

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

A DEPARTMENT OF THE STATE OF NEW JERSEY

51st COMPREHENSIVE ANNUAL FINANCIAL REPORT *For the Fiscal Year Ended June 30, 2006*

Jon S. Corzine
Governor

Bradley I. Abelow
State Treasurer

Frederick J. Beaver
Director



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

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

- PERS** Public Employees' Retirement System
- TPAF** Teachers' Pension and Annuity Fund
- PFRS** Police and Firemen's Retirement System
- SPRS** State Police Retirement System
- JRS** Judicial Retirement System
- ABP** Alternate Benefit Program
- POPF** Prison Officers' Pension Fund
- CPFPF** Consolidated Police and Firemen's Pension Fund
- NJSEDCP** NJ State Employees Deferred Compensation Plan
- SACT** Supplemental Annuity Collective Trust
- ACTS** Additional Contributions Tax-Sheltered Program
- CPF** Central Pension Fund
- PAF** Pension Adjustment Fund
- UCTDSE** Unemployment Compensation and Temporary Disability for State Employees
- SHBP** State Health Benefits Program
- PDP** Prescription Drug Plan
- SEDP** State Employee Dental Program
- Tax\$ave** Premium Option Plan, Unreimbursed Medical Expense Plan Flexible Account Plan, and Dependent Care Spending Account Plan
- Commuter Tax\$ave** State Employees Commuter Tax Savings Program
- LTC** State Employees Long Term Care Insurance Plan

INDEPENDENT AUDITOR

KPMG LLP

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ACTUARIAL REPORTS

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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to
New Jersey
Division of Pensions & Benefits

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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

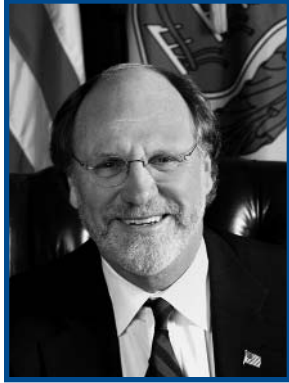


A handwritten signature in black ink, appearing to read "Thomas J. Haen".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



JON S. CORZINE
Governor



BRADLEY I. ABELOW
State Treasurer



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



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PO Box 295
Trenton, NJ 08625-0295
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Trenton, New Jersey

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DIVISION OF PENSIONS AND BENEFITS
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www.state.nj.us/treasury/pensions

LETTER OF TRANSMITTAL

January 2007

To the Honorable

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

On behalf of the Division of Pensions and Benefits, I am pleased to submit the 51st Comprehensive Annual Financial Report (CAFR) of the New Jersey State-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2006. The management of the Division of Pensions and Benefits (the Division) is responsible for the accuracy of the data and the completeness and fairness of the presentation. To the best of my knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner that fairly represents the financial position and results of the Division's operations.

STRUCTURE OF THE CAFR

This comprehensive annual financial report is divided into five sections:

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

THE REPORTING ENTITY

The Division was established in 1955 as the Division of Pensions to provide all administration of the state pension funds except investment. The Division changed its name to the Division of Pensions and Benefits in 1992 to more accu-

LETTER OF TRANSMITTAL

rately reflect its roles and responsibilities beyond the realm of pensions. Currently, the Division administers the second largest non-federal public benefits program in the nation, consisting of nine separate retirement systems, three supplemental retirement savings programs, a health benefits program for employees, retirees, and family members, and several other employee benefits programs. Over 777,000 members enjoy the benefits of the various pension systems administered by the Division and over 807,000 lives are covered in the State Health Benefits Program (SHBP). In addition to the State, 1,751 local public employers participate in the retirement systems and 955 local employers participate in the SHBP.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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

MAJOR INITIATIVES

In FY 2006 the Division continued working on technology improvements specifically in the areas of customer service. The focus being empowering clients, both the member and the employer, with the tools necessary to initiate and process transactions on a real time interactive basis. As a result during the past year the Division has allocated resources to the following major initiatives: Internet Report of Contributions, Employer Pension Information Connection (EPIC) and the Member Benefits On-Line System (MBOS). The Internet Report of Contributions that now enables employers to report and transmit their employee pension data via an automated process. This has changed a very paper intensive process to an Internet-based application that will provide both the Division and local employers with a streamlined process that will ultimately lead to savings in processing time and operating expenses. Virtually all of the 2,900 employer reporting entities have been converted to this new process.

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

The Member Benefits Online System is a set of Internet based applications that allows registered members access to their pension and if applicable, health benefits account information. Members can submit a pension loan, apply for a withdrawal from the pension fund, and change beneficiaries online without the intervention of Division staff. The continued development of applications will have a direct impact on current work processing throughout the operational sections of the Division.

Additionally, development and implementation of a Customer Relationship Management (CRM) system was a major initiative during FY 2006. Most of the work on this was completed in FY 2006 with full deployment anticipated in FY 2007. The CRM system will enable us to better focus our information and contacts with clients to provide better and faster service to all clients and constituencies eliminating redundancies and duplicative efforts.

FINANCIAL INFORMATION

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

LETTER OF TRANSMITTAL

- The Governmental Funds include the three separate State programs for Health Benefits, Prescription Drug, and Dental Expense.
- The Proprietary Funds include the three separate Local Group programs for Health Benefits, Prescription Drug, and Dental Expense.
- The Fiduciary Funds include eleven separate pension funds and two agency funds, the Alternate Benefit Program Fund and the Pension Adjustment Fund.

A summary of the condition of the funds administered by the Division of Pensions and Benefits is located in the "Management Discussion and Analysis" that begins on page 38 of the CAFR. Management is responsible for establishing and maintaining the accounting systems complete with internal controls so that the data presented is complete and fairly presents the financial position of the Division as of June 30, 2006. KPMG LLP independently audited the funds.

INVESTMENTS

The Division of Investment has the responsibility for investing the assets of the programs administered by the Division. This is done under the jurisdiction of the State Investment Council. Investments are guided by the "prudent person rule". During FY 2006, investment returns on pension funds were 9.7 percent. When combined with the returns for previous years, the annualized returns over the past three, five and ten-year periods were +10.9 percent, +5.1 percent, and +8.4 percent, respectively.

FUNDING

Funding is the keystone of a good benefits system. A fully funded system that has assets sufficient to meet the disability and retirement benefits schedules of all its members is one that instills confidence and trust. I'm pleased to report that our benefits systems are in excellent financial condition despite the disappointing market returns over the past several years. The liabilities of the actuarially based pension systems are 81.5 percent funded. Members and retirees can feel confident that the State-administered retirement systems in New Jersey will meet their obligations now and in the future.

PROFESSIONAL SERVICES

The Division contracts with several professional organizations for advice and assistance in administering the programs for which it is responsible. The list of these organizations is found on page 101 of the CAFR. The Office of the Attorney General provides all legal services required by the Division of Pensions and Benefits and the retirement system Boards of Trustees.

ACKNOWLEDGEMENTS

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

Respectfully Submitted,



Frederick J. Beaver
Director

ALL IN A YEAR'S WORK...

- There are **466,642 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,751 PARTICIPATING EMPLOYERS** in the combined retirement systems; **20 NEW EMPLOYERS** began participating this year.
- There are **478,845 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **45,319 MEMBER ACCOUNTS** were audited internally.
- A total of **227,816 RETIREES AND BENEFICIARIES** received monthly pensions totally in excess of **\$5.2 BILLION** annually.
- Over **8,157 BENEFICIARY CLAIMS** were processed. Premiums in excess of **\$119 MILLION** were paid to the insurance carrier on behalf of active and retired members.
- Over **450,000 TELEPHONE CALLS** were received in Client Services. Counselors handled over 370,000 calls; over 1.3 million calls were handled by our automated telephone systems.
- **14,894 PERSONAL INTERVIEWS** were conducted by pensions counselors.
- **528 RETIREMENT SEMINARS** were conducted for over **18,324 MEMBERS**.
- **15,490 SERVICE PURCHASE REQUESTS** were processed.
- Over **63,579 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- There were **11,060 WITHDRAWALS** from the retirement systems.
- **13,663 MEMBERS RETIRED.**
- Over **117,701 PENSION LOANS** totaling **\$477,019,780** were processed.
- State and local membership in the State Health Benefits Program was **365,866 MEMBERS** with **806,864 LIVES COVERED.**
- A total of over **\$3.5 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers and employees. **955 LOCAL EMPLOYERS** elected to participate in the SHBP this year.

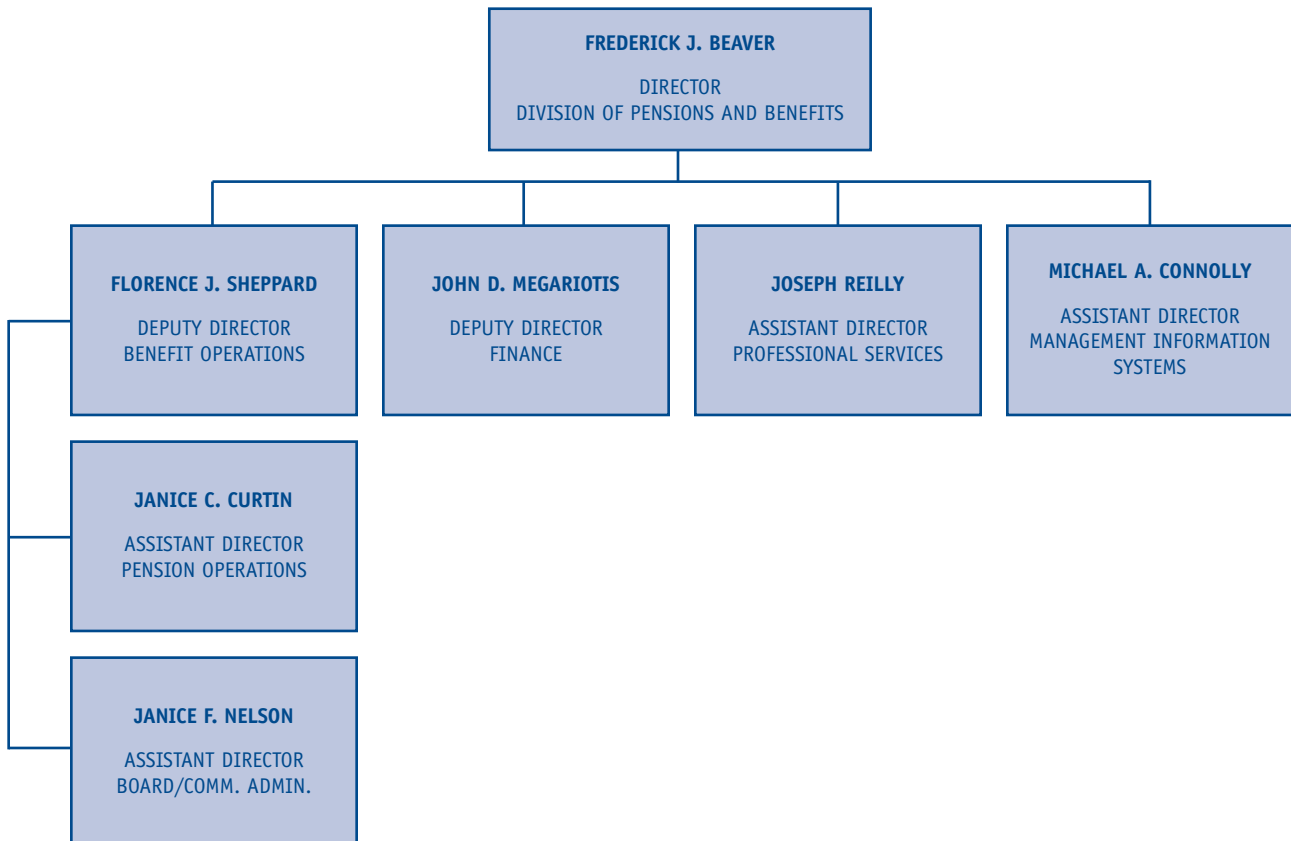
ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

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

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



ORGANIZATION



CHIEFS AND MANAGERS

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

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

Third Row (left to right): Joseph Zisa – *Defined Benefit and Contribution Plans*, David Pointer – *Retirements*, Frank Corliss – *MIS*, Francis Peterson – *Financial Reporting, Payments, and Collections*

DIRECTOR

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

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

OFFICE OF OPERATIONS

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

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

OFFICE OF HEALTH BENEFITS

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

ORGANIZATION

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

OFFICE OF FINANCIAL SERVICES

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

The Office of Financial Services is charged with the custodianship of pension and health benefits assets. These assets are in excess of \$80 billion and include over 777,000 individual member accounts. The office is responsible for the accounting and budget functions necessary for the successful operations of the various pension funds, health benefits and agency funds, as well as the administration of the Pension Adjustment Program, the Supplemental Annuity Collective Trust, and Deferred Compensation Plan.

OFFICE OF CLIENT SERVICES

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

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

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

OFFICE OF MANAGEMENT INFORMATION AND SUPPORT SERVICES

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

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

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

OFFICE OF PROFESSIONAL SERVICES

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

OFFICE OF BOARD OF TRUSTEES ADMINISTRATION

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

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

ORGANIZATION

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

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

ACTUARIAL ADVISORS

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

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

LEGAL ADVISOR

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

MEDICAL ADVISORS

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

ORGANIZATION — BOARDS OF TRUSTEES



PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Seated: Kathleen Coates, *Board Secretary*
(l to r) George B. Babula, *Chairperson*
Roderick Lewis
Jackie Bussanich, *Support Staff*

Standing: John Loden
(l to r) Edward Thomson, III
Frederick J. Beaver, *Treasurer's Representative*
Ronald Winthers
Susanne Culliton, *Deputy Attorney General*
Stephen Florek
Suzanna Buriani-DeSantis

Absent: James Brey



TEACHERS' PENSION AND ANNUITY FUND

Seated: Janice Nelson, *Treasurer's Representative*
(l to r) Marie Flynn

Standing: Dennis Testa
(l to r) H. O'Neal Williams
James Joyner
Mary Ellen Rathbun, *Board Secretary*
Jackie Bussanich, *Support Staff*
Susanne Culliton, *Deputy Attorney General*
John Keeler

Absent: James Clemente, *Chairperson*



POLICE AND FIREMEN'S RETIREMENT SYSTEM

Seated: Nichole Fava
(l to r) Mark Kandrak
John Sierchio
Richard Mikutsky

Standing: Dennis Connelly
(l to r) Frederick J. Beaver, *Treasurer's Representative*
Thomas Murphy
Vincent Foti
Wendy Jamison
Gail Griffin
Susanne Culliton, *Deputy Attorney General*
Frank Leake

Absent: Joseph Boucher
Alan Levine

ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Seated: Susanne Culliton, *Deputy Attorney General*
(l to r) Wendy Jamison, *Board Secretary*
Gail Griffin, *Support Staff*

Standing: Frederick J. Beaver, *Treasurer's Representative*
(l to r) Major James Grant
Marshall Brown

Absent: Jack Sayers

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

Bradley I. Abelow, *State Treasurer*
Steven Goldman, *Commissioner, Department of Banking and Insurance*
Charlene Holzbaur, *Director and State Comptroller,*
Office of Management and Budget, Department of the Treasury

STATE HEALTH BENEFITS COMMISSION

Bradley I. Abelow, *State Treasurer, Chairperson*
Steven Goldman, *Commissioner, Department of Banking and Insurance*
Rolando Torres, Jr., *Commissioner, Department of Personnel*
Frederick J. Beaver, *Secretary*
Eric E. Richard, *State Employees' Representative of the AFL-CIO*
Brian Volz, *NJEA Representative*

DEFERRED COMPENSATION BOARD

Bradley I. Abelow, *State Treasurer*
Steven Goldman, *Commissioner, Department of Banking and Insurance*
Charlene Holzbaur, *Director and State Comptroller,*
Office of Management and Budget, Department of the Treasury

SIGNIFICANT LEGISLATION

CHAPTER 135, P.L. 2005

This law provides that an affiliate of a majority representative of State employees for collective negotiation purposes, which affiliate represents State employees, may obtain coverage in the State Health Benefits Program (SHBP) for its elected officers and employees and their dependents. As used in the law, the phrase "an affiliate of a majority representative of State employees" means a local union affiliate that has some employees who are engaged in the day-to-day representation of State employees, and does not mean a local union affiliate's parent or international union.

Each affiliate electing to participate in SHBP will remit the premium rates or periodic charges to the program, as such rates or charges are determined for local government employees and applicable to the coverage provided.

This law requires that on its effective date the Division of Pensions and Benefits in the Department of the Treasury must seek a determination letter from the federal Department of Labor confirming the status of the State Health Benefits Program as a qualified and exempt governmental plan under Title I of the federal Employee Retirement Income Security Act of 1974 (ERISA). In the event the division receives a determination letter from the federal Department of Labor stating that the law as embodied in this law changes the status of the State Health Benefits Program so that it is no longer a qualified and exempt governmental plan under Title I of ERISA, the law would be void and expire immediately and no employees of an affiliate of a majority representative of State employees for collective negotiation purposes would be permitted to newly enroll or continue to participate in the State Health Benefits Program.

Effective Date: July 7, 2005, with union SHBP participation to begin 120 days hence.

CHAPTER 162, P.L. 2005

This law prohibits the investment of New Jersey public employee retirement funds in any foreign company with an equity tie to the government of Sudan or its instrumentalities because of that country's failure to prevent genocide and its human rights abuses that include severe restrictions on the freedoms of assem-

bly, association, movement and speech. The law does not apply to the activities of any foreign company providing humanitarian aid to the Sudanese people through either a governmental or non-governmental organization. The law provides that the State Investment Council and the Director of the Division of Investment must take appropriate action to divest any investments held in violation of the law after reviewing the recommendations of, and consulting with, an independent research firm that specializes in global security risk for portfolio determinations selected by the Treasurer.

Effective Date: August 1, 2005.

CHAPTER 198, P.L. 2005

This law requires the State Treasurer to provide a long term care insurance plan through which local public employees and retirees may purchase at their own expense long term care insurance. The Treasurer will negotiate contracts for the long term care insurance.

Municipalities, counties, boards of education and other local public entities, subject to the "Local Public Contracts Law," the "Public School Contracts Law," and the "County College Contracts Law," by adoption of a resolution, may elect to offer the long term care insurance plan to their employees and retirees. A local public employer that elects to offer the long term care insurance plan will submit to the Division of Pensions and Benefits the employment information necessary to administer of the plan. An employee or a retiree who chooses coverage will pay the entire cost of the long term care insurance.

Effective Date: February 1, 2006.

CHAPTER 251, P.L. 2005

This law requires health insurers that provide benefits for expenses incurred in the purchase of outpatient prescription drugs, to cover the cost of prescription female contraceptives. The provisions apply to hospital, medical and health service corporations, commercial individual, small employer and group health insurers, health maintenance organizations and pre-paid prescription service organizations and the State Health Benefits Program.

SIGNIFICANT LEGISLATION

It defines "prescription female contraceptives" to mean any drug or device used for contraception by a female, which is approved by the federal Food and Drug Administration for that purpose, that can only be purchased in this State with a prescription written by a health care professional licensed or authorized to write prescriptions, and includes, but is not limited to, birth control pills and diaphragms.

This law takes effect on the 180th day after enactment and applies to policies and contracts issued or renewed on or after its effective date.

Effective Date: This law takes effect on the 180th day after enactment (July 3, 2006) and applies to policies and contracts issued or renewed on or after its effective date.

CHAPTER 256, P.L. 2005

Active members of the State-administered retirement systems are eligible to participate in the voluntary investment Supplemental Annuity Collective Trust (SACT) Regular Plan. Additionally, active members of the State-administered retirement systems who are employed by a public educational institution are eligible to participate in the SACT Tax-Sheltered Plan. Prior to the enactment of this law, participants in either plan were permitted to contribute only 10 percent of their annual salary into the SACT each year.

This law amends the SACT law to allow participants in either SACT plan to contribute the maximum amount permitted under the Internal Revenue Code. For the year 2006, an individual's maximum contribution to a 403(b) plan, such as the Tax-Sheltered SACT, is \$15,000.

Effective Date: January 4, 2006.

CHAPTER 326, P.L. 2005

This law provides that only a currently employed firefighter who had been a volunteer appointed to a paid position by a municipality and who (1) was not eligible for Police and Firemen's Retirement System (PFRS) membership at the time of appointment to the paid position, (2) meets the PFRS definition of "fireman", and (3) is currently enrolled in Public Employees' Retirement System (PERS), may transfer, subject to the

approval of the municipal governing body, from PERS to PFRS, regardless of age.

An eligible individual must waive their rights to their PERS benefits within 90 days of this law's effective date to qualify. Transfers under this law shall take effect on the first day of the first full calendar month following the effective date of this act by at least 180 days. PERS shall transmit to PFRS an amount equal to the present value of the benefit under PERS accrued to the date of transfer by each person transferring to PFRS. The service credit accrued in PERS to the date of transfer shall be transferred to PFRS and may be used to meet any service credit requirement for benefits under PFRS. Any benefit of a member who transfers membership from PERS to PFRS under this act based upon service credit shall be the amount of benefit determined as provided under PFRS based upon the total amount of service credit multiplied by the ratio of the service credit under PFRS from the date of transfer to the total amount of service credit, plus a benefit comparable to a PERS deferred, early or regular service retirement benefit, as appropriate, based upon the age of the member at the time of retirement and the amount of PERS service credit transferred to PFRS, determined as provided under the law and regulations governing PERS for the benefit. The total amount of service credit in PFRS, including the transferred PERS service credit, may be used to meet the service credit requirement for the benefit comparable to a PERS deferred or early retirement benefit, but the benefit shall be calculated only on the transferred PERS service credit.

Active and retired death benefits, accidental death benefits, and ordinary and accidental disability retirement benefits for members transferring to PFRS under this act shall be the benefits provided under PFRS.

For members transferring to PFRS under this act, the widows' or widowers' pensions provided under section 26 of P.L.1967, c.250 (C.43:16A 12.1) shall be the amount of the benefit determined as provided in section 26 multiplied by the ratio of the service credit under PFRS from the date of transfer to the total amount of service credit. Transferring members shall be entitled to elect optional retirement allowances for the portions of their retirement benefits based upon

SIGNIFICANT LEGISLATION

their PERS service credit as provided under the laws and regulations governing selection of optional retirement allowances under PERS.

A fireman who transfers membership from PERS to PFRS may receive full credit toward benefits under PFRS for the transferred PERS service credit if the member agrees to pay the full cost of the accrued liability for the transferred PERS service credit in the same manner and subject to the same terms and conditions provided for the purchase of credit for military service under section 3 of P.L.1991, c.153 (C.43:16A-11.11).

The law provides that the State will not be liable for additional costs to a local employer associated with a firefighter transferring to PFRS under this law

Effective Date: January 12, 2006.

CHAPTER 334, P.L. 2005

This law permits certain public entities that are not participating in the State Health Benefits Program (SHBP) to provide, at their option, dependent health benefits coverage to a person who is the domestic partner of an employee, pursuant to the "Domestic Partnership Act," N.J.S.A. 26:8A-1 et seq.

This law applies to entities such as municipalities, counties, local boards of education and county colleges whose employees are not enrolled in SHBP. Its provisions would allow these entities to voluntarily provide dependent health benefits coverage to an employee's domestic partner on the same basis as local public entities whose employees are enrolled in SHBP are already permitted to do under the "Domestic Partnership Act."

Under this law, when entities choose to provide health benefits to domestic partners of employees, the coverage will continue during the employees' retirement pursuant to certain provisions of current law. This law, however, also states this requirement will not be construed to limit an entity's right to extend benefits to, or withdraw benefits from, an employee or dependents of an employee.

This act takes effect on the 60th day after enactment.

Effective Date: March 13, 2006.

CHAPTER 341, P.L. 2005

This law amends N.J.S.A. 52:14-17.28 to provide that all law enforcement officers employed by the State for whom there is a majority representative for collective negotiations purposes may not be eligible for coverage under the traditional plan within the State Health Benefits Program (SHBP). Coverage under the SHBP traditional indemnity health insurance plan may be limited or discontinued pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

In addition, it amends N.J.S.A. 52:14-17.32 to require that, for law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes and for nonaligned sworn members of the Division of the State police who retire after July 1, 2005, the coverage options available to such employees in retirement will be limited to those options that were available to the employee on the employee's last day of employment.

Effective Date: January 12, 2006.

CHAPTER 366, P.L. 2005

This law requires permanent, full-time county fire marshals and assistant county marshals authorized by their boards of chosen freeholders to provide municipal fire departments with assistance as necessary to coordinate, control, or extinguish any fire situation or other emergency situation, to be enrolled in the Police and Firemen's Retirement System (PFRS), as long as they meet all of the other eligibility requirements in applicable pension statutes to qualify for enrollment in PFRS. It also provides that any such permanent, full-time county fire marshal or assistant fire marshal who performs the duties in paragraph (8) of N.J.S.A. 40A:14-2, at the time this law takes effect, will be exempt from any age requirement for enrollment in the PFRS. Any permanent, full-time county fire marshal and assistant fire marshal given approval by the board of chosen freeholders on or after October 1, 2001 to engage in activities provided in N.J.S.40A:14-2b.(8) shall be enrolled as a member in the Police and

SIGNIFICANT LEGISLATION

Firemen's Retirement System effective upon the date when such approval by the board of chosen freeholders was given. Currently, fire marshals and assistant fire marshals are enrolled in Public Employees' Retirement System (PERS). The law also clarifies that the cost of enrollment of a full time county fire marshal or assistant fire marshal in the PFRS of New Jersey shall not be the responsibility of the State.

Effective Date: January 12, 2006.

CHAPTER 368, P.L. 2005

This law permits a State, county or municipal employer to grant a paid or unpaid leave of absence to public employees, excluding police officers and firefighters outside the civil service, who are elected or appointed as officers or representatives of a local, county or State labor organization. A paid leave may be granted provided the employer is reimbursed in advance for compensation and benefit costs including retirement system contributions and health benefit costs, or in accordance with the terms of a collective bargaining agreement. The length of a leave is subject to negotiation between the employer and the union.

It also provides a member of the Public Employees' Retirement System (PERS) with the option of receiving PERS service credit for the period of an approved leave of absence, if the member pays PERS the full cost, employer and employee contributions, for the credit.

In addition, this law permits a public employee who had been granted and had taken an approved unpaid leave of absence in the past and who has not received PERS credit for that service to purchase the credit within one year after its effective date.

Effective Date: January 12, 2006.

CHAPTER 375, P.L. 2005

This law requires health insurers to provide for an election of continued coverage by certain dependents, following the termination of dependent coverage at the time the dependents "age-out" of coverage, until their 30th birthday, under health benefits plans issued by health insurers, including hospital service corporations, medical service corporations, health service corporations, commercial insurers, health maintenance

organizations and health benefits plans issued pursuant to the New Jersey Small Employer Health Benefits Program, and the New Jersey State Health Benefits Program. Nothing within the provisions of this law would require an employer to pay all or part of the cost of coverage for any election of this continued coverage.

In order to qualify as a "dependent" for purposes of electing coverage pursuant to this law, the individual must be: (1) less than 30 years of age; (2) unmarried; (3) without a dependent of his own; (4) a resident of this State or enrolled as a full-time student at an accredited institution of higher education; and (5) not actually provided coverage as a named subscriber, insured, enrollee, or covered person under any other group or individual health benefits plan, group health plan, church plan or health benefits plan, or entitled to benefits under Title XVIII of the Social Security Act, Pub.L.89-97 (42 U.S.C. s.1395 et seq.). The intent of the phrase "actually provided coverage" concerning a dependent's coverage under another plan as the named subscriber, insured, enrollee, or covered person, is to only remove a dependent from coverage as provided under the law once the individual can receive immediate services under another plan, and not when merely eligible to obtain coverage under another plan.

A dependent may elect coverage within 30 days prior to "aging-out" of plan coverage so that coverage immediately continues beyond the specific age set forth in the applicable plan. Alternatively, a dependent who previously "aged-out" of a plan and does not receive coverage may, so long as the dependent meets the law's requirements for dependent status, subsequently elect coverage under that plan, notwithstanding the gap in coverage, during specified time periods as provided in the law.

In addition, a dependent previously provided continuation coverage under a plan pursuant to the law, whose coverage subsequently terminates prior to the dependent's 30th birthday, may again elect coverage under that plan until the dependent's 30th birthday. As such, a health insurer is prohibited from refusing a written election for coverage based only upon the fact that the dependent previously elected and lost coverage under the applicable plan.

SIGNIFICANT LEGISLATION

Any coverage provided to a dependent pursuant to an election of coverage under the law must consist of coverage which is identical to the coverage provided to that dependent prior to the dependent "aging-out" of the plan. This coverage cannot be conditioned upon, or discriminate on the basis of, lack of evidence of insurability.

The applicable plan covering the dependent may require payment of a premium by either the named insured or the dependent for any period of elected coverage. This premium cannot exceed 102% of "the applicable portion" of the premium previously paid for that dependent's coverage under the plan prior to the dependent aging out of the contract. The formula to determine this applicable portion will be established by regulation, and, similar to dependent continuation coverage premiums calculated pursuant to federal COBRA, based upon the difference between the plan's rating tiers for adult and dependent coverage or family coverage, as appropriate, and single coverage; or the formula may be based upon some other formulation or dependent rating tier which provides a substantially similar result.

Any period of elected coverage by a dependent will terminate upon: 1) the dependent no longer meeting the law's requirements for dependent status; 2) the failure to make a timely payment for any applicable premium; or 3) the plan's named insured losing coverage under the contract.

Finally, with respect to the State Health Benefits Program, the State Health Benefits Commission must ensure that, on or after the effective date of the law, every contract purchased by the commission that provides dependent coverage does not terminate such coverage by reason of age before the dependent's 23th birthday, and otherwise complies with the provisions of the law for elections of coverage until the

dependent's 30th birthday. Public employees must reimburse the cost of the coverage provided pursuant to the law to the New Jersey State Health Benefits Program, in accordance with a rate to be determined by the commission.

Effective Date: This act shall take effect on the 120th day after enactment (May 12, 2006), and shall apply to all contracts, policies, or plans that are delivered, issued, executed or renewed, or approved for issuance or renewal in this State on or after the effective date.

CHAPTER 381, P.L. 2005

This law concerns New Jersey police officers and firefighters subject to mandatory retirement at the age of 65 under the Police and Fireman's Retirement System (PFRS). For a brief period in the 1980's, federal law prohibited states from imposing a maximum age at time of appointment (age 35 years) or mandatory retirement requirements based on age. Once federal law was amended in 1986 to again permit such requirements, New Jersey's mandatory police officer and firefighter appointment and retirement ages were reinstated.

One consequence of the reinstatement of the mandatory retirement age is that police officers and firefighters hired when the maximum appointment age was suspended are today are being required to retire due to age without the ability to achieve certain retirement benefits. This law provides a limited window of opportunity to PFRS members to remain in employment for a reasonable period in order to gain certain benefits upon retirement by allowing a member hired prior to January 1, 1987 to remain a member of the system until the member attains age 68 years or 25 years of creditable service, whichever comes first.

Effective Date: January 12, 2006.

SCOPE OF OPERATIONS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

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

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

TEACHERS' PENSION AND ANNUITY FUND (TPAF)

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

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

POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)

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

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

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

STATE POLICE RETIREMENT SYSTEM (SPRS)

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

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

JUDICIAL RETIREMENT SYSTEM (JRS)

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

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

ALTERNATIVE BENEFIT PROGRAM (ABP)

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

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

SCOPE OF OPERATIONS

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

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

PRISON OFFICERS’ PENSION FUND (POPF)

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

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

CONSOLIDATED POLICE AND FIREMEN’S PENSION FUND (CPFPF)

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

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

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN (NJSEDCP)

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

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

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

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

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

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

ADDITIONAL CONTRIBUTIONS TAX-SHELTERED PROGRAM (ACTS)

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

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

CENTRAL PENSION FUND (CPF)

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

SCOPE OF OPERATIONS

PENSION ADJUSTMENT FUND (PAF)

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

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

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

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

STATE HEALTH BENEFITS PROGRAM (SHBP)

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

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

PRESCRIPTION DRUG PLAN (PDP)

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

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

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

STATE EMPLOYEE DENTAL PROGRAM (SEDP)

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

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

TAX\$AVE

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

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

SCOPE OF OPERATIONS

COMMUTER TAX\$AVE

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

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

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

STATE EMPLOYEES LONG TERM CARE INSURANCE PLAN

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

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

MEMBERSHIP

ACTIVE MEMBERSHIP	RETIREMENT SYSTEM	2005	2006
	Public Employees' Retirement System	322,985*	327,696*
Teachers' Pension & Annuity Fund	154,854*	156,204*	
Police & Firemen's Retirement System	45,263*	45,913*	
State Police Retirement System	2,950*	3,123*	
Judicial Retirement System	427	438	
Alternate Benefit Program	16,920	16,509	
Prison Officers' Pension Fund	0	0	
Consolidated Police & Firemen's Pension Fund	0	0	
Central Pension Fund	NA	NA	
Total	543,399	549,883	
<p><i>*Both the 2005 and 2006 figures represent the total number of Active and Inactive accounts. The 2006 Inactive (noncontributing) accounts are as follows: PERS Inactive — 50,506, TPAF Inactive — 13,988, PFRS Inactive — 2,088, SPRS Inactive — 150</i></p>			
RETIRED MEMBERSHIP & BENEFICIARIES	RETIREMENT SYSTEM	2005	2006
	Public Employees' Retirement System	121,177	124,333
Teachers' Pension & Annuity Fund	65,401	68,559	
Police & Firemen's Retirement System	29,192	30,329	
State Police Retirement System	2,299	2,338	
Judicial Retirement System	432	446	
Alternate Benefit Program	NA	NA	
Prison Officers' Pension Fund	186	176	
Consolidated Police & Firemen's Pension Fund	831	707	
Central Pension Fund	341	325	
Total	219,859	227,213	
<p><i>*The number of retirees varies slightly from those reported in the Notes to the Financial Statements due to differences in the effective dates of said tabulations.</i></p>			
PARTICIPATION IN HEALTH BENEFITS PROGRAM	HEALTH PROGRAM	2005	2006
	State Health Benefits Program	363,435	364,447
Prescription Drug Plan	150,780	151,066	
Dental Expense Program	134,505	141,716	

MEMBERSHIP

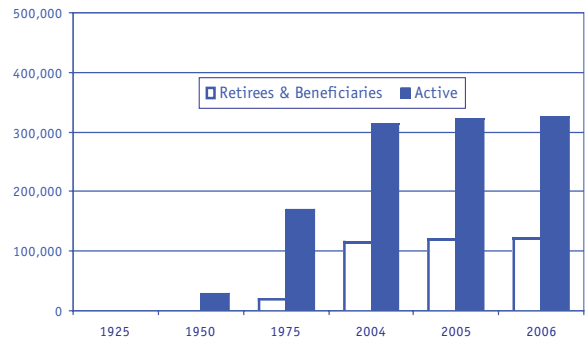
PUBLIC EMPLOYEES'S RETIREMENT SYSTEM

As of June 30, 2006, the active membership of the system totaled 327,696. There were 124,333 retirees and beneficiaries receiving annual pensions totaling \$1,717,907,371*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$91,469,327.

The system's assets totaled \$30,037,952,321 at the close of the fiscal year 2006.

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



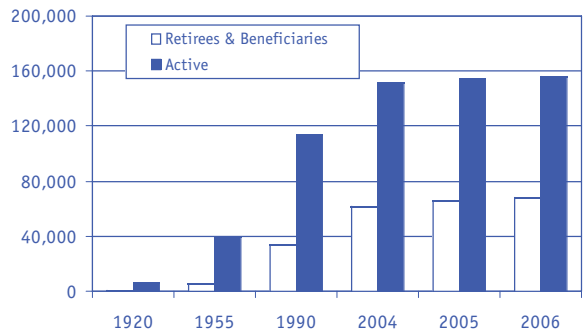
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2006, the active membership of the system totaled 156,204. There were 68,559 retirees and beneficiaries receiving annual pensions totaling \$2,184,830,376*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$56,051,067.

The fund's assets totaled \$37,039,618,526 at the close of the fiscal year 2006.

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



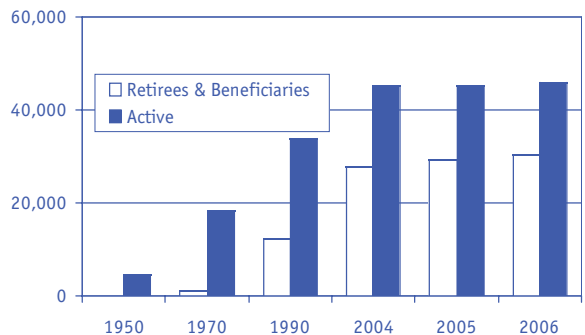
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2006, the active membership of the system totaled 45,913. There were 30,329 retirees and beneficiaries receiving annual pensions totaling \$1,121,795,184*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$31,695,612.

The system's assets totaled \$22,024,116,540 at the close of the fiscal year 2006.

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



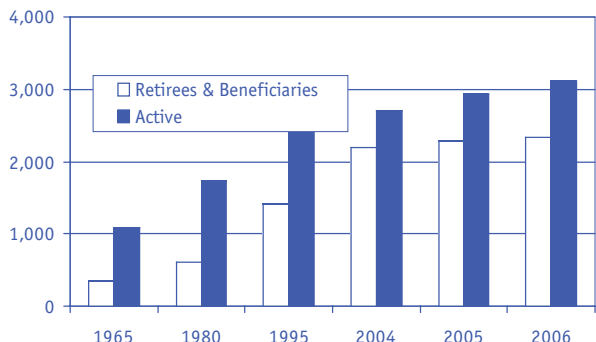
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2006, the active membership of the system totaled 3,123. There were 2,338 retirees and beneficiaries receiving annual pensions totaling \$103,505,165*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$1,432,995.

The system's assets totaled \$2,201,980,032 at the close of the fiscal year 2006.

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

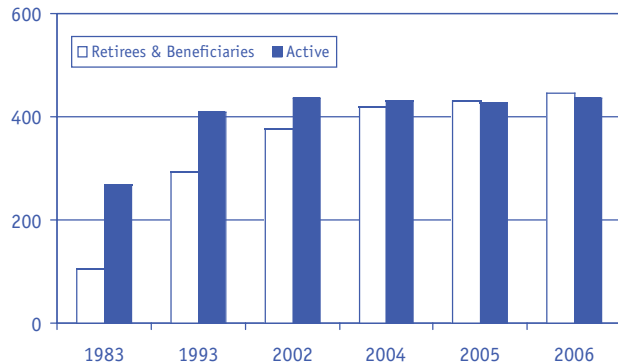


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2006, the active membership of the system totaled 438. There were 446 retirees and beneficiaries receiving annual pensions totaling \$30,579,313.

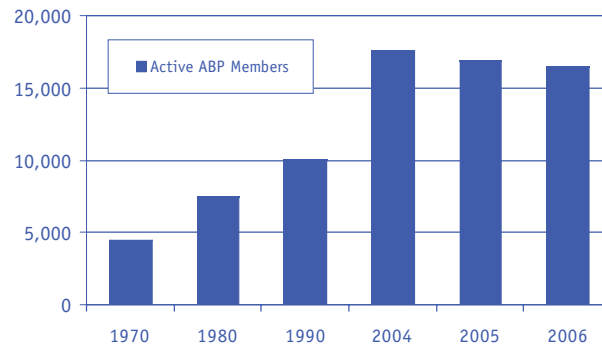
The system's assets totaled \$404,392,768 at the close of the fiscal year 2006.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2006, the State paid \$126,553,295 on behalf of 16,509 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$14,313,120 in lump sum death benefits.



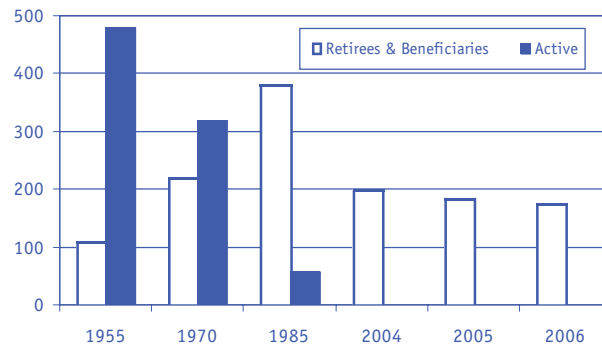
PRISON OFFICERS' PENSION FUND

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

This fund was closed to new membership in January 1960.

As of June 30, 2006, the active membership of the fund totaled zero. There were 176 retirees and beneficiaries receiving annual pensions totaling \$2,443,222.

The fund's assets totaled \$14,851,223 at the close of the fiscal year 2006.

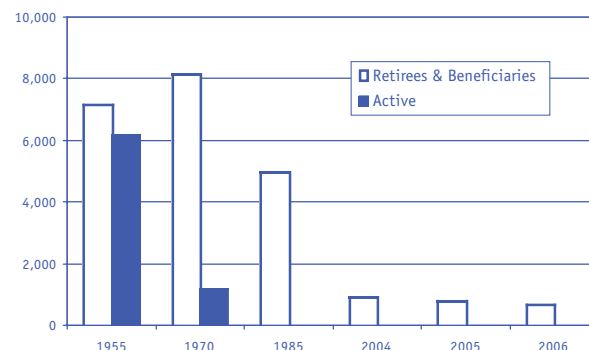


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

As of June 30, 2006, the active membership of the fund totaled zero. There were 707 retirees and beneficiaries receiving annual pensions totaling \$13,478,301.

The fund's assets totaled \$18,591,300 at the close of the fiscal year 2006.



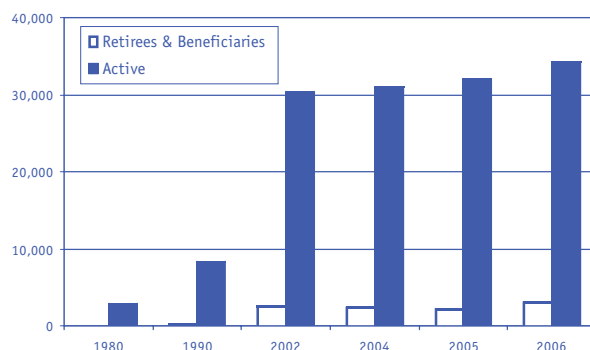
MEMBERSHIP

NJ STATE EMPLOYEES' DEFERRED COMPENSATION PLAN

Fiscal year 2006 continues to show a marked increase in active participation due to membership campaigns conducted by the Division of Pensions and Benefits.

As of June 30, 2006, the active membership of the New Jersey State Employees' Deferred Compensation Plan totaled 34,352. There were 3,144 members receiving monthly installment payments.

The plan's net assets (participants' balances) were \$1,708,340,953 at the close of the fiscal year 2006.

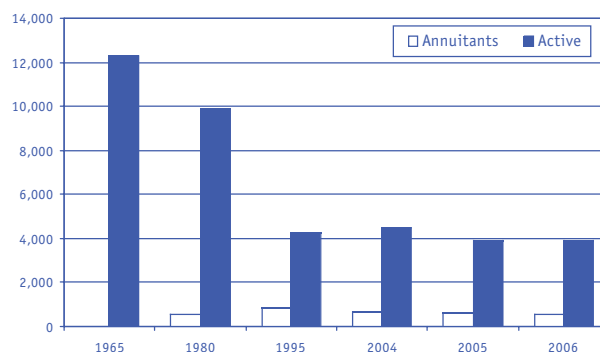


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2006, the active membership of the trust totaled 3,933. The unit value was \$62.0279, an increase of \$3.8373 from the June 30, 2005 value of \$58.1906.

There were 603 annuitants.

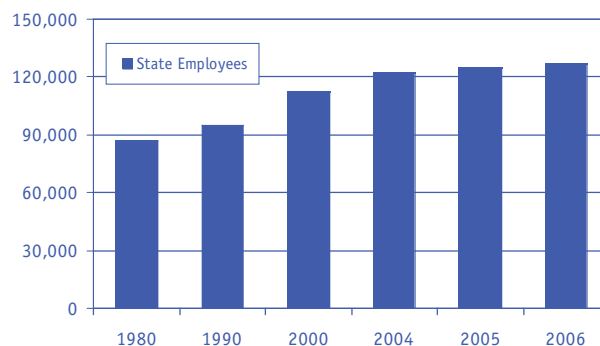
The trust's assets totaled \$162,521,115 at the close of the fiscal year 2006.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

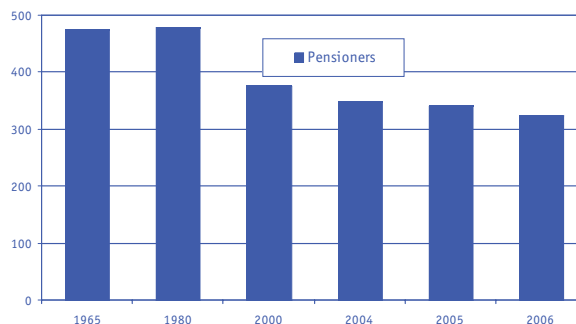
As of June 30, 2006, the Unemployment Compensation Program for State employees covered as many as 126,680 persons, and the Division remitted \$10,446,116.45 on behalf of the State. There were 6,654 requests for unemployment benefits filed, and \$13,401,331 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 139,094 employees, and the Division remitted \$28,974,306.97 on behalf of the State. Claims paid totaled \$29,628,334.



CENTRAL PENSION FUND

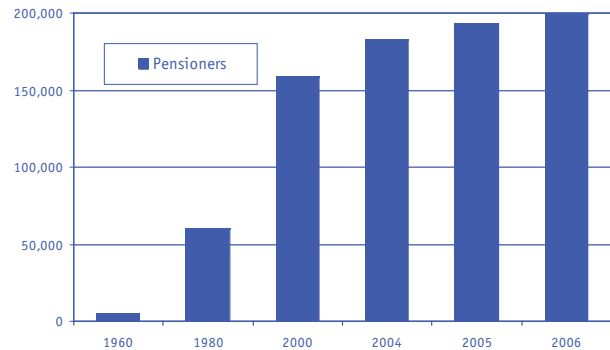
As of June 30, 2006, there were 325 beneficiaries receiving annual pensions totaling \$430,528.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

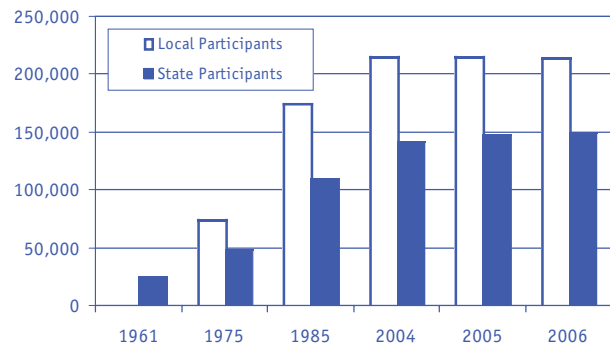
There were 200,103 pensioners who were paid \$612,914,354.18 during the fiscal year 2006.



STATE HEALTH BENEFITS PROGRAM

As of June 30, 2006, there were 364,447 covered participants (active and retired) consisting of 149,272 State participants and 215,175 participants of 955 local participating employers.

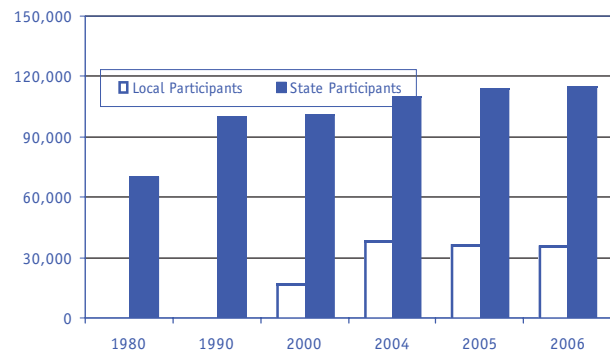
The State and state employee contributions were \$1,114,603,302 while payment made by local employers and employees was \$1,976,169,341.



PRESCRIPTION DRUG PLAN

The Prescription Drug Plan covered as many as 115,280 State employees and 35,786 local employees during fiscal year 2006.

The State's contribution was \$268,738,174 while payment made by local employers was \$98,444,456.



DENTAL EXPENSE PROGRAM

The Dental Expense Program covered as many as 113,872 eligible State participants and 27,844 local participants during fiscal year 2006. The State of New Jersey as the employer expended \$35,838,322 for active participants while payment made by local employers was \$766,669.

