

March 29, 2004

Mr. John D. Megariotis
Assistant Director, Finance
State of New Jersey
Department of the Treasury
Division of Pensions & Benefits, CN295
50 West State Street
Trenton, NJ 08625-0295

Dear John:

Enclosed are 50 bound and 3 3-hole punched copies of the June 30, 2003 Actuarial Valuation Report for the Teachers' Pension and Annuity Fund of New Jersey.

If you have any questions, please do not hesitate to call.

Sincerely,

Scott F. Porter

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Enclosure

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

June 30, 2003 Actuarial Valuation Report

March 29, 2004

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

Ladies and Gentlemen:

This report presents the results of the actuarial valuation of Teachers' Pension and Annuity Fund of New Jersey as of June 30, 2003. Section I contains highlights of the valuation including a general discussion and comments on the various schedules included in the report. The subsequent Sections contain schedules summarizing the underlying calculations, asset information, participant data, plan benefits and actuarial assumptions.

Purpose

The main purposes of this report are:

- to provide the required annual state contribution to be made in the Fiscal Year ending June 30, 2005 which represents the contribution for the valuation year beginning July 1, 2003; and,
- to review the experience under the plan for the valuation year ending June 30, 2003.

This report may not be used for purposes other than those listed above without Milliman's prior written consent.

Data Reliance

In performing this analysis, we relied on data and other information provided by the State of New Jersey 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.

Variability of Results

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.

Certification

We hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices based on actuarial assumptions and methods adopted by the Board or mandated by statute.

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

Respectfully submitted,

MILLIMAN USA, INC.

By:

Scott F. Porter, A.S.A.
Member American Academy of Actuaries

By:

William A. Reimert, F.S.A.
Member American Academy of Actuaries

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

TABLE OF CONTENTS

	<u>Page</u>
SECTION I - SUMMARY	1
SECTION II - ASSETS	18
SECTION III - LIABILITIES AND CONTRIBUTIONS	22
SECTION IV - ACTUARIAL BALANCE SHEET	30
SECTION V - ACCOUNTING INFORMATION	31
SECTION VI - CENSUS DATA	34
SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS	42
SECTION VIII - SUMMARY OF PRINCIPAL PLAN PROVISIONS	48
APPENDIX I- EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE	56

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

A. Summary of Principal Results

PARTICIPANT DATA

	<u>June 30, 2003</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>Percentage</u>	<u>Percentage</u>
	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Change</u>	<u>Change</u>
				<u>2002 to 2003</u>	<u>2001 to 2002</u>
Active Contributing Members					
Number	134,383	131,410	126,079	2.3 %	4.2 %
Number of Veteran Members	1,913	2,109	2,298	(9.3)	(8.2)
Average Pay	\$ 57,330	\$ 55,935	\$ 55,122	2.5	1.5
Total Payroll	7,704,164,859	7,350,386,281	6,949,781,636	4.8	5.8
Total Appropriation Payroll	7,702,854,159	7,348,993,141	6,948,381,383	4.8	5.8
Average Member Accumulated Contributions	42,839	42,043	41,190	1.9	2.1
Total Member Accumulated Contributions	5,756,897,444	5,524,899,039	5,193,145,446	4.2	6.4
Active Non-Contributing Members					
Number	11,499	10,750	9,771	7.0 %	10.0 %
Number of Veteran Members	97	105	132	(7.6)	(20.5)
Average Pay	\$ 39,769	\$ 38,670	\$ 37,674	2.8	2.6
Total Payroll	457,306,414	415,697,475	368,112,230	10.0	12.9
Average Member Accumulated Contributions	18,217	17,966	18,380	1.4	(2.3)
Total Member Accumulated Contributions	209,479,506	193,133,949	179,589,732	8.5	7.5

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

A. Summary of Principal Results (continued)

PARTICIPANT DATA

	<u>June 30, 2003</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>Percentage</u>	<u>Percentage</u>
	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Change</u>	<u>Change</u>
				<u>2002 to 2003</u>	<u>2001 to 2002</u>
Service Retirees, Including Domestic Relations Beneficiaries					
Number	53,709	50,907	48,785	5.5 %	4.3 %
Average Annual Pension	\$ 29,417	\$ 28,268	\$ 24,657	4.1	14.6
Total Annual Pensions	1,579,974,749	1,439,037,117	1,202,870,361	9.8	19.6
Average Retirement Age of New Retirees	60.2	60.1	59.6	0.2	0.8
Average Annual Pension of New Retiree	\$ 37,257	\$ 36,170	\$ 32,596	3.0	11.0
Disabled Retirees					
Number	2,171	2,032	1,976	6.8 %	2.8 %
Average Annual Pension	\$ 21,015	\$ 20,354	\$ 17,891	3.2	13.8
Total Annual Pensions	45,623,733	41,359,301	35,352,919	10.3	17.0
Beneficiaries and Dependents					
Number	3,451	3,298	3,131	4.6 %	5.3 %
Average Annual Pension	\$ 17,143	\$ 16,397	\$ 14,255	4.5	15.0
Total Annual Pensions	59,160,122	54,076,253	44,633,358	9.4	21.2
Terminated Vested Participants					
Number	1,030	1,161	1,217	(11.3) %	(4.6) %
Average Annual Pension	\$ 9,714	\$ 9,067	\$ 8,657	7.1	4.7
Total Annual Pensions	10,005,540	10,526,280	10,535,028	(4.9)	(0.1)

Section I - A

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

A. Summary of Principal Results (continued)

CONTRIBUTIONS

	June 30, 2003 Valuation (State's Fiscal Year 2005 <u>Contributions</u>)	June 30, 2002 Valuation (State's Fiscal Year 2004 <u>Contributions</u>)	June 30, 2001 Valuation (State's Fiscal Year 2003 <u>Contributions</u>)	Percentage Change <u>2002 to 2003</u>	Percentage Change <u>2001 to 2002</u>
Pension Normal Cost	\$ 479,366,540	\$ 448,664,518	\$ 414,912,670	\$ 6.8 %	8.1 %
Excess Assets Available	<u>0</u>	<u>0</u>	<u>(1,624,594,811)</u>	<u>0.0</u>	<u>(100.0)</u>
Normal Contribution	479,366,540 *	448,664,518 *	0 *	6.8	0.0
Additional Formula Normal Cost	83,459,322	78,734,504	71,281,810	6.0 %	10.5 %
Benefit Enhancement Fund Balance	<u>(637,266,658)</u>	<u>(761,611,740)</u>	<u>(790,914,950)</u>	<u>(16.3)</u>	<u>(3.7)</u>
Additional Formula Contribution	0 *	0 *	0 *	0.0	0.0
Accrued Liability Contribution	195,616,922 *	35,760,019 *	0 *	447.0 %	N/A %
Estimated Post Retirement Medical (PRM) Contribution for State	584,161,513	490,815,499	334,164,124	19.0 %	46.9 %
Total State Contribution for Pension and Post Retirement Medical	\$ 1,259,144,975	\$ 975,240,036	\$ 334,164,124	29.1 %	191.8 %
Total Certain State College Contribution (Included Above)	5,654,849	4,541,366	3,765,040	24.5 %	20.6 %

* These amounts should be increased for assumed interest at the rate of 8.75% per annum if payment is delayed beyond June 30, 2004, June 30, 2003 and June 30, 2002, respectively.

Section I - A

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

A. Summary of Principal Results (continued)

CONTRIBUTIONS

	June 30, 2003 Valuation (State's Fiscal Year 2005 <u>Contributions)</u>	June 30, 2002 Valuation (State's Fiscal Year 2004 <u>Contributions)</u>	June 30, 2001 Valuation (State's Fiscal Year 2003 <u>Contributions)</u>	Percentage Change 2002 to 2003	Percentage Change 2001 to 2002
Employee Contribution Reduction for 2005, 2004 and 2003 calendar years, respectively	0.0%	0.0%	2.0%	0.0 %	(100.0) %
Early Retirement Incentive Contributions payable April 1, 2005, April 1, 2004 and April 1, 2003, respectively					
ERI 1 - Local Employers	\$ 1,991,341	\$ 10,651,700	\$ 10,651,700	(81.3) %	0.0 %
ERI 2 - Local Employers	3,940,282	13,154,126	15,322,595	(70.0)	(14.2)
ERI 3 - Local Employers *	<u>33,661</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total	\$ 5,931,623	\$ 23,805,826	\$ 25,974,295	(75.1)	(8.3)
Terminal Funding Contribution payable April 1, 2005 and April 1, 2004, respectively					
Location #00844	\$ 0	\$ 49,287	\$ 0	N/A	N/A
Location #00535	75,277	0	0	N/A	N/A

* ERI 3 was introduced by Chapter 23, P.L. 2001 for State employees including NJIT employees. Contributions will be payable beginning April 1, 2005.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

A. Summary of Principal Results (continued)

	ASSETS AND LIABILITIES				
	June 30, 2003	June 30, 2002	June 30, 2001	Percentage	Percentage
	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Change</u>	<u>Change</u>
				<u>2002 to 2003</u>	<u>2001 to 2002</u>
Market Value of Pension Assets	\$ 26,447,330,285	\$ 27,121,744,264	\$ 30,853,577,329	(2.5) %	(12.1) %
Actuarial Value of Pension Assets	\$ 34,651,825,932	\$ 35,148,246,433	\$ 35,351,379,511	(1.4) %	(0.6) %
Actuarial Accrued Liability (Pension only)	\$ 37,383,732,882	\$ 35,146,591,842 *	\$ 32,745,357,185 *	6.4 %	7.3 %
Funded Ratio (based on Market Value)	70.7 %	77.2 %	94.2 %	(6.5) %	(17.0) %
Funded Ratio (based on Actuarial Value)	92.7 %	100.0 %	108.0 %	(7.3) %	(8.0) %

* Reflects revised actuarial assumptions without adjustment on account of phase-in adopted to calculate the normal contribution.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

B. General Comments

This report summarizes the results of the actuarial valuation of the Teacher's Pension and Annuity Fund (TPAF) as of June 30, 2003 excluding the contributory lump sum death benefits.

The required pension contribution has increased to \$675.0 million for the State's fiscal year 2005 from \$484.4 for the State's fiscal year 2004, the excess assets continue to remain at \$0 as of July 1, 2003 and the 2.0% member contribution reduction has been eliminated. Effective January 1, 2004, the employee contribution rate will return to the 5.0% level and this level will continue for the 2005 calendar year. The primary reason for these changes is the adverse investment performance during the last three fiscal years and the lack of State contributions in the system.

This valuation reflects our understanding of the effect of the fiscal year 2004 State budget on contributions to the system for the 2004 and 2005 fiscal years as outlined below:

- 20% of the 2004 fiscal year pension contribution (\$96.9 million) will be covered by the Benefit Enhancement Fund (BEF). This will reduce the number of years the BEF can cover the Additional Formula Contribution increasing the State's contribution in future years.
- An appropriation to cover the remaining 80% of the 2004 fiscal year pension contribution (\$387.5 million) was not made. This increases the Unfunded Actuarial Accrued Liability as of July 1, 2003 dollar for dollar and the 2005 fiscal year Accrued Liability Contribution by \$22.3 million. The Unfunded Actuarial Accrued Liability as of July 1, 2003 is \$2,731.9 million.
- The 2004 payroll portion of the Post-Retirement Medical Contribution (\$45.9 million) is not expected to be made. Therefore, we have not anticipated the PRM Fund to increase and the expected return on assets for fiscal year 2005 has been set to \$0.
- For the 2005 fiscal year, 40% of the \$675.0 million pension contribution (\$270.0 million) is anticipated to be covered by the BEF. Furthermore, the remaining 60% of the pension contribution (\$405.0 million) and the payroll portion of the PRM contribution (\$48.1 million) are not anticipated to be appropriated. In displaying the results of this actuarial valuation, we have not reduced the contribution due under statute to reflect the expectation that funds will not be appropriated to make the contribution.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

B. General Comments (continued)

As mandated by statute, only 20% of the difference between the expected actuarial value of assets and the market value is recognized in calculating the actuarial value of assets. Due to the significant drop in the equity markets since the market re-start as of 1999, the actuarial value of assets as of June 30, 2003 is 131% of market value. If an asset value closer to market value were used in the valuation, the required pension contribution would be significantly higher.

The actuarial accrued liability figures reflect the full additional liability due to pension adjustment benefits for actives, retirees, terminated vested members and beneficiaries. For purposes of calculating employer contributions, the portion of the normal cost attributable to the pension adjustment benefits for active members is reflected separately and its cost is being phased-in over a period beginning with the March 31, 1987 valuation. The current valuation reflects a 46.63% phase-in of the pension adjustment normal cost for active members.

The actuarial accrued liability excludes the liability associated with non-contributory lump sum death benefits since these benefits are financed on a term cost basis. The accrued liability shown for the post retirement medical benefits is the balance in the Post Retirement Medical Fund; an actuarially computed accrued liability was not calculated. The post retirement medical benefits are financed on a modified term cost basis.

This valuation reflects the assumptions developed as a result of the Experience Study covering the period April 1, 1997 – June 30, 2000. For purposes of determining contributions, these revised assumptions were phased-in over a 3-year period. These assumptions are now fully recognized as this valuation reflects the third year of the phase-in.

As of July 1, 2003, the liabilities of the Fund exceeded the valuation assets. Thus there are no excess assets. If excess assets existed, they would first be applied to reductions in member contributions established in prior valuations and then used for current contribution reductions. Since there are no excess assets, no additional member contribution reductions will result from this valuation. Therefore, the member contribution rate will continue to be 5% for the 2005 calendar year. The member contribution reductions established in prior valuations remain unchanged since excess assets existed at those times. The total liability associated with the reductions in future member contributions established in previous valuations (July 1, 2003 to December 31, 2003) totals \$78.1 million.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

B. General Comments (continued)

The balance in the Benefit Enhancement Fund (BEF) as of July 1, 2003 prior to reduction for the additional formula normal cost is \$682.9 million. This fund is used to reduce the State's Additional Formula Contribution from Chapter 133, P.L. 2001. For the 2004 fiscal year, the BEF is also covering 20% of the State's pension contribution. This amount is \$96.9 million and the Additional Formula Contribution equals \$76.7 million. Since these amounts are less than the BEF balance, no Additional Formula State Contribution is required in fiscal year 2005. Instead that contribution will be covered by the BEF. As of July 1, 2003 there are no excess assets, so no additional contributions will be made to the BEF.

The pension normal cost based on the 1/60 formula payable as of July 1, 2003 is \$440.8 million. This is \$28.2 million more than the comparable normal cost of \$412.6 million payable on July 1, 2002. This increase is due to (1) the continued phase-in of the pension adjustments (\$3.7 million), (2) the final phase-in of the new assumptions (\$11.5 million), and (3) increases in payroll and the number of active participants (\$15.1 million) offset by (4) a decrease in the cost of the noncontributory death benefits (\$2.1 million).

The additional formula normal cost payable as of July 1, 2003 is \$76.7 million. This is \$4.3 million more than the additional formula normal cost of \$72.4 million payable on July 1, 2002. This increase is due to (1) the final phase-in of the new assumptions (\$1.4 million) and (2) increases in payroll and the number of active participants (\$2.9 million).

The Post Retirement Medical Contribution increased from the \$490.8 million shown in the prior valuation to \$584.2 million. This increase of \$93.4 million, or 19%, is primarily due to the significant increase in the premium rates. The premium rates increased by approximately 9% for retirees less than 65 and 16% for retirees greater than 65.

TPAF experienced an actuarial loss based on the assumptions adopted in the 2000 Experience Study for the period July 1, 2002-June 30, 2003 of \$(2,000.9) million, or 5.4% of the Actuarial Accrued Liability as of July 1, 2003. The major factors contributing to this loss are summarized below and are compared to the experience for the prior two plan years.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY
(continued)

B. General Comments (continued)

	<u>June 30, 2003</u>	<u>Gain/(Loss)</u> <i>(Amounts in Millions)</i> <u>June 30, 2002</u>	<u>June 30, 2001</u>
Economic Factors:			
Investment Return	\$(2,051.1)	\$(2,006.6)	\$(1,248.1)
Salary Increases	83.2	226.7	149.0
COLA Adjustments	187.7	40.9	2.2
Expenses	(10.3)	(10.1)	(8.3)
Demographic Factors:			
Active Members	(194.3)	(119.8)	(210.2)
New Entrants	(50.5)	(61.9)	(51.6)
Non-Contributing Members	(19.9)	(16.6)	(20.1)
Retirees and Beneficiaries	124.9	75.4	71.8
Active Data Changes	<u>(70.6)</u>	<u>(73.6)</u>	<u>(185.0)</u>
Total	<u>\$(2,000.9)</u>	<u>\$(1,945.6)</u>	<u>\$(1,500.3)</u>

Total pension assets (excluding PRMF) earned investment returns of approximately 2.97% on a market value basis and 2.79% on an actuarial value basis for the period ending June 30, 2003. The resulting loss to the plan of \$(2,051.1) million represents the shortfall in the actuarial value of assets relative to the 8.75% assumed investment return.

Salary increases for contributory members who were active on both July 1, 2002 and July 1, 2003 averaged 5.82% versus the average anticipated salary scale assumption of 5.95%. Salaries for new entrants averaged \$38,832, which is significantly below the average salary of all contributory members (\$57,330). This resulted in the average salary of all contributory members increasing by only 2.5% over last year, with total contributory payroll growing by 4.8%.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

C. Discussion of Supporting Exhibits

Assets

Section II summarizes the System assets taken into account in the preparation of the actuarial valuation. Subsection A summarizes the market value of System assets as of June 30, 2003.

Subsection B reconciles the development of the market value of pension and post retirement medical assets separately, starting from the market values as of June 30, 2002. Subsection C summarizes the development of the actuarial value of pension assets as of July 1, 2003. The exhibit reflects the growth in the pension assets based on the expected investment income at an assumed rate of 8.75% adjusted to reflect 20% of the excess of the market value of pension assets as of the valuation date in excess of the expected actuarial value. The balance in the Post Retirement Medical Fund is added to the actuarial value of pension assets to obtain the actuarial value of total system assets.

Subsection D estimates the annual rate of return for the year ending June 30, 2003 on the actuarial value and the market value of pension assets. Subsection E summarizes the estimated annual rates of return for the five previous plan years. The 5-year compounded annual return on the actuarial value of assets and the market value of assets are 7.50% and 1.68%, respectively.

Liabilities and Contributions

Section III summarizes the actuarial liabilities and the development of the required State contribution for the plan year beginning July 1, 2003. The State is required to make three contributions, a Normal Cost Contribution, an Accrued Liability Contribution and an Additional Formula Normal Cost Contribution, which in general are determined under the Projected Unit Credit funding method. The Normal Cost and Additional Formula Normal Cost under the Projected Unit Credit funding method is defined as the present value of the benefits attributed to the current year. The Normal Cost reflects the phase-in of the cost of pension adjustment benefits. The Unfunded Accrued Liability (Surplus) is determined as the difference between the Actuarial Accrued Liability used to develop contributions and the Adjusted Actuarial Value of Assets (excludes the BEF and the liability for member reductions granted in previous valuations). These liabilities used to develop contributions reflect the assumptions developed in the 2000 Experience Study. These assumptions are now fully recognized as this valuation is the third year of the phase-in.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

C. Discussion of Supporting Exhibits (continued)

Subsection A summarizes the development of the Actuarial Accrued Liability as of July 1, 2003 for all current members and indicates the portion of those present values attributable to active participants, retirees and beneficiaries, and terminated vested participants. These liabilities include the full liability for pension adjustment benefits for all members. The non-contributory lump sum death benefits payable from active service, terminated vested status and retiree status have been excluded from the Actuarial Accrued Liability as of July 1, 2003 since those benefits will be funded on a term cost basis. Projected benefits based on compensation in excess of the 401(a)(17) compensation cap for a group of grandfathered employees for certain School Districts under Chapter 113, P.L. 1997 has been included in the determination of the Accrued Liability.

Subsection A also indicates the balance in the Post Retirement Medical Benefits Fund.

Subsection B summarizes the development of the pension Normal Cost under the 1/60 and 1/55 formulas payable July 1, 2003. The schedule shows the portion of the Normal Cost attributable to: (1) the basic allowances offset by expected employee contributions, (2) a one-year term cost of lump sum non-contributory death benefits payable during active service, terminated vested status and retiree status and (3) pension adjustment benefits for active members. The Normal Cost due to pension adjustments reflects the 46.63% phase-in of the pension adjustment benefits. The Normal Cost as of July 1, 2003 was developed based on the Projected Unit Credit Method. Projected benefits based on compensation in excess of the 401(a)(17) compensation cap for a group of grandfathered employees for certain School Districts under Chapter 113, P.L. 1997 has been included in the determination of the Normal Cost.

Subsection C summarizes the development of the Excess Valuation Assets which are \$0 as of July 1, 2003. The Excess Valuation Assets are determined by subtracting the Actuarial Accrued Liability for basic allowances and pension adjustment benefits, the Post Retirement Medical Premium Fund, the present value of the total projected normal cost in excess of the projected phased-in normal cost for pension adjustment benefits of active members and the BEF (prior to reduction for the additional formula normal contribution for fiscal year 2005) from the Valuation Assets.

Subsection D shows the development of the Contribution Reductions from Excess Assets. The contribution reductions include member contribution reductions, the pension normal contribution based on the 1/60 formula and the BEF contribution. The member contribution reductions include 2% for the remaining 2003 calendar year set in a prior valuation. Since there are no Excess Assets as of June 30, 2003, there will be no 2005 calendar year member

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

C. Discussion of Supporting Exhibits (continued)

contribution reduction, no offset to the pension Normal Contribution based on the 1/60 formula and no BEF contribution.

Subsection E summarizes the development of the BEF as of July 1, 2003 and the Additional Formula Normal Contribution. Chapter 133, P.L. 2001 established the BEF as of June 30, 1999. The BEF has been reduced by 20% of the State's fiscal year 2004 pension contribution in accordance with the fiscal year 2004 State budget. The BEF is credited with excess assets not to exceed actual member contributions made to the system nor the present value of expected additional normal costs due to the formula change. The Additional Formula Normal Contribution payable by the State has been reduced to \$0 due to the balance in the BEF.

Schedule F summarizes the development of the State's fiscal year 2005 pension contribution and estimated Post Retirement Medical Contribution. The total pension contribution of \$674,983,462 equals the Normal Contribution of \$479,366,540 based on the 1/60 formula plus the Additional Formula Normal Contribution of \$0 plus the Accrued Liability Contribution of \$195,616,922. The estimated Post Retirement Medical Contribution of \$584,161,513 comprises of three pieces: (1) an estimated amount necessary to pay anticipated premiums for the State's 2005 fiscal year's benefits of \$536,018,675 less (2) the expected return on the Post Retirement Medical Benefits Fund assets of \$0 plus (3) 3/5% of the valuation year payroll of active members (fiscal year 2004 payroll) of \$48,142,838. The Total Required Contribution for the State's fiscal year 2005 is estimated to be \$1,259,144,975. This is an estimate because the state will contribute the actual 2005 fiscal year post retirement medical premiums, not the estimated amount shown above.

Subsection G shows the Required Contribution (before and after the reduction due to Excess Valuation Assets and the BEF) as a percentage of appropriation payroll on two bases: (1) after reflecting the actual phase-in of the pension adjustment benefits and (2) as if the pension adjustment liabilities were fully phased-in.

Subsection H shows the fiscal year 2005 Required Contribution based on the 1/60 formula, the Additional Formula Contribution, the Accrued Liability Contribution and the estimated Post Retirement Medical Contribution payable by the State and certain State Colleges before and after application of the excess assets and the BEF. The contributions attributable to these State Colleges assume that these locations would receive an allocated portion of the excess assets and the BEF. The State's contribution is allocated between the Department of Higher Education, Department of Education, County Colleges, Charter Schools and other.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

C. Discussion of Supporting Exhibits (continued)

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

Actuarial Balance Sheet

Section IV provides the actuarial balance sheet summarizing the assets and liabilities by Fund as of June 30, 2003. The assets credited to the various funds include the portion of the investment income allocated to each fund for the year and ending June 30, 2003. The liabilities presented are based on the actuarial accrued liabilities summarized in Section III without any phase-in adjustments.

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

(1) Retirement Reserve Fund

When a member retires, or when he dies and an allowance is payable to his beneficiary, the allowance including cost-of-living adjustments is paid from the Retirement Reserve Fund. The member's own contributions with interest are transferred from the Annuity Savings Fund, and the balance of the reserve on the total allowance is transferred from the Contingent Reserve Fund. As of June 30, 2003, the Retirement Reserve Fund has present assets of \$17,667,238,697 including accrued interest. The liabilities of the fund amount to \$17,905,165,127 so that there is a deficit of \$237,926,430 in the fund as of the valuation date. It is recommended that the fund be put in balance as of June 30, 2003 by a transfer of assets from the Contingent Reserve Fund, and this transfer is shown in the balance sheet.

(2) Pension Fund

The reserves held in the Pension Fund represent the reserves on retirement allowances payable to non-veteran members who retired prior to 1956. As of June 30, 2003, the Pension Fund has assets credited to it amounting to \$118,631 including accrued interest. The total liabilities of the State on account of allowances payable from the Pension Fund amount to \$115,073. Therefore, there is a surplus of \$3,558 in the fund as of the valuation date. It is recommended that the fund be put in balance as of June 30, 2003 by a transfer of assets to the Contingent Reserve Fund, and this transfer is shown in the balance sheet.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

C. Discussion of Supporting Exhibits (continued)

(3) Annuity Savings Fund and Contingent Reserve Fund

The Annuity Savings Fund, which is the fund to which members' contributions with interest are credited, has assets amounting to \$6,038,217,700 as of June 30, 2003 after accrued interest has been added. The Contingent Reserve Fund is the fund to which contributions made by the State and local employers to provide the benefits paid from retirement fund monies are credited. The assets creditable to the Contingent Reserve Fund amount to \$10,199,079,907 as of June 30, 2003 after adjustment is made on account of accrued interest and the amounts transferable to the Retirement Reserve Fund and from the Pension Fund and the BEF.

If a member withdraws from active service before qualifying for retirement, the amount of his accumulated deductions is paid to him from the Annuity Savings Fund. If he dies before retirement and no survivorship benefit is payable, his accumulated deductions are paid to his beneficiary from the Annuity Savings Fund. If he retires, or if he dies leaving a beneficiary eligible for a survivorship benefit, his accumulated deductions are transferred from the Annuity Savings Fund to the Retirement Reserve Fund, and the reserve on the allowance which is not provided by his own deductions is transferred from the Contingent Reserve Fund to the Retirement Reserve Fund. Any lump sum benefit payable upon the death of a member before or after retirement is paid by The Prudential Insurance Company of America.

(4) Benefit Enhancement Fund

The reserves held in the BEF are used to fund the additional formula normal contributions. The BEF is credited with excess assets not to exceed actual member contributions made to the system nor the present value of the expected additional formula normal contributions. No additional excess assets will be credited to the BEF after the maximum amount is attained. If excess assets permit, monies are transferred from the Contingent Reserve Fund. As of June 30, 2003, the BEF has present assets including accrued interest of \$682,877,236. The additional formula normal contribution payable June 30, 2003 is \$76,744,204. For the 2004 fiscal year, the BEF is covering 20% of the State's pension contribution (\$96,884,907) for a total reduction of \$173,629,111. This amount is to be transferred to the Contingent Reserve Fund, and this transfer is shown in the balance sheet.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

C. Discussion of Supporting Exhibits (continued)

(5) Special Reserve Fund

The Special Reserve Fund is the fund to which any excess interest earnings are transferred and against which any losses from the sale of securities are charged. The maximum limit on the accumulations in this fund is set at one percent of the market value of the investments of the retirement fund; any amounts in excess of this limit are creditable to the Contingent Reserve Fund. The Special Reserve Fund is considered as an asset of the retirement fund. This fund has no assets as of the valuation date.

(6) Post Retirement Medical Benefits Fund

The Post Retirement Medical Benefits Fund is established to hold contributions in respect to future post retirement medical benefits. The fund has assets of \$317,186 as of June 30, 2003. These assets have been included as retirement system assets. The balance in the fund should increase by 3/5 of 1% of payroll beginning with the state's fiscal year 2004 contribution. An offsetting liability equal to this fund balance has also been established.

Accounting Information

Section V presents the accounting information required under Governmental Accounting Standards Statement No. 25 (GASB25). Schedule A outlines the development of the Annual Required Contribution (ARC). The ARC comprises the employer's normal cost plus a specified amortization of the unfunded actuarial accrued liability (UAAL). The amortization method selected for this system is a closed level percentage of projected payroll based on an assumed payroll growth rate of 5.0% for 30 years.

Schedule B shows the projection of the Estimated Net Pension Obligation (NPO) as of June 30, 2005. The NPO represents the cumulative difference between the Annual Pension Costs for the system and the contributions made. After the expected contribution of \$0, the NPO as of June 30, 2005 is expected to be \$1,590,263,911.

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

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

C. Discussion of Supporting Exhibits (continued)

Schedule D is the Schedule of Employer Contributions. This schedule presents the ARC for the fiscal year, the employer contributions made for that fiscal year and the percentage of the ARC those contributions represent. For the fiscal year ending June 30, 2005, the expected employer contributions are 0.0% of the ARC since the ARC is based on no phase-in of the pension adjustment benefits. The expected employer contributions are offset by any excess valuation assets in accordance with Chapter 115, P.L. 1997 and by the BEF in accordance with Chapter 133, P.L. 2001. Six years of historical information are shown in compliance with GASB 25.

Schedule E presents the funding policy for the fiscal year. This disclosure includes the valuation date, the Actuarial Cost Method, the amortization period and method, the Asset Valuation Method, and certain key actuarial assumptions.

Census Data

Section VI summarizes the census data provided by the Division of Pensions and Benefits and utilized in the preparation of the actuarial valuation. Subsection A provides a reconciliation of the current year participant counts from the prior valuation. Subsection B shows the appropriation count and salary information by group. Subsection C shows the number and annual retirement allowances with pension adjustments by beneficiary type. Subsections D and E present a profile of Contributory and Non-contributory members split by gender, summarized by 5-year age and service groupings. Subsection F provides a profile of terminated vested members, retired members, disabled members, and beneficiaries broken down into 5-year age categories. The census data represents the status of plan participants as of June 30, 2003.

In performing this analysis, we relied on data and other information provided by Teacher's Pension and Annuity Fund of New Jersey. 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.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

C. Discussion of Supporting Exhibits (continued)

Actuarial Assumptions and Methods

Section VII summarizes the actuarial assumptions and methods utilized in the preparation of this actuarial valuation. Subsection A identifies the various assumptions. These assumptions are based on the assumptions developed in the Experience Study from April 1, 1997 to June 30, 2000. These assumptions are being phased-in over a 3-year period, as directed by the Board. These assumptions are now fully recognized as this is the third year of the 3-year phase-in period. Subsection B summarizes the actuarial valuation methodology set forth in Chapter 62, P.L. 1994 as modified by Chapters 115, P.L. 1997 and 133, P.L. 2001.

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.

Summary of Principal Plan Provisions

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

Early Retirement Incentive Contribution Schedule

Appendix I presents the contribution schedule for the early retirement incentive programs (ERI1, ERI2 and ERI3) by location for the 2005 fiscal year. It also provides the present value of the future contributions as of June 30, 2003. This list reflects locations who paid off their ERI liabilities through January 2004 as a result of Chapter 42, P.L. 2002.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION II - ASSETS

A. Market Value of Assets as of June 30, 2003

1. Assets	
Cash	\$ 3,087,366
Investment Holdings	26,091,403,769
Employers' Contributions Receivable - State	0
Employers' Contributions Receivable - Local	53,874,648
Employers' Contributions Receivable - Delayed Enrollments	129,153
Employers' Contributions Receivable - Delayed Appropriations	1,541,113
Members' Contributions Receivable	64,454,002
Accrued Interest on Investments	87,347,404
Accounts Receivable	14,244
Loans Receivable	241,542,589
Dividends Receivable	<u>57,111,272</u>
Total	\$ <u>26,600,505,560</u>
2. Liabilities	
Pension Payroll Payable	\$ 108,166,528
Pension Adjustment Payroll Payable	17,008,207
Withholdings Payable	15,863,095
Death Benefits Payable	1,977,887
Administration Expense Payable	1,254,078
Accounts Payable - Other	<u>8,588,293</u>
Total	\$ <u>152,858,088</u>
3. Market Value of Assets as of June 30, 2003: (1) - (2)	\$ 26,447,647,472
4. 2002 Valuation Receivable Contribution from the State	<u>0</u>
5. Adjusted Market Value of Assets as of June 30, 2003: (3) + (4)	\$ <u>26,447,647,472</u>

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION II - ASSETS

(continued)

B. Reconciliation of Market Value of Assets from June 30, 2002 to June 30, 2003

	<u>Pension</u>	<u>Post Retirement Medical</u>
1. Market Value of Assets as of June 30, 2002	\$ 27,121,744,265	\$ 43,933,778
2. Increases		
Member Contributions excluding transfers from Other Systems	\$ 267,872,500	\$ 298,322,210
Member Transfer Contributions	3,988,315	0
Other Employer Contributions including Transfers From Other Systems, Delayed Appropriations And Delayed Enrollments	4,771,031	0
Post Retirement Medical Contribution Adjustment	N/A	0
Investment Income	<u>783,891,059</u>	<u>241,636</u>
Total	\$ <u>1,060,522,905</u>	\$ <u>298,563,846</u>
3. Decreases		
Withdrawal of Member Contributions and Transfer Contributions	\$ 25,877,665	\$ 0
Retirement Allowances	1,477,951,606	0
Pension Adjustment	198,613,816	0
Death Benefit Claims	22,607,092	0
Administrative Expense	9,833,035	0
Miscellaneous Expense	53,670	0
Medical Benefits and Expenses	<u>0</u>	<u>342,180,438</u>
Total	\$ <u>1,734,936,884</u>	\$ <u>342,180,438</u>
4. Market Value of Assets as of June 30, 2003: (1) + (2) - (3)	\$ 26,447,330,286	\$ 317,186
5. 2002 Valuation Receivable Contribution from the State	<u>0</u>	<u>0</u>
6. Adjusted Market Value of Assets as of June 30, 2003: (4) + (5)	\$ <u>26,447,330,286</u>	\$ <u>317,186</u>

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION II - ASSETS

(continued)

C. Development of Actuarial Value of Assets as of July 1, 2003

1. Actuarial Value of Pension Assets as of July 1, 2002	\$ 35,148,246,433
2. Net Cash Flow without Investment Income	(1,458,305,038)
3. Investment Income at Actuarially Assumed Rate @ 8.75%	3,013,008,449
4. 2002 Valuation Receivable Contribution from the State	<u>0</u>
5. Expected Actuarial Value of Pension Assets: (1) + (2) + (3) + (4)	36,702,949,844
6. Market Value of Pension Assets as of June 30, 2003	26,447,330,286
7. Excess Market Value over Expected Actuarial Value Assets: (6) - (5)	(10,255,619,558)
8. 20% mark-up to reflect growth in Market Value: 20% * (7)	<u>(2,051,123,912)</u>
9. Actuarial Value of Pension Assets as of July 1, 2003: (5) + (8)	\$ 34,651,825,932
10. Post Retirement Medical Assets as of July 1, 2003	<u>317,186</u>
11. Total Actuarial Value of Assets as of July 1, 2003: (9) + (10)	<u>34,652,143,118</u>
12. Pension Actuarial Value Ratio: (9) / (6)	131.0%

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION II - ASSETS

(continued)

D. Estimated Annual Rate of Return for year ending June 30, 2003

	<u>Pension</u> <u>Actuarial Value</u>	<u>Pension</u> <u>Market Value</u>
1. Value of Assets as of July 1, 2002	\$ 35,148,246,433	\$ 27,121,744,265
2. Employee Contributions	276,631,846	276,631,846
3. 2002 Valuation Receivable Contribution	0	0
4. Benefit Payments and Expenses	1,734,936,884	1,734,936,884
5. Value of Assets as of June 30, 2003	34,651,825,932	26,447,330,286
6. Non-Investment Increment: (2) - (4)	(1,458,305,038)	(1,458,305,038)
7. Investment Increment: (5) - (1) - (3) - (6)	961,884,537	783,891,059
8. Time Weighted Value: (1) +.5 * (6)	34,419,093,914	26,392,591,746
9. Estimated Annual Rate of Return: (7) / (8)	2.79%	2.97%

E. Estimated Historical Rates of Return

<u>Plan Year Ending</u>	<u>Actuarial Value</u>	<u>Market Value</u>
June 30, 2003	2.79%	2.97%
June 30, 2002	2.98%	-8.25%
June 30, 2001	5.47%	-9.70%
June 30, 2000	13.43%	11.57%
March 31, 1999	13.36%	14.21%
5-Year Compounded Annual Rate of Return	7.50%	1.68%

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

A. Actuarial Accrued Liability as of July 1, 2003 - 1/55th Formula

1. Projected Benefits Payable to Beneficiaries and Retirees	
Service Retirees (Including ERI Benefits)	\$ 16,922,020,724
Disability Retirees	439,815,041
Beneficiaries	<u>543,444,435</u>
Total	\$ 17,905,280,200
2. Projected Benefits for Vested Terminated Members	89,140,385
3. Projected Benefits for Active Members	
Service Retirement	\$ 14,694,583,552
Ordinary Disability Retirement	385,729,149
Accidental Disability Retirement	19,204,904
Accidental Death prior to Retirement	925,783
Return of Members' Contributions	210,207,505
Withdrawal	188,316,185
Pension Adjustment Benefits	3,580,247,909
Non-contributory Members	<u>310,097,310</u>
Total	\$ 19,389,312,297
4. Total Pension Accrued Liability: (1) + (2) + (3)	\$ 37,383,732,882
5. Post Retirement Medical Benefits Fund	<u>317,186</u>
6. Total Actuarial Accrued Liability used to develop contributions: (4) + (5)	\$ 37,384,050,068

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

B. Development of Normal Cost payable July 1, 2003

	<u>1/60th Formula</u>	<u>1/55th Formula</u>
1. Basic Allowances		
a. Basic Allowances	\$ 715,821,588	\$ 778,140,823
b. Expected Employee Contributions	<u>374,522,554</u>	<u>374,522,554</u>
Subtotal: (a) - (b)	\$ 341,299,034	\$ 403,618,269
2. Non-Contributory Lump Sum Death Benefits	25,432,387	25,432,387
3. Pension Adjustment Benefits for active members (reflects 46.63% of liability due to cola)	<u>74,065,397</u>	<u>80,791,760</u>
4. Total Pension Normal Cost: (1) + (2) + (3)	\$ 440,796,818	\$ 509,842,416

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

C. Development of Excess Valuation Assets as of July 1, 2003

1. Valuation Assets	\$ 34,652,143,118
2. Actuarial Accrued Liability for Basic Allowances & Pension Adjustment Benefits	37,383,732,882
3. Post Retirement Medical Premium Fund	317,186
4. Present Value of Total Projected Normal Cost in Excess of the Projected Phased-in Normal Cost for Pension Adjustment Benefits	798,492,863
5. Benefit Enhancement Fund (prior to reduction for additional formula normal cost)	<u>585,992,329</u>
6. Excess Valuation Assets as of July 1, 2003: (1)-(2)-(3)-(4)-(5), not less than \$0	\$ 0

D. Development of Contribution Reductions from Excess Assets

1. Excess Valuation Assets as of July 1, 2003	\$ 0
2. Liability for Reduction in Employee Contributions by 2% For July 1, 2003 - December 31, 2003 (established in 2001 valuation)	78,112,872
3. Liability for Reduction in Employee Contributions by 2% For Calander Year 2004 (established in 2002 valuation)	0
4. Excess Assets Available for Current Year Reductions: [(1)-(2)-(3)] x 68%, not less than \$0	0
5. Liability for Reduction in Employee Contributions by 2% For Calander Year 2005	0
6. Pension Normal Cost as of July 1, 2003 - 1/60th Formula	440,796,818
7. Net Normal Contribution as of July 1, 2003: (6) - [(4) - (5)], not less than \$0	440,796,818
8. Net Excess Assets as of July 1, 2003 prior to Benefit Enhancement Fund Contribution: (4) - (5) - (6), not less than \$0	\$ 0

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

E. Development of Benefit Enhancement Fund and Additional Formula Contribution As of July 1, 2003

1. Benefit Enhancement Fund as of July 1, 2002	\$	627,933,090
2. Accrued Interest		<u>54,944,146</u>
3. Benefit Enhancement Fund as of July 1, 2003		682,877,236
4. 2004 Fiscal Year Contribution Covered by the Benefit Enhancement Fund (20% of the total 2004 FY Contribution)		96,884,907
5. Additional Formula Normal Cost to be paid by Benefit Enhancement Fund		
a. Gross Normal Cost payable July 1, 2003 - 1/55th Formula		951,402,156
b. Gross Normal Cost payable July 1, 2003 - 1/60th Formula		<u>874,657,952</u>
c. Additional Formula Normal Cost: (a) - (b)		76,744,204
6. Net Benefit Enhancement Fund Balance as of July 1, 2003 before Fiscal Year 2005 Contribution: (3) - (4) - (5c)		509,248,125
7. State Additional Formula Contribution as of July 1, 2003: (5c) - [(3) - (4)], not less than \$0		0
8. Estimated Fiscal Year 2005 Employee Contributions		361,607,983
9. Limit on Fiscal Year 2005 Contribution to Benefit Enhancement Fund		
a. Present Value of Future Normal Costs as of June 30, 2003 - 1/55th Formula		9,580,862,765
b. Present Value of Future Normal Costs as of June 30, 2003 - 1/60th Formula		<u>8,793,685,778</u>
c. Limit: (a) - (b) - (6)		277,928,862
10. Excess Assets Available (D8)		0
11. Fiscal Year 2005 Allowable Contribution to Benefit Enhancement Fund: Lesser of (8), (9c), (10)	\$	0

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

F. Development of State's Fiscal Year 2005 Required Contributions

1. Net Pension Normal Contribution as of July 1, 2003: D(7)	\$	440,796,818
2. Net Pension Normal Contribution as of June 30, 2004		479,366,540
3. Additional Formula Contribution as of July 1, 2003: E(7)		0
4. Additional Formula Contribution as of June 30, 2004		0
5. Accrued Liability Contribution		
a. Actuarial Accrued Liability for Basic Allowances & Pension		
Adjustment Benefits (excluding PRMF)	\$	37,383,732,882
b. Adjusted Actuarial Value of Assets		
(excluding PRMF & BEF)		34,065,833,603
c. Reserve for previously earned reductions		
in Member Contributions		<u>78,112,872</u>
d. Unfunded Pension Accrued Liability: (a) - (b) + (c)	\$	3,396,012,151
e. 30 - Year Amortization with 5% increasing payments of		
Unfunded Pension Accrued Liability payable June 30, 2004		195,616,922
6. Total Pension Contribution for State's Fiscal Year 2005: (2) + (4) + (5e)		674,983,462
7. State's Fiscal Year 2005 Estimated Post Retirement Medical Contribution		
a. Anticipated Fiscal Year 2005 Premiums	\$	536,018,675
b. Expected Asset Return on Balance		0
c. 3/5% of Estimated FY 2004 Payroll		<u>48,142,838</u>
Subtotal: (a) - (b) + (c)		<u>584,161,513</u>
8. Total State's Fiscal Year 2005 Contribution for Pension and		
Post Retirement Medical: (6) + (7)	\$	<u>1,259,144,975</u>

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

G. Required Contribution as a Percentage of Appropriation Payroll

	Prior to Reduction due to Benefit Enhancement Fund and <u>Excess Assets</u>	Reflecting Reduction due to Benefit Enhancement Fund and <u>Excess Assets</u>
Basic Allowances - 1/60th Formula	4.82%	4.82%
Non-Contributory Lump Sum Death Benefits	0.36%	0.36%
Active COLA (Phase-in percentage of 46.63%)-1/60th Formula	1.05%	1.05%
Additional Formula Normal Cost	1.08%	0.00%
Accrued Liability	2.54%	2.54%
Post Retirement Medical Benefits*	<u>7.58%</u>	<u>7.58%</u>
Total	17.43%	16.35%
 If COLA fully phased-in, total percentage of payroll would equal:	 18.62%	 17.54%

* Contributions are the estimated 2005 fiscal year's actual post retirement medical premiums less anticipated interest on PRM Fund plus the 3/5% of compensation additional state contribution.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

H. Fiscal Year 2005 Required Contributions Payable by the State and Certain State Colleges

Group	Before Application of Excess Assets & BEF		After Application of Excess Assets & BEF		Accrued Liability Contribution	Post Retirement Medical Benefits
	Normal Contribution (1/60 Formula)	Additional Formula Contribution	Normal Contribution (1/60 Formula)	Additional Formula Contribution		
<u>Certain State Colleges</u>						
NJ Institute of Technology	\$18,086	\$3,149	\$18,086	\$0	\$7,381	\$337,070
Rowan College of NJ	48,407	8,428	48,407	0	19,754	899,213
Jersey City State College	75,457	13,137	75,457	0	30,792	756,920
Kean College of NJ	86,661	15,088	86,661	0	35,364	785,907
William Patterson State College	55,775	9,711	55,775	0	22,760	628,661
Montclair State College (Group 4)	60,660	10,561	60,660	0	24,754	899,985
The College of NJ	42,752	7,443	42,752	0	17,446	722,713
Ramapo State College	0	0	0	0	0	8,930
Stockton State College	19,072	3,320	19,072	0	7,783	42,546
Montclair State College (Group 6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total for Certain State Colleges	\$406,870	\$70,837	\$406,870	\$0	\$166,034	\$5,081,945
<u>State</u>						
Dept of Higher Education	0	0	0	0	0	0
Dept of Education	1,323,472	230,421	1,323,472	0	540,074	3,265,945
County Colleges	272,493	47,442	272,493	0	111,197	1,033,498
Charter Schools	2,585,982	450,228	2,585,982	0	1,055,271	348,820
Other	<u>474,777,723</u>	<u>82,660,394</u>	<u>474,777,723</u>	<u>0</u>	<u>193,744,346</u>	<u>574,431,305</u>
Total for State	<u>\$478,959,670</u>	<u>\$83,388,485</u>	<u>\$478,959,670</u>	<u>\$0</u>	<u>\$195,450,888</u>	<u>\$579,079,568</u>
Total for System	<u>\$479,366,540</u>	<u>\$83,459,322</u>	<u>\$479,366,540</u>	<u>\$0</u>	<u>\$195,616,922</u>	<u>\$584,161,513</u>

Section III - H

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTION

(continued)

I. Analysis of Actual Experience for the Year Ended June 30, 2003

1. Unfunded Accrued Liability as of June 30, 2002	\$	(1,654,591)
2. Gross Normal Cost as of June 30, 2002		939,144,199
3. Interest: ((1) + (2)) * 8.75%		82,030,341
4. Employee and Employer Contributions Made with Interest		<u>288,480,730</u>
5. Expected Unfunded Accrued Liability as of June 30, 2003: (1) + (2) + (3) - (4)	\$	731,039,219
6. Increase in liability due to plan changes		0
7. Increase in liability due to assumption changes		0
8. Expected Unfunded Accrued Liability after changes as of June 30, 2003: (5) + (6) + (7)	\$	731,039,219
9. Actual Unfunded Accrued Liability as of June 30, 2003		<u>2,731,906,950</u>
10. Gain/(Loss): (8) - (9)	\$	<u>(2,000,867,731)</u>

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION IV - ACTUARIAL BALANCE SHEET AS OF JUNE 30, 2003

<u>Assets</u>		<u>Liabilities</u>	
<u>Retirement Reserve Fund (RRF)</u>		<u>Payable from Retirement Reserve Fund</u>	
Credited to Fund w/ Distribution of Income	\$17,667,238,697	Retirees, Disableds and Beneficiaries	
Add/(deduct) reserve transferable from/(to) CRF	<u>237,926,430</u>	currently receiving benefits	\$17,905,165,127
Adjusted Total	17,905,165,127		
 <u>Pension Fund (PF)</u>		 <u>Payable from Pension Fund</u>	
Credited to Fund w/ Distribution of Income	118,631	Retirees, Disableds and Beneficiaries	
Add/(deduct) reserve transferable from/(to) CRF	<u>(3,558)</u>	currently receiving benefits	115,073
Adjusted Total	115,073		
Annuity Savings Fund (ASF) w/ Distribution of Income	6,038,217,700	<u>Payable from Annuity Savings Fund</u>	
		<u>and Contingent Reserve Fund</u>	
<u>Contingent Reserve Fund (CRF)</u>		Active Members	19,389,312,297
Credited to Fund w/ Distribution of Income	10,263,373,668	Term Vested Members	<u>89,140,385</u>
Add/(Deduct) from/(to) RRF, PF & SRF	<u>(64,293,761)</u>	Total	19,478,452,682
Adjusted Total	10,199,079,907		
<u>Benefit Enhancement Fund (BEF)</u>	682,877,236		
Add/(deduct) reserve transferable from/(to) CRF	<u>(173,629,111)</u>		
Adjusted Total	509,248,125		
Special Reserve Fund (SRF)	0		
Post Retirement Medical Benefits Fund	317,186	Post Retirement Medical Benefits Fund	317,186
Total Actuarial Value of Assets as of June 30, 2003	\$34,652,143,118		
Present Value of Prospective Contributions to the CRF			
and BEF excluding payments due July 1, 2003 for			
basic allowances with cola adjustments	<u>2,731,906,950</u>		
Total Assets	\$37,384,050,068	Total Liabilities	\$37,384,050,068

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

**SECTION V - ACCOUNTING INFORMATION FOR
STATE'S FISCAL YEAR 2005**

A. Development of Annual Required Contribution as of June 30, 2005

1. Actuarial Value of Assets as of July 1, 2003		
a. Actuarial Value of Assets as of July 1, 2003	\$34,652,143,118	
b. Post Retirement Medical Benefits Fund	<u>317,186</u>	
c. Actuarial Value of Assets for GASB purposes:		
(a) - (b)		\$34,651,825,932
2. Actuarial Accrued Liability as of July 1, 2003		
a. Total Actuarial Accrued Liability	\$37,384,050,068	
b. Post Retirement Medical Benefits Fund	<u>317,186</u>	
c. Accrued Liability for GASB purposes: (a) - (b)		<u>37,383,732,882</u>
3. Unfunded Accrued Liability as of July 1, 2003: (2) - (1)		\$2,731,906,950
4. Amortization Payment payable July 1, 2003		144,701,763
5. Net Normal Cost as of July 1, 2003		
a. Basic Allowances and pension adjustments (including full cost of pension adjustment benefits)	\$951,402,156	
b. Expected Employee Contributions	374,522,554	
c. Non-contributory Lump Sum Death Benefits	<u>25,432,387</u>	
d. Net Normal Cost as of July 1, 2003: (a) - (b) + (c)		<u>602,311,989</u>
6. Annual Required Contribution as of June 30, 2005		
a. Annual Required Contribution as of July 1, 2003: (4) + (5)		\$747,013,752
b. Interest to Expected Payment Date		<u>136,446,731</u>
c. Annual Required Contribution: (a) + (b)		\$883,460,483

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION V - ACCOUNTING INFORMATION FOR STATE'S FISCAL YEAR 2005

(continued)

B. Projection of Net Pension Obligation as of June 30, 2005

1. Estimated Net Pension Obligation as of June 30, 2004		\$686,284,850
2. Annual Pension Cost for Fiscal Year 2005		
a. Annual Required Contribution	\$883,460,483	
b. Interest on Net Pension Obligation	60,049,924	
c. Adjustment to ARC	<u>39,531,346</u>	
d. Annual Pension Cost: (a) + (b) - (c)		903,979,061
3. Expected Fiscal Year 2005 Contributions		<u>0</u>
4. Estimated Net Pension Obligation as of June 30, 2005: (1) + (2) - (3)		\$1,590,263,911

C. Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Valuation Year	Actuarial Value of Assets for <u>GASB Purposes</u>	Accrued Liability for <u>GASB Purposes</u>	Unfunded Accrued Liability <u>(2) - (1)</u>	Funded Ratio <u>(1) / (2)</u>	Appropriation <u>Payroll</u>	Unfunded Accrued Liability as a % of Payroll: <u>(3) / (5)</u>
1998	24,478,860,383	23,484,403,450	(994,456,933)	104.23%	5,989,748,156	-16.60%
1999	27,457,451,678	25,546,083,289	(1,911,368,389)	107.48%	6,254,198,406	-30.56%
2000	30,203,205,322	27,404,618,051	(2,798,587,271)	110.21%	6,571,641,181	-42.59%
2001	35,351,379,511	32,745,357,185	(2,606,022,326)	107.96%	6,948,381,383	-37.51%
2002	35,148,246,433	35,146,591,842	(1,654,591)	100.00%	7,348,993,141	-0.02%
2003	34,651,825,932	37,383,732,882	2,731,906,950	92.69%	7,702,854,159	35.47%

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION V - ACCOUNTING INFORMATION FOR STATE'S FISCAL YEAR 2005

(continued)

D. Schedule of Employer Contributions

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Employer Contributions*</u>	<u>Percentage of ARC Contributed</u>
2000	\$368,904,564	\$0	0.00%
2001	0	0	100.00%
2002	0	0	100.00%
2003	194,435,594	0	0.00%
2004	686,284,850	0	0.00%
2005	883,460,483	0	0.00%

* Expected employer contributions were offset by excess valuation assets in accordance with Chapter 115, P.L. 1997 and by the BEF in accordance with Chapter 133, P.L. 2001

E. Funding Policy for State's Fiscal Year 2005

Valuation Date	July 1, 2003
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Closed
Payroll Growth Rate for Amortization	5.00%
Remaining Amortization Period	30 years
Asset Valuation Method	Actuarial Value
<u>Actuarial Assumptions</u>	
Investment Rate of Return	8.75%
Projected Salary Increases**	5.95%
Cost-of-Living Adjustments	60% of the maximum of the CPI increase and 4.0%

** Variable scale, designed to average 5.95%

Section V - D&E

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

B. Appropriation Number and Salary by Group *

<u>Group</u>	<u>Number</u>	<u>Salaries</u>
Department of Higher Education	0	\$ 0
Department of Education	296	21,266,637
New Jersey Institute of Technology	3	290,627
State Colleges	69	5,940,826
County Colleges	51	4,378,639
Charter Schools	982	41,553,671
Other	<u>132,967</u>	<u>7,629,423,759</u>
Total	<u>134,368</u>	\$ <u>7,702,854,159</u>

* Excludes veterans hired prior to 1955 and Chapter 198 members

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

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

<u>Group</u>	<u>Number</u>	<u>Annual Benefit</u>
Service and Early Retirements	53,709	\$ 1,579,974,749
Ordinary Disability Retirements	1,994	40,177,860
Accidental Disability Retirements	177	5,445,873
Ordinary Death Benefits	6	3,389
Accidental Death Benefits	4	81,943
Dependents of Deceased Beneficiaries	3,337	57,017,219
Dependents of Deceased Beneficiaries who elected to receive annuities certain instead of lump sum	<u>104</u>	<u>2,057,571</u>
Total	<u>59,331</u>	\$ <u>1,684,758,604</u>

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

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

Age Group	Males									Total	Average Annual Salary
	Years of Service										
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
15-19	0	0	0	0	0	0	0	0	0	0	\$0
20-24	479	0	0	0	0	0	0	0	0	479	36,797
25-29	3,042	417	0	0	0	0	0	0	0	3,459	39,092
30-34	1,880	2,047	244	0	0	0	0	0	0	4,171	44,540
35-39	1,000	1,142	994	175	0	0	0	0	0	3,311	50,917
40-44	740	627	604	756	168	0	0	0	0	2,895	57,462
45-49	673	534	462	649	1,056	515	0	0	0	3,889	65,039
50-54	593	428	444	538	796	2,168	1,408	1	0	6,376	73,673
55-59	465	260	290	328	398	870	2,744	922	2	6,279	79,524
60-64	197	94	121	119	139	159	360	869	140	2,198	80,034
65 & Up	<u>45</u>	<u>35</u>	<u>62</u>	<u>41</u>	<u>31</u>	<u>51</u>	<u>42</u>	<u>80</u>	<u>153</u>	<u>540</u>	78,812
Total	9,114	5,584	3,221	2,606	2,588	3,763	4,554	1,872	295	33,597	

Average Age = 45.4
 Average Service = 15.9
 Average Age at Entry = 29.6
 Average Annual Salary = \$62,924

Age Group	Females									Total	Average Annual Salary
	Years of Service										
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
15-19	0	0	0	0	0	0	0	0	0	0	\$0
20-24	2,467	0	1	0	0	0	0	0	0	2,468	36,764
25-29	10,332	1,917	1	0	0	0	0	0	0	12,250	39,132
30-34	5,203	5,563	824	4	0	0	0	0	0	11,594	42,689
35-39	2,711	2,229	2,679	624	1	0	0	0	0	8,244	47,561
40-44	2,875	1,804	1,694	2,899	504	1	0	0	0	9,777	52,201
45-49	3,102	2,714	2,134	2,350	3,094	1,151	1	0	0	14,546	56,255
50-54	2,048	2,074	2,877	3,195	2,896	4,709	2,242	1	0	20,042	63,852
55-59	811	856	1,443	2,332	2,770	2,203	3,565	863	0	14,843	68,685
60-64	214	197	397	778	1,219	1,206	724	712	131	5,578	70,737
65 & Up	<u>36</u>	<u>51</u>	<u>91</u>	<u>167</u>	<u>258</u>	<u>340</u>	<u>212</u>	<u>145</u>	<u>144</u>	<u>1,444</u>	72,952
Total	29,799	17,405	12,141	12,349	10,742	9,610	6,744	1,721	275	100,786	

Average Age = 44.5
 Average Service = 13.4
 Average Age at Entry = 31.2
 Average Annual Salary = \$55,414

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

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

Age Group	Males									Total	Average Annual Salary
	Years of Service										
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
15-19	0	0	0	0	0	0	0	0	0	0	\$0
20-24	13	0	0	0	0	0	0	0	0	13	34,236
25-29	249	2	0	0	0	0	0	0	0	251	35,350
30-34	203	47	2	0	0	0	0	0	0	252	37,467
35-39	134	54	32	0	0	0	0	0	0	220	41,351
40-44	102	23	42	13	1	0	0	0	0	181	45,223
45-49	92	28	62	28	9	3	0	0	0	222	43,144
50-54	91	17	114	60	16	9	3	0	0	310	44,560
55-59	75	10	96	59	44	9	9	0	0	302	43,652
60-64	46	7	17	22	11	5	2	1	0	111	39,778
65 & Up	<u>33</u>	<u>3</u>	<u>2</u>	<u>5</u>	<u>6</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>54</u>	34,602
Total	1,038	191	367	187	87	28	14	2	2	1,916	

Average Age = 44.5
 Average Service = 7.3
 Average Age at Entry = 37.3
 Average Annual Salary = \$41,180

Age Group	Females									Total	Average Annual Salary
	Years of Service										
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
15-19	0	0	0	0	0	0	0	0	0	0	\$0
20-24	70	0	0	0	0	0	0	0	0	70	34,684
25-29	1,158	100	0	0	0	0	0	0	0	1,258	36,302
30-34	1,291	1,059	69	0	0	0	0	0	0	2,419	39,365
35-39	570	470	502	8	0	0	0	0	0	1,550	41,216
40-44	374	115	408	94	4	0	0	0	0	995	41,232
45-49	352	65	343	115	29	1	0	0	0	905	40,242
50-54	325	60	481	198	49	21	1	0	0	1,135	38,503
55-59	177	46	400	223	62	14	10	0	0	932	40,674
60-64	67	13	65	47	18	1	3	3	0	217	39,265
65 & Up	<u>54</u>	<u>7</u>	<u>11</u>	<u>11</u>	<u>5</u>	<u>6</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>102</u>	35,560
Total	4,438	1,935	2,279	696	167	43	16	6	3	9,583	

Average Age = 40.4
 Average Service = 7.0
 Average Age at Entry = 33.4
 Average Annual Salary = \$39,487

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

F. Age and Benefit Profiles

Terminated Vested Participants

Age	Male		Female		Total	
	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
Under 35	0	\$0	0	\$0	0	\$0
35-39	0	0	9	82,620	9	82,620
40-44	6	46,212	11	118,692	17	164,904
45-49	12	121,368	46	399,252	58	520,620
50-54	58	555,216	181	1,471,800	239	2,027,016
55-59	135	1,161,792	485	5,062,428	620	6,224,220
60 & Up	<u>29</u>	<u>285,876</u>	<u>58</u>	<u>700,284</u>	<u>87</u>	<u>986,160</u>
Total	240	\$2,170,464	790	\$7,835,076	1,030	\$10,005,540
Average Age		=	55.4			
Average Annual Pension		=	\$9,714			

Service Retired Participants

Age	Male		Female		Total	
	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
Under 50	6	\$155,805	34	\$616,648	40	\$772,453
50-54	227	7,091,398	571	16,269,746	798	23,361,144
55-59	2,394	92,356,006	3,406	121,565,400	5,800	213,921,406
60-64	4,112	163,448,456	5,950	189,650,552	10,062	353,099,008
65-69	3,844	147,157,350	6,031	181,493,339	9,875	328,650,689
70-74	3,880	135,863,102	5,707	154,099,214	9,587	289,962,316
75-79	2,803	83,430,375	4,784	104,989,839	7,587	188,420,214
80-84	1,532	35,583,048	3,275	58,806,855	4,807	94,389,903
85-89	772	15,382,339	2,189	34,827,889	2,961	50,210,228
90-94	306	6,093,460	1,264	20,445,289	1,570	26,538,749
95-99	63	1,296,397	480	8,188,178	543	9,484,575
100 & Up	<u>1</u>	<u>5,913</u>	<u>78</u>	<u>1,158,151</u>	<u>79</u>	<u>1,164,064</u>
Total	19,940	\$687,863,649	33,769	\$892,111,100	53,709	\$1,579,974,749
Average Age		=	70.5			
Average Annual Pension		=	\$29,417			

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

F. Age and Benefit Profiles (continued)

Disabled Retired Participants

<u>Age</u>	Male		Female		Total	
	<u>Number</u>	<u>Annual Pension</u>	<u>Number</u>	<u>Annual Pension</u>	<u>Number</u>	<u>Annual Pension</u>
Under 35	0	\$0	0	\$0	0	\$0
35-39	1	29,261	9	159,757	10	189,018
40-44	4	63,726	28	530,522	32	594,248
45-49	18	442,595	78	1,768,269	96	2,210,864
50-54	75	1,855,472	236	5,292,381	311	7,147,853
55-59	148	3,407,903	336	7,671,935	484	11,079,838
60-64	100	2,187,240	327	7,428,695	427	9,615,935
65-69	84	1,742,908	247	5,287,338	331	7,030,246
70-74	57	1,015,859	161	2,909,968	218	3,925,827
75-79	38	516,161	115	1,865,168	153	2,381,329
80-84	21	273,298	51	740,139	72	1,013,437
85 & Up	<u>7</u>	<u>126,908</u>	<u>30</u>	<u>308,230</u>	<u>37</u>	<u>435,138</u>
Total	553	\$11,661,331	1,618	\$33,962,402	2,171	\$45,623,733
Average Age		=	62.3			
Average Annual Pension		=	\$21,015			

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

F. Age and Benefit Profiles (continued)

Beneficiaries and Dependents

<u>Age</u>	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Annual Pension</u>	<u>Number</u>	<u>Annual Pension</u>	<u>Number</u>	<u>Annual Pension</u>
Under 25	3	\$38,450	4	\$56,808	7	\$95,258
25-29	2	24,199	1	18,723	3	42,922
30-34	1	18,417	4	75,045	5	93,462
35-39	3	59,765	4	52,898	7	112,663
40-44	12	292,954	8	125,366	20	418,320
45-49	16	278,220	35	632,540	51	910,760
50-54	35	595,575	67	1,307,419	102	1,902,994
55-59	80	1,512,879	97	2,349,138	177	3,862,017
60-64	66	1,304,395	193	4,562,691	259	5,867,086
65-69	83	1,625,142	312	7,066,037	395	8,691,179
70-74	87	1,546,285	367	8,215,091	454	9,761,376
75-79	70	976,812	513	9,557,596	583	10,534,408
80-84	76	910,036	507	6,983,862	583	7,893,898
85-89	52	525,068	429	5,134,555	481	5,659,623
90-94	23	202,104	231	2,474,410	254	2,676,514
95-99	4	24,045	52	500,614	56	524,659
100 & Up	<u>2</u>	<u>17,453</u>	<u>12</u>	<u>95,530</u>	<u>14</u>	<u>112,983</u>
Total	615	\$9,951,799	2,836	\$49,208,323	3,451	\$59,160,122
		Average Age	=	74.3		
		Average Annual Pension	=	\$17,143		

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2003

A. Actuarial Assumptions

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

CPI: 4.0% per annum, compounded annually (as prescribed by the State Treasurer).
The pension adjustment is 60% of the cumulative increase.

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

Salary Scale: Salary increases vary by age and service with a salary scale which averages 5.95% (as prescribed by the State Treasurer). Illustrative rates are shown below:

<u>Less than 10 Years of Service</u>		<u>10 or More Years of Service</u>	
<u>Years of Service</u>	<u>Annual Rate</u>	<u>Age</u>	<u>Annual Rate</u>
0	8.16%	30	7.88%
1	8.16	35	7.88
2	7.15	40	7.14
3	7.08	45	5.94
4	7.08	50	5.20
5	7.08	55	4.95
6	7.08	60	4.83
7	7.08	65	4.74
8	7.08	70	4.72
9	7.08		

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2003

A. Actuarial Assumptions (continued)

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

<u>Years of Service</u>	<u>Less Than 10 Years of Service</u>		<u>Age</u>	<u>Annual Rates for Those with Deferred Annuity Benefits*</u>		<u>Annual Rates for Receiving Return of Contributions</u>	
	<u>Male</u>	<u>Female</u>		<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
0	8.13%	7.54%	25	0.07%	0.08%	1.14%	1.58%
1	6.45	6.04	30	0.07	0.08	1.14	1.58
2	5.61	5.40	35	0.07	0.08	0.88	1.27
3	4.53	5.40	40	0.07	0.08	0.51	0.83
4	3.60	4.80	45	0.14	0.12	0.30	0.55
5	3.07	4.48	50	0.31	0.45	0.19	0.36
6	2.55	4.29	55	1.03	1.22	0.16	0.30
7	2.34	3.60					
8	1.71	2.68					
9	1.16	2.22					

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

Retirement: Rates of retirement vary by age and when initially eligible. Illustrative -rates are shown below.

First Year of Eligibility for Unreduced Retirement

<u>Age</u>	<u>Annual Rate</u>	
	<u>Male</u>	<u>Female</u>
55	15.34%	16.49%
56	15.34	16.49
57	15.34	16.49
58	15.34	16.49
59	15.34	16.49

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2003

A. Actuarial Assumptions (continued)

After First Year of Eligibility for Unreduced Retirement

<u>Age</u>	<u>Annual Rate</u>	
	<u>Male</u>	<u>Female</u>
55	15.34%	16.49%
56	10.25	11.33
57	10.84	11.67
58	12.04	11.81
59	13.85	12.62
60	17.28	13.56
61	19.61	14.21
62	31.39	20.98
63	25.38	18.86
64	25.38	19.56
65	32.67	29.03
66-70	30.04	27.79
71 & Over	44.73	46.01

Reduced Retirement

<u>Age</u>	<u>Annual Rate</u>	
	<u>Male</u>	<u>Female</u>
<45	1.0%	1.20
45	1.0	1.20
46	1.0	1.20
47	1.0	1.20
48	1.2	1.36
49	1.4	1.52
50	1.6	1.68
51	1.8	1.84
52	2.0	2.00
53	2.0	2.00
54	2.0	2.00

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2003

A. Actuarial Assumptions (continued)

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

<u>Age</u>	<u>Annual Rates</u>			
	<u>Ordinary</u>		<u>Accidental</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
25	0.018%	0.022%	0.009%	0.006%
30	0.026	0.031	0.009	0.006
35	0.039	0.048	0.009	0.006
40	0.057	0.070	0.009	0.006
45	0.087	0.107	0.009	0.006
50	0.142	0.174	0.009	0.006
55	0.241	0.296	0.009	0.006

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

<u>Age</u>	<u>Annual Rates</u>		
	<u>Ordinary</u>		<u>Accidental</u>
	<u>Male</u>	<u>Female</u>	<u>Unisex</u>
25	0.037%	0.018%	0.0004%
30	0.043	0.021	0.0004
35	0.061	0.035	0.0004
40	0.099	0.046	0.0004
45	0.135	0.077	0.0004
50	0.226	0.116	0.0004
55	0.333	0.178	0.0004
60	0.393	0.260	0.0004
65	0.550	0.314	0.0004
70	0.768	0.610	0.0004

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2003

A. Actuarial Assumptions (continued)

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

<u>Age</u>	<u>Service Retirements and Beneficiaries</u>		<u>Disability Retirement</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
40	0.12%	0.06%	2.89%	1.01%
45	0.17	0.09	3.02	1.08
50	0.61	0.13	3.22	1.28
55	0.56	0.21	3.54	1.61
60	0.68	0.42	4.05	2.12
65	1.19	0.81	4.84	2.92
70	1.98	1.29	6.08	4.18
75	3.45	2.10	8.00	6.14
80	6.09	3.66	10.97	9.16

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

Post Retirement Medical: Projected 2004-2005 Per Retiree Benefit Costs (based on June 30, 2003 health plan distribution, medical trends of 17% for those less than age 65 and 20%-21% for those greater than 65, and the Social Security Standard premium for Medicare Part B trend at 9.0%):

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

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2003

B. Actuarial Valuation Method

The Projected Unit Credit Method was used as required by Chapter 62, P.L. 1994 as modified by Chapters 115, P.L. 1997 and 133, P.L. 2001.

C. Asset Valuation Method

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

D. Changes in Actuarial Assumptions

The per capita benefit costs for postretirement medical benefits have changed since the previous valuation. The costs were previously \$13,141.10 for pre-Medicare and \$7,877.70 for Medicare eligible.

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

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2003

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.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2003

4. Definitions (continued)

- 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:

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

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2003

6. Termination Benefits

a. Lump Sum Withdrawal

Eligibility: A Member is eligible upon termination of service.

Lump Sum Withdrawal Benefit: The benefit equals a refund of Aggregate Member 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:

- (i) the lump sum withdrawal benefit described in 6.a. above; or
- (ii) 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.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2003

7. Death Benefits (continued)

Post-retirement Death Benefit Prior to Age 60 Benefit: The benefit is as follows:

- (i) For death while a Disabled Retiree the benefit is equal to 1-1/2 times Compensation.
- (ii) For death while an Early Retiree, the benefit is equal to 3/16 times Compensation.
- (iii) For death while vested terminated, the benefit is equal to his Aggregate Contributions with interest allowed thereon.

Post-retirement Death Benefit After Age 60 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:

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2003

7. Death Benefits (continued)

- (i) The annuity benefit to a widow or widower is equal to 50% of Compensation, payable for life until remarriage.
- (ii) The annuity benefit, when there is no spouse, or the spouse is remarried, is equal to 20% of Compensation for one child, 35% for two children, 50% for three or more children. The benefit is payable while the children are under age 18 and it is payable for life if they are disabled.
- (iii) The annuity benefit, when there is no spouse or children, is equal to 25% of Compensation for one dependent parent and 40% for two dependent parents.
- (iv) The benefit, when there is no relation is stated above, is equal to the Aggregate Contributions with interest allowed thereon and is payable to a beneficiary or to the Member's estate. This is also the minimum benefit payable under (i), (ii) and (iii) above.

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:

- (i) 1.64% of Final Compensation times the number of years of Creditable Service; or
- (ii) 43.6% of Final Compensation.

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

b. Accidental Disability Retirement

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2003

8. Disability Benefits (continued)

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

Accident Disability Retirement Benefit: The benefit payable is equal to a Member annuity plus an employer pension which together equals 72.7% of the Compensation at date of injury.

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 retiree who was a member of the old Teachers' Retirement Fund. This pension is the actuarial equivalent of his contributions to the old Teachers' Retirement Fund without interest.

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

12. Special Benefits for Veterans:

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

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

13. 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.

Section VIII

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2003

14. Benefit and Compensation Limits (continued)

The IRC Section 415 limit is \$160,000 and the 401(a)(17) compensation cap is \$200,000. The \$200,000 compensation cap is not applied to plan years prior to 2002.

15. Contributions

a. Member Contributions: Each member becoming a member on or after January 1, 1956 contributes at the rate of contribution applicable to Class B members.

(i) 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.

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

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

(iii) Early Retirement Incentive Contributions: The State and Local employers which elected to participate in the early retirement incentive programs authorized by Chapters 137, 229 and 231, P.L. 1991, Chapters 48, 138 and 163, P.L. 1993 and Chapter 23, P.L. 2001 pay contributions to cover the additional liability for these programs over amortization periods chosen by the employer or the amortization period for the Unfunded Accrued Liability of the system.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2003

15. Contributions (continued)

- (iv) Chapter 113 Contributions: Certain School Districts have elected to exempt a select group of employees from the compensation limit under IRC Section 401(a)(17) incorporated under Chapter 113. These school districts will pay the full cost of this exemption at a member's date of retirement.

16. Changes in Plan Provisions Since Prior Valuation

There have been no changes since the previous valuation.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE

<u>Group Number</u>	<u>Location Name</u>	ERI 1	ERI 1	ERI 2	ERI 2
		<u>Present Value June 30, 2003</u>	<u>Fiscal Year 2005 Payment</u>	<u>Present Value June 30, 2003</u>	<u>Fiscal Year 2005 Payment</u>
3 981	NJ INST OF TECH	\$240,380	\$26,438	\$325,871	\$17,347
5 1001	ATLANTIC COMMUNITY COLLEGE	77,929	8,571	N/A	N/A
5 6080	ESSEX CO COMMUNITY COLLEGE	N/A	N/A	N/A	N/A
5 201	MIDDLESEX COUNTY COLLEGE	211,449	23,256	311,773	16,596
5 501	OCEAN COUNTY COLLEGE	N/A	N/A	N/A	N/A
6 911	ALLAMUCHY BD OF ED	N/A	N/A	118,957	11,088
6 2021	ALLENDALE BORO BD OF ED	N/A	N/A	N/A	N/A
6 300	ASBURY PARK BD OF ED	3,904,186	429,398	N/A	N/A
6 1000	ATLANTIC CITY BD OF ED	N/A	N/A	N/A	N/A
6 969	ATLANTIC CO VOCATIONAL SCHOOLS	234,870	25,832	N/A	N/A
6 4011	AUDUBON BOROUGH BD OF ED	N/A	N/A	N/A	N/A
6 8010	BAYONNE BOARD OF ED	N/A	N/A	N/A	N/A
6 4013	BELLMAWR BORO BD OF ED	N/A	N/A	N/A	N/A
6 324	BELMAR BORO BD OF ED	N/A	N/A	N/A	N/A
6 980	BERGEN CO VOCATIONAL	N/A	N/A	N/A	N/A
6 4014	BERLIN BORO BD OF ED	N/A	N/A	211,176	37,016
6 4015	BERLIN TWP BD OF ED	223,587	24,591	209,833	27,080
6 3012	BEVERLY CITY BD OF ED	N/A	N/A	N/A	N/A
6 412	BOONTON TWP BD OF ED	152,268	16,747	N/A	N/A
6 514	BRICK TWP BD OF ED	N/A	N/A	N/A	N/A
6 326	BRIELLE BORO BD OF ED	N/A	N/A	N/A	N/A
6 3003	BURLINGTON CO BD OF SPCL SRVCS	N/A	N/A	N/A	N/A
6 774	BYRAM TWP BD OF ED	267,802	29,454	N/A	N/A
6 2025	CARLSTADT BD OF ED	N/A	N/A	N/A	N/A
6 231	CARTERET BD OF ED	N/A	N/A	N/A	N/A
6 4017	CHESILHURST BORO BD OF ED	33,995	3,739	31,901	4,117
6 416	CHESTER TWP BD OF ED	N/A	N/A	N/A	N/A
6 4018	CLEMENTON BD OF ED	126,491	13,912	118,709	15,320
6 232	CRANBURY TWP BD OF ED	N/A	N/A	15,973	6,152
6 121	EAST WINDSOR REG SCHOOL DIST	N/A	N/A	261,726	33,777
6 4010	EASTERN CAMDEN CO REG SCH DIST	N/A	N/A	N/A	N/A
6 2036	ENGLEWOOD CITY BD OF ED	N/A	N/A	N/A	N/A
6 6012	ESSEX CO EDUCATIONAL SERV COMM	233,434	25,674	N/A	N/A
6 122	EWING TWP BD OF ED	N/A	N/A	N/A	N/A
6 6082	FAIRFIELD TWP BD OF ED ESSEX CO	N/A	N/A	N/A	N/A
6 2039	FAIRVIEW BORO BD OF ED	N/A	N/A	N/A	N/A
6 329	FARMINGDALE BD OF ED	N/A	N/A	246,245	43,163
6 775	FRANKFORD TWP BD OF ED	N/A	N/A	N/A	N/A
6 748	FRANKLIN TWP BD OF ED	N/A	N/A	N/A	N/A
6 4032	GIBBSBORO BORO BD OF ED	15,004	N/A	N/A	N/A
6 4033	GLOUCESTER CITY BD OF ED	N/A	N/A	440,722	169,737
6 753	GREEN BROOK BD OF ED	355,670	39,118	N/A	N/A
6 8082	GUTTENBERG BORO BD OF ED	191,292	21,039	N/A	N/A

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE

(continued)

<u>Group Number</u>	<u>Location Name</u>	ERI 1	ERI 1	ERI 2	ERI 2
		<u>Present Value</u> <u>June 30, 2003</u>	<u>Fiscal Year</u> <u>2005 Payment</u>	<u>Present Value</u> <u>June 30, 2003</u>	<u>Fiscal Year</u> <u>2005 Payment</u>
6 4037	HADDON HEIGHTS BD OF ED	N/A	N/A	N/A	N/A
6 8083	HARRISON TWP BD OF ED	N/A	N/A	N/A	N/A
6 780	HIGH POINT REG HIGH SCHOOL	N/A	N/A	N/A	N/A
6 922	HOPE TWP BD OF ED	N/A	N/A	N/A	N/A
6 335	HOWELL TWP BD OF ED	N/A	N/A	N/A	N/A
6 956	HUDSON CO VOCATIONAL SCHOOL	N/A	N/A	799,083	74,483
6 9030	HUNTERDON CENTRAL HIGH SCHOOL	N/A	N/A	N/A	N/A
6 6040	IRVINGTON TWP BD OF ED	N/A	N/A	4,176,552	539,003
6 518	JACKSON TWP BD OF ED	N/A	N/A	N/A	N/A
6 8030	KEARNY TWP BD OF ED	596,686	N/A	953,452	367,207
6 810	KENILWORTH BORO BD OF ED	N/A	N/A	N/A	N/A
6 795	KITTATINNY REGIONAL H S	N/A	N/A	N/A	N/A
6 521	LAKEHURST BORO BD OF ED	99,942	10,992	N/A	N/A
6 645	LAKELAND REGIONAL	898,530	98,824	N/A	N/A
6 500	LAKEWOOD TWP BD OF ED	N/A	N/A	N/A	N/A
6 4038	LAUREL SPRINGS BORO BD OF ED	N/A	N/A	N/A	N/A
6 124	LAWRENCE TWP BD OF ED	N/A	N/A	N/A	N/A
6 3005	LENAPE REGIONAL H S BD OF ED	N/A	N/A	N/A	N/A
6 790	LENAPE VALLEY REG H S DIST	N/A	N/A	328,750	126,613
6 4068	LINDENWOLD BORO BD OF ED	N/A	N/A	N/A	N/A
6 2052	LITTLE FERRY BD OF ED	N/A	N/A	18,902	7,280
6 2053	LODI BD OF ED	N/A	N/A	N/A	N/A
6 310	LONG BRANCH BD OF ED	N/A	N/A	N/A	N/A
6 4045	LOWER CAMDEN CO REG HS DIST 1	N/A	N/A	N/A	N/A
6 2055	LYNDHURST TWP BD OF ED	N/A	N/A	N/A	N/A
6 1096	MAINLAND REGIONAL	N/A	N/A	N/A	N/A
6 524	MANCHESTER TWP BD OF ED	N/A	N/A	N/A	N/A
6 1060	MARGATE CITY BD OF ED	N/A	N/A	N/A	N/A
6 343	MATAWAN-ABERDEEN REG SCHOOL	N/A	N/A	N/A	N/A
6 2056	MAYWOOD BD OF ED	N/A	N/A	N/A	N/A
6 3027	MEDFORD TWP BD OF ED	N/A	N/A	323,843	124,723
6 111	MERCER CO SPECIAL SERVICES	444,264	48,862	N/A	N/A
6 953	MERCER CO VOCATIONAL SCHOOLS	N/A	N/A	472,233	82,775
6 972	MIDDLESEX CO VOCATIONAL SCHOOL	N/A	N/A	1,285,162	165,856
6 242	MILLTOWN BORO BD OF ED	N/A	N/A	N/A	N/A
6 346	MONMOUTH BEACH BD OF ED	121,827	13,399	N/A	N/A
6 987	MONMOUTH CO VOCATIONAL SCHOOLS	718,823	79,059	N/A	N/A
6 372	MONMOUTH REGIONAL_HIGH SECHOOL	N/A	N/A	N/A	N/A
6 243	MONROE TWP BD OF ED	N/A	N/A	N/A	N/A
6 6050	MONTCLAIR BD OF ED	N/A	N/A	N/A	N/A

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE

(continued)

<u>Group Number</u>	<u>Location Name</u>	ERI 1	ERI 1	ERI 2	ERI 2
		<u>Present Value June 30, 2003</u>	<u>Fiscal Year 2005 Payment</u>	<u>Present Value June 30, 2003</u>	<u>Fiscal Year 2005 Payment</u>
6 2059	MOONACHIE BORO BD OF ED	N/A	N/A	N/A	N/A
6 3029	MOUNT LAUREL TWP BD OF ED	N/A	N/A	N/A	N/A
6 4043	MT EPHRAIM BD OF ED	N/A	N/A	\$32,298	\$12,439
6 436	MT OLIVE TWP BD OF ED	N/A	N/A	N/A	N/A
6 2063	NORTH ARLINGTON BD OF ED	N/A	N/A	N/A	N/A
6 8040	NORTH BERGEN BD OF ED	N/A	N/A	N/A	N/A
6 3033	NORTH HANOVER TWP BD OF ED	N/A	N/A	N/A	N/A
6 901	NORTH WARREN REG HIGH SCHOOL	N/A	N/A	\$657,690	\$115,283
6 1089	NORTHFIELD BD OF ED	N/A	N/A	N/A	N/A
6 351	OCEAN TWP BD OF ED	N/A	N/A	N/A	N/A
6 2068	ORADELL BD OF ED	N/A	N/A	N/A	N/A
6 2071	PALISADES PARK BD OF ED	N/A	N/A	N/A	N/A
6 952	PASSAIC CO VOC SCH	N/A	N/A	N/A	N/A
6 3035	PEMBERTON BORO BD OF ED	N/A	N/A	N/A	N/A
6 3036	PEMBERTON TWP BD OF ED	\$2,465,395	\$271,154	\$390,817	\$150,517
6 210	PERTH AMBOY BD OF ED	N/A	N/A	\$2,277,674	\$399,241
6 4069	PINE HILL BORO BD OF ED	\$323,392	\$35,568	\$180,498	\$23,294
6 502	PINELANDS REG SCH DIST	N/A	N/A	N/A	N/A
6 245	PISCATAWAY TWP BD OF ED	N/A	N/A	N/A	N/A
6 721	PITTSBORO TWP BD OF ED	N/A	N/A	N/A	N/A
6 1010	PLEASANTVILLE BD OF ED	\$1,331,984	\$146,497	\$1,280,598	\$165,267
6 839	RAHWAY CITY BD OF ED	N/A	N/A	N/A	N/A
6 353	RED BANK BD OF ED	N/A	N/A	N/A	N/A
6 301	RED BANK REGIONAL H S DISTRICT	N/A	N/A	N/A	N/A
6 2058	ROCHELLE PARK TWP BD OF ED	N/A	N/A	N/A	N/A
6 444	ROCKAWAY TWP BD OF ED	\$370,085	N/A	N/A	N/A
6 445	ROXBURY TWP BD OF ED	N/A	N/A	N/A	N/A
6 2082	SADDLE BROOK BD OF ED	N/A	N/A	N/A	N/A
6 984	SALEM CO VOCATIONAL SCHOOL	\$71,362	\$15,462	N/A	N/A
6 366	SEA GIRT BD OF ED	N/A	N/A	N/A	N/A
6 531	SEASIDE HEIGHTS BD OF ED	N/A	N/A	\$14,171	\$2,484
6 8084	SECAUCUS TWP BD OF ED	N/A	N/A	N/A	N/A
6 5071	SHILOH BOROUGH BD OF ED	\$13,284	\$1,461	N/A	N/A
6 373	SHORE REGIONAL H S DISTRICT	N/A	N/A	N/A	N/A
6 356	SHREWSBURY BORO BD OF ED	N/A	N/A	N/A	N/A
6 730	SOMERVILLE BORO BD OF ED	N/A	N/A	N/A	N/A
6 249	SOUTH AMBOY BD OF ED	\$422,670	\$46,487	N/A	N/A
6 254	SPOTSWOOD BORO BD OF ED	N/A	N/A	N/A	N/A
6 844	SPRINGFIELD TWP BD OF ED	N/A	N/A	N/A	N/A
6 4062	STRATFORD BD OF ED	N/A	N/A	N/A	N/A

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE

(continued)

<u>Group Number</u>	<u>Location Name</u>	ERI 1 <u>Present Value</u> <u>June 30, 2003</u>	ERI 1 <u>Fiscal Year</u> <u>2005 Payment</u>	ERI 2 <u>Present Value</u> <u>June 30, 2003</u>	ERI 2 <u>Fiscal Year</u> <u>2005 Payment</u>
6 2083	TEANECK BD OF ED	N/A	N/A	N/A	N/A
6 100	TRENTON CITY BD OF ED	N/A	N/A	N/A	N/A
6 359	UNION BEACH BORO BD OF ED	N/A	N/A	N/A	N/A
6 8050	UNION CITY BD OF ED	\$2,087,265	\$452,246	\$1,454,213	\$560,067
6 988	UNION COUNTY VOCATIONAL SCHS	N/A	N/A	N/A	N/A
6 1070	VENTNOR CITY BD OF ED	\$508,520	\$55,929	N/A	N/A
6 794	VERNON TWP BD OF ED	N/A	N/A	\$912,513	\$351,440
6 6092	VERONA BORO BD OF ED	N/A	N/A	N/A	N/A
6 362	WALL TWP BD OF ED	N/A	N/A	N/A	N/A
6 641	WANAQUE BD OF ED	N/A	N/A	\$315,093	\$29,370
6 758	WATCHUNG BORO BD OF ED	N/A	N/A	N/A	N/A
6 4064	WATERFORD TWP BD OF ED	N/A	N/A	N/A	N/A
6 8060	WEEHAWKEN TWP BD OF ED	N/A	N/A	N/A	N/A
6 451	WEST MORRIS REGIONAL DIST	N/A	N/A	N/A	N/A
6 8070	WEST NEW YORK TWP BD OF ED	N/A	N/A	\$2,805,979	\$261,547
6 934	WHITE TWP BD OF ED	\$251,237	\$27,632	N/A	N/A
6 4065	WINSLOW TWP BD OF ED	N/A	N/A	N/A	N/A
	Grand total for Local Employers	\$16,993,623	\$1,991,341	\$20,972,407	\$3,940,282

<u>Group Number</u>	<u>Location Name</u>	ERI 3 <u>Present Value</u> <u>June 30, 2003</u>	ERI 3 <u>Fiscal Year</u> <u>2005 Payment</u>
3 981	NJ INST OF TECH	\$361,128	\$33,661