STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

FINANCIAL STATEMENTS AND SCHEDULES

June 30, 2011

(With Independent Auditor's Report Thereon)

Clifton Gunderson LLP
Certified Public Accountants & Consultants

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

June 30, 2011

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

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

We have audited the accompanying statements of the benefit funds administered by the State of New Jersey Division of Pensions and Benefits (the Division) as of and for the year ended June 30, 2011, which collectively comprise the Division's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of the Division are intended to present the fiduciary net assets and the changes in fiduciary net assets of the benefit funds administered by the Division. They do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2011 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the benefit funds administered by the State of New Jersey Division of Pension and Benefits as of June 30, 2011, and the changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the supplementary information included in the schedule of funding progress and schedule of employer contributions (schedules 1 and 2) are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 3 through 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Mt. Laurel, New Jersey
November 1, 2011

Our discussion and analysis of the financial performance of the fiduciary funds (the Funds) administered by the Division of Pensions and Benefits (the Division) provides an overview of the Funds' financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

Financial Highlights

Fiduciary Funds - Pension Trust and State Health Benefit Program Funds

- Fiduciary net assets increased by $6.4 billion as a result of this year's operations from $74.6 billion to $81.0 billion.
- Additions for the year are $19.4 billion, which are comprised of member and employer pension contributions of $7.4 billion and investment income of $12.0 billion.
- Deductions for the year are $13.0 billion, which are comprised of benefit and refund payments of $12.9 billion and administrative expenses of $50.1 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: 1) fiduciary fund financial statements and 2) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Division uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fiduciary Funds

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

The Division administers eighteen fiduciary funds: twelve pension trust funds, three health benefit program funds, and three agency funds. The basic fiduciary fund financial statements consist of the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements and includes a description of the fiduciary funds.

Other Information

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

Financial Analysis

Summary of Fiduciary Net Assets
Pension Trust and State Health Benefit Program Funds

		2011	2010	Increase
Assets	$	83,180,710,720	75,851,911,970	7,328,798,750
Liabilities		2,113,100,438	1,203,743,539	909,356,899
Net assets	$	81,067,610,282	74,648,168,431	6,419,441,851

Assets of the pension trust and state health benefit program funds consist primarily of investments, securities lending collateral, contributions due from members and participating employers, accrued interest and dividends on investments, members' loans and other receivables. Between fiscal years 2010 and 2011, total assets increased by $7.3 billion or 9.7%. This is due to an increase in investments of $7.4 billion, an increase in the securities lending collateral of $0.8 billion, and a decrease in cash and receivables of $0.9 billion.

Liabilities of the pension trust and state health benefit program funds consist primarily of retirement benefits payable to retirees and beneficiaries, contributory and non-contributory group insurance (NCGI) premiums payable to the Funds' insurance provider, securities lending collateral and rebates payable and, classified under accounts payable and accrued expenses, outstanding medical claims payable to the medical providers under the State Health Benefits Program (SHBP). Also included with accounts payable and accrued expense are liabilities of the pension trust funds for unclaimed member accounts and checks issued to members that have not been negotiated by the members but remain due and payable. Total liabilities increased by $0.9 billion or 75.5%. This is due to an increase in the securities lending collateral and rebates payable of $0.8 billion and an increase in retirement benefits payable of $0.1 billion.

Net assets of the pension trust and state health benefit program funds increased by $6.4 billion or 8.6%.

Summary of Fiduciary Net Assets
Agency Funds

		2011	2010	(Decrease)
Assets	$	47,982,744	59,097,971	(11,115,227)
Liabilities		47,982,744	59,097,971	(11,115,227)
Net assets	$	—	—	—

Assets of the agency funds consist of cash and cash equivalents, investments and contributions due from the State and local employers. Between fiscal years 2010 and 2011, total assets decreased by $11.1 million or 18.8%. This is attributable to the decreased amount invested in the Cash Management Fund (CMF) of $8.6 million and decreases in cash and cash equivalents and total receivables of $2.5 million.

(Continued)

Liabilities in the agency funds vary according to plan. In the Alternate Benefit Program (ABP), they include reimbursements to state and county colleges, reimbursement to the State of New Jersey general fund of any unused appropriations and non-contributory group insurance benefits payable. In the Dental Expense Program (DEP), they include claims payable and cash overdraft, and in the Pension Adjustment Fund (PAF), they include liabilities for payroll and amounts due to the State of New Jersey general fund and other pension funds. Between fiscal years 2010 and 2011, total liabilities decreased by $11.1 million or 18.8%. This is comprised of a $6.8 million decrease in liabilities in the DEP, a $0.9 million decrease in liabilities in PAF, and a $3.4 million decrease overall in ABP liabilities.

Summary of Changes to Fiduciary Net Assets
Pension Trust and State Health Benefit Program Funds

		2011	2010	Increase (decrease)
Additions:				
Member contributions	$	2,094,692,660	2,107,837,083	(13,144,423)
Employer contributions and other		5,364,672,450	6,121,381,951	(756,709,501)
Net investment income		11,993,659,321	8,423,085,971	3,570,573,350
Total additions		19,453,024,431	16,652,305,005	2,800,719,426
Deductions:				
Benefits		12,801,069,697	11,711,660,433	1,089,409,264
Refunds of contributions		162,706,881	145,884,498	16,822,383
Administrative expenses		50,126,876	50,505,040	(378,164)
Total deductions		13,013,903,454	11,908,049,971	1,105,853,483
Changes in net assets	$	6,439,120,977	4,744,255,034	1,694,865,943

Additions of the pension trust and state health benefit program funds consist of member and employer contributions and earnings from investment activities. There is an increase by $2.8 billion or 16.8% in total additions.

Member contributions decreased by $13.1 million overall of which a $16.0 million increase is attributable to the state health benefit program funds and a $29.1 million decrease is attributable to the pension trust funds. In the SHBP –State, the increase is due to more active State employees contributing toward their health insurance coverage at 1.5% of salary as a result of contract settlements. Also, on the State side, the increase is due to higher active and retired premium rates for calendar year 2011 as compared to 2010. With regard to the SHBP-Local and SHBP-Education funds, the increase is also due to higher premium rates for calendar year 2011 (SHBP – Local of 11.6%; SHBP – Education of 8.6%). For the pension trust funds, the decrease is attributable to the higher number of active employee withdrawals and retirements during the fiscal year.

The State did not make a pension contribution for fiscal year 2011 but did make a contribution of $71.6 million for NCGI death benefits.

The annual local employer appropriation billings normally increase due to the salaries of employees and the rate of contribution as determined by the actuary. For PERS the amount accrued in fiscal year 2010 and due April 1,

(Continued)

2011 was $756.7 million, and in fiscal year 2011 $776.5 million was accrued and is due April 1, 2012 for an increase of $19.8 million. For PFRS the amount accrued in fiscal year 2010 and due April 1, 2012 was originally $950.7 million. In fiscal year 2011 the State made a decision to reduce the PFRS lag period between the valuation year and the contribution year from three years to two years which will bring the System in line with the other pension trust funds. This change results in a revised accrual for the bills due April 1, 2012 in the amount of $736.1 million resulting in a reduction of $214.6 million.

The SHBP – State employer contributions increased by $208.1 million. This is due to several factors including higher premium rates between calendar year 2010 and 2011, the State of New Jersey fully funding its obligations to the fund, and an additional $70.0 million encumbrance that is due to be paid to the fund from the State of New Jersey. For the SHBP – Local, employer contributions increased by $98.3 million. For the SHBP – Education, employer contributions increased by $156.1 million. The increases in the SHBP – Local and the SHBP – Education are attributable to rate increases effective January 1, 2011.

Non-contributory group life insurance-state contributions for 2011 were as follows: $30.7 million for TPAF, $30.5 million for PERS, $7.6 million for PFRS, $0.6 million for JRS, and $2.2 million for SPRS. Between fiscal year 2010 and fiscal year 2011, the State's contribution toward non-contributory group life insurance coverage increased by $1.7 million due to higher claims activity. Non-contributory insurance benefits are funded on a pay-as-you-go basis. The local contribution for non-contributory group life insurance is included in the annual billings to local employers.

Net investment income increased by $3.6 billion or 42.4% due to appreciation of investments.

The total investment return for all pension funds was estimated to be 18.03% gain compared to 13.4% gain in the prior year.

Deductions of the pension trust and state health benefit program funds are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members, and administrative costs incurred by the Funds. Also included are claim charges for the self-insured health and prescription drug. Between fiscal years 2010 and 2011, benefit payments increased by $1.1 billion or 9.5% due to an increase in the number of retirees receiving retirement and other benefits. The number of refunds processed increased by $16.8 million or 11.5% compared to last year. Administrative expenses slightly decreased by $0.4 million or 0.7%.

The change in net assets of $1.7 billion was primarily a result of the appreciation in investments from 2010 to 2011.

(Continued)

Overall Financial Condition of the Funds

For the defined benefit pension trust funds, the combined funded ratio is 70.5% based on the revised current actuarial valuation dated July 1, 2010, reflecting impact of Chapter 78, P.L. 2011, with an unfunded actuarial accrued liability of $36.3 billion on an actuarial basis per GASB Statement No. 25 as compared to 66.0% based on the prior year valuation with an unfunded actuarial accrued liability of $45.8 billion. The reduction in the unfunded pension liabilities and the increase in the overall funded ratio are mainly attributable to the suspension of cost-of-living adjustments on pension benefits effective July 1, 2011 under pension and health benefits reform legislation passed on June 28, 2011 (Chapter 78, P.L. 2011). In addition to the suspension of cost-of-living-adjustment, other reform measures required under this legislation, including increased employee contribution requirements and benefit reductions impacting new pension plan members, are expected to help to improve the overall funded status of the defined benefit pension plans over the long-term.

For the SHBP – Education, total expenses incurred exceeded total revenues recognized by $24.4 million, reducing the year-end surplus from $393.6 million to $369.2 million. The reduction is due in part to rates that were set to utilize some of the funds surplus balance. For the SHBP – State, revenues exceeded incurred expenses by $105.5 million, reducing the deficit at the beginning of the year of $89.3 million to a $16.2 million surplus at year end. This is primarily due to the State of New Jersey's funding obligation described on the previous page. For the SHBP – Local, revenues exceeded incurred expenses by $2.4 million, increasing the year-end surplus from $150.7 million to $153.1 million which can be attributable to rate increases and claims experience.

For the state health benefit program funds for fiscal year 2011, based on the current actuarial valuation dated July 1, 2010, the State had a $21.1 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) under Governmental Accounting Standards Board (GASB) Statement No. 43 for the SHBP – State active and retired members and $38.2 billion for the SHBP – Education employees and retirees that become the obligation of the State of New Jersey upon retirement. In comparison, based on the prior year actuarial valuation, the State had a $20.5 billion unfunded actuarial accrued liability for the SHBP – State active and retired members and $36.3 billion for the SHBP – Education employees and retirees. The SHBP – Local fiscal year 2011 unfunded actuarial accrued liability for OPEB based on the same actuarial valuation was $12.1 billion, and for the prior year actuarial valuation the liability was $10.0 billion.

During the year, the ABP and the PAF received sufficient funding to meet their benefit obligations.

For the State Employees Deferred Compensation Plan and the Supplemental Annuity Collective Trust, members are 100% vested in the present value of their contributions, and the funds have sufficient assets to meet future benefit obligations.

Contacting System Financial Management

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

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

		Pension Trust and State Health Benefit Program Funds	Agency Funds
Assets:			
Cash and cash equivalents	$	17,802,167	2,400,956
Securities lending collateral		854,857,725	—
Investments, at fair value:			
Cash Management Fund		3,187,628,982	19,136,452
Common Pension Fund A		19,215,982,156	—
Common Pension Fund B		22,183,243,521	—
Common Pension Fund D		15,391,897,032	—
Common Pension Fund E		13,499,143,386	—
Common stocks		148,997,525	—
Mortgages		1,227,494,097	—
U.S. Government obligations		493,311,771	—
Domestic equities		1,164,001,611	—
International equities		264,177,985	—
Other fixed income securities		509,869,794	—
Total investments		77,285,747,860	19,136,452
Receivables:			
Contributions:			
Members		164,800,391	—
Employers		3,218,039,393	1,274,762
Accrued interest and dividends		407,796,903	—
Members' loans		1,200,607,285	—
Securities sold in transit		9,561,663	—
Other		21,497,333	25,170,574
Total receivables		5,022,302,968	26,445,336
Total assets	$	83,180,710,720	47,982,744
Liabilities:			
Accounts payable and accrued expenses	$	566,017,413	44,093,812
Retirement benefits payable		680,918,654	—
Non-contributory group insurance premiums payable		12,409,843	—
Cash overdraft		—	—
Assets held for local contributing employers		—	2,944,265
Pension adjustment payroll payable		—	392,250
Due to State of New Jersey		—	215,744
Due to other funds		—	336,673
Securities lending collateral and rebates payable		853,754,528	—
Total liabilities		2,113,100,438	47,982,744
Net assets:			
Held in trust for pension and health benefits	$	81,067,610,282	—

See schedule of funding progress on pages 49-53.
See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Statement of Fiduciary Net Assets
Fiduciary Funds – Pension Trust and State Health Benefit Program Funds
June 30, 2011

	Alternate Benefit Long-term Disability Fund	Central Pension Fund	Consolidated Police and Firemen's Pension Fund	Deferred Compensation Plan	Defined Contribution Retirement Plan	Judicial Retirement System	Police and Firemen's Retirement System	Prison Officers' Pension Fund	Public Employees' Retirement System	State Police Retirement System	Supplemental Annuity Collective Trust	Teachers' Pension and Annuity Fund	State Health Benefit Program Fund State	State Health Benefit Program Fund Local	State Health Benefit Program Fund Education	Total
Assets:																
Cash	$ —	31,397	84,365	1,053	1,374	52,730	3,530,486	220,838	5,998,852	559,431	148,057	4,913,028	515,221	1,216,944	528,391	17,802,167
Securities lending collateral	—	—	—	—	—	2,940,438	229,475,294	—	285,898,714	20,235,655	—	316,307,624	—	—	—	854,857,725
Investments, at fair value:																
Cash Management Fund	1,166,814	22,696	6,574,569	75,358,483	288,219	8,796,429	834,258,381	9,822,598	963,230,282	31,384,451	11,979,054	443,275,232	100,860,457	181,134,803	519,476,514	3,187,628,982
Common Pension Fund A	—	—	—	—	—	69,675,336	5,224,187,934	—	6,283,293,226	478,741,667	—	7,160,083,993	—	—	—	19,215,982,156
Common Pension Fund B	—	—	—	—	—	76,768,911	5,000,893,229	—	7,741,662,796	566,173,137	—	8,797,745,448	—	—	—	22,183,243,521
Common Pension Fund D	—	—	—	—	—	52,086,213	4,148,349,248	—	5,170,503,081	357,352,808	—	5,663,605,682	—	—	—	15,391,897,032
Common Pension Fund E	—	—	—	—	—	56,174,547	3,532,122,612	—	4,383,591,431	350,125,184	—	5,177,129,612	—	—	—	13,499,143,386
Common Stocks	—	—	—	—	—	—	—	—	—	—	148,997,525	—	—	—	—	148,997,525
Mortgages	—	—	68,914	—	—	1,253,813	1,166,665,018	50,873	27,555,358	1,798,866	—	30,101,255	—	—	—	1,227,494,097
U.S. government obligations	—	—	—	493,311,771		—	—	—	—	—	—	—	—	—	—	493,311,771
Domestic equities	—	—	—	1,164,001,611		—	—	—	—	—	—	—	—	—	—	1,164,001,611
International equities	—	—	—	264,177,985		—	—	—	—	—	—	—	—	—	—	264,177,985
Other fixed income securities	—	—	—	509,869,794		—	—	—	—	—	—	—	—	—	—	509,869,794
Total investments	1,166,814	22,696	6,643,483	2,506,719,644	288,219	264,755,249	19,906,476,422	9,873,471	24,569,836,174	1,785,576,113	160,976,579	27,271,941,222	100,860,457	181,134,803	519,476,514	77,285,747,860
Receivables:																
Contributions:																
Members	—	—	—	—	—	7,705	42,193,912	—	48,724,215	776	425,711	72,286,625	501,409	558,682	101,356	164,800,391
Employers	—		—	—	—	36,349	976,737,845	—	1,982,288,250	402,065	—	73,410,726	84,112,971	58,321,364	42,729,823	3,218,039,393
Accrued interest and dividends	—	9	404	1,165,478		1,428,121	99,127,632	325	137,838,635	10,281,635	278,910	157,675,754	—	—	—	407,796,903
Members' loans	—	—	—	—	—	1,012,681	401,765,399	—	539,125,838	23,925,594	—	234,777,773	—	—	—	1,200,607,285
Securities sold in transit	—	—	—	—	—	—	9,561,663	—	—	—	—	—	—	—	—	9,561,663
Other	385,119	—	654,206	—	—	1,085,943	4,877,993	86,076	8,497,475	18,362	15,801	3,937,673	490,202	687,604	760,879	21,497,333
Total receivables	385,119	9	654,610	1,165,478	—	3,570,799	1,534,264,444	86,401	2,716,474,413	34,628,432	720,422	542,088,551	85,104,582	59,567,650	43,592,058	5,022,302,968
Total assets	$ 1,551,933	54,102	7,382,458	2,507,886,175	289,593	271,319,216	21,673,746,646	10,180,710	27,578,208,153	########	161,845,058	28,135,250,425	186,480,260	241,919,397	563,596,963	83,180,710,720
Liabilities:																
Accounts payable and accrued expenses	$ —	33,058	387,602	1,243,832		420	3,585,173	5,996	60,381,746	35,774	164,584	46,690,197	170,307,691	88,772,664	194,408,676	566,017,413
Retirement benefits payable	—	21,044	503,177	—	—	3,641,421	145,797,941	177,064	231,467,491	12,723,902	3,202,015	283,384,599	—	—	—	680,918,654
Non-contributory group insurance premiums payable	—	—	—	—	—	36,349	2,497,728	—	6,395,866	402,065	—	3,077,835	—	—	—	12,409,843
Securities lending collateral and rebates payable	—	—	—	—	—	2,936,658	229,177,920	—	285,529,722	20,209,695	—	315,900,533	—	—	—	853,754,528
Total liabilities	—	54,102	890,779	1,243,832	—	6,614,848	381,058,762	183,060	583,774,825	33,371,436	3,366,599	649,053,164	170,307,691	88,772,664	194,408,676	2,113,100,438
Net assets held in trust for pension and health benefits	$ 1,551,933	—	6,491,679	2,506,642,343	289,593	264,704,368	21,292,687,884	9,997,650	26,994,433,328	1,807,628,195	158,478,459	27,486,197,261	16,172,569	153,146,733	369,188,287	81,067,610,282

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

		Pension Trust and State Health Benefit Program Funds
Additions:		
Contributions:		
Members	$	2,094,692,660
Employers		5,359,553,271
Other		5,119,179
Total contributions		7,459,365,110
Investment income:		
Net appreciation in fair value of investments		9,943,476,552
Interest		1,689,135,192
Dividends		374,464,549
		12,007,076,293
Less investment expense		13,416,972
Net investment income		11,993,659,321
Total additions		19,453,024,431
Deductions:		
Benefits		12,820,748,823
Refunds of contributions		162,706,881
Administrative and miscellaneous expenses		50,126,876
Total deductions		13,033,582,580
Change in net assets		6,419,441,851
Net assets held in trust for pension and health benefits:		
Beginning of year		74,648,168,431
End of year	$	81,067,610,282

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Statement of Changes In Fiduciary Net Assets
Fiduciary Funds – Pension Trust and State Health Benefit Program Funds

Year ended June 30, 2011

	Alternate Benefit Long-term Disability Fund	Central Pension Fund	Consolidated Police and Firemen's Pension Fund	Deferred Compensation Plan	Defined Contribution Retirement Plan	Judicial Retirement System	Police and Firemen's Retirement System	Prison Officers' Pension Fund	Public Employees' Retirement System	State Police Retirement System	Supplemental Annuity Collective Trust	Teachers' Pension and Annuity Fund	State Health Benefit Program Fund State	State Health Benefit Program Fund Local	State Health Benefit Program Fund Education	Total
Additions:																
Contributions:																
Members	$ —	—	—	185,334,980	—	2,575,319	327,357,244	—	728,602,460	18,164,838	5,882,012	593,587,972	140,345,415	40,187,922	52,654,498	2,094,692,660
Employers	2,885,119	199,451	8,199	—	289,483	1,693,412	(216,914,092)	—	925,626,097	2,208,340	—	36,117,717	1,773,900,683	843,600,488	1,989,938,374	5,359,553,271
Other	—	21,677	4,033,257	—	—	—	—	1,064,245	—	—	—	—	—	—	—	5,119,179
Total contributions	2,885,119	221,128	4,041,456	185,334,980	289,483	4,268,731	110,443,152	1,064,245	1,654,228,557	20,373,178	5,882,012	629,705,689	1,914,246,098	883,788,410	2,042,592,872	7,459,365,110
Investment income:																
Net appreciation (depreciation) in fair value of investments	—	—	(2,808)	373,384,737		35,147,697	2,533,138,436	(575)	3,129,818,219	231,819,364	31,638,476	3,608,405,600	27,744	24,576	75,086	9,943,476,552
Interest	8,175	211	26,322	3,418,430	110	6,035,398	440,253,971	35,420	571,993,986	40,051,679	45,266	624,616,275	307,234	607,529	1,735,186	1,689,135,192
Dividends	—	—	—	7,195,976		1,191,578	99,455,410	—	119,498,478	8,673,149	3,039,838	135,410,120	—	—	—	374,464,549
	8,175	211	23,514	383,999,143	110	42,374,673	3,072,847,817	34,845	3,821,310,683	280,544,192	34,723,580	4,368,431,995	334,978	632,105	1,810,272	12,007,076,293
Less: investment expense	—	—	6,258	215,346		16,212	1,366,962	2,416	7,669,339	96,636	—	4,043,803	—	—	—	13,416,972
Net investment income	8,175	211	17,256	383,783,797	110	42,358,461	3,071,480,855	32,429	3,813,641,344	280,447,556	34,723,580	4,364,388,192	334,978	632,105	1,810,272	11,993,659,321
Total additions	2,893,294	221,339	4,058,712	569,118,777	289,593	46,627,192	3,181,924,007	1,096,674	5,467,869,901	300,820,734	40,605,592	4,994,093,881	1,914,581,076	884,420,515	2,044,403,144	19,453,024,431
Deductions:																
Benefits	2,885,114	188,667	6,308,586	110,598,362		43,198,034	1,721,552,719	2,110,016	2,672,323,135	148,932,905	18,312,488	3,343,458,692	1,805,522,732	880,203,684	2,065,153,689	12,820,748,823
Refunds of contributions	—	32,672	—	—	—	91,258	7,705,744	—	110,111,035	153,756	—	44,612,416	—	—	—	162,706,881
Administrative and miscellaneous expenses	—	—	19,182	460,327		157,524	4,115,476	7,376	23,714,809	300,802	—	12,321,345	3,612,014	1,806,007	3,612,014	50,126,876
Total deductions	2,885,114	221,339	6,327,768	111,058,689	—	43,446,816	1,733,373,939	2,117,392	2,806,148,979	149,387,463	18,312,488	3,400,392,453	1,809,134,746	882,009,691	2,068,765,703	13,033,582,580
Net increase (decrease)	8,180	—	(2,269,056)	458,060,088	289,593	3,180,376	1,448,550,068	(1,020,718)	2,661,720,922	151,433,271	22,293,104	1,593,701,428	105,446,330	2,410,824	(24,362,559)	6,419,441,851
Net assets held in trust for pension and health benefits:																
Beginning of year	1,543,753	—	8,760,735	2,048,582,255	—	261,523,992	19,844,137,816	11,018,368	24,332,712,406	1,656,194,924	136,185,355	25,892,495,833	(89,273,761)	150,735,909	393,550,846	74,648,168,431
End of year	$ 1,551,933	—	6,491,679	2,506,642,343	289,593	264,704,368	21,292,687,884	9,997,650	26,994,433,328	1,807,628,195	158,478,459	27,486,197,261	16,172,569	153,146,733	369,188,287	81,067,610,282

See accompanying notes to financial statements.

(1) Description of the Funds

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

Fiduciary Funds

Pension Trust and State Health Benefit Program Funds

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

Agency Funds

Pension Adjustment Fund (PAF)
Alternate Benefit Program Fund (ABP)
Dental Expense Program Fund (DEP)

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

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

The Prescription Drug Program (PDP) of each respective SHBP are combined and reported as a trust fund with the respective SHBP – State, SHBP – Local and SHBP – Education plans. The SHBP – State is classified as a single-employer plan. The SHBP – Local and SHBP – Education are classified as cost-sharing multiple-employer plans.

(2) Summary of Significant Accounting Policies

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

Reporting Entity

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

Fund Accounting

The accounts of the Division are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that the resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts.

Fiduciary Funds

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

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All funds are accounted for using an economic resources measurement focus.

The accrual basis of accounting is used for measuring financial position and changes in net assets of the pension trust and state health benefit program funds. Under this method, revenues are recorded in the accounting period in which they are earned, and deductions are recorded at the time the liabilities are incurred. The financial statements of the pension trust funds conform to the provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contributions Plans*. The financial statements of the health benefit program funds conform to the provisions of the GASB Statement No. 43, *Other Post-Employment Benefits (OPEB).* Employer contributions are recognized when payable to the Funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the Funds.

Capital Assets

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

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011, made various changes to the manner in which the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), the State Police Retirement System (SPRS) and the Judicial Retirement System (JRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.

- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.

- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.

- Increases in active member contribution rates. TPAF and PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS and PERS Prosecutors Part active member rates increase from 8.5% to 10%: SPRS active member rates increase from 7.5% to 9%; and JRS active member rates increase from 3% to 12% phased-in over seven years. For fiscal year 2012, the member contribution rates will increase in October 2011. The phase-in of the additional incremental member contribution rates for TPAF, PERS and JRS members will take place in July of each subsequent fiscal year.

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.

- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the SPRS and PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 2, P.L. 2010, effective May 21, 2010, made changes to the SHBP and SHBP – Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's DCRP.

Membership and Contributing Employers

Membership and contributing employers of the pension trust funds consisted of the following at July 1, 2010, the date of the most recent actuarial valuations. Membership of the health benefit program funds for OPEB is based on the valuation dated July 1, 2010, and its participating employer count is from the Division's internal data base as of June 30, 2011. Member counts of SACT, CPF, NJSEDCP, and ABPLTD are based on non-actuarial system as of June 30, 2011:

	JRS	CPFPF	PFRS	POPF	PERS	SPRS
Retiree members:						
Retirees and beneficiaries receiving benefits currently	505	396	35,916	149	140,735	2,652
Terminated employees entitled to benefits but not yet receiving them	3	—	57	—	1,238	—
Total retiree members	508	396	35,973	149	141,973	2,652
Active members:						
Vested	198	—	29,552	—	149,506	1,711
Nonvested	234	—	14,652	—	159,593	1,319
Total active members	432	—	44,204	—	309,099	3,030
Total	940	396	80,177	149	451,072	5,682
Contributing employers	1	78	589	1	1,710	1

	TPAF	SACT	CPF	NJSEDCP	ABPLTD	SHBP
Retiree members:						
Retirees and beneficiaries receiving benefits currently	80,237	478	9	4,300	—	204,251
Terminated employees entitled to benefits but not yet receiving them	477	—	—	—	—	—
Total retiree members	80,714	478	9	4,300	—	204,251
Active members:						
Vested	82,719	3,328	—	40,348	150	410,806
Nonvested	74,304	—	—	—	—	—
Total active members	157,023	3,328	—	40,348	150	410,806
Total	237,737	3,806	9	44,648	150	615,057
Contributing employers	35	—	1	—	1	547

Membership in the agency funds administered by the Division consisted of the following as of June 30, 2011:

	State	Local	Total
Dental Expense Program Fund*	115,359	48,793	164,152
Alternate Benefit Program Fund**	18,343	3,021	21,364
Pension Adjustment Fund	123,236	117,087	240,323

* Active and retired participants

** Including those receiving long-term disability benefits

Investments

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of seven of the defined benefit plans (PERS, TPAF, JRS, PFRS, CPFPF, SPRS and POPF) and two defined contribution plans (SACT and NJSEDCP). The Division of Investment separately reports the assets, liabilities and net assets of the underlying investment portfolio of the seven defined benefit plans in its Pension Fund report and a SACT report. The Division of Investment accounts included in the Pension Fund report are: Common Fund A, Common Fund B, Common Fund D, Common Fund E, Police and Firemen's Mortgage Program accounts and other investments owned directly by the seven defined benefit pension plans. Common Fund A invests primarily in domestic equity securities. Common Fund B invests primarily in domestic fixed income securities. Common Fund D invests primarily in foreign equity and fixed income securities. Common Fund E invests primarily in alternative investments which includes private equity, real assets, real estate, and absolute return strategy investments. The Police and Firemen's Retirement System includes a mortgage loan program administered by the New Jersey Housing and Mortgage Finance Agency that provides participants with mortgages from the program at rates which are fixed by formula. The law establishing the program provides that the Fund may not sell the mortgages, and no independent market exists for them.

Prudential Retirement is the third-party administrator for the NJSEDCP. Prudential Retirement provides recordkeeping, administration services and access to 23 investments through a combination of their separate account product offerings and retail branded mutual funds. The four state-managed investments options (DCP Bond Fund, DCP Equity Fund, DCP Small Cap Equity Fund and DCP Money Market Fund) are closed to new investments. The Division of Investment is the fiduciary for the investments of the Plan. The Division of Pensions and Benefits maintains its administrative oversight functions for the Plan.

Investments are reported at fair value as follows:

- U.S. Government and Agency, Sovereign and Corporate obligations – prices quoted by a major dealer in such securities.
- Domestic and Foreign Equity Securities, Exchanged Traded Funds, Forward Foreign Exchange Contracts – closing prices as reported on the primary market or exchange on which they trade.
- Money Market Instruments – amortized cost which approximates fair value.

- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.
- Mortgages – all mortgages except for the Police and Firemen's mortgages are priced by a major dealer in such securities and reviewed by management for reasonableness. Police and Firemen's mortgages are priced using another third-party administrator.
- Alternative investments (private equity, real estate, real asset, and absolute return strategy funds) – Fair values for the individual funds are based upon the net asset values for the funds at the closest available reporting date, adjusted for subsequent contributions, distributions, management fees and reserves. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. The most significant input into the net asset value of an entity is the value of its investment holdings. The net asset value is provided by the general partner and/or investment manager and reviewed by management. The net asset values are audited annually. The strategy of private equity and real estate funds are long term and illiquid in nature which can prevent the investment from being readily marketable. Hedge funds may be subject to redemption restrictions which can limit distributions and restrict the ability of a limited partner to exit a partnership. For alternative investments, the realized value received upon the sale of these investments in the open market might be different than the fair value reported in the accompanying financial statements.

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

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

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

Securities Lending

The State Investment Council policies permit Common Funds A, B and D and several of the direct pension plan portfolios to participate in securities lending programs, whereby securities are loaned to brokers or other borrowers and, in return, the pension funds have rights to the collateral received. All of the securities held in Common Funds A, B and D, and certain securities held directly by the pension plans, are eligible for the securities lending program. Collateral received may consist of cash, letters of credit, or government securities having a market value equal to or exceeding 102% (U.S. dollar denominated) or 105% (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. Collateral is marked to market daily and adjusted as needed to maintain the required minimum level. Effective December 2010, for loans of U.S. government securities or sovereign debt issued by non-U.S. governments, in the event that the market value of the collateral falls below 100% of the market value of the outstanding loaned securities to an individual borrower, or the market value of the collateral of all loans of such securities falls below the collateral requirement, additional collateral shall be transferred by the borrower to the respective funds no later than the close of the next business day so that the market value of such additional collateral together with collateral previously delivered meets the collateral requirements. For loans of all other types of securities, in the event that the market value of the collateral falls below the collateral requirement of either 102% or 105% (depending on whether the securities are denominated in U.S. dollars or a foreign currency, respectively) of the market value of the outstanding loaned securities to an individual borrower, additional collateral shall be transferred in an amount that will increase the aggregate of the borrower's collateral to meet the collateral requirements. As of June 30, 2011, the Common Funds have no aggregate credit risk exposure to borrowers because the collateral amount held by the Common Funds exceeded the market value of the securities on loan.

The contracts with the Common Funds' securities lending agent require them to indemnify the Common Funds if the brokers or other borrowers fail to return the securities and provides that collateral securities may be sold in the event of a borrower default. The Common Funds are also indemnified for any loss of principal or interest on collateral invested in repurchase agreements. The Common Funds cannot participate in any dividend reinvestment program or vote with respect to any securities that are on loan on the applicable record date. The securities loans can be terminated by notification by either the borrower or the Common Funds. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of the cash collateral.

Derivatives

The Division of Investment, from time to time, utilizes forward foreign currency contracts, a derivative security, as a means to hedge against currency risks in the Common Funds' foreign equity and fixed income portfolios. Forward foreign currency contracts are agreements to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed upon price.

The fair value of foreign forward currency contracts held directly by the Common Funds as of June 30, 2011 was as follows:

Forward currency receivable	$	1,285,366,143
Forward currency payable		1,310,308,414
Net unrealized loss		(24,942,271)

The Common Funds utilize covered call and put options in an effort to add value to or reduce the risk level in the portfolio. Options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call option) or to sell (in the case of a put option) a specific amount of an asset for a specific price (called the strike price) on or before a specified expiration date. The Common Funds enter into covered calls when they write (or sell) call options on underlying stocks held by the Common Funds or stock indices. The Common Funds enter into covered put options when they purchase put options on underlying stocks held by the Common Funds or stock indices. The purchaser of put options pays a premium at the outset of the agreement and stands to gain from an unfavorable change (i.e., a decrease) in the price of the instrument underlying the option. The writer of call options receives a premium at the outset of the agreement and bears the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option.

The Fund had written call options on 5,375,000 shares, and these options had a fair value of $3,822,200 at June 30, 2011. The Fund owned 11,650 put option contracts with a fair value of $5,505,500 at June 30, 2011. The Common Funds did not have any written call or put option contracts as of June 30, 2010.

Certain alternative investment funds and partnerships may use derivative instruments to hedge against market risk and to enhance investment returns. At any point during the year, the Common Funds may have additional exposure to derivatives primarily through limited liability vehicles such as limited partnerships and commingled investment funds.

Members' Loans

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

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

Chapter 92, P.L. 2007 eliminated the 4% fixed rate of interest for loans from the defined benefit plans and provided that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code and permitted that an administrative processing fee may be charged for such loans. As such, effective January 1, 2008, an $8.00 processing fee per loan was charged, and the pension loan interest rate became 3.25% per year for year 2010 and 5.25% for year 2011.

Administrative Expenses

Administrative expenses are paid by the Funds and the Systems to the State of New Jersey, Department of the Treasury and are included in the accompanying financial statements.

In certain funds (PFRS, PERS, SPRS and TPAF) miscellaneous expenses and reimbursements from the fund that comprise various adjustments to member and employer accounts are incorporated into the administrative expense amounts included in the accompanying financial statements. These miscellaneous items are not part of the supplementary information included in the Schedule of Administrative Expenses (Schedule 3). Additionally, State Health Benefit Program Fund – State, Local and Education administrative expenses are included in administrative expenses in the accompanying financial statements but are not included in the supplementary information in Schedule 3.

Income Tax Status

Based on a May 2007 declaration of an outside tax council retained by the Attorney General of the State of New Jersey, the five pension funds/systems (TPAF, PERS, PFRS, JRS, and SPRS) comply with the qualification requirements of Section 401(a) of the Internal Revenue Code.

The ABP is a qualified plan as described in Section 403(b), and the NJSEDCP is an eligible plan as described in Section 457 of the Internal Revenue Code.

Commitments

The Common Funds are obligated, under certain private equity, real estate and absolute return strategy alternative investment agreements to make additional capital contributions up to contractual levels over the investment period specified for each investment. As of June 30, 2011, the Common Funds had unfunded commitments totaling approximately $4.8 billion.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

Funded Status and Funding Progress

The required supplementary information regarding the funded status and funding progress is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under State statutes in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 8.25% for investment rate of return for all the retirement systems except POPF (5.00%) and CPFPF (2.00%) and (b) 5.45% for projected salary increases for all the retirement systems that have active members except TPAF (5.91%), PFRS (7.20%), and JRS (4.50%).

OPEB used the projected unit credit as actuarial cost method and the market value as asset valuation method. The actuarial assumptions for OPEB included 4.50% for investment rate of return.

A summary of the significant actuarial methods and assumptions used by the Funds and Systems as of the most recent actuarial date of July 1, 2010 are as follows:

	JRS	CPFPF	PFRS - State	PFRS - Local	POPF
Actuarial valuation date	July 1, 2010	July 1, 2010	July 1, 2010	July 1, 2010	July 1, 2010
Actuarial value of assets	$ 329,030,387	$ 10,632,228	$ 2,190,654,958	$ 20,367,865,987	$ 11,018,367
Actuarial accrued liability	554,540,403	11,824,904	3,672,361,258	25,601,998,126	5,635,024
Unfunded (overfunded) actuarial accrued liability	225,510,016	1,192,676	1,481,706,300	5,234,132,139	(5,383,343)
Funded ratio	59.3%	89.9%	59.7%	79.6%	195.5%
Covered payroll	$ 71,746,413	N/A	$ 530,747,536	$ 3,189,786,833	N/A
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	314.3%	N/A	279.2%	164.1%	N/A
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value	5 year average of market value	5 year average of market value	Market value
Amortization method	Level dollar, open	Level dollar, closed	Level dollar, open	Level dollar, open	Level dollar, closed
Remaining amortization period	30 years	1 year	30 years	30 years	1 year
Actuarial assumptions:					
Interest rate	8.25%	2.00%	8.25%	8.25%	5.00%
Salary range	4.50%	N/A	7.20%	7.20%	N/A
Cost-of-living adjustments	0.00%	N/A	0.00%	0.00%	N/A

	PERS - State	PERS - Local	SPRS	TPAF
Actuarial valuation date	July 1, 2010	July 1, 2010	July 1, 2010	July 1, 2010
Actuarial value of assets	$ 10,252,640,127	$ 18,481,952,370	$ 2,019,350,048	$ 33,265,326,627
Actuarial accrued liability	17,429,178,021	23,918,658,044	2,497,094,137	49,543,347,849
Unfunded (overfunded) accrued liability	7,176,537,894	5,436,705,674	477,744,089	16,278,021,222
Funded ratio	58.8%	77.3%	80.9%	67.1%
Covered payroll	$ 4,564,850,886	$ 7,416,503,897	$ 289,980,657	$ 10,025,401,658
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	157.2%	73.3%	164.8%	162.4%
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value	5 year average of market value	5 year average of market value
Amortization method	Level dollar, open	Level dollar, open	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	30 years	30 years	30 years
Actuarial assumptions:				
Interest rate	8.25%	8.25%	8.25%	8.25%
Salary range	5.45%	5.45%	5.45%	5.91%
Cost-of-living adjustments	0.00%	0.00%	0.00%	0.00%

	SHBP - State	SHBP - Local	SHBP - Education
Actuarial valuation date	July 1, 2010	July 1, 2010	July 1, 2010
Actuarial value of assets	$ —	$ —	$ —
Actuarial accrued liability	21,090,400,000	12,089,800,000	38,191,500,000
Unfunded (overfunded) actuarial accrued liability	21,090,400,000	12,089,800,000	38,191,500,000
Funded ratio	—	—	—
Covered payroll	$ 7,424,794,315	$ 2,844,100,000	$ 13,445,205,685
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	284.1%	425.1%	284.1%
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Asset valuation method	Market value	Market value	Market value
Amortization method	Level percent, open	Level percent, open	Level percent, open
Remaining amortization period	30 years	30 years	30 years
Actuarial assumptions:			
Interest rate	4.50% (assuming no prefunding)	4.50% (assuming no prefunding)	4.50% (assuming no prefunding)
Salary range	N/A	N/A	N/A
Cost-of-living adjustments	N/A	N/A	N/A

For medical benefits, the healthcare cost trend rate assumption initially is at 8.0% or 9.0% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after 6 or 8 years. For prescription drug benefits, the initial healthcare cost trend rate assumption is 10.0%, decreasing to a 5.0% long-term trend rate after 10 years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 5.0% throughout 11 years.

(3) Deposits and Investments

The pension funds' investments as of June 30, 2011 are as follows:

Cash management funds	$	3,206,765,434
Domestic equities		20,107,882,966
International equities		14,974,978,716
Domestic fixed income		18,023,341,944
International fixed income*		2,066,705,578
Bank loan funds		1,174,078,860
Police and Firemen's mortgages		1,140,494,077
Private equity funds		5,381,612,092
Real estate funds		2,731,205,959
Absolute return strategy funds		3,902,428,308
Real assets		1,191,374,306
Put options		5,505,500
U.S. government and agency obligations		493,311,771
Other fixed income securities		509,869,794
Other		2,395,329,007
	$	77,304,884,312

* US dollar denominated securities

New Jersey state statute provides for a State Investment Council (Council) and a Director. Investment authority is vested in the Director of the Division of Investment and the role of the Council is to formulate investment policies. The Council issues regulations which establish guidelines for permissible investments which include domestic and international equities and exchange traded funds, covered call and put options, equity futures contracts, obligations of the U.S. Treasury, government agencies, corporations, international governments and agencies, bank loans, interest rate swap transactions, credit default swaps, fixed income exchange traded funds, U.S. Treasury futures contracts, state and municipal general obligations, public authority revenue obligations, collateralized notes and mortgages, commercial paper, certificates of deposit, repurchase agreements, bankers acceptances, guaranteed income contracts, funding agreements, money market funds, private equity funds, real estate funds, other real assets, absolute return strategy funds, and the State of New Jersey Cash Management Fund (CMF). The CMF is a short-term cash fund and is open to state and certain non-state participants.

The pension funds' investment in the CMF is not evidenced by securities that exist in physical or book entry form held by the pension funds.

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

Custodial credit risk, as it relates to investments, is the risk that in the event of the failure of the custodian, the pension funds will not be able to recover the value of investments or collateral securities that are in the possession of the third-party. The pension funds' investment securities are not exposed to custodial credit risk as they are held in segregated trust accounts in the name of the pension funds with the custodians.

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

These credit ratings and limits are as follows:

Category	Minimum rating (1) Moody's	S&P	Fitch	Limitation of issuer's outstanding debt	Limitation of issue	Other limitations
Corporate obligations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in debt and non-convertible preferred stock of one issuer
International corporate obligations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in debt and non-convertible preferred stock of any one issuer; not more than 10% of fund assets can be invested in this category
International government and agency obligations	Baa3	BBB-	BBB-	25%	Greater of 25% or $10 million	—
Collateralized notes and mortgages	Baa3	BBB-	BBB-	—	25%	Not more than 5% of fund assets can be invested in any one issue; not more than 10% of fund assets (or 20% of Common Fund B assets) can be invested in this category
Commercial paper	P-1	A-1	F1	—	—	—
Certificates of deposit and Banker's acceptances:						Certificates of deposit and banker's acceptances cannot exceed 10% of issuer's primary capital
Domestic	A3/P-1	A-/A-1	A-/F1	—	—	
International	Aa3/P-1	AA-/A-1	AA-/F1	—	—	
Credit default swap transactions	A1	A+	A+	—	—	Nominal value of net exposure to any one counterparty shall not exceed 10% of fund assets
Guaranteed income contracts and funding agreements	A3	A-	A-	—	—	—
Money market funds	—	—	—	—	—	Not more than 10% of fund assets can be invested in money market funds; limited to 5% of shares or units outstanding

Category	Minimum rating (1) Moody's	S&P	Fitch	Limitation of issuer's outstanding debt	Limitation of issue	Other limitations
Interest rate swap transactions	A1	A+	A+	—	—	Notional value of net exposure to any one counterparty shall not exceed 10% of fund assets
Repurchase agreements	Aa3	AA-	AA-	—	—	—
State & municipal obligations (2)	A3	A-	A-	10%	10%	Not more than 2% of fund assets can be invested in debt of any one political entity maturing more than 12 months from purchase
Public authority revenue obligations	A3	A-	A-	—	10%	Not more than 2% of fund assets can be invested in any one public authority
Mortgage backed pass-through securities	A3	A-	A-	—	—	Not more than 5% of fund assets can be invested in any one issue
Mortgage backed senior debt securities	—	—	—	—	25%	Not more than 5% of fund assets can be invested in any one issue
Non-convertible preferred stocks of US corporations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in debt and non-convertible stock of any one corporation
Bank loans	Baa3	BBB-	BBB-	10%	—	Not more than 10% of fund assets can be invested in this category

(1) Short term ratings (e.g. P-1, A-1, F1) are used for commercial paper and certificates of deposit.
(2) Prior to October 19, 2009, this was restricted to NJ State & Municipal obligations.

Up to 5% of the market value of the combined assets of the pension and annuity funds may be invested in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock, and mortgage backed pass-through securities that do not meet the minimum credit rating requirements set forth above.

For securities in the fixed income portfolio, the following tables disclose aggregate market value, by major credit quality rating category as of June 30, 2011. The first table includes fixed income securities rated by Moody's. The second table discloses S&P and Fitch ratings for fixed income securities not rated by Moody's.

		Moody's rating (1)									
(In thousands)		**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**	**Ca**	**Caa**	**P-1**	**Totals**
Corporate obligations	$	695,297	1,282,639	3,867,053	3,768,352	292,598	262,929	3,200	119,424	372	10,291,864
United States treasury tips		2,728,935	—	—	—	—	—	—	—	—	2,728,935
United States treasury bonds		2,218,916	1,725	3,061	—	—	—	—	—	—	2,223,702
Foreign government obligations		183,511	916,049	26,762	—	125	—	—	—	—	1,126,447
International corporate obligations		—	109,077	456,420	284,861	9,170	16,450	714	6,399	—	883,091
Mortgages (FHLMC/FNMA/GNMA		630,629	—	—	—	—	—	—	—	—	630,629
United States government strips		568,556	—	—	—	—	—	—	—	—	568,556
Federal agency obligations		368,015	1,337	1,326	—	—	—	—	—	—	370,678
SBA pass through certificates		152,640	—	—	—	—	—	—	—	—	152,640
Asset backed obligations		—	16,786	25,189	43,759	1,519	—	—	623	—	87,876
Other		103,848	861,385	265,286	14,901	462	157	—		—	1,246,039
	$	7,650,347	3,188,998	4,645,097	4,111,873	303,874	279,536	3,914	126,446	372	20,310,457

(1) Subsequent to the June 30, 2011, Standard & Poor's downgraded the United States credit rating to AA+ from its top rank of AAA, for the first time in history.

		Standard & Poor's & Fitch ratings								
		Standard & Poor's							Fitch	
(In thousands)		**A**	**AA**	**AAA**	**B**	**BB**	**BBB**	**CCC**	**BBB**	**Totals**
Corporate obligations	$	97,733	69,219	—	11,032	3,981	94,199	5,131	13,234	294,529
International corporate obligations		—	—	—	2,943	618	—	—	—	3,561
Other		50,139	65,320	34,625	—	—	—	—	—	150,084
	$	147,872	134,539	34,625	13,975	4,599	94,199	5,131	13,234	448,174

The above tables do not include certain domestic and international corporate obligations including certain exchange traded funds (ETFs) totaling $172,869,190 which invest in an underlying portfolio of fixed income securities and do not have a Moody's, Standard & Poor's or Fitch rating. The above tables also do not include other fixed income securities totaling $148,136,870, Police and Firemen's mortgages totaling $1,140,494,077 and the Cash Management Fund totaling $3,206,765,434 which are not rated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Commercial paper must mature within 270 days. Certificates of deposits and bankers acceptances are limited to a term of one year or less. Repurchase agreement must mature within 30 days. The investment in guaranteed income contracts and funding agreements is limited to a term of 10 years or less.

The following table summarizes the maturities (or, in the case of Remics, Police and Firemen's Mortgages and mortgage-backed securities, the expected average life) of the fixed income portfolio as of June 30, 2011:

(In thousands)	Maturities in years					
Fixed income investment type	**Less than 1**	**1-5**	**6-10**	**More than 10**	**Unknown**	**Total fair value**
Corporate obligations	$ 9,646	900,440	3,914,729	5,808,469	755	$ 10,634,039
United States treasury inflation index notes	—	—	2,297,233	431,702	—	2,728,935
United States treasury bonds	1,317	144,184	111,296	1,967,380	—	2,224,177
Foreign government obligations	—	122,643	447,719	598,498	—	1,168,860
Police & firemen's mortgage program	1	330	4,726	1,135,437	—	1,140,494
International corporate obligations	—	131,075	299,110	467,661	—	897,846
Mortgages (FHLMC/FNMA/GNMA)	—	4,608	6	626,015	—	630,629
United States government strips	—	—	—	568,556	—	568,556
Federal agency obligations	—	13,158	215,451	142,502	—	371,111
Asset backed obligations	—	1,347	17,409	148,962	—	167,718
SBA pass through certificates	—	—	152,640	—	—	152,640
Other	5,552	22,400	11,234	1,360,051	135,889	1,535,126
	16,516	1,340,185	7,471,553	13,255,233	136,644	$ 22,220,131

The pension funds invest in global markets. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The market value of international preferred and common stocks and issues convertible into common stocks, when combined with the market value of international government and agency obligations, cannot exceed 30% of the market value of the pensions funds. The market value of emerging market securities cannot exceed more than 1.5 times the percentage derived by dividing the total market capitalization of companies included in the Morgan Stanley Capital International (MSCI) Emerging Market Index by the total market capitalization of the companies included in the MSCI All-Country World Ex-United States Index of the total market value of the assets held by Common Fund D. Not more than 10% of the market value of the emerging market securities can be invested in the common and preferred stock of any one corporation. The total amount of stock purchased of any one corporation cannot exceed 5% of its stock classes eligible to vote. Council regulations permit the pension funds to enter into foreign exchange contracts for the purpose of hedging the international portfolio. The pension funds held forward contract receivables totaling approximately $1.28 billion and payables totaling approximately $1.31 billion (with a $24.9 million net exposure) as of June 30, 2011. At

June 30, 2011, the credit ratings of the counterparties to the forward currency contracts had credit ratings of no less than A3 using Moody's rating scale. The pension funds had the following foreign currency exposure as of June 30, 2011 (expressed in U.S. dollars):

(In thousands) Currency	Equities	Alternative investments	Total fair value
Australian dollar	545,090	—	$ 545,090
Brazilian real	236,990	—	236,990
Canadian dollar	1,438,050	—	1,438,050
Chilean peso	3,700	—	3,700
Czech koruna	16,999	—	16,999
Danish krone	153,966	—	153,966
Egyptian pound	28,329	—	28,329
Euro	2,719,823	325,883	3,045,706
Hong Kong dollar	666,634	—	666,634
Hungarian forint	19,799	—	19,799
Indonesian rupiah	80,866	—	80,866
Israeli shekel	8,409	—	8,409
Japanese yen	2,033,800	—	2,033,800
Malaysian ringgit	53,034	—	53,034
Mexican peso	40,305	—	40,305
New Taiwan dollar	20,101	—	20,101
Norwegian krone	116,910	—	116,910
Pakistan rupee	8,043	—	8,043
Philippine peso	17,292	—	17,292
Polish zloty	25,016	—	25,016
Pound sterling (U.K.)	1,901,612	11,399	1,913,011
Singapore dollar	260,847	—	260,847
South African rand	155,681	—	155,681
South Korean won	325,179	—	325,179
Swedish krona	589,913	—	589,913
Swiss franc	793,972	—	793,972
Thailand baht	49,248	—	49,248
Turkish lira	58,870	—	58,870
US dollar	13,925	—	13,925
Unknown	36,818	—	36,818
Cash & cash equivalents	7,509	—	7,509
	12,426,730	337,282	$ 12,764,012

The pension funds' interests in alternative investments may contain elements of credit, currency and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Effective April 18, 2011, Council regulations provide that not more than 38% of the market value of the pension funds can be invested in alternative investments, with limits on the individual investment categories of real estate (9%), real assets (7%), private equity (12%) and absolute return strategy (15%). Prior to that, the overall limitation was 28% with a 7% limit on each of the individual categories. Not more than 5% of the market value of Common Fund E, plus outstanding commitments, may be committed to any one partnership or investment, without the prior written approval of the Council. The investments in Common Fund E cannot comprise more than 20% of any one investment manager's total assets.

(4) Securities Lending Collateral

The securities lending collateral is subject to various risks. Among these risks are custodial credit risk, credit risk, concentration of credit risk, and interest rate risk. Prior to July 1, 2010, the agreements with the lending agents require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue, consistent with Council regulations and internal policies for funds managed by the Division of Investment. The pension funds did not lend securities from July through December 2010. As of December 2010, securities lending collateral is invested in repurchase agreements the maturities of which cannot exceed 30 days. The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies, collateralized notes and mortgages and corporate obligations meeting certain minimum rating criteria. Total exposure to any individual issuer is limited consistent with internal policies for funds managed by the Division of Investment.

For securities exposed to credit risk in the collateral portfolio, the following table discloses aggregate fair value, by major credit quality rating category as of June 30, 2011.

(In thousands)	Rating		
	Aaa/AAA	**Not rated**	**Totals**
Repurchase agreements	$ 847,919	—	847,919
Cash	—	5,686	5,686
Totals	$ 847,919	5,686	853,605

Custodial credit risk for investments is the risk that in the failure of the counterparty to the transaction the pension funds will not recover the value of the investments that are in the possession of an outside party. The repurchase agreement's underlying securities are held in the pension funds' name.

As of June 30, 2011, the pension funds had outstanding loaned investment securities with an aggregate market value of $831,618,717. In accordance with GASB accounting standards, the noncash collateral is not reflected in the accompanying financial statements. There were no borrower or lending agent default losses, and no recoveries or prior period losses during the year.

(5) Contributions

Contribution Requirements – JRS

The contribution policy is set by N.J.S.A. 43:6A and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Members enrolled on January 1, 1996 or after contribute at 3% on their entire base salary. Contributions by active members enrolled prior to January 1, 1996 are based on 3% of the difference between their current salary and the salary of the position on January 18, 1982. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased from 3% to 12%, phased-in over seven years. For fiscal year 2012, the member contribution rate for new members will increase in October 2011. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year. The State of New Jersey contribution amount is based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and non-contributory death benefits.

The State did not make a pension contribution for fiscal year 2011 but did make a contribution of $0.6 million for Non-contributory Group Insurance (NCGI) death benefits. Chapter 1, P.L. 2010, effective May 21, 2010, requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Contribution Requirements – CPFPF

There are no active members in the CPFPF.

The State did not make any contribution for fiscal year 2011. Local employers contributed $8.2 thousand representing administrative fees billed to various locations in fiscal year 2011.

Contribution Requirements – PFRS

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits. Members contribute at a uniform rate of 8.5% of base salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased from 8.5% to 10% in October 2011.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers to contribute 50% of the normal and accrued liability contribution amounts certified by PFRS for payments due in State fiscal year 2009. This law also provided that a local employer may pay 100% of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PFRS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The State did not make a pension contribution for fiscal year 2011 but did make a contribution of $7.6 million for NCGI death benefits. Also included in the employer contributions are the annual billing to local employers for their pension and NCGI contributions and Early Retirement Incentive (ERI) contributions for those who participate in the various ERI programs and other miscellaneous items that were due to the system. For PFRS the amount accrued in fiscal year 2010 and due April 1, 2012 was originally $950.7 million. In fiscal year 2011 the State made a decision to reduce the PFRS lag period between the valuation year and the contribution year from three years to two years which will bring the System in line with the other pension trust funds. This change results in a revised accrual for the bills due April 1, 2012 in the amount of $736.1 million resulting in a reduction of $214.6 million. Chapter 1, P.L. 2010, effective May 21, 2010, requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Contribution Requirements – POPF

There are no active members in the POPF. Accordingly, based on actuarial valuation, there is no normal cost or accrued liability contribution required by employers for fiscal year 2011.

Contribution Requirements – PERS

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007 for most PERS state employees and effective July 1, 2008 for PERS local employees, based on Chapter 103, P.L. 2007. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) is 8.5% of base salary effective July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) will be increased from 8.5% of base salary to 10%. For fiscal year 2012, the member contribution rate will increase in October 2011. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers to contribute 50% of the normal and accrued liability contribution amounts certified by PERS for payments due in State fiscal year 2009. This law also provided that a local employer may pay 100% of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The State did not make a pension contribution for fiscal year 2011 but did make a contribution of $30.5 million for NCGI death benefits. Also included in the employer contributions are the annual billing to local employers for their pension and NCGI contributions and ERI contributions for those who participate in the various ERI programs and other miscellaneous items that were due to the system. Chapter 1, P.L. 2010, effective May 21, 2010, requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Contribution Requirements – SPRS

The contribution policy is set by N.J.S.A. 53:5A-34 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate of 7.5% of base salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased from 7.5% to 9% in October 2011. The State of New Jersey contribution amount is based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and non-contributory death benefits.

The State did not make a pension contribution for fiscal year 2011 but did make a contribution of $2.2 million for NCGI death benefits. Chapter 1, P.L. 2010, effective May 21, 2010, requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Contribution Requirements – TPAF

The contribution policy is set by N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007 based on Chapter 103, P.L. 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year. For fiscal year 2012, the member contribution rate will increase in October 2011. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year. The State of New Jersey contribution amount is based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits.

The State did not make a pension contribution for fiscal year 2011 but did make a contribution of $30.7 million for NCGI death benefits. Also, included in the employer contributions are the annual billing to local employers who participate in the various ERI programs and other miscellaneous items that were due to the fund. Chapter 1, P.L. 2010, effective May 21, 2010, requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Contribution Requirements – SACT

Participants contribute through payroll deductions and may contribute from 1% to 100% of their base salary, as defined. Contributions are voluntary and may be suspended at the beginning of any quarter. Contributions under the Tax Sheltered Supplemental Annuity Plan are subject to Federal law limitations and qualify for tax-sheltered treatment permitted under Section 403(b) of the Internal Revenue Code. Participants are always fully vested for the accumulated units in their accounts.

Contribution Requirements – CPF

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

The contribution amount required and paid by the State of New Jersey for the fiscal year ended June 30, 2011 was $199.5 thousand.

Contribution Requirements – SHBP – State (including PDP – State)

Contributions to pay for the health premiums of participating employees in the SHBP – State are collected from the State of New Jersey, active and retired members, and former active and retired members who have elected to participate under the rules of COBRA. The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are generally distributed to the SHBP on a monthly basis. Active and retired member contributions are generally received on a monthly basis. Certain State employees share in the cost of their premiums, as provided by Chapter 8, P.L. 1996.

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

Contributions to pay for the premiums of participating employees in the PDP are collected from the State of New Jersey, and former active and retired members who have elected to participate under the rules of COBRA. The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are distributed to the PDP on a monthly basis.

The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical (PRM) benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

The State made a contribution of $1.7 billion, including administrative revenue of $4.0 million, for fiscal year 2011.

Chapter 103, P.L. 2007 implemented changes to SHBP and established an employee contribution of 1.5% of the employee's base salary for State employees, effective July 1, 2007.

Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health care benefits coverage by all active public employees. Employees of the State, local governments, and boards of education who become a member of a State or locally-administered retirement system on or after the law's effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

Contribution Requirements – SHBP – Local (including PDP – Local)

Contributions to pay for the health premiums of participating employees in the SHBP – Local are collected from the State of New Jersey, participating local employers, active members and retired members. Local employer payments and active and retired member contributions are generally received on a monthly basis.

Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996.

Contributions to pay for the premiums of participating employees in the PDP are collected from participating local employers, and former active and retired members who have elected to participate under the rules of COBRA. Local employer payments as well as COBRA contributions are also received on a monthly basis.

Local employers participating in the SHBP – Local made a contribution of $843.6 million, including administrative revenue of $2.0 million, for fiscal year 2011.

State of New Jersey contribution to the SHBP – Local is to fund the cost of medical premiums after retirement for qualified retirees in the PFRS. In accordance with Chapter 62, P.L. 1994, post-retirement medical (PRM) benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health care benefits coverage by all active public employees. Employees of the State, local governments, and boards of education who become a member of a State or locally-administered retirement system on or after the law's effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

Contribution Requirements – SHBP – Education (including PDP – Education)

Contributions to pay for the health premiums of participating employees in the SHBP – Education are collected from the State of New Jersey, participating local employers, active members and retired members. Local employer payments and active and retired member contributions are generally received on a monthly basis.

Local group employees are not affected by the premium sharing provisions of Chapter 8, P.L. 1996.

Contributions to pay for the premiums of participating employees in the PDP are collected from participating local employers, and former active and retired members who have elected to participate under the rules of COBRA. Local employer payments as well as COBRA contributions are also received on a monthly basis.

Local employers participating in the SHBP – Education made a contribution of $2.0 billion, including administrative revenue of $4.7 million, for fiscal year 2011.

State of New Jersey contribution to the SHBP – Education is to fund the cost of medical premiums after retirement for qualified retirees in the PERS, TPAF and ABP. In accordance with Chapter 62, P.L. 1994, post-retirement medical (PRM) benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Chapter 2, P.L. 2010, effective May 21, 2010, requires a minimum contribution of 1.5% of base salary toward the cost of health care benefits coverage by all active public employees. Employees of the State, local governments, and boards of education who become a member of a State or locally-administered retirement system on or after the law's effective date would be required to pay in retirement 1.5% of their pension benefit toward the cost of health care coverage under the SHBP.

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

Contribution Requirements – NJSEDCP

Participants may defer between 1% and 100% of their salary and less any 414(h) reductions or $16.5 thousand annually. Under the limited "catch-up" provision, a participant may be eligible to defer up to a maximum of twice the annual maximum in the three years immediately preceding the retirement age at which no reduction in benefits would be applicable. The employer does not make contributions to the Plan.

Contribution Requirements – DCRP

The DCRP was established for elected and certain appointed officials by Chapter 92, P.L. 2007, effective July 1, 2007. State and local government employers contribute 3% of the employees' base salary. Active members contribute 5.5% of base salary.

Chapter 103, P.L. 2007, effective July 1, 2007, imposed an annual maximum wage contribution base (equivalent to the annual maximum wage base for Social Security deductions) to new employees (Tier 2) of the TPAF and the PERS. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and the SPRS. Based on Chapter 89, P.L. 2008, effective November 2, 2008, new employees with base salary between $5,000 and current minimum TPAF and PERS Tier 3 salary are eligible for participation in the DCRP. Also, based on Chapter 1, P.L. 2010, effective May 21, 2010, new employees who would otherwise be eligible to participate in TPAF and PERS (Tier 4 and Tier 5) and do not work the minimum required hours but earn base salary of at least $5,000 are eligible for participation in the DCRP.

Contribution Requirements – ABPLTD

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

The State made a contribution of $2.9 million for fiscal year 2011.

Contribution Requirements – ABP

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

The State made a contribution of $145.7 million, excluding NCGI of $13.7 million and short-term disability of $1.9 million, for fiscal year 2011.

Contribution Requirements – PAF

The contribution requirements were established by N.J.S.A. 43:3B-4. The State of New Jersey is required to make an annual appropriation payment to fund the cost-of-living increases payable to retirees and beneficiaries of retired members in the CPFPF, POPF and CPF. Funding is on a pay-as-you-go basis.

The State made a contribution of $1.2 million for fiscal year 2011.

Contribution Requirements – DEP – State and Local

Contributions to pay for the premiums of participating employees in the Dental Expense Program Fund are collected from the State of New Jersey, local governmental and educational employers, active employees, and former and retired members who have elected to participate under the rules of COBRA. The cost of the premiums is shared by the State of New Jersey and active State employees. Former and retired employees who have chosen to participate under the rules of COBRA pay the full cost of the premium. The employers are billed for the full cost of coverage. The State of New Jersey provides contributions through State appropriations. These appropriations are distributed to the DEP on a biweekly and monthly basis. The active member share of the cost of premiums, which is included in the billing to the employers, is paid to the State on a biweekly and monthly basis. Members participating under COBRA remit their payments on a monthly basis. Retirees pay 100% of the overall dental cost.

The State made a contribution of $26.0 million, excluding administrative revenue of $10.0 thousand, for fiscal year 2011. The local contribution was $2.6 million for fiscal year 2011.

(6) Vesting and Benefits

Vesting and Benefit Provisions – JRS

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

Age	Years of judicial service	Benefit as a percentage of final salary
70	10	75%
65	15	75%
60	20	75%

Age	Years of judicial service	Years of public and judicial service	Benefit as a percentage of final salary
65	5	15	50%
60	5	20	50%

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

Eligible retirees receiving monthly benefits are entitled to cost-of-living adjustment (COLA) increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

Vesting and Benefit Provisions – CPFPF

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

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

Vesting and Benefit Provisions – PFRS

The vesting and benefit provisions are set by N.J.S.A. 43:16A and 43:3B. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service. The annual benefit under special retirement is 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70% of final compensation. Pursuant to the provisions of Chapter 78, P.L. 2011, the annual benefit under special retirement for members enrolled after June 28, 2011 (Tier 3 members), is 60% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 65% of final compensation.

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

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

Eligible retirees receiving monthly benefits are entitled to cost-of-living adjustment (COLA) increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The COLA increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state-related employer contributions. Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

Pursuant to Chapter 1, P.L. 2010, for new members of PFRS hired after May 21, 2010 (Tier 2 members),, this law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

Vesting and Benefit Provisions – POPF

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

Vesting and Benefit Provisions – PERS

The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

For Tier 1 members, retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

Eligible retirees receiving monthly benefits are entitled to cost-of-living adjustment (COLA) increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The COLA increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state-related employer contributions. Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and prior to November 2, 2008 (Tier 2 members) and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55. Also, this law provided that the amount of compensation for Tier 2 members used for employer and member contributions and benefits under the PERS cannot exceed the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008 and on or before May 21, 2010 (Tier 3 members). It also increased the minimum annual compensation required for membership eligibility for new Tier 3 members from $1,500 to $7,500 in addition to amending the early retirement reduction formula for Tier 3 members retiring with 25 years of service to 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS hired after May 21, 2010 (Tier 4 and 5 members) from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for these members of PERS to 1/60 from 1/55, and it provided that the retirement allowance for these members be calculated using the average annual compensation for the last five years of service instead of the last three years of service. Tier 4 and 5 members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for Tier 4 and 5 members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

Vesting and Benefit Provisions – SPRS

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

Members are always fully vested for their own contributions.

Eligible retirees receiving monthly benefits are entitled to cost-of-living adjustment (COLA) increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

Pursuant to Chapter 1, P.L. 2010 for new members of SPRS hired after May 21, 2010 (Tier 2 members), this law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

Vesting and Benefit Provisions – TPAF

The vesting and benefit provisions are set by N.J.S.A. 18A:66. The TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the TPAF.

For Tier 1 members, retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

Eligible retirees receiving monthly benefits are entitled to cost-of-living adjustment (COLA) increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired, as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55. Also, this law provided that for members hired on or after July 1, 2007, the amount of compensation used for employer and member contributions and benefits under the TPAF cannot exceed the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act.

Chapter 89, P.L. 2008 increased the TPAF eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to 1% for every year between age 55 and 62 plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of TPAF from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF to 1/60 from 1/55, and it provided that new members of TPAF have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of TPAF hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

Vesting and Benefit Provisions – SACT

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

Benefit Provisions – CPF

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

Vesting and Benefit Provisions – NJSEDCP

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

Vesting and Benefit Provisions – DCRP

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under Internal Revenue Code (IRC) § 401(a), a non-contributory group life insurance plan and a non-contributory group disability benefit plan. A participant‘s interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant‘s interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment, while employed by an employer, of age 65, whichever occurs first.

Benefit Provisions – ABPLTD

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

Vesting and Benefit Provisions – SHBP – State (including PDP – State)

The Program provides medical coverage to qualified active and retired participants. Under Chapter 136, P.L. 1977, the State of New Jersey pays for the health insurance coverage of all enrolled retired State employees (regardless of age) whose pensions are based upon 25 years or more of credited service or a disability retirement regardless of years of service. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. The Prescription Drug Program Fund (PDP) was established in December 1974, under N.J.S.A. 52:14-17.29 to provide coverage to employees and their eligible dependents for drugs which under federal or State law may be dispensed only upon a prescription written by a physician. State employees are eligible for PDP coverage after 60 days of employment.

Vesting and Benefit Provisions – SHBP – Local (including PDP – Local)

The Program provides medical coverage to qualified local active and retired participants. Partially funded benefits are also provided to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage under the provisions of Chapter 330, P.L. 1997. Also, local employees are eligible for the PDP coverage after 60 days of employment.

Vesting and Benefit Provisions – SHBP – Education (including PDP – Education)

The program provides medical coverage to qualified local education active and retired participants. Members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement receive free post-retirement medical coverage. Under the provisions of Chapter 126, P.L. 1992, the program also provides free coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

Vesting and Benefit Provisions – ABP

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

Benefit Provisions – PAF

The Pension Adjustment Fund covers eligible retirees and survivors of CPFPF, POPF and CPF. Eligible retirees and/or survivors are those who have been retired at least 24 months.

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

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

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

Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

Benefit Provisions – DEP – State and Local

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

(7) Funds

The Funds maintain the following legally required funds as follows (amounts indicated in parenthesis represent net assets held in trust for the respective fund as indicated):

Members' Annuity Savings Fund and Accumulative Interest Fund – JRS ($43,221,647); TPAF ($9,065,132,235); PERS ($10,951,598,006); PFRS ($3,091,655,674); SPRS ($187,530,426)

The Members' Annuity Savings Fund (ASF) is credited with all contributions made by active members of the Funds. Interest earned on member contributions is credited to the Accumulative Interest Fund, which is applied to TPAF, PERS, and JRS. Member withdrawals are paid out of these Funds.

Contingent Reserve Fund – JRS ($31,650,396); TPAF ($-11,407,484,343); PERS ($-7,021,405,002); SPRS ($994,430,841)

The Contingent Reserve Fund is credited with the contributions of contributing employers. Interest earnings, after crediting the Accumulative Interest Fund, Retirement Reserve Fund, and Special Reserve Fund, as required, are credited to this account. Additionally, payments for administrative and miscellaneous expenses are made from this Fund.

Retirement Reserve Fund – JRS ($189,832,325); TPAF ($29,694,391,980); PERS ($22,312,267,978); PFRS ($17,555,267,794); SPRS ($625,666,928)

The Retirement Reserve Fund is the account from which retirement benefits including cost-of-living adjustments are paid. Upon retirement of a member, accumulated contributions together with accumulated interest are transferred to the Retirement Reserve Fund from the Members' ASF and Accumulative Interest

Fund. Any additional reserves needed to fund the balance of the retirement benefit are transferred from the Contingent Reserve Fund or Pension Accumulation Fund. Annually, interest as determined by the State Treasurer (8.25% for fiscal year 2011) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund – POPF ($9,997,650)

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

Special Reserve Fund – TPAF ($0); PERS ($0); PFRS ($0)

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

Contributory Group Insurance Premium Fund – TPAF ($134,157,389); PERS ($350,225,304)

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

Non-Contributory Group Insurance Premium Fund – PERS – Local ($64,945,753); PFRS – Local ($4,844,403)

The Non-Contributory Group Insurance Premium Fund represents the accumulation of employer group insurance contributions in excess of premiums disbursed to the insurance carrier since the inception of the non-contributory death benefit program plus reserves held by the insurance carrier. Members are eligible by statute for the non-contributory group insurance plan in the first year of membership. TPAF, PERS-State, and PFRS-State show a zero balance as these premium expenses are funded on a monthly basis.

Pension Accumulation Fund – PFRS ($640,920,013)

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

Pension Reserve Fund – CPFPF ($6,491,679)

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

Reserve Fund – Alternate Benefit – Long Term Disability ($1,551,933)

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

Benefit Enhancement Reserve Fund – PERS – Local ($336,801,289)

The Benefit Enhancement Reserve Fund is a special reserve fund from which the required normal contributions to provide benefit increases under Chapter 353, P.L. 2001 and Chapter 133, P.L. 2001 will be charged. The fund was established in 2002 and credited with excess assets equivalent to member contributions for fiscal years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the Benefit Enhancement Fund. Additional transfers will be made, as required, to maintain a fund balance equal to the present value of expected additional normal contributions due to the increased benefits.

Reserve Fund – SHBP – State (including PDP – State) ($16,172,569)

The State has fully funded its obligations to the SHBP – State fund this fiscal year, resulting in the surplus fund balance available.

Reserve Fund – SHBP – Local (including PDP – Local) ($153,146,733)

The net assets of the SHBP – Local are available to pay claims of future periods. These reserves are maintained by the fund to stabilize rates and to meet unexpected increase in claims.

Reserve Fund – SHBP – Education (including PDP – Education) ($369,188,287)

The net assets of the SHBP – Education are available to pay claims of future periods. These reserves are maintained by the fund to stabilize rates and to meet unexpected increase in claims.

Various reserve fund net asset balances as of June 30, 2011 as described previously are as follows:

		Pension Trust Funds	Health Benefit Program Funds
Members' Annuity Savings Fund and Accumulative Interest Fund	$	23,339,137,988	—
Contingent Reserve Fund		(17,402,808,108)	—
Retirement Reserve Fund		70,387,424,655	—
Contributory Group Insurance Premium Fund		484,382,693	—
Non-Contributory Group Insurance Premium Fund		69,790,156	—
Pension Accumulation Fund		640,920,013	—
Pension Reserve Fund		6,491,679	—
Reserve Fund		1,551,933	538,507,589
Benefit Enhancement Reserve Fund		336,801,289	—
Variable Accumulation Reserve Account (SACT/DCP/DCRP)		2,645,501,054	—
Variable Benefits Reserve Account (SACT)		26,207,165	—
Total	$	80,535,400,517	538,507,589

(8) Contingencies

The Division is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the Division's financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information
Schedule of Funding Progress
(Unaudited – See accompanying independent auditors' report)

Actuarial valuation date		Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (overfunded) actuarial accrued liability (b – a)	Funded ratio (a / b)		Covered payroll (c)	Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll ((b – a) / c)
Judicial Retirement System (JRS)								
July 1, 2005	$	369,491,366	466,145,912	96,654,546	79.3%	$	60,506,750	159.7%
July 1, 2006		369,493,799	493,778,007	124,284,208	74.8		62,492,250	198.9
July 1, 2007		379,364,939	524,970,330	145,605,391	72.3		63,144,685	230.6
July 1, 2008		380,964,713	553,284,647	172,319,934	68.9		67,159,516	256.6
July 1, 2009		354,399,646	594,043,375	239,643,729	59.7		70,133,372	341.7
July 1, 2010		329,030,387	554,540,403	225,510,016	59.3		71,746,413	314.3
Consolidated Police and Firemen's Pension Fund (CPFPF)								
July 1, 2005	$	21,886,445	30,031,591	8,145,146	72.9%		N/A	N/A
July 1, 2006		22,453,828	24,749,667	2,295,839	90.7		N/A	N/A
July 1, 2007		19,336,247	21,090,186	1,753,939	91.7		N/A	N/A
July 1, 2008		15,705,984	17,319,488	1,613,504	90.7		N/A	N/A
July 1, 2009		13,515,949	14,024,132	508,183	96.4		N/A	N/A
July 1, 2010		10,632,228	11,824,904	1,192,676	89.9		N/A	N/A
Police and Firemen's Retirement System (PFRS)								
State:								
July 1, 2005	$	2,005,752,079	2,815,620,221	809,868,142	71.2%	$	482,460,402	167.9%
July 1, 2006		2,082,930,162	3,082,176,677	999,246,515	67.6		506,084,434	197.4
July 1, 2007		2,215,697,407	3,426,631,813	1,210,934,406	64.7		527,556,519	229.5
July 1, 2008		2,316,017,361	3,749,118,910	1,433,101,549	61.8		527,495,741	271.7
July 1, 2009		2,254,766,935	3,993,259,480	1,738,492,545	56.5		525,862,047	330.6
July 1, 2010		2,190,654,958	3,672,361,258	1,481,706,300	59.7		530,747,536	279.2
Local:								
July 1, 2005	$	17,372,138,294	21,388,972,326	4,016,834,032	81.2%	$	2,619,347,468	153.4%
July 1, 2006		18,281,315,556	22,907,522,660	4,626,207,104	79.8		2,772,915,465	166.8
July 1, 2007		19,500,229,156	24,562,195,443	5,061,966,287	79.4		2,932,283,180	172.6
July 1, 2008		20,437,541,909	26,871,106,532	6,433,564,623	76.1		3,068,758,436	209.6
July 1, 2009		20,724,453,343	28,448,841,765	7,724,388,422	72.8		3,147,812,476	245.4
July 1, 2010		20,367,865,987	25,601,998,126	5,234,132,139	79.6		3,189,786,833	164.1
Prison Officers' Pension Fund (POPF)								
July 1, 2005	$	14,783,465	9,077,157	(5,706,308)	162.9%		N/A	N/A
July 1, 2006		14,014,718	8,236,295	(5,778,423)	170.2		N/A	N/A
July 1, 2007		13,499,361	7,378,386	(6,120,975)	183.0		N/A	N/A
July 1, 2008		12,890,441	6,789,017	(6,101,424)	189.9		N/A	N/A
July 1, 2009		11,986,919	6,136,441	(5,850,478)	195.3		N/A	N/A
July 1, 2010		11,018,367	5,635,024	(5,383,343)	195.5		N/A	N/A

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Schedule 1

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Funding Progress

(Unaudited – See accompanying independent auditors' report)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (overfunded) actuarial accrued liability (b – a)	Funded ratio (a / b)	Covered payroll (c)	Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll ((b – a) / c)
Public Employees' Retirement System (PERS)						
State:						
July 1, 2005	$ 10,631,348,826	13,432,528,883	2,801,180,057	79.1%	$ 4,028,028,170	69.5%
July 1, 2006	10,668,645,162	14,797,684,446	4,129,039,284	72.1	4,253,564,219	97.1
July 1, 2007	11,024,255,608	16,028,875,601	5,004,619,993	68.8	4,434,933,181	112.8
July 1, 2008	11,200,668,671	17,072,702,680	5,872,034,009	65.6	4,609,019,779	127.4
July 1, 2009	10,692,585,100	18,947,194,579	8,254,609,479	56.4	4,627,092,235	178.4
July 1, 2010	10,252,640,127	17,429,178,021	7,176,537,894	58.8	4,564,850,886	157.2
Local:						
July 1, 2005	$ 16,482,040,944	18,341,857,304	1,859,816,360	89.9%	$ 6,416,265,644	29.0%
July 1, 2006	16,699,827,172	20,273,979,840	3,574,152,668	82.4	6,730,309,209	53.1
July 1, 2007	17,690,520,507	21,764,214,593	4,073,694,086	81.3	6,983,534,635	58.3
July 1, 2008	18,217,749,414	23,173,183,973	4,955,434,559	78.6	7,206,781,046	68.8
July 1, 2009	18,165,648,669	25,523,208,576	7,357,559,907	71.2	7,368,354,906	99.9
July 1, 2010	18,481,952,370	23,918,658,044	5,436,705,674	77.3	7,416,503,897	73.3
State Police Retirement System (SPRS)						
July 1, 2005	$ 1,922,443,732	2,075,266,080	152,822,348	92.6%	$ 241,813,372	63.2%
July 1, 2006	1,970,398,511	2,319,656,532	349,258,021	84.9	263,220,592	132.7
July 1, 2007	2,066,754,160	2,485,649,230	418,895,070	83.1	275,301,995	152.2
July 1, 2008	2,127,263,509	2,609,164,869	481,901,360	81.5	281,087,566	171.4
July 1, 2009	2,063,962,877	2,825,455,568	761,492,691	73.0	287,267,502	265.1
July 1, 2010	2,019,350,048	2,497,094,137	477,744,089	80.9	289,980,657	164.8
Teachers' Pension and Annuity Fund (TPAF)						
July 1, 2005	$ 34,789,389,875	43,967,927,299	9,178,537,424	79.1%	$ 8,454,072,109	108.6%
July 1, 2006	35,531,294,790	46,539,868,653	11,008,573,863	76.3	8,748,623,186	125.8
July 1, 2007	36,714,578,745	49,161,247,363	12,446,668,618	74.7	9,077,628,813	137.1
July 1, 2008	36,664,627,629	51,754,814,521	15,090,186,892	70.8	9,419,083,203	160.2
July 1, 2009	34,838,211,259	54,576,061,024	19,737,849,765	63.8	9,747,020,060	202.5
July 1, 2010	33,265,326,627	49,543,347,849	16,278,021,222	67.1	10,025,401,658	162.4

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Schedule 1

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information
Schedule of Funding Progress
(Unaudited – See accompanying independent auditors' report)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (overfunded) actuarial accrued liability (b – a)	Funded ratio (a / b)	Covered payroll * (c)	Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll * ((b – a) / c)
			State Health Benefit Program — State			
July 1, 2006	$ —	21,587,100,000	21,587,100,000	—%	N/A	N/A
July 1, 2007	—	18,417,000,000	18,417,000,000	—	N/A	N/A
July 1, 2008	—	19,850,900,000	19,850,900,000	—	$ 7,163,803,681	277.1%
July 1, 2009	—	20,461,400,000	20,461,400,000	—	7,493,198,538	273.1
July 1, 2010	—	21,090,400,000	21,090,400,000	—	7,424,794,315	284.1
			State Health Benefit Program — Local			
July 1, 2006	$ —	10,774,600,000	10,774,600,000	—%	N/A	N/A
July 1, 2007	—	9,096,600,000	9,096,600,000	—	N/A	N/A
July 1, 2008	—	8,840,500,000	8,840,500,000	—	$ 2,411,700,000	366.6%
July 1, 2009	—	10,010,400,000	10,010,400,000	—	2,607,200,000	384.0
July 1, 2010	—	12,089,800,000	12,089,800,000	—	2,844,100,000	425.1
			State Health Benefit Program — Education			
July 1, 2006	$ —	36,471,900,000	36,471,900,000	—%	N/A	N/A
July 1, 2007	—	32,232,500,000	32,232,500,000	—	N/A	N/A
July 1, 2008	—	36,062,600,000	36,062,600,000	—	$ 13,016,396,319	277.1%
July 1, 2009	—	36,321,100,000	36,321,100,000	—	13,301,201,462	273.1
July 1, 2010	—	38,191,500,000	38,191,500,000	—	13,445,205,685	284.1

* Required disclosure at adoption of standard. Covered payroll not available for the initial analysis.

(Continued)

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information
Schedule of Funding Progress – Additional Actuarial Information
(Unaudited – See accompanying independent auditors' report)

Significant actuarial methods and assumptions used in the most recent 2010 actuarial valuation include the following:

	State Health Benefit Program Funds
Actuarial cost method	Projected unit credit
Asset valuation method	Market value
Amortization method	Level percent, open
Remaining amortization period	30 years
Actuarial assumptions:	
Interest rate	4.50% (assuming no prefunding)
Salary range	N/A
Cost-of-living adjustments	N/A
Valuation date	July 1, 2010

For medical benefits, the healthcare cost trend rate assumption initially is at 8.0% or 9.0% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after six or eight years. For prescription drug benefits, the initial healthcare cost trend rate assumption is 10.0%, decreasing to a 5.0% long-term trend rate after ten years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 5.0% throughout eleven years.

(Continued)

Schedule 1

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information
Schedule of Funding Progress – Additional Actuarial Information
(Unaudited – See accompanying independent auditors' report)

Significant actuarial methods and assumptions used in the most recent 2010 actuarial valuations include the following:

	JRS	**CPFPF**
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level dollar, open	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	2.00%
Salary range	4.50%	N/A
Cost-of-living adjustments	—%	N/A
Valuation date	July 1, 2010	July 1, 2010

	PFRS	**POPF**
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	Market value
Amortization method	Level dollar, open	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	5.00%
Salary range	7.20%	N/A
Cost-of-living adjustments	—%	N/A
Valuation date	July 1, 2010	July 1, 2010

	PERS	**SPRS**
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	30 years
Actuarial assumptions:		
Interest rate	8.25%	8.25%
Salary range	5.45%	5.45%
Cost-of-living adjustments	—%	—%
Valuation date	July 1, 2010	July 1, 2010

	TPAF
Actuarial cost method	Projected unit credit
Asset valuation method	5 year average of market value
Amortization method	Level dollar, open
Remaining amortization period	30 years
Actuarial assumptions:	
Interest rate	8.25%
Salary range	5.91%
Cost-of-living adjustments	—%
Valuation date	July 1, 2010

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS
Required Supplementary Information
Schedule of Employer Contributions
(Unaudited – See accompanying independent auditors' report)

		Annual required contribution	Employer contributions[1][4]	Percentage contributed
Judicial Retirement System				
Year ended June 30:				
2006	$	23,212,502	7,972,000	34.3%
2007		25,174,191	12,741,898 [5]	50.6
2008		27,171,100 [5]	12,913,890 [5]	47.5
2009		29,809,782	1,696,843 [5]	5.7
2010		32,540,704	1,032,857 [5]	**3.2**
2011		38,450,553	864,000	2.2
Consolidated Police and Firemen's Pension Fund				
Year ended June 30:				
2006	$	13,854,805	6,397,000	46.2%
2007		8,474,210	1,784,000	21.1
2008		2,388,591	523,000	21.9
2009		1,824,798	1,256,000	68.8
2010		1,678,690	— [5]	—
2011		528,714	—	—
Police and Firemen's Retirement System				
Year ended June 30:				
State:				
2006	$	200,902,193	73,541,000	36.6%
2007		216,570,332	128,167,965 [5]	59.2
2008		252,836,330	133,510,475 [5]	52.8
2009		275,205,347	20,014,342 [5]	7.3
2010		343,091,276	7,326,383 [5]	2.1
2011		377,153,530	7,736,000	2.1
Local:				
2006	$	475,872,193	260,986,583	54.8%
2007		584,645,679	422,743,218	72.3
2008		708,019,933	647,288,920 [6]	91.4
2009		773,029,316	696,476,702	90.1
2010		818,672,171	751,395,802	91.8
2011		960,271,326	892,167,113	92.9
Prison Officers' Pension Fund				
Year ended June 30:				
2006	$	—	—	N/A
2007		—	—	N/A
2008		—	—	N/A
2009		—	—	N/A
2010		—	—	N/A
2011		—	—	N/A
Public Employees' Retirement System[2]				
Year ended June 30:				
State:				
2006	$	153,436,981	568,139	0.4%
2007		379,946,338	215,629,964	56.8
2008		557,237,789 [5]	234,560,830 [5]	42.1
2009		622,123,112	49,408,878 [5]	7.9
2010		684,036,322	27,910,317 [5]	4.1
2011		871,820,619	30,156,774	3.5
Local:				
2006	$	102,618,135	141,498,069	137.9%
2007		382,344,230	242,230,174	63.4
2008		588,326,347 [6]	412,129,536 [6]	70.1
2009		663,668,287	578,581,071 [6]	87.2
2010		738,439,441	612,372,679 [6]	82.9
2011		952,570,462	814,203,217	85.5
State Police Retirement System				
Year ended June 30:				
2006	$	47,196,900	12,941,000	27.4%
2007		56,502,006	29,268,194 [5]	51.8
2008		78,761,279 [5]	36,443,502 [5]	46.3
2009		86,385,254	5,574,860 [5]	6.5
2010		91,411,237	1,018,200 [5]	1.1
2011		114,120,061	1,600,000	1.4
Teachers' Pension and Annuity Fund				
Year ended June 30:				
2006	$	1,177,674,055	94,226,363	8.0%
2007		1,407,249,580	690,794,259	49.1
2008		1,550,503,835	695,275,811	44.8
2009		1,601,478,508	95,863,972	6.0
2010		1,796,358,016	33,199,655 [5]	1.8
2011		2,123,175,950	30,655,332	1.4

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Schedule 2

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information
Schedule of Employer Contributions
(Unaudited – See accompanying independent auditors' report)

	Annual required contribution(3)	Employer contributions	Percentage contributed
State Health Benefit Program — State			
Year ended June 30, 2007	$ 1,880,600,000	404,415,000	21.5%
Year ended June 30, 2008	1,554,300,000	391,448,000	25.2
Year ended June 30, 2009	1,651,900,000	424,341,000	25.7
Year ended June 30, 2010	1,676,000,000	476,394,000	28.4
Year ended June 30, 2011	1,714,500,000	511,846,000	29.9
State Health Benefit Program — Local			
Year ended June 30, 2007	892,200,000	185,536,000	20.8%
Year ended June 30, 2008	748,100,000	179,900,000	24.0
Year ended June 30, 2009	713,900,000	169,600,000	23.8
Year ended June 30, 2010	802,100,000	209,100,000	26.1
Year ended June 30, 2011	976,900,000	251,100,000	25.7
State Health Benefit Program — Education			
Year ended June 30, 2007	3,067,400,000	659,405,000	21.5%
Year ended June 30, 2008	2,692,700,000	678,152,000	25.2
Year ended June 30, 2009	2,969,700,000	762,859,000	25.7
Year ended June 30, 2010	2,992,500,000	850,606,000	28.4
Year ended June 30, 2011	3,125,400,000	933,054,000	29.9

Notes to schedule:

(1) In accordance with Chapter 115, P.L. 1997, available excess valuation assets were used to cover, in full or in part, the employer pension contributions. In fiscal year 2004, only PFRS – State and SPRS were able to utilize excess assets to cover, in full or in part, the employer contributions. In fiscal year 2005, only SPRS had excess assets available to utilize. In fiscal year 2006, no excess assets were available to be utilized toward State contributions. On the local side, excess assets were utilized to cover, in full or in part, the employer contributions for PERS through fiscal year 2004 and for PFRS through fiscal year 2003.

(2) The local employer pension contributions to PERS from 1999 to 2004 represent the required contributions under the early retirement incentive programs.

(3) The annual required contribution reflects a 30-year, 4.0% annual increasing amortization of the unfunded actuarial accrued liability. Based on expected benefit payments plus retiree drug subsidy for the applicable fiscal year end.

(4) Differences between the amounts in the employer contribution column in this schedule and the amounts recorded in the financial statements and footnotes are attributed to timing differences between the 2010 actuarial valuations and the actual amounts received in fiscal year 2011. Employer contributions per this schedule represent anticipated contribution amounts determined at the time the actuarial valuations were prepared and finalized prior to the end of fiscal year 2011. The financial statements and footnotes reflect the actual amounts received in 2011.

(5) For State, the fiscal year 2008 annual required contribution and the fiscal year 2007, 2008, 2009, and 2010 contributions have been reduced in accordance with the provisions of the Appropriation Act for fiscal year 2007, 2008, 2009, and 2010, respectively.

(6) For local, the fiscal year 2008 annual required contribution and the fiscal year 2008 through 2010 contributions have been reduced in accordance with Chapter 108, P.L. 2003.

Schedule 3

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Administrative Expenses
Year ended June 30, 2011

		PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	NJSEDCP	Total
Personnel services:										
Salaries and wages	$	10,800,986	5,770,139	1,538,391	8,380	2,924	110,114	98,729	191,814	18,521,477
Employee benefits		3,907,331	2,087,775	560,960	3,017	1,062	40,132	34,943	67,325	6,702,545
Total personnel services		14,708,317	7,857,914	2,099,351	11,397	3,986	150,246	133,672	259,139	25,224,022
Professional services:										
Actuarial services		846,533	398,500	685,238	2,445	1,197	48,322	8,148	—	1,990,383
Data processing		1,996,505	1,069,779	256,057	1,374	565	22,403	4,109	14,093	3,364,885
Information systems		2,553,368	1,379,847	349,579	1,815	737	29,203	5,214	—	4,319,763
Other professional (1)		53,592	27,791	12,121	33	16	962	109	170,000	264,624
Medical reviews (exams/hearings)		429,661	126,861	282,383	—	—	10,186	—	—	849,091
Elections		54,814	—	47,053	—	—	—	—	—	101,867
Internal audit and legal		744,549	400,355	135,858	485	237	9,580	1,616	—	1,292,680
Total professional services		6,679,022	3,403,133	1,768,289	6,152	2,752	120,656	19,196	184,093	12,183,293
Communication:										
Travel		4,188	8,099	4,911	—	—	174	1	1,295	18,668
Telephone		133,899	81,999	16,433	107	43	1,723	291	2,800	237,295
Postage		434,677	194,961	49,069	318	107	4,106	726	1,000	684,964
Printing and office		235,663	126,680	42,988	153	75	3,031	511	—	409,101
Total communication		808,427	411,739	113,401	578	225	9,034	1,529	5,095	1,350,028
Miscellaneous:										
Office space		1,245,751	686,556	196,845	1,005	394	15,417	2,681	—	2,148,649
Maintenance		54,307	29,202	9,909	45	17	699	118	—	94,297
Equipment		7,135	3,837	1,302	5	2	92	15	—	12,388
Other services and charges		342	180	61	—	—	4	1	12,000	12,588
Total miscellaneous		1,307,535	719,775	208,117	1,055	413	16,212	2,815	12,000	2,267,922
Total administrative expenses	$	23,503,301	12,392,561	4,189,158	19,182	7,376	296,148	157,212	460,327	41,025,265

(1) Portion of consulting

Schedule 4

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

Schedule of Investment Expense

Year ended June 30, 2011

		PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	NJSEDCP	Total
Investment expense	$	7,669,339	4,043,803	1,366,962	6,258	2,416	96,636	16,212	215,346	13,416,972

Schedule 5

STATE OF NEW JERSEY

DIVISION OF PENSIONS AND BENEFITS

Schedule of Expenses for Consultants

Year ended June 30, 2011

		PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	Total
Actuarial:									
Buck Consultants	$	846,533	—	685,238	2,445	1,197	48,322	8,148	1,591,883
Milliman			398,500						398,500
Medical reviews (exams/hearings)		429,661	126,861	282,383	—	—	10,186	—	849,091
Elections:									
Global support		54,814		47,053	—	—	—	—	101,867
Total expenses for consultants	$	1,331,008	525,361	1,014,674	2,445	1,197	58,508	8,148	2,941,341

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Pension Trust Funds	State Health Benefit Program Funds	Total
Assets:			
Cash and cash equivalents	$ 15,541,611	2,260,556	17,802,167
Securities lending collateral	854,857,725	—	854,857,725
Investments, at fair value:			
Cash Management Fund	2,386,157,208	801,471,774	3,187,628,982
Common Pension Fund A	19,215,982,156	—	19,215,982,156
Common Pension Fund B	22,183,243,521	—	22,183,243,521
Common Pension Fund D	15,391,897,032	—	15,391,897,032
Common Pension Fund E	13,499,143,386	—	13,499,143,386
Common stocks	148,997,525	—	148,997,525
Mortgages	1,227,494,097	—	1,227,494,097
U.S. government obligations	493,311,771	—	493,311,771
Domestic equities	1,164,001,611	—	1,164,001,611
International equities	264,177,985	—	264,177,985
Other fixed income securities	509,869,794	—	509,869,794
Total investments	76,484,276,086	801,471,774	77,285,747,860
Receivables:			
Contributions:			
Members	163,638,944	1,161,447	164,800,391
Employers	3,032,875,235	185,164,158	3,218,039,393
Accrued interest and dividends	407,796,903	—	407,796,903
Members’ loans	1,200,607,285	—	1,200,607,285
Securities sold in transit	9,561,663	—	9,561,663
Other	19,558,648	1,938,685	21,497,333
Total receivables	4,834,038,678	188,264,290	5,022,302,968
Total assets	$ 82,188,714,100	991,996,620	83,180,710,720
Liabilities:			
Accounts payable and accrued expenses	$ 112,528,382	453,489,031	566,017,413
Retirement benefits payable	680,918,654	—	680,918,654
Non-contributory group insurance premiums payable	12,409,843	—	12,409,843
Securities lending collateral and rebates payable	853,754,528	—	853,754,528
Total liabilities	1,659,611,407	453,489,031	2,113,100,438
Net assets held in trust for pension and health benefits	$ 80,529,102,693	538,507,589	81,067,610,282

Schedule 7

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Pension Trust Funds	State Health Benefit Program Funds	Total
Additions:			
Contributions:			
Members	$ 1,861,504,825	233,187,835	2,094,692,660
Employers	752,113,726	4,607,439,545	5,359,553,271
Other	5,119,179	—	5,119,179
Total contributions	2,618,737,730	4,840,627,380	7,459,365,110
Investment income:			
Net appreciation in fair value of investments	9,943,349,146	127,406	9,943,476,552
Interest	1,686,485,243	2,649,949	1,689,135,192
Dividends	374,464,549	—	374,464,549
	12,004,298,938	2,777,355	12,007,076,293
Less: investment expense	13,416,972	—	13,416,972
Net investment income	11,990,881,966	2,777,355	11,993,659,321
Total additions	14,609,619,696	4,843,404,735	19,453,024,431
Deductions:			
Benefits	8,069,868,718	4,750,880,105	12,820,748,823
Refunds of contributions	162,706,881	—	162,706,881
Administrative and miscellaneous expenses	41,096,841	9,030,035	50,126,876
Total deductions	8,273,672,440	4,759,910,140	13,033,582,580
Net increase	6,335,947,256	83,494,595	6,419,441,851
Net assets held in trust for pension and health benefits:			
Beginning of year	74,193,155,437	455,012,994	74,648,168,431
End of year	$ 80,529,102,693	538,507,589	81,067,610,282

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Balance Sheet Information
Fiduciary Funds – Agency Funds

June 30, 2011

	Alternate Benefit Program Fund	Pension Adjustment Fund	Dental Expense Program Fund	Total Agency Funds
Assets:				
Cash and cash equivalents	$ 63,944	1,878,696	458,316	2,400,956
Investments, at fair value:				
Cash Management Fund	385,247	476,192	18,275,013	19,136,452
Total investments	385,247	476,192	18,275,013	19,136,452
Receivables:				
State related employer contributions	—	1,274,762	—	1,274,762
Other contributions	25,457,163	68,491	(355,080)	25,170,574
Total receivables	25,457,163	1,343,253	(355,080)	26,445,336
Total assets	$ 25,906,354	3,698,141	18,378,249	47,982,744
Liabilities:				
Accounts payable and accrued expenses	$ 25,715,563	—	18,378,249	44,093,812
Assets held for local contributing employers	—	2,944,265	—	2,944,265
Pension adjustment payroll payable	—	392,250	—	392,250
Due to State of New Jersey	190,791	24,953	—	215,744
Due to other funds	—	336,673	—	336,673
Total liabilities	$ 25,906,354	3,698,141	18,378,249	47,982,744

Schedule 9

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets Information
Fiduciary Funds – Agency Funds

Year ended June 30, 2011

	Alternate Benefit Program Fund	Pension Adjustment Fund	Dental Expense Program Fund	Total Agency Funds
Additions:				
Contributions:				
Members	$ 931,971	—	81,116,270	82,048,241
Employers	161,288,027	4,566,806	28,650,422	194,505,255
Total contributions	162,219,998	4,566,806	109,766,692	276,553,496
Investment income:				
Net appreciation in fair value of investments	61	76	2,905	3,042
Interest	4,073	13,122	80,847	98,042
Total investment income	4,134	13,198	83,752	101,084
Total additions	162,224,132	4,580,004	109,850,444	276,654,580
Deductions:				
Benefits	162,029,229	5,145,973	115,674,855	282,850,057
Refunds of contributions and to the general fund	194,903	(565,969)	(5,824,411)	(6,195,477)
Total deductions	162,224,132	4,580,004	109,850,444	276,654,580
Change in net assets	—	—	—	—
Net assets – beginning of year	—	—	—	—
Net assets – end of year	$ —	—	—	—

Schedule 10

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Fiduciary Net Assets Information
State Health Benefit Program Fund – State

June 30, 2011

	Health Benefit Program Fund State	Prescription Drug Program Fund State	Total State Health Benefit Program Fund State
Assets:			
Cash	$ 249,287	265,934	515,221
Investments, at fair value:			
Cash Management Fund	80,785,455	20,075,002	100,860,457
Total investments	80,785,455	20,075,002	100,860,457
Receivables:			
Contributions:			
Members	232,589	268,820	501,409
Employers	83,955,302	157,669	84,112,971
Other	68,518	421,684	490,202
Total receivables	84,256,409	848,173	85,104,582
Total assets	$ 165,291,151	21,189,109	186,480,260
Liabilities:			
Accounts payable and accrued expenses	$ 157,863,367	12,444,324	170,307,691
Total liabilities	157,863,367	12,444,324	170,307,691
Net assets held in trust for health benefits	$ 7,427,784	8,744,785	16,172,569

Schedule 11

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets Information
State Health Benefit Program Fund – State

Year ended June 30, 2011

	Health Benefit Program Fund State	Prescription Drug Program Fund State	Total State Health Benefit Program Fund State
Additions:			
Contributions:			
Members	$ 120,335,906	20,009,509	140,345,415
Employers	1,324,717,730	449,182,953	1,773,900,683
Total contributions	1,445,053,636	469,192,462	1,914,246,098
Investment income:			
Net appreciation in fair value of investments	12,842	14,902	27,744
Interest	180,877	126,357	307,234
Net investment income	193,719	141,259	334,978
Total additions	1,445,247,355	469,333,721	1,914,581,076
Deductions:			
Benefits	1,347,378,750	458,143,982	1,805,522,732
Administrative expenses	3,612,014		3,612,014
Total deductions	1,350,990,764	458,143,982	1,809,134,746
Net increase	94,256,591	11,189,739	105,446,330
Net assets held in trust for health benefits:			
Beginning of year	(86,828,807)	(2,444,954)	(89,273,761)
End of year	$ 7,427,784	8,744,785	16,172,569

Schedule 12

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Fiduciary Net Assets Information
State Health Benefit Program Fund – Local

June 30, 2011

		Health Benefit Program Fund Local	Prescription Drug Program Fund Local	Total State Health Benefit Program Fund Local
Assets:				
Cash	$	1,133,136	83,808	1,216,944
Investments, at fair value:				
Cash Management Fund		142,100,933	39,033,870	181,134,803
Total investments		142,100,933	39,033,870	181,134,803
Receivables:				
Contributions:				
Members		381,254	177,428	558,682
Employers		48,516,445	9,804,919	58,321,364
Other		62,819	624,785	687,604
Total receivables		48,960,518	10,607,132	59,567,650
Total assets	$	192,194,587	49,724,810	241,919,397
Liabilities:				
Accounts payable and accrued expenses	$	83,372,664	5,400,000	88,772,664
Total liabilities		83,372,664	5,400,000	88,772,664
Net assets held in trust for health benefits	$	108,821,923	44,324,810	153,146,733

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets Information
State Health Benefit Program Fund – Local

Year ended June 30, 2011

	Health Benefit Program Fund Local	Prescription Drug Program Fund Local	Total State Health Benefit Program Fund Local
Additions:			
Contributions:			
Members	$ 25,094,119	15,093,803	40,187,922
Employers	669,911,591	173,688,897	843,600,488
Total contributions	695,005,710	188,782,700	883,788,410
Investment income:			
Net appreciation in fair value of investments	22,589	1,987	24,576
Interest	551,508	56,021	607,529
Net investment income	574,097	58,008	632,105
Total additions	695,579,807	188,840,708	884,420,515
Deductions:			
Benefits	711,185,912	169,017,772	880,203,684
Administrative expenses	1,806,007		1,806,007
Total deductions	712,991,919	169,017,772	882,009,691
Net increase (decrease)	(17,412,112)	19,822,936	2,410,824
Net assets held in trust for health benefits:			
Beginning of year	126,234,035	24,501,874	150,735,909
End of year	$ 108,821,923	44,324,810	153,146,733

Schedule 14

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Fiduciary Net Assets Information
State Health Benefit Program Fund – Education

June 30, 2011

	Health Benefit Program Fund Education	Prescription Drug Program Fund Education	Total State Health Benefit Program Fund Education
Assets:			
Cash	$ 428,411	99,980	528,391
Investments, at fair value:			
Cash Management Fund	453,594,312	65,882,202	519,476,514
Total investments	453,594,312	65,882,202	519,476,514
Receivables:			
Contributions:			
Members	(21,458)	122,814	101,356
Employers	38,594,030	4,135,793	42,729,823
Other	88,381	672,498	760,879
Total receivables	38,660,953	4,931,105	43,592,058
Total assets	$ 492,683,676	70,913,287	563,596,963
Liabilities:			
Accounts payable and accrued expenses	$ 181,008,676	13,400,000	194,408,676
Total liabilities	181,008,676	13,400,000	194,408,676
Net assets held in trust for health benefits	$ 311,675,000	57,513,287	369,188,287

Schedule 15

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets Information
State Health Benefit Program Fund – Education

Year ended June 30, 2011

	Health Benefit Program Fund Education	Prescription Drug Program Fund Education	Total State Health Benefit Program Fund Education
Additions:			
Contributions:			
Members	$ 31,444,624	21,209,874	52,654,498
Employers	1,556,186,063	433,752,311	1,989,938,374
Total contributions	1,587,630,687	454,962,185	2,042,592,872
Investment income:			
Net appreciation in fair value of investments	72,106	2,980	75,086
Interest	1,620,265	114,921	1,735,186
Net investment income	1,692,371	117,901	1,810,272
Total additions	1,589,323,058	455,080,086	2,044,403,144
Deductions:			
Benefits	1,637,130,641	428,023,048	2,065,153,689
Administrative expenses	3,612,014		3,612,014
Total deductions	1,640,742,655	428,023,048	2,068,765,703
Net increase (decrease)	(51,419,597)	27,057,038	(24,362,559)
Net assets held in trust for health benefits:			
Beginning of year	363,094,597	30,456,249	393,550,846
End of year	$ 311,675,000	57,513,287	369,188,287

Schedule 16

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Balance Sheet Information
Agency Fund – Dental Expense Program

June 30, 2011

		State	Local	Total Agency Fund – Dental Expense Program
Assets:				
Cash and cash equivalents	$	564,590	(106,274)	458,316
Investments, at fair value:				
Cash Management Fund		11,667,943	6,607,070	18,275,013
Total investments		11,667,943	6,607,070	18,275,013
Receivables:				
Contributions		(330,791)	(24,289)	(355,080)
Total receivables		(330,791)	(24,289)	(355,080)
Total assets	$	11,901,742	6,476,507	18,378,249
Liabilities:				
Accounts payable and accrued expenses	$	11,901,742	6,476,507	18,378,249
Total liabilities	$	11,901,742	6,476,507	18,378,249

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets Information
Agency Fund – Dental Expense Program

Year ended June 30, 2011

	State	Local	Total Agency Fund – Dental Expense Program
Additions:			
Contributions:			
Members	$ 50,320,728	30,795,542	81,116,270
Employers	26,043,847	2,606,575	28,650,422
Total contributions	76,364,575	33,402,117	109,766,692
Investment income:			
Net appreciation in fair value of investments	2,760	145	2,905
Interest	66,468	14,379	80,847
Total investment income	69,228	14,524	83,752
Total additions	76,433,803	33,416,641	109,850,444
Deductions:			
Benefits	84,256,822	31,418,033	115,674,855
Refunds of contributions and to the general fund	(7,823,019)	1,998,608	(5,824,411)
Total deductions	76,433,803	33,416,641	109,850,444
Change in net assets	—	—	—
Net assets – beginning of year	—	—	—
Net assets – end of year	$ —	—	—

Schedule 18

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Changes in Assets and Liabilities
Information – Agency Fund – Alternate Benefit Program Fund

June 30, 2011

		Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Assets:					
Cash and cash equivalents	$	1,220,743	147,508,551	148,665,350	63,944
Investments, at fair value:					
Cash Management Fund		1,054,763	168,750,308	169,419,824	385,247
Receivables:					
Other contributions		26,987,948	25,457,163	26,987,948	25,457,163
Total assets	$	29,263,454	341,716,022	345,073,122	25,906,354
Liabilities:					
Accounts payable and accrued expenses	$	28,387,944	26,918,810	29,591,191	25,715,563
Due to State of New Jersey		875,510	190,791	875,510	190,791
Total liabilities	$	29,263,454	27,109,601	30,466,701	25,906,354

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Changes in Assets and Liabilities
Information – Agency Fund – Pension Adjustment Fund

June 30, 2011

		Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Assets:					
Cash and cash equivalents	$	2,079,264	3,395,338	3,595,906	1,878,696
Investments, at fair value:					
Cash Management Fund		1,296,520	5,070,934	5,891,262	476,192
Receivables:					
State related employer contributions		1,239,922	4,098,871	4,064,031	1,274,762
Other contributions		35,330	99,301	66,140	68,491
Total assets	$	4,651,036	12,664,444	13,617,339	3,698,141
Liabilities:					
Assets held for local contributing employers	$	3,535,187	—	590,922	2,944,265
Pension adjustment payroll payable		473,221	5,533,236	5,614,207	392,250
Due to State of New Jersey		92,138	24,953	92,138	24,953
Due to other funds		550,490	4,171,874	4,385,691	336,673
Total liabilities	$	4,651,036	9,730,063	10,682,958	3,698,141

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Changes in Assets and Liabilities
Information – Agency Fund – Dental Expense Program – Total

June 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Assets:				
Cash and cash equivalents	$ —	32,500,591	31,936,001	564,590
Investments, at fair value:				
Cash Management Fund	25,396,832	187,059,716	194,181,535	18,275,013
Receivables:				
Other contributions	(213,351)	124,337,599	124,479,328	(355,080)
Total assets	$ 25,183,481	343,897,906	350,596,864	18,484,523
Liabilities:				
Accounts payable and accrued expenses	$ 24,052,332	46,768,696	52,442,779	18,378,249
Cash overdraft	1,131,149	4,857,201	5,882,076	106,274
Total liabilities	$ 25,183,481	51,625,897	58,324,855	18,484,523

Schedule 21

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Changes in Assets and Liabilities
Information – Agency Fund – Dental Expense Program – State

June 30, 2011

		Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Assets:					
Cash and cash equivalents	$	—	32,500,591	31,936,001	564,590
Investments, at fair value:					
Cash Management Fund	$	19,761,035	150,842,097	158,935,189	11,667,943
Receivables:					
Other contributions		8,806	84,473,062	84,812,659	(330,791)
Total assets	$	19,769,841	267,815,750	275,683,849	11,901,742
Liabilities:					
Accounts payable and accrued expenses	$	19,769,841	39,130,673	46,998,772	11,901,742
Total liabilities	$	19,769,841	39,130,673	46,998,772	11,901,742

Schedule 22

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Changes in Assets and Liabilities
Information – Agency Fund – Dental Expense Program – Local

June 30, 2011

		Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Assets:					
Investments, at fair value:					
Cash Management Fund	$	5,635,797	36,217,619	35,246,346	6,607,070
Receivables:					
Other contributions		(222,157)	39,864,537	39,666,669	(24,289)
Total assets	$	5,413,640	76,082,156	74,913,015	6,582,781
Liabilities:					
Accounts payable and accrued expenses	$	4,282,491	7,638,023	5,444,007	6,476,507
Cash overdraft		1,131,149	4,857,201	5,882,076	106,274
Total liabilities	$	5,413,640	12,495,224	11,326,083	6,582,781