORTH WARREN MUN COURT (*)
CAPE MAY CO BD OF SOC SERV		OCEAN COUNTY PIC (*)
CUMBERLAND CO BD SOC SERV (*)	CAPE MAY CO MOSQUITO EXT COM	OLD BRIDGE ECON DEV CORP
GLOUCESTER CO BD SOC SERV	MIDDLESEX CO MOSQ EXTERM COMM	PALISADES INTERSTATE PK COMM (*)
MERCER CO BD OF SOC SERV (*)	MONMOUTH CO MOSQ EXTERM COMM (*)	PATERSON POLICE & FIRE COMM
MIDDLESEX CO BD SOC SERV	OCEAN CO MOSQUITO COMM (*)	PENSIONERS GROUP (*)
MONMOUTH COUNTY DIV SOC SERV	SALEM CO MOSQUITO COMM (*)	PERTH AMBOY PORT AUTH
OCEAN CO BD OF SOC SERV (*)	WARREN CO MOSQUITO EXTER COMM	PINELANDS COMMISSION (*)
PASSAIC CO BD SOC SERV		POLLUTION CO FIN AUTH UNION CO
SALEM CO BD OF SOC SERV (*)	BAYONNE LOCAL REDEVEL AGENCY (*)	RAHWAY WATER COMM
SOMERSET CO BD SOC SERV (*)	CARTERET BORO REDEVEL AGENCY (*)	SALEM CITY MUN PORT AUTH (*)
SUSSEX CO BD SOC SERV (*)	HUDSON CO ECON DEV CORP	SOMERSET CO PARK COMM
UNION CO BD OF SOC SERV	JERSEY CITY REDEV AGENCY (*)	SOMERSET REG ANIMAL SHEL T (*)
WARREN CO WELFARE BD	MONTCLAIR REDEV AGEN (*)	SOUTH JERSEY PORT CORP
	NJ REDEVELOPMENT AUTH (*)	SOUTH JERSEY TRANS AUTHORITY
BEDMIN & FAR HILLS PUB LIB (*)	RAHWAY REDEV AGENCY	STATE LEGISLATURE - SENATE (*)
BLOOMFIELD TWP PUB LIBRARY (*)	SAYREVILLE BORO ECON & REDEV AGY (*)	STATE LEGISLATURE - ASSEMBLY (*)
CHESTER BORO/TWP PUB LIB (*)	SOUTH JERSEY ECON DEV AUTH (*)	STATEWIDE INSURANCE FUND
CHATHAMS JNT PUBLIC LIBRARY (*)		SUSSEX CO ADMIN CTR
ELIZABETH LIBRARY (*)	ATLANTIC CITY CONVEN CTR (*)	TRENTON DOWNTOWN ASSOC
HILLSIDE PUBLIC LIBRARY	CAMDEN CO BD OF FREEHOLDERS	TWO RIVERS RECLAM AUTH (*)
JERSEY CITY LIBRARY (*)	CAMDEN CO POLLUTION CONTROL	VINELAND/MILLVILLE URB ENT ZN (*)
LINDEN CITY PUBLIC LIBRARY	CAPE MAY CO BRIDGE COMM (*)	WARREN CO BD OF CHOSEN FRHLDRS
MANVILLE BORO PUB LIBRARY (*)	CASINO REINVESTMENT DEV AUTH (*)	WARREN CO POLLUTION CNTRL
MATAWAN-ABERDEEN LIB (*)	COMP RATING & INSP BUR (*)	WATERFRONT COMM OF NY HARBOR (*)
MONTCLAIR TWP LIBRARY (*)	DELAWARE RVR BASIN COMM (*)	
MORRISTOWN/MORRIS LIB (*)	DELAWARE RVR JNT TOLL BRDG	
MOUNTAINSIDE BORO PUB LIB (*)	GREATER WILDWOOD TOUR IMP (*)	
MONTVILLE TWP PUB LIBRARY (*)	INTERSTATE ENVIRON COMM(*)	
OCEAN COUNTY LIBRARY (*)	JERSEY CITY INCINERATOR	
ORANGE CITY LIBRARY	JOINT CONST OF THE WILDWOODS	

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

STATISTICAL INFORMATION

ALL NEW JERSEY STATE GOVERNMENT DEPARTMENTS AND THEIR ASSOCIATED DIVISIONS

THE FOLLOWING LOCATIONS PARTICIPATE IN THE STATE HEALTH BENEFITS PROGRAM ONLY:

ESSEX COUNTY PENSION FUND

HUDSON COUNTY PENSION FUND

JERSEY CITY PENSION FUND

UMDNJ PENSION FUND

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