KPMG

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Financial Statements and Schedules

June 30, 2010

(With Independent Auditors' Report Thereon)

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

June 30, 2010

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KPMG LLP
Suite 402
301 Carnegie Center
Princeton, NJ 08540-6227

Independent Auditors' Report

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

We have audited the accompanying financial statements of the State of New Jersey Division of Pensions and Benefits (the Division) as of and for the year ended June 30, 2010, 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 audit.

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

As discussed in note 1, the financial statements of the Division are intended to present the financial position and the changes in financial position of the State that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2010 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State of New Jersey Division of Pensions and Benefits as of June 30, 2010, and the changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

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 U.S. generally accepted accounting principles. 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 performed 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 fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

October 27, 2010

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, 2010. 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 Health Benefit Program Funds

- Fiduciary net assets increased by $4.7 billion as a result of this year's operations from $69.9 billion to $74.6 billion.
- Additions for the year are $16.6 billion, which are comprised of member and employer pension contributions of $8.2 billion and investment income of $8.4 billion.
- Deductions for the year are $11.9 billion, which are comprised of benefit and refund payments of $11.8 billion and administrative expenses of $50.5 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 seventeen fiduciary funds: eleven 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 health benefit program funds.

(Continued)

Financial Analysis

Summary of Fiduciary Net Assets

		2010	2009	(Decrease)
Pension trust and state health benefit program funds:				
Assets	$	75,851,911,970	75,861,085,975	(9,174,005)
Liabilities		1,203,743,539	5,957,172,578	(4,753,429,039)
Net assets	$	74,648,168,431	69,903,913,397	4,744,255,034

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 2009 and 2010, total assets decreased by $9.2 million or 0.01%. This is due to a decrease in the securities lending collateral of $4.8 billion, an increase in investments of $4.5 billion, and an increase in cash and receivables of $267.8 million.

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 decreased by $4.8 billion or 79.8%. This is primarily due to a decrease in the securities lending collateral and rebates payable of $4.8 billion.

Net assets of the pension trust and state health benefit program funds increased by $4.7 billion or 6.8%.

Summary of Fiduciary Net Assets

		2010	2009	(Decrease)
Agency funds:				
Assets	$	59,097,971	68,053,528	(8,955,557)
Liabilities		59,097,971	68,053,528	(8,955,557)
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 2009 and 2010, total assets decreased by $9.0 million or 13.2%. This is attributable to the decreased amount invested in the Cash Management Fund (CMF) of $1.9 million and decreases in cash and cash equivalents and total receivables of $7.0 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 2009 and 2010, total liabilities decreased by $9.0 million or 13.2%. This is comprised of a $0.3 million decrease in liabilities in the DEP, a $0.5 million decrease in liabilities in PAF, and an $8.2 million decrease overall in ABP liabilities which is made up of an $8.7 million decrease in reimbursements to state and county colleges and a $0.6 million increase in the reimbursement to the State of New Jersey general fund.

Summary of Changes to Fiduciary Net Assets

		2010	2009	Increase (decrease)
Pension Trust and State Health Benefit Program Funds:				
Additions:				
Member contributions	$	2,107,837,083	2,085,248,438	22,588,645
Employer contributions and other		6,121,381,951	5,283,292,726	838,089,225
Net investment income (loss)		8,423,085,971	(12,301,215,345)	20,724,301,316
Total additions		16,652,305,005	(4,932,674,181)	21,584,979,186
Deductions:				
Benefits		11,711,660,433	10,805,598,045	906,062,388
Refunds of contributions		145,884,498	143,758,062	2,126,436
Administrative expenses		50,505,040	50,826,186	(321,146)
Total deductions		11,908,049,971	11,000,182,293	907,867,678
Changes in net assets	$	4,744,255,034	(15,932,856,474)	20,677,111,508

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 $21.6 billion or 437.6% in total additions.

Member contributions increased by $22.6 million of which $19.0 million is attributable to the state health benefit program funds and $3.6 million is attributable to the pension trust funds. For the state health benefit program funds, this is primarily a result of the increased membership in the SHBP – Local and SHBP – Education. There was also a significant increase in the medical rates for active members in the SHBP – Local and SHBP – Education between plan years 2009 and 2010. For the SHBP – Education, premiums for active members increased by 23% while premiums for active members in the SHBP – Local increased by 18%. For the pension trust funds, the increase is due to normal salary increases.

The State did not make a pension contribution for fiscal year 2010 but did make a contribution of $69.9 million for NCGI death benefits.

(Continued)

The annual local employer appropriation billings increased due to the salaries of employees and the rate of contribution as determined by the actuary. For PERS the amount accrued in fiscal year 2009 and due April 1, 2010 was $566.5 million and in fiscal year 2010 $756.7 million was accrued and is due April 1, 2011 for an increase of $190.2 million. For PFRS the amount accrued in fiscal year 2009 and due April 1, 2011 was $854.6 million and in fiscal year 2010 $950.7 million was accrued and is due April 1, 2012 for an increase of $96.1 million.

The SHBP – State employer contributions increased by $182.6 million. This is due to higher premium rates between calendar year 2009 and 2010, increased membership in the various plans, and less fund balance utilization in year 2010 as compared to year 2009 to cover incurred claim charges. For the SHBP – Local, employer contributions increased by $139.3 million. For the SHBP – Education, employer contributions increased by $348.5 million. The increases in the SHBP – Local and the SHBP – Education are attributable to rate increases effective January 1, 2010 and higher enrollment.

Non-contributory group life insurance-state contributions for 2010 were as follows: $33.2 million for TPAF, $27.3 million for PERS, $7.3 million for PFRS, $1.0 million for JRS, and $1.0 million for SPRS. Between fiscal year 2009 and fiscal year 2010, the State's contribution toward non-contributory group life insurance coverage increased by $2.8 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 $20.7 billion or 168.5% due to appreciation of investments.

The total investment return for all pension funds was estimated to be 13.4% gain compared to 15.5% loss 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 2009 and 2010, benefit payments increased by $906.1 million or 8.4% due to an increase in the number of retirees receiving retirement and other benefits. The number of refunds processed increased by $2.1 million or 1.5% compared to last year. Administrative expenses slightly decreased by $0.3 million or 0.6%.

The change in net assets of $20.7 billion was primarily a result of the appreciation in investments from 2009 to 2010.

Overall Financial Condition of the Funds

For the defined benefit pension trust funds, the combined funded ratio is 66.0% based on the current actuarial valuation dated June 30, 2009 with an unfunded actuarial accrued liability of $45.8 billion on an actuarial basis per GASB Statement No. 25 as compared to 72.6% based on the prior year valuation with an unfunded actuarial accrued liability of $34.4 billion.

For the health benefit program funds, incurred claim charges and administrative expenses exceeded contributions received and other revenues in SHBP – Local and SHBP – Education. For the SHBP – Local, total expenses incurred exceeded total revenues recognized by $21.4 million, reducing the year-end surplus from $172.1 million to $150.7 million. For the SHBP – Education, total expenses incurred exceeded total revenues recognized by $9.6 million, reducing the year-end surplus from $403.1 million to $393.6 million. The reduction in the year-end surplus for the SHBP – Local and the SHBP – Education is due in part to enrollment higher than expected between years 2009 and 2010. The higher enrollment resulted in unfavorable claims experience. However, both funds have a sufficient reserve balance as of June 30, 2010. For the SHBP – State, revenues exceeded incurred expenses by $1.4 million, reducing the year-end deficit from $90.7 million to $89.3 million.

For the state health benefit program funds for fiscal year 2010, based on the current actuarial valuation dated June 30, 2009, the State had a $20.5 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) under GASB Statement No. 43 for the SHBP – State active and retired members and $36.3 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 $19.8 billion unfunded actuarial accrued liability for the SHBP – State active and retired members and $36.1 billion for the SHBP – Education employees and retirees. The SHBP – Local fiscal year 2010 unfunded actuarial accrued liability for OPEB based on the same actuarial valuation was $10.0 billion, and for the prior year actuarial valuation the liability was $8.8 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, 2010

	Pension Trust and State Health Benefit Program Funds	Agency Funds
Assets:		
Cash and cash equivalents	$ 23,429,977	3,300,007
Securities lending collateral	16,684,488	—
Investments, at fair value:		
Cash Management Fund	3,613,917,447	27,748,115
Common Pension Fund A	15,580,525,662	—
Common Pension Fund B	23,457,451,191	—
Common Pension Fund D	12,864,724,694	—
Common Pension Fund E	10,859,313,630	—
Common stocks	117,742,419	—
Mortgages	1,418,160,310	—
U.S. Government obligations	367,895,678	—
Domestic equities	938,878,304	—
International equities	145,530,024	—
Other fixed income securities	509,629,453	—
Total investments	69,873,768,812	27,748,115
Receivables:		
Contributions:		
Members	179,471,923	—
Employers	4,219,743,176	1,239,922
Accrued interest and dividends	383,277,031	—
Members' loans	1,123,628,729	—
Securities sold in transit	12,166,417	—
Other	19,741,417	26,809,927
Total receivables	5,938,028,693	28,049,849
Total assets	$ 75,851,911,970	59,097,971
Liabilities:		
Accounts payable and accrued expenses	$ 565,560,938	52,440,276
Retirement benefits payable	609,401,027	—
Non-contributory group insurance premiums payable	12,249,591	—
Cash overdraft	—	1,131,149
Assets held for local contributing employers	—	3,535,187
Pension adjustment payroll payable	—	473,221
Due to State of New Jersey	—	967,648
Due to other funds	—	550,490
Securities lending collateral and rebates payable	16,531,983	—
Total liabilities	1,203,743,539	59,097,971
Net assets:		
Held in trust for pension and health benefits	$ 74,648,168,431	—

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, 2010

	Alternate Benefit Long-term Disability Fund	Central Pension Fund	Consolidated Police and Firemen's Pension Fund	Deferred Compensation 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	$ —	46,622	152,685	1,053	101,899	5,763,447	259,605	6,431,950	367,042	7,675	5,951,038	35,090	1,667,853	2,644,018	23,429,977
Securities lending collateral	—	—	—	—	52,264	4,292,198	—	5,681,787	398,837	—	6,259,402	—	—	—	16,684,488
Investments, at fair value:															
Cash Management Fund	1,277,722	5,922	8,195,841	86,691,426	6,009,657	858,161,248	10,770,466	1,187,319,919	39,068,404	18,418,296	631,830,152	40,266,095	183,241,381	542,660,918	3,613,917,447
Common Pension Fund A	—	—	—	—	34,547,685	4,455,622,370	—	5,282,983,256	342,364,212	—	5,465,008,139	—	—	—	15,580,525,662
Common Pension Fund B	—	—	—	—	103,554,028	5,041,808,272	—	8,067,295,289	625,286,153	—	9,619,507,449	—	—	—	23,457,451,191
Common Pension Fund D	—	—	—	—	58,324,529	3,252,936,018	—	4,090,245,864	334,229,705	—	5,128,988,578	—	—	—	12,864,724,694
Common Pension Fund E	—	—	—	—	57,168,004	2,401,803,179	—	3,338,775,863	291,607,295	—	4,769,959,289	—	—	—	10,859,313,630
Common Stocks	—	—	—	—	—	—	—	—	—	117,742,419	—	—	—	—	117,742,419
Mortgages	—	—	119,390	—	1,346,071	1,338,985,275	84,548	34,386,191	2,163,414	—	41,075,421	—	—	—	1,418,160,310
U.S. government obligations	—	—	—	367,895,678	—	—	—	—	—	—	—	—	—	—	367,895,678
Domestic equities	—	—	—	938,878,304	—	—	—	—	—	—	—	—	—	—	938,878,304
International equities	—	—	—	145,530,024	—	—	—	—	—	—	—	—	—	—	145,530,024
Other fixed income securities	—	—	—	509,629,453	—	—	—	—	—	—	—	—	—	—	509,629,453
Total investments	1,277,722	5,922	8,315,231	2,048,624,885	260,949,974	17,349,316,362	10,855,014	22,001,006,382	1,634,719,183	136,160,715	25,656,369,028	40,266,095	183,241,381	542,660,918	69,873,768,812
Receivables:															
Contributions:															
Members	—	—	—	—	15,209	45,062,645	—	55,035,026	776	432,762	78,257,903	929,649	(263,631)	1,584	179,471,923
Employers	—	12,069	—	—	26,500	2,085,862,363	—	1,908,760,883	386,631	—	74,494,876	49,725,061	54,729,741	45,745,052	4,219,743,176
Accrued interest and dividends	—	1	575	1,290,955	1,494,836	92,153,743	—	128,841,554	9,654,043	251,388	149,589,936	—	—	—	383,277,031
Members' loans	—	—	—	—	1,222,317	388,256,691	—	493,535,074	22,970,445	—	217,644,202	—	—	—	1,123,628,729
Securities sold in transit	—	—	—	—	—	12,166,417	—	—	—	—	—	—	—	—	12,166,417
Other	266,031	—	952,793	—	1,320,069	4,367,177	87,967	6,739,826	210,757	15,801	4,159,840	417,136	483,252	720,768	19,741,417
Total receivables	266,031	12,070	953,368	1,290,955	4,078,931	2,627,869,036	87,967	2,592,912,363	33,222,652	699,951	524,146,757	51,071,846	54,949,362	46,467,404	5,938,028,693
Total assets	$ 1,543,753	64,614	9,421,284	2,049,916,893	265,183,068	19,987,241,043	11,202,586	24,606,032,482	1,668,707,714	136,868,341	26,192,726,225	91,373,031	239,858,596	591,772,340	75,851,911,970
Liabilities:															
Accounts payable and accrued expenses	$ —	43,542	36,022	1,334,638	70,617	3,130,086	4,789	51,876,033	425,256	117,350	40,531,632	180,646,792	89,122,687	198,221,494	565,560,938
Retirement benefits payable	—	21,072	624,527	—	3,510,169	133,450,778	179,429	209,352,691	11,692,338	565,636	250,004,387	—	—	—	609,401,027
Non-contributory group insurance premiums payable	—	—	—	—	26,500	2,269,382	—	6,461,575	—	—	3,492,134	—	—	—	12,249,591
Securities lending collateral and rebates payable	—	—	—	—	51,790	4,252,981	—	5,629,777	395,196	—	6,202,239	—	—	—	16,531,983
Total liabilities	—	64,614	660,549	1,334,638	3,659,076	143,103,227	184,218	273,320,076	12,512,790	682,986	300,230,392	180,646,792	89,122,687	198,221,494	1,203,743,539
Net assets held in trust for pension and health benefits	$ 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

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, 2010

	Pension Trust and State Health Benefit Program Funds
Additions:	
Contributions:	
Members	$ 2,107,837,083
Employers	6,115,482,882
Other	5,899,069
Total contributions	8,229,219,034
Investment income:	
Net appreciation in fair value of investments	6,295,441,550
Interest	1,789,740,036
Dividends	350,835,602
	8,436,017,188
Less investment expense	12,931,217
Net investment income	8,423,085,971
Total additions	16,652,305,005
Deductions:	
Benefits	11,711,660,433
Refunds of contributions	145,884,498
Administrative and miscellaneous expenses	50,505,040
Total deductions	11,908,049,971
Change in net assets	4,744,255,034
Net assets held in trust for pension and health benefits:	
Beginning of year	69,903,913,397
End of year	$ 74,648,168,431

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, 2010

	Alternate Benefit Long-term Disability Fund	Central Pension Fund	Consolidated Police and Firemen's Pension Fund	Deferred Compensation 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	$ —	—	—	171,382,135	3,054,881	330,951,798	—	743,486,792	18,825,131	7,119,188	615,862,621	129,327,188	37,238,154	50,589,195	2,107,837,083
Employers	2,766,031	179,863	13,236	—	2,308,854	1,001,223,223	—	919,999,429	1,235,580	—	42,850,384	1,565,752,304	745,264,983	1,833,888,995	6,115,482,882
Other	—	22,018	4,830,461	—	—	—	1,046,590	—	—	—	—	—	—	—	5,899,069
Total contributions	2,766,031	201,881	4,843,697	171,382,135	5,363,735	1,332,175,021	1,046,590	1,663,486,221	20,060,711	7,119,188	658,713,005	1,695,079,492	782,503,137	1,884,478,190	8,229,219,034
Investment income:															
Net appreciation (depreciation) in fair value of investments	—	—	557	157,217,340	28,776,136	1,466,339,195	(1,245)	1,989,932,958	161,153,898	13,150,932	2,478,871,675	12	25	67	6,295,441,550
Interest	12,970	484	41,540	5,190,948	7,133,346	450,487,844	57,265	602,113,605	44,889,578	68,928	675,474,508	489,428	1,485,477	2,294,115	1,789,740,036
Dividends	—	—	—	6,912,323	1,237,053	92,716,111	—	111,654,282	8,529,047	2,841,708	126,945,078	—	—	—	350,835,602
	12,970	484	42,097	169,320,611	37,146,535	2,009,543,150	56,020	2,703,700,845	214,572,523	16,061,568	3,281,291,261	489,440	1,485,502	2,294,182	8,436,017,188
Less: investment expense	—	—	6,874	247,667	14,979	1,303,869	2,448	7,395,195	93,389	—	3,866,796	—	—	—	12,931,217
Net investment income	12,970	484	35,223	169,072,944	37,131,556	2,008,239,281	53,572	2,696,305,650	214,479,134	16,061,568	3,277,424,465	489,440	1,485,502	2,294,182	8,423,085,971
Total additions	2,779,001	202,365	4,878,920	340,455,079	42,495,291	3,340,414,302	1,100,162	4,359,791,871	234,539,845	23,180,756	3,936,137,470	1,695,568,932	783,988,639	1,886,772,372	16,652,305,005
Deductions:															
Benefits	2,766,031	199,294	7,495,068	70,838,765	41,232,511	1,573,510,855	2,063,123	2,454,726,725	138,522,502	9,955,917	3,028,193,433	1,688,667,480	802,633,222	1,890,855,507	11,711,660,433
Refunds of contributions	—	3,071	—	—	174,362	5,615,160	—	97,951,726	194,956	—	41,945,223	—	—	—	145,884,498
Administrative and miscellaneous expenses	—	—	8,200	456,124	192,762	6,080,086	5,591	17,212,705	527,871	—	12,323,809	5,479,157	2,739,578	5,479,157	50,505,040
Total deductions	2,766,031	202,365	7,503,268	71,294,889	41,599,635	1,585,206,101	2,068,714	2,569,891,156	139,245,329	9,955,917	3,082,462,465	1,694,146,637	805,372,800	1,896,334,664	11,908,049,971
Net increase (decrease)	12,970	—	(2,624,348)	269,160,190	895,656	1,755,208,201	(968,552)	1,789,900,715	95,294,516	13,224,839	853,675,005	1,422,295	(21,384,161)	(9,562,292)	4,744,255,034
Net assets held in trust for pension and health benefits:															
Beginning of year	1,530,783	—	11,385,083	1,779,422,065	260,628,336	18,088,929,615	11,986,920	22,542,811,691	1,560,900,408	122,960,516	25,038,820,828	(90,696,056)	172,120,070	403,113,138	69,903,913,397
End 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

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 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)
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 and CPF, 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, 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. 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 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 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 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.

This new legislation 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 Defined Contribution Retirement Program.

(Continued)

Membership and Contributing Employers

Membership and contributing employers of the pension trust funds consisted of the following at June 30, 2009, the date of the most recent actuarial valuations. Membership of the health benefit program funds for OPEB is based on the valuation dated June 30, 2009, and its participating employer count is from the Division's internal data base as of June 30, 2010. Member counts of SACT, CPF, NJSEDCP, and ABPLTD are based on non-actuarial system as of June 30, 2010:

	JRS	CPFPF	PFRS	POPF	PERS	SPRS
Retiree members:						
Retirees and beneficiaries receiving benefits currently	482	446	34,303	155	137,186	2,585
Terminated employees entitled to benefits but not yet receiving them	3	—	61	—	1,433	—
Total retiree members	485	446	34,364	155	138,619	2,585
Active members:						
Vested	207	—	29,400	—	144,698	1,745
Nonvested	215	—	15,750	—	172,151	1,271
Total active members	422	—	45,150	—	316,849	3,016
Total	907	446	79,514	155	455,468	5,601
Contributing employers	1	82	589	1	1,700	1

	TPAF	SACT	CPF	NJSEDCP	ABPLTD	SHBP
Retiree members:						
Retirees and beneficiaries receiving benefits currently	78,214	499	10	3,683	—	196,334
Terminated employees entitled to benefits but not yet receiving them	568	—	—	—	—	—
Total retiree members	78,782	499	10	3,683	—	196,334
Active members:						
Vested	78,829	3,531	—	40,304	146	419,568
Nonvested	78,280	—	—	—	—	—
Total active members	157,109	3,531	—	40,304	146	419,568
Total	235,891	4,030	10	43,987	146	615,902
Contributing employers	35	—	1	—	1	514

(Continued)

Membership in the agency funds administered by the Division consisted of the following as of June 30, 2010:

	State	Local	Total
Dental Expense Program Fund**	115,762	42,171	157,933
Alternate Benefit Program Fund***	18,351	2,983	21,334
Pension Adjustment Fund	116,015	111,298	227,313

** 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, Foreign and Corporate obligations – prices quoted by a major dealer in such securities.
- Common Stock and Equity Funds, Foreign Equity Securities, Forward Foreign Exchange Contracts – closing prices as reported on the primary market or exchange on which they trade.
- Money Market Instruments – amortized cost which approximates fair value.

- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.
- 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. For Common Funds A and B, in the event that the market value of the collateral falls below 101% of the market value of all the outstanding loaned securities to an individual borrower, additional collateral shall be transferred by the borrower to the respective funds no later than the close of the next business day so that the market value of such additional collateral, when added to the market value of the other collateral, shall equal 102% of the market value of the loaned securities. For Common Fund D, in the event that the market value of the collateral falls below the collateral requirement of either 102% or 105% (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. The securities lending contracts do not allow the Common Funds to pledge or sell any collateral securities unless the borrower defaults. As of June 30, 2010, 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 or fail to pay the Common Funds for income distributions on the securities while they are on loan. The Common Fund D securities lending agent also indemnifies the Common Funds for any loss of principal or interest on the invested collateral. For any losses on the investment collateral in Common Funds A or B or other pension plan portfolios, the lending fee paid to the lending agent shall be reduced by 25% of the amount of such loss, up to an amount not to exceed 75% of the previous six months' securities lending fees. 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 (or, in the case of floating rate notes, to the next interest rate reset date) of the cash collateral. The current lending programs were terminated effective June 30, 2010.

Derivatives

Effective July 1, 2009, the Division of Investment adopted GASB Statement No. 53 ("GASB 53"), *Accounting and Financial Reporting for Derivative Instruments*, which was issued in June 2008. GASB No. 53, establishes accounting and reporting requirements for derivative instruments.

The implementation of GASB 53 had no impact on the Common Funds' financial statements for the year ended June 30, 2010, as the change in the fair value of derivative instruments was recorded in the accompanying financial statements. The derivative instruments were recorded at fair value in the accompanying financial statements as of June 30, 2010. Derivative instruments consisted of foreign forward currency contracts as of June 30, 2010. Derivative instruments within alternative investment funds and partnerships are discussed further in the notes.

This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. A derivative security is an investment whose payoff depends upon the value of other assets such as bond and stock prices, a market index, or commodity prices. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can often be used as effective risk management or investment tools. Derivative instruments, however, can also expose governments to significant risks and liabilities. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms.

Market risk is the possibility that a change in market prices or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward foreign currency contracts, and futures contracts.

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, 2010 was as follows:

Forward currency receivable	$	1,950,687,029
Forward currency payable		1,964,107,355
Net unrealized loss		(13,420,326)

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 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. The Common Funds recognize the fair value of all derivative instruments as either an asset or liability in the accompanying financial statements with the offsetting gains or losses recognized in earnings.

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 3.33% per year for year 2009 and 3.25% for year 2010.

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, 2010, the Common Funds had unfunded commitments totaling approximately $5.6 billion.

(Continued)

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 June 30, 2009 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 (5.74%), 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 June 30, 2009 are as follows:

	JRS	CPFPF	PFRS - State	PFRS - Local	POPF
Actuarial valuation date	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009
Actuarial value of assets	$ 354,399,646	$ 13,515,949	$ 2,254,766,935	$ 20,724,453,343	$ 11,986,919
Actuarial accrued liability	594,043,375	14,024,132	3,993,259,480	28,448,841,765	6,136,441
Unfunded (overfunded) actuarial accrued liability	239,643,729	508,183	1,738,492,545	7,724,388,422	(5,850,478)
Funded ratio	59.7%	96.4%	56.5%	72.8%	195.3%
Covered payroll	$ 70,133,372	N/A	$ 525,862,047	$ 3,147,812,476	N/A
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	341.7%	N/A	330.6%	245.4%	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 percent, open	Level dollar, closed	Level percent, open	Level percent, open	Level dollar, closed
Payroll growth rate for amortization	4.00%	N/A	4.00%	4.00%	N/A
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	1.80%	N/A	1.80%	1.80%	N/A

	PERS - State	PERS - Local	SPRS	TPAF
Actuarial valuation date	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009
Actuarial value of assets	$ 10,692,585,100	$ 18,165,648,669	$ 2,063,962,877	$ 34,838,211,259
Actuarial accrued liability	18,947,194,579	25,523,208,576	2,825,455,568	54,576,061,024
Unfunded (overfunded) accrued liability	8,254,609,479	7,357,559,907	761,492,691	19,737,849,765
Funded ratio	56.4%	71.2%	73.0%	63.8%
Covered payroll	$ 4,627,092,235	$ 7,368,354,906	$ 287,267,502	$ 9,747,020,000
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	178.4%	99.9%	265.1%	202.5%
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 percent, open	Level percent, open	Level percent, open	Level percent, open
Payroll growth rate for amortization	4.00%	4.00%	4.00%	4.00%
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%	5.74%
Cost-of-living adjustments	1.80%	1.80%	1.80%	1.80%

	SHBP-State	SHBP-Local	SHBP-Education
Actuarial valuation date	June 30, 2009	June 30, 2009	June 30, 2009
Actuarial value of assets	$ —	$ —	$ —
Actuarial accrued liability	20,461,400,000	10,010,400,000	36,321,100,000
Unfunded (overfunded) actuarial accrued liability	20,461,400,000	10,010,400,000	36,321,100,000
Funded ratio	—	—	—
Covered payroll	$ 7,493,198,538	$ 2,607,200,000	$ 13,301,201,462
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	273.1%	384.0%	273.1%
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
Payroll growth rate for amortization	4.00%	4.00%	4.00%
Remaining amortization period	30 years	30 years	30 years
Actuarial assumptions:			
Interest rate	4.5% (assuming no prefunding)	4.5% (assuming no prefunding)	4.5% (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 8.5% or 9.5% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after ten years. For prescription drug benefits, the initial healthcare cost trend rate assumption is 10.5%, decreasing to a 5.0% long-term trend rate after eleven years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 5.0% throughout ten years.

(3) Investments

The pension funds' investments as of June 30, 2010 are as follows:

Cash management funds	$	3,641,665,562
Domestic equities		16,488,740,691
International equities		12,768,261,159
Domestic fixed income		19,933,985,342
International fixed income		2,502,077,223
Bank loan funds		1,071,419,455
Police and Firemen's mortgages		1,305,728,863
Private equity funds		4,219,334,445
Real estate funds		1,875,718,683
Absolute return strategy funds		3,377,238,284
Real assets		997,115,205
U.S. government and agency obligations		367,895,678
Other fixed income securities		509,629,453
Other		842,706,884
	$	69,901,516,927

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 Cash Management Fund 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 (3)
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 (2)(3); 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 (4)	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 (5)	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 (6)	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 (4)	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 (4)	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 December 15, 2008, this restriction only applied to maturities exceeding 12 months.
(3) Prior to December 15, 2008, this restriction applied to debt only.
(4) Effective December 15, 2008.
(5) Prior to December 15, 2008, the minimum rating requirements were A3 (Moody's) and A- (S&P and Fitch).
(6) Prior to October 19, 2009, this was restricted to NJ State & Municipal obligations.

Effective December 15, 2008, 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. Prior to that, the limitation excluded bank loans and non-convertible preferred stock.

(Continued)

For securities in the fixed income portfolio, the following tables disclose aggregate market value, by major credit quality rating category as of June 30, 2010. The first table is for bonds rated by Moody's. The second table uses S&P and Fitch ratings for bonds not rated by Moody's.

(In thousands)	Moody's rating									
	Aaa	Aa	A	Baa	Ba	B	Ca	Caa	P-1	Totals
United States treasury TIPS	$ 3,624,882	—	—	—	—	—	—	—	—	3,624,882
United States treasury bonds	2,225,068	43	62	—	—	—	—	—	—	2,225,173
United States government strips	867,809	—	—	—	—	—	—	—	—	867,809
Federal agency obligations	630,762	17	163,738	—	656	—	—	—	—	795,173
Mortgages/FHLMC/FNMA/GNMA	658,973	—	—	—	—	—	—	—	—	658,973
International corporate obligations	—	85,637	624,046	549,017	82,223	30,124	1,540	4,974	—	1,377,561
International bonds and notes	83,516	143,872	—	—	—	—	—	—	—	227,388
Foreign government obligations	163,396	554,284	—	—	—	—	—	—	—	717,680
Corporate obligations	788,336	965,202	4,085,292	3,435,516	307,684	223,560	3,184	43,490	—	9,852,264
SBA passthrough certificates	168,876	—	—	—	1,919	57	—	—	—	170,852
Other	208,339	799,083	517,141	689	45	—	—	47,250	3,167	1,575,714
	$ 9,419,957	2,548,138	5,390,279	3,985,222	392,527	253,741	4,724	95,714	3,167	22,093,469

(In thousands)	Standard & Poor's & Fitch ratings							
	Standard & Poor's						Fitch	
	A	AA	B	BB	BBB	CCC	B	Totals
International corporate obligations	$ —	—	2,788	920	—	213	—	3,921
Foreign government obligations	26,970	109,006	—	—	—	—	—	135,976
Corporate obligations	28,098	83,426	27,782	22,410	135,629	4,034	—	301,379
SBA passthrough certificates	—	—	1,990	760	—	—	—	2,750
Asset backed obligations	—	203,810	—	—	—	—	—	203,810
Other	87,458	100,644	—	—	—	—	45,956	234,058
	$ 142,526	496,886	32,560	24,090	135,629	4,247	45,956	881,894

The above tables do not include certain domestic and international corporate obligations including certain exchange traded funds (ETFs) totaling $321,336,486 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 $16,889,141, Police and Firemen's mortgages totaling $1,305,728,863 and the Cash Management Fund totaling $3,641,665,562 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, 2010:

(In thousands)		Maturities in years				
Fixed income investment type	**Total fair value**	**Less than 1**	**1-5**	**6-10**	**More than 10**	**Unknown**
United States treasury TIPS	$ 3,624,882	—	264	—	3,624,618	—
United States treasury bonds	2,225,173	2,059	109,975	144,288	1,968,851	—
United States government strips	867,809	—	—	—	867,809	—
Federal agency obligations	795,172	3,893	25,306	106,355	659,618	—
Mortgages/FHLMC/FNMA/GNMA	658,973	306	25,982	2,150	630,535	—
International corporate obligations	1,382,009	43	13,574	250,082	1,118,310	—
International bonds and notes	246,342	—	77,905	168,437	—	—
Foreign government obligations	873,729	—	126,917	274,742	472,070	—
Corporate obligations	10,195,098	75,960	703,329	2,751,373	6,664,436	—
Police & firemen's mortgages	1,305,728	—	1,870	89,053	1,214,805	—
SBA passthrough certificates	173,602	57	502	172,785	258	—
Asset backed obligations	275,677	—	—	16,966	258,711	—
Other	1,811,593	4,748	98,569	27,769	1,679,102	1,405
	$ 24,435,787	87,066	1,184,193	4,004,000	19,159,123	1,405

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The pension funds invest in global markets. 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 $1.95 billion and payables totaling approximately $1.96 billion (with a $13.0 million net exposure) as of June 30, 2010. The pension funds had the following foreign currency exposure as of June 30, 2010 (expressed in U.S. dollars):

(In thousands) Currency		Total fair value	Equities	Alternative investments
Australian dollar	$	690,104	690,104	—
Brazilian reais		168,791	168,791	—
Canadian dollar		893,344	893,344	—
Chilean peso		791	791	—
Czech koruna		3,878	3,878	—
Danish krone		188,157	188,157	—
Egyptian pound		30,860	30,860	—
Euro		2,876,758	2,663,080	213,678
Hong Kong dollar		510,708	510,708	—
Hungarian forint		12,019	12,019	—
Indonesian rupiah		55,309	55,309	—
Israeli shekel		4,010	4,010	—
Japanese yen		3,019,151	3,019,151	—
Malaysian ringgit		22,689	22,689	—
Mexican new peso		34,952	34,952	—
Norwegian krone		86,119	86,119	—
Pakistan rupee		5,392	5,392	—
Philippine peso		6,424	6,424	—
Polish zloty		16,930	16,930	—
Russian rubble		4,270	4,270	—
Singapore dollar		219,830	219,830	—
South African rand		126,938	126,938	—
South Korean won		183,947	183,947	—
Swedish krona		291,689	291,689	—
Swiss franc		788,121	788,121	—
Taiwan new dollar		14,517	14,517	—
Thai bat		33,255	33,255	—
Turkish lira		53,476	53,476	—
U.K. sterling		1,229,832	1,217,387	12,445
US dollar		5,350	5,350	—
Other		10,760	10,760	—
	$	11,588,371	11,362,248	226,123

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 August 18, 2008, Council regulations provide that not more than 28% of the market value of the pension funds can be invested in alternative investments, with the individual categories of real estate, real assets, private equity and absolute return strategy investments limited to 7%. Prior to that, the overall limitation was 18%. 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 credit risk, concentration of credit risk, and interest rate risk. Agreements with the lending agents require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue. These limits are consistent with Council regulations and internal policies for funds managed by the Division of Investment; from time to time the Division of Investment may impose more stringent policies based on market conditions.

Effective December 15, 2008, the following limits became effective:

	Minimum rating			Limitation of issuer's outstanding debt	Limitation of issue	
Category	**Moody's**	**S&P**	**Fitch**	**debt**	**of issue**	**Other limitations**
Corporate obligations	A2	A	A	10%	25%	—
Collateralized notes and mortgages	Aa	AA	AA	—	25%	Limited to not more than 10% of the assets of the collateral portfolio
Commercial paper	P-1	A-1	F1	—	—	Dollar limits by issuer
Certificates of deposit/ Banker's acceptances:						Certificates of deposit and banker's acceptances' cannot exceed 10% of issuer's primary capital; dollar limits by issuer
Domestic	A2/P-1	A/A-1	A/F1	—	—	
International	Aa3/P-1	AA-/A-1	AA-/F1	—	—	
Guaranteed income contracts and funding agreements	A2	A	A	—	—	Limited to 5% of the assets of the collateral portfolio
Money market funds	—	—	—	—	—	Limited to 10% of the assets of the collateral portfolio; limited to approved money market funds

Effective December 15, 2008, all investments in the collateral portfolio matured or were redeemed within one year. Effective October 9, 2009 all investments in the collateral portfolio were limited to a final maturity term of 30 days from date of purchase.

Commercial paper maturities cannot exceed 270 days. Repurchase agreement maturities cannot exceed 30 days. Certificates of deposit and banker's acceptances must mature in one year or less.

The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies, collateralized notes and mortgages and corporate obligations meeting certain minimum rating criteria.

Total exposure to any individual issuer is limited, except for U.S. Treasury and Government agency obligations. For money market funds, the total amount of shares or units purchased or acquired of any money market fund shall not exceed 5% of the shares or units outstanding of said money market fund. For Collateralized notes and mortgages, not more than 2% and 5% of the assets of the collateral portfolio shall be invested in the obligations of any one issuer and issue, respectively. For guaranteed income contracts and funding agreements, the total investment in any one issuer shall be limited to 2.5% of the collateral portfolio.

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, 2010.

(In thousands)	Rating Aaa/AAA	Rating Not rated	Totals
Repurchase agreements	$ —	16,669	16,669
Money market funds	5	5	10
Cash	—	5	5
Totals	$ 5	16,679	16,684

As of June 30, 2010, the pension funds had outstanding loaned investment securities with an aggregate market value of $9,229,063. The program was terminated effective June 30, 2010 and all loaned securities and collateral were subsequently returned. 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. The State of New Jersey is required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and non-contributory death benefits.

The State did not make a pension contribution for fiscal year 2010 but did make a contribution of $1.0 million for Non-contributory Group Insurance (NCGI) death benefits and other miscellaneous items that were due 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 – CPFPF

There are no active members in the CPFPF.

The State did not make any contribution for fiscal year 2010. Local employers contributed $13.2 thousand representing administrative fees billed to various locations in fiscal year 2010.

Contribution Requirements – PFRS

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits (see significant legislation under note 2). Members contribute at a uniform rate of 8.5% of base salary.

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 2010 but did make a contribution of $7.3 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 the system from the State and the local employers. 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 2010.

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. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits (see significant legislation under note 2).

Chapter 103, P.L. 2007 also 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 PERS cannot exceed the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act.

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 2010 but did make a contribution of $27.3 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 the system from the State and the local employers. 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. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and non-contributory death benefits.

The State did not make a pension contribution for fiscal year 2010 but did make a contribution of $1.0 million for NCGI death benefits and other miscellaneous items that were due 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 – 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. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits.

Chapter 103, P.L. 2007 also 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.

The State did not make a pension contribution for fiscal year 2010 but did make a contribution of $33.2 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 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, 2010 was $179.9 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 $1.6 billion, including administrative revenue of $4.1 million, for fiscal year 2010.

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 board of educations 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.

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 $745.3 million, including administrative revenue of $2.0 million, for fiscal year 2010.

(Continued)

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 board of educations 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.

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 $1.8 billion, including administrative revenue of $4.7 million, for fiscal year 2010.

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 board of educations 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.

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 – 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 $2.8 million for fiscal year 2010.

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 $148.6 million, excluding NCGI of $14.2 million and short-term disability of $2.7 million, for fiscal year 2010.

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 $1.3 million for fiscal year 2010.

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 $34.0 million, excluding administrative revenue of $12.2 thousand, for fiscal year 2010. The local contribution was $2.5 million for fiscal year 2010.

(Continued)

(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.

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. Members are always fully vested in their own contributions.

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

Vesting and Benefit Provisions – PFRS

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

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

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

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

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. For new members of PFRS, 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).

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions – PERS

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

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

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

Chapter 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.

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; 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 PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of 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 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 new 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.

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Vesting and Benefit Provisions – SPRS

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

Members are always fully vested for their own contributions.

Chapter 1, P.L. 2010, effective May 21, 2010, for new members of SPRS, 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. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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

Chapter 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.

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.

Vesting and Benefit Provisions – SACT

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

Benefit Provisions – CPF

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

Vesting and Benefit Provisions – 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.

Benefit Provisions – ABPLTD

Members who are totally disabled due to an occupational or nonoccupational 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.

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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 Program 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 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.

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 ($40,420,198); TPAF ($9,151,924,963); PERS ($10,580,599,933); PFRS ($3,075,484,919); SPRS ($188,624,395)

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 ($38,781,839); TPAF ($-14,689,465,856); PERS ($-9,975,575,872); SPRS ($900,154,991)

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 life insurance premiums and administrative expenses are made from this Fund.

Retirement Reserve Fund – JRS ($182,321,955); TPAF ($31,300,925,627); PERS ($22,959,958,473); PFRS ($18,599,167,672); SPRS ($567,415,538)

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 2010) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund – POPF ($11,018,368)

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 ($129,111,099); PERS ($332,502,600)

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 ($55,135,640); PFRS – Local ($39,774,119)

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 ($-1,870,288,894)

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 life insurance premiums and administrative expenses are made from this Fund.

Pension Reserve Fund – CPFPF ($8,760,735)

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

Reserve Fund – Alternate Benefit – Long Term Disability ($1,543,753)

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

Benefit Enhancement Reserve Fund – PERS – Local ($380,091,632)

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) ($-89,273,761)

Due to ongoing budget constraints, the State has not made the full required premium contributions for active members over the past several years resulting in a negative fund balance. However, the fund has received sufficient State appropriations to maintain a positive cash balance in order to pay all benefit obligations on a timely basis.

Reserve Fund – SHBP – Local (including PDP – Local) ($150,735,909)

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) ($393,550,846)

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, 2010 as described previously are as follows:

		Pension Trust Funds	Health Benefit Program Funds
Members' Annuity Savings Fund and Accumulative Interest Fund	$	23,037,054,408	—
Contingent Reserve Fund		(23,726,104,898)	—
Retirement Reserve Fund		73,620,807,633	—
Contributory Group Insurance Premium Fund		461,613,699	—
Non-Contributory Group Insurance Premium Fund		94,909,759	—
Pension Accumulation Fund		(1,870,288,894)	—
Pension Reserve Fund		8,760,735	—
Reserve Fund		1,543,753	455,012,994
Benefit Enhancement Reserve Fund		380,091,632	—
Variable Accumulation Reserve Account (SACT/DCP)		2,162,912,533	—
Variable Benefits Reserve Account (SACT)		21,855,077	—
	$	74,193,155,437	455,012,994

(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.

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)
Judicial Retirement System (JRS)								
June 30, 2004	$	371,730,163	445,922,358	74,192,195	83.4%	$	61,576,750	120.5%
June 30, 2005		369,491,366	466,145,912	96,654,546	79.3		60,506,750	159.7
June 30, 2006		369,493,799	493,778,007	124,284,208	74.8		62,492,250	198.9
June 30, 2007		379,364,939	524,970,330	145,605,391	72.3		63,144,685	230.6
June 30, 2008		380,964,713	553,284,647	172,319,934	68.9		67,159,516	256.6
June 30, 2009		354,399,646	594,043,375	239,643,729	59.7		70,133,372	341.7
Consolidated Police and Firemen's Pension Fund (CPFPF)								
June 30, 2004	$	21,735,396	35,052,202	13,316,806	62.0%		N/A	N/A
June 30, 2005		21,886,445	30,031,591	8,145,146	72.9		N/A	N/A
June 30, 2006		22,453,828	24,749,667	2,295,839	90.7		N/A	N/A
June 30, 2007		19,336,247	21,090,186	1,753,939	91.7		N/A	N/A
June 30, 2008		15,705,984	17,319,488	1,613,504	90.7		N/A	N/A
June 30, 2009		13,515,949	14,024,132	508,183	96.4		N/A	N/A
Police and Firemen's Retirement System (PFRS)								
State:								
June 30, 2004	$	1,940,936,459	2,509,192,584	568,256,125	77.4%	$	450,406,301	126.2%
June 30, 2005		2,005,752,079	2,815,620,221	809,868,142	71.2		482,460,402	167.9
June 30, 2006		2,082,930,162	3,082,176,677	999,246,515	67.6		506,084,434	197.4
June 30, 2007		2,215,697,407	3,426,631,813	1,210,934,406	64.7		527,556,519	229.5
June 30, 2008		2,316,017,361	3,749,118,910	1,433,101,549	61.8		527,495,741	271.7
June 30, 2009		2,254,766,935	3,993,259,480	1,738,492,545	56.5		525,862,047	330.6
Local:								
June 30, 2004	$	16,762,453,668	19,769,046,766	3,006,593,098	84.8%	$	2,524,859,162	119.1%
June 30, 2005		17,372,138,294	21,388,972,326	4,016,834,032	81.2		2,619,347,468	153.4
June 30, 2006		18,281,315,556	22,907,522,660	4,626,207,104	79.8		2,772,915,465	166.8
June 30, 2007		19,500,229,156	24,562,195,443	5,061,966,287	79.4		2,932,283,180	172.6
June 30, 2008		20,437,541,909	26,871,106,532	6,433,564,623	76.1		3,068,758,436	209.6
June 30, 2009		20,724,453,343	28,448,841,765	7,724,388,422	72.8		3,147,812,476	245.4
Prison Officers' Pension Fund (POPF)								
June 30, 2004	$	15,884,428	10,060,710	(5,823,718)	157.9%		N/A	N/A
June 30, 2005		14,783,465	9,077,157	(5,706,308)	162.9		N/A	N/A
June 30, 2006		14,014,718	8,236,295	(5,778,423)	170.2		N/A	N/A
June 30, 2007		13,499,361	7,378,386	(6,120,975)	183.0		N/A	N/A
June 30, 2008		12,890,441	6,789,017	(6,101,424)	189.9		N/A	N/A
June 30, 2009		11,986,919	6,136,441	(5,850,478)	195.3		N/A	N/A

(Continued)

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:								
June 30, 2004	$	10,693,508,592	12,620,379,435	1,926,870,843	84.7%	$	3,751,765,096	51.4%
June 30, 2005		10,631,348,826	13,432,528,883	2,801,180,057	79.1		4,028,028,170	69.5
June 30, 2006		10,668,645,162	14,797,684,446	4,129,039,284	72.1		4,253,564,219	97.1
June 30, 2007		11,024,255,608	16,028,875,601	5,004,619,993	68.8		4,434,933,181	112.8
June 30, 2008		11,200,668,671	17,072,702,680	5,872,034,009	65.6		4,609,019,779	127.4
June 30, 2009		10,692,585,100	18,947,194,579	8,254,609,479	56.4		4,627,092,235	178.4
Local:								
June 30, 2004	$	16,414,022,003	17,077,938,057	663,916,054	96.1%	$	6,140,413,756	10.8%
June 30, 2005		16,482,040,944	18,341,857,304	1,859,816,360	89.9		6,416,265,644	29.0
June 30, 2006		16,699,827,172	20,273,979,840	3,574,152,668	82.4		6,730,309,209	53.1
June 30, 2007		17,690,520,507	21,764,214,593	4,073,694,086	81.3		6,983,534,635	58.3
June 30, 2008		18,217,749,414	23,173,183,973	4,955,434,559	78.6		7,206,781,046	68.8
June 30, 2009		18,165,648,669	25,523,208,576	7,357,559,907	71.2		7,368,354,906	99.9
State Police Retirement System (SPRS)								
June 30, 2004	$	1,897,525,210	1,949,309,641	51,784,431	97.3%	$	223,552,154	23.2%
June 30, 2005		1,922,443,732	2,075,266,080	152,822,348	92.6		241,813,372	63.2
June 30, 2006		1,970,398,511	2,319,656,532	349,258,021	84.9		263,220,592	132.7
June 30, 2007		2,066,754,160	2,485,649,230	418,895,070	83.1		275,301,995	152.2
June 30, 2008		2,127,263,509	2,609,164,869	481,901,360	81.5		281,087,566	171.4
June 30, 2009		2,063,962,877	2,825,455,568	761,492,691	73.0		287,267,502	265.1
Teachers' Pension and Annuity Fund (TPAF)								
June 30, 2004	$	34,633,790,549	40,447,690,339	5,813,899,790	85.6%	$	8,047,272,269	72.2%
June 30, 2005		34,789,389,875	43,967,927,299	9,178,537,424	79.1		8,454,072,109	108.6
June 30, 2006		35,531,294,790	46,539,868,653	11,008,573,863	76.3		8,748,623,186	125.8
June 30, 2007		36,714,578,745	49,161,247,363	12,446,668,618	74.7		9,077,628,813	137.1
June 30, 2008		36,664,627,629	51,754,814,521	15,090,186,892	70.8		9,419,083,203	160.2
June 30, 2009		34,838,211,259	54,576,061,024	19,737,849,765	63.8		9,747,020,060	202.5

(Continued)

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						
June 30, 2006	$ —	21,587,100,000	21,587,100,000	—%	N/A	N/A
June 30, 2007	—	18,417,000,000	18,417,000,000	—	N/A	N/A
June 30, 2008	—	19,850,900,000	19,850,900,000	—	$ 7,163,803,681	277.1%
June 30, 2009	—	20,461,400,000	20,461,400,000	—	7,493,198,538	273.1%
State Health Benefit Program — Local						
June 30, 2006	$ —	10,774,600,000	10,774,600,000	—%	N/A	N/A
June 30, 2007	—	9,096,600,000	9,096,600,000	—	N/A	N/A
June 30, 2008	—	8,840,500,000	8,840,500,000	—	$ 2,411,700,000	366.6%
June 30, 2009	—	10,010,400,000	10,010,400,000	—	2,607,200,000	384.0%
State Health Benefit Program — Education						
June 30, 2006	$ —	36,471,900,000	36,471,900,000	—%	N/A	N/A
June 30, 2007	—	32,232,500,000	32,232,500,000	—	N/A	N/A
June 30, 2008	—	36,062,600,000	36,062,600,000	—	$ 13,016,396,319	277.1%
June 30, 2009	—	36,321,100,000	36,321,100,000	—	13,301,201,462	273.1%

* 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 2009 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 percent, open	Level dollar, closed
Payroll growth rate for amortization	4.00%	N/A
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	1.80	N/A
Valuation date	June 30, 2009	June 30, 2009

	PFRS	POPF
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	Market value
Amortization method	Level percent, open	Level dollar, closed
Payroll growth rate for amortization	4.00%	N/A
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	1.80	N/A
Valuation date	June 30, 2009	June 30, 2009

	PERS	SPRS
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level percent, open	Level percent, open
Payroll growth rate for amortization	4.00%	4.00%
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	1.80	1.80
Valuation date	June 30, 2009	June 30, 2009

	TPAF
Actuarial cost method	Projected unit credit
Asset valuation method	5 year average of market value
Amortization method	Level percent, open
Payroll growth rate for amortization	4.00%
Remaining amortization period	30 years
Actuarial assumptions:	
Interest rate	8.25%
Salary range	5.74
Cost-of-living adjustments	1.80
Valuation date	June 30, 2009

(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 2009 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
Payroll growth rate for amortization	4.00%
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	June 30, 2009

For medical benefits, the healthcare cost trend rate assumption initially is at 8.5% or 9.5% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after ten years. For prescription drug benefits, the initial healthcare cost trend rate assumption is 10.5%, decreasing to a 5.0% long-term trend rate after eleven years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 5.0% throughout ten years.

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:				
2005	$	22,525,773	6,162,076	27.4%
2006		23,212,502	7,972,000	34.3
2007		25,174,191	13,355,587	53.1
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	2,228,000	6.8
Consolidated Police and Firemen's Pension Fund				
Year ended June 30:				
2005	$	14,329,212	7,046,000	49.2%
2006		13,854,805	6,396,222	46.2
2007		8,474,210	1,783,902	21.1
2008		2,388,591	523,000	21.9
2009		1,824,798	1,256,000	68.8
2010		1,678,690	364,000	21.7
Police and Firemen's Retirement System				
Year ended June 30:				
State:				
2005	$	161,455,508	49,326,846	30.6%
2006		200,902,193	73,541,000	36.6
2007		216,570,332	127,404,777	58.8
2008		252,836,330	133,510,475 [(5)]	52.8
2009		275,205,347	20,014,342 [(5)]	7.3
2010		343,091,276	20,147,000	5.9
Local:				
2005	$	355,229,715	132,740,650	37.4%
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 [(5)]	91.4
2009		773,029,316	696,476,702	90.1
2010		818,672,171	751,395,802	91.8
Prison Officers' Pension Fund				
Year ended June 30:				
2005	$	—	—	N/A
2006		—	—	N/A
2007		—	—	N/A
2008		—	—	N/A
2009		—	—	N/A
2010		—	—	N/A

(Continued)

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	Employer contributions[(1)(4)]	Percentage contributed
Public Employees' Retirement System[(2)]				
Year ended June 30:				
State:				
2005	$	115,017,395	463,342	0.4%
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	49,382,647	7.2
Local:				
2005	$	29,425,853	56,916,883	193.4%
2006		102,618,135	141,498,069	137.9
2007		382,344,230	242,230,174	63.4
2008		588,326,347 [(5)]	412,129,536 [(5)]	70.1
2009		663,668,287	578,581,071 [(5)]	87.2
2010		738,439,441	612,113,906	82.9
State Police Retirement System				
Year ended June 30:				
2005	$	37,943,519	187,909	0.5%
2006		47,196,900	12,941,000	27.4
2007		56,502,006	29,875,748	52.9
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	4,826,000	5.3
Teachers' Pension and Annuity Fund				
Year ended June 30:				
2005	$	883,460,483	—	—%
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	96,579,654	5.4

(Continued)

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
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
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

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 2009 actuarial valuations and the actual amounts received in fiscal year 2010. 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 2010. The financial statements and footnotes reflect the actual amounts received in 2010.

(5) 2008 and 2009 annual required contributions and employer contributions have been reduced in accordance with the provisions of the Appropriation Act for fiscal year 2008 and 2009, respectively for State contributions and Chapter 108, P.L. 2003 for local contributions.

Schedule 3

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Administrative Expenses

Year ended June 30, 2010

		PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	NJSEDCP	Total
Personnel services:										
Salaries and wages	$	7,704,969	5,653,493	2,590,668	2,011	1,892	223,987	122,676	183,205	16,482,901
Employee benefits		2,833,442	2,066,711	943,273	772	700	81,307	43,447	63,831	6,033,483
Total personnel services		10,538,411	7,720,204	3,533,941	2,783	2,592	305,294	166,123	247,036	22,516,384
Professional services:										
Actuarial services		700,000	222,000	486,730	2,229	858	34,409	5,774	—	1,452,000
Data processing		826,337	796,629	318,499	456	422	35,411	3,433	16,749	1,997,936
Information systems		1,910,307	1,578,423	705,637	701	730	72,137	7,283	—	4,275,218
Other professional (1)		82,983	43,351	16,945	66	25	1,345	170	176,060	320,945
Medical reviews (exams/hearings)		398,058	116,820	300,161	—	—	11,130	—	—	826,169
Elections		41,909	—	55,042	—	—	—	—	—	96,951
Internal audit and legal		675,028	355,933	120,271	581	232	8,483	1,394	—	1,161,922
Total professional services		4,634,622	3,113,156	2,003,285	4,033	2,267	162,915	18,054	192,809	10,131,141
Communication:										
Travel		3,536	8,910	4,896	1	—	9	1	—	17,353
Telephone		132,922	83,667	33,683	—	46	3,670	375	3,150	257,513
Postage		411,417	349,663	241,120	168	176	11,423	1,556	1,129	1,016,652
Printing and office		268,339	141,491	47,810	231	92	3,372	554	—	461,889
Total communication		816,214	583,731	327,509	400	314	18,474	2,486	4,279	1,753,407
Miscellaneous:										
Office space		849,981	732,732	313,803	533	263	35,080	4,079	—	1,936,471
Maintenance		43,042	22,695	9,334	37	15	1,541	120	—	76,784
Equipment		331,329	253,797	95,759	414	140	9,049	1,694	—	692,182
Other services and charges		—	—	—	—	—	—	—	12,000	12,000
Total miscellaneous		1,224,352	1,009,224	418,896	984	418	45,670	5,893	12,000	2,717,437
Total administrative expenses	$	17,213,599	12,426,315	6,283,631	8,200	5,591	532,353	192,556	456,124	37,118,369

(1) Portion of consulting

Schedule 4

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Investment Expense

Year ended June 30, 2010

		PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	NJSEDCP	Total
Investment expense	$	7,395,195	3,866,796	1,303,869	6,874	2,448	93,389	14,979	247,667	12,931,217

Schedule 5

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Expenses for Consultants

Year ended June 30, 2010

		PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	Total
Actuarial:									
Buck Consultants	$	700,000	—	486,730	2,229	858	34,409	5,774	1,230,000
Milliman		—	222,000	—	—	—	—	—	222,000
Medical reviews (exams/hearings)		398,058	116,820	300,161	—	—	11,130	—	826,169
Elections:									
Global support		41,909	—	55,042	—	—	—	—	96,951
Total expenses for consultants	$	1,139,967	338,820	841,933	2,229	858	45,539	5,774	2,375,120

Schedule 6

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

		Pension Trust Funds	State Health Benefit Program Funds	Total
Assets:				
Cash and cash equivalents	$	19,083,016	4,346,961	23,429,977
Securities lending collateral		16,684,488	—	16,684,488
Investments, at fair value:				
Cash Management Fund		2,847,749,053	766,168,394	3,613,917,447
Common Pension Fund A		15,580,525,662	—	15,580,525,662
Common Pension Fund B		23,457,451,191	—	23,457,451,191
Common Pension Fund D		12,864,724,694	—	12,864,724,694
Common Pension Fund E		10,859,313,630	—	10,859,313,630
Common stocks		117,742,419	—	117,742,419
Mortgages		1,418,160,310	—	1,418,160,310
U.S. government obligations		367,895,678	—	367,895,678
Domestic equities		938,878,304	—	938,878,304
International equities		145,530,024	—	145,530,024
Other fixed income securities		509,629,453	—	509,629,453
Total investments		69,107,600,418	766,168,394	69,873,768,812
Receivables:				
Contributions:				
Members		178,804,321	667,602	179,471,923
Employers		4,069,543,322	150,199,854	4,219,743,176
Accrued interest and dividends		383,277,031	—	383,277,031
Members’ loans		1,123,628,729	—	1,123,628,729
Securities sold in transit		12,166,417	—	12,166,417
Other		18,120,261	1,621,156	19,741,417
Total receivables		5,785,540,081	152,488,612	5,938,028,693
Total assets	$	74,928,908,003	923,003,967	75,851,911,970
Liabilities:				
Accounts payable and accrued expenses	$	97,569,965	467,990,973	565,560,938
Retirement benefits payable		609,401,027	—	609,401,027
Non-contributory group insurance premiums payable		12,249,591	—	12,249,591
Securities lending collateral and rebates payable		16,531,983	—	16,531,983
Total liabilities		735,752,566	467,990,973	1,203,743,539
Net assets held in trust for pension and health benefits	$	74,193,155,437	455,012,994	74,648,168,431

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Pension Trust Funds	State Health Benefit Program Funds	Total
Additions:			
Contributions:			
Members	$ 1,890,682,546	217,154,537	2,107,837,083
Employers	1,970,576,600	4,144,906,282	6,115,482,882
Other	5,899,069	—	5,899,069
Total contributions	3,867,158,215	4,362,060,819	8,229,219,034
Investment income:			
Net appreciation in fair value of investments	6,295,441,446	104	6,295,441,550
Interest	1,785,471,016	4,269,020	1,789,740,036
Dividends	350,835,602	—	350,835,602
	8,431,748,064	4,269,124	8,436,017,188
Less investment expense	12,931,217	—	12,931,217
Net investment income	8,418,816,847	4,269,124	8,423,085,971
Total additions	12,285,975,062	4,366,329,943	16,652,305,005
Deductions:			
Benefits	7,329,504,224	4,382,156,209	11,711,660,433
Refunds of contributions	145,884,498	—	145,884,498
Administrative and miscellaneous expenses	36,807,148	13,697,892	50,505,040
Total deductions	7,512,195,870	4,395,854,101	11,908,049,971
Net increase (decrease)	4,773,779,192	(29,524,158)	4,744,255,034
Net assets held in trust for pension and health benefits:			
Beginning of year	69,419,376,245	484,537,152	69,903,913,397
End of year	$ 74,193,155,437	455,012,994	74,648,168,431

Schedule 8

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Balance Sheet Information
Fiduciary Funds – Agency Funds

June 30, 2010

		Alternate Benefit Program Fund	Pension Adjustment Fund	Dental Expense Program Fund	Total Agency Funds
Assets:					
Cash and cash equivalents	$	1,220,743	2,079,264	—	3,300,007
Investments, at fair value:					
Cash Management Fund		1,054,763	1,296,520	25,396,832	27,748,115
Total investments		1,054,763	1,296,520	25,396,832	27,748,115
Receivables:					
State related employer contributions		—	1,239,922	—	1,239,922
Other contributions		26,987,948	35,330	(213,351)	26,809,927
Total receivables		26,987,948	1,275,252	(213,351)	28,049,849
Total assets	$	29,263,454	4,651,036	25,183,481	59,097,971
Liabilities:					
Accounts payable and accrued expenses	$	28,387,944	—	24,052,332	52,440,276
Cash overdraft		—	—	1,131,149	1,131,149
Assets held for local contributing employers		—	3,535,187	—	3,535,187
Pension adjustment payroll payable		—	473,221	—	473,221
Due to State of New Jersey		875,510	92,138	—	967,648
Due to other funds		—	550,490	—	550,490
Total liabilities	$	29,263,454	4,651,036	25,183,481	59,097,971

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, 2010

		Alternate Benefit Program Fund	Pension Adjustment Fund	Dental Expense Program Fund	Total Agency Funds
Additions:					
Contributions:					
Members	$	906,798	—	75,951,816	76,858,614
Employers		165,615,268	6,136,212	36,517,873	208,269,353
Total contributions		166,522,066	6,136,212	112,469,689	285,127,967
Investment income:					
Net appreciation in fair value of investments		1	—	3	4
Interest		10,563	20,498	121,482	152,543
Total investment income		10,564	20,498	121,485	152,547
Total additions		166,532,630	6,156,710	112,591,174	285,280,514
Deductions:					
Benefits		165,656,174	5,889,578	113,087,828	284,633,580
Refunds of contributions and to the general fund		876,456	267,132	(496,654)	646,934
Total deductions		166,532,630	6,156,710	112,591,174	285,280,514
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, 2010

	Health Benefit Program Fund State	Prescription Drug Program Fund State	Total State Health Benefit Program Fund State
Assets:			
Cash	$ 746,478	(711,388)	35,090
Investments, at fair value:			
Cash Management Fund	14,976,553	25,289,542	40,266,095
Total investments	14,976,553	25,289,542	40,266,095
Receivables:			
Contributions:			
Members	815,085	114,564	929,649
Employers	49,381,111	343,950	49,725,061
Other	47,121	370,015	417,136
Total receivables	50,243,317	828,529	51,071,846
Total assets	$ 65,966,348	25,406,683	91,373,031
Liabilities:			
Accounts payable and accrued expenses	$ 152,795,155	27,851,637	180,646,792
Total liabilities	152,795,155	27,851,637	180,646,792
Net assets held in trust for health benefits	$ (86,828,807)	(2,444,954)	(89,273,761)

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, 2010

		Health Benefit Program Fund State	Prescription Drug Program Fund State	Total State Health Benefit Program Fund State
Additions:				
Contributions:				
Members	$	118,210,571	11,116,617	129,327,188
Employers		1,223,507,549	342,244,755	1,565,752,304
Total contributions		1,341,718,120	353,361,372	1,695,079,492
Investment income:				
Net appreciation in fair value of investments		5	7	12
Interest		312,719	176,709	489,428
Net investment income		312,724	176,716	489,440
Total additions		1,342,030,844	353,538,088	1,695,568,932
Deductions:				
Benefits		1,303,764,905	384,902,575	1,688,667,480
Administrative expenses		5,479,157	—	5,479,157
Total deductions		1,309,244,062	384,902,575	1,694,146,637
Net increase (decrease)		32,786,782	(31,364,487)	1,422,295
Net assets held in trust for health benefits:				
Beginning of year		(119,615,589)	28,919,533	(90,696,056)
End of year	$	(86,828,807)	(2,444,954)	(89,273,761)

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, 2010

	Health Benefit Program Fund Local	Prescription Drug Program Fund Local	Total State Health Benefit Program Fund Local
Assets:			
Cash	$ 1,128,086	539,767	1,667,853
Investments, at fair value:			
Cash Management Fund	157,629,709	25,611,672	183,241,381
Total investments	157,629,709	25,611,672	183,241,381
Receivables:			
Contributions:			
Members	(321,932)	58,301	(263,631)
Employers	45,650,487	9,079,254	54,729,741
Other	11,090	472,162	483,252
Total receivables	45,339,645	9,609,717	54,949,362
Total assets	$ 204,097,440	35,761,156	239,858,596
Liabilities:			
Accounts payable and accrued expenses	$ 77,863,405	11,259,282	89,122,687
Total liabilities	77,863,405	11,259,282	89,122,687
Net assets held in trust for health benefits	$ 126,234,035	24,501,874	150,735,909

Schedule 13

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, 2010

		Health Benefit Program Fund Local	Prescription Drug Program Fund Local	Total State Health Benefit Program Fund Local
Additions:				
Contributions:				
Members	$	29,490,001	7,748,153	37,238,154
Employers		629,934,337	115,330,646	745,264,983
Total contributions		659,424,338	123,078,799	782,503,137
Investment income:				
Net appreciation in fair value of investments		24	1	25
Interest		1,432,463	53,014	1,485,477
Net investment income		1,432,487	53,015	1,485,502
Total additions		660,856,825	123,131,814	783,988,639
Deductions:				
Benefits		678,821,844	123,811,378	802,633,222
Administrative expenses		2,739,578	—	2,739,578
Total deductions		681,561,422	123,811,378	805,372,800
Net decrease		(20,704,597)	(679,564)	(21,384,161)
Net assets held in trust for health benefits:				
Beginning of year		146,938,632	25,181,438	172,120,070
End of year	$	126,234,035	24,501,874	150,735,909

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, 2010

		Health Benefit Program Fund Education	Prescription Drug Program Fund Education	Total State Health Benefit Program Fund Education
Assets:				
Cash	$	1,159,800	1,484,218	2,644,018
Investments, at fair value:				
Cash Management Fund		491,124,197	51,536,721	542,660,918
Total investments		491,124,197	51,536,721	542,660,918
Receivables:				
Contributions:				
Members		(64,999)	66,583	1,584
Employers		40,852,402	4,892,650	45,745,052
Other		17,684	703,084	720,768
Total receivables		40,805,087	5,662,317	46,467,404
Total assets	$	533,089,084	58,683,256	591,772,340
Liabilities:				
Accounts payable and accrued expenses	$	169,994,487	28,227,007	198,221,494
Total liabilities		169,994,487	28,227,007	198,221,494
Net assets held in trust for health benefits	$	363,094,597	30,456,249	393,550,846

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, 2010

	Health Benefit Program Fund Education	Prescription Drug Program Fund Education	Total State Health Benefit Program Fund Education
Additions:			
Contributions:			
Members	$ 39,585,854	11,003,341	50,589,195
Employers	1,586,682,345	247,206,650	1,833,888,995
Total contributions	1,626,268,199	258,209,991	1,884,478,190
Investment income:			
Net appreciation in fair value of investments	66	1	67
Interest	2,212,868	81,247	2,294,115
Net investment income	2,212,934	81,248	2,294,182
Total additions	1,628,481,133	258,291,239	1,886,772,372
Deductions:			
Benefits	1,637,872,887	252,982,620	1,890,855,507
Administrative expenses	5,479,157	—	5,479,157
Total deductions	1,643,352,044	252,982,620	1,896,334,664
Net (decrease) increase	(14,870,911)	5,308,619	(9,562,292)
Net assets held in trust for health benefits:			
Beginning of year	377,965,508	25,147,630	403,113,138
End of year	$ 363,094,597	30,456,249	393,550,846

Schedule 16

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

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

June 30, 2010

		State	Local	Total Agency Fund – Dental Expense Program
Assets:				
Investments, at fair value:				
Cash Management Fund	$	19,761,035	5,635,797	25,396,832
Total investments		19,761,035	5,635,797	25,396,832
Receivables:				
Contributions		8,806	(222,157)	(213,351)
Total receivables		8,806	(222,157)	(213,351)
Total assets	$	19,769,841	5,413,640	25,183,481
Liabilities:				
Accounts payable and accrued expenses	$	19,769,841	4,282,491	24,052,332
Cash overdraft		—	1,131,149	1,131,149
Total liabilities	$	19,769,841	5,413,640	25,183,481

Schedule 17

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, 2010

		State	Local	Total Agency Fund – Dental Expense Program
Additions:				
Contributions:				
Members	$	48,574,327	27,377,489	75,951,816
Employers		34,017,441	2,500,432	36,517,873
Total contributions		82,591,768	29,877,921	112,469,689
Investment income:				
Net appreciation in fair value of investments		3	—	3
Interest		113,660	7,822	121,482
Total investment income		113,663	7,822	121,485
Total additions		82,705,431	29,885,743	112,591,174
Deductions:				
Benefits		83,857,966	29,229,862	113,087,828
Refunds of contributions and to the general fund		(1,152,535)	655,881	(496,654)
Total deductions		82,705,431	29,885,743	112,591,174
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, 2010

		Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets:					
Cash and cash equivalents	$	1,486,556	157,754,719	158,020,532	1,220,743
Investments, at fair value:					
Cash Management Fund		4,100,606	205,317,187	208,363,030	1,054,763
Receivables:					
Other contributions		31,843,341	38,999,647	43,855,040	26,987,948
Total assets	$	37,430,503	402,071,553	410,238,602	29,263,454
Liabilities:					
Accounts payable and accrued expenses	$	37,126,753	29,590,398	38,329,207	28,387,944
Due to State of New Jersey		303,750	875,510	303,750	875,510
Total liabilities	$	37,430,503	30,465,908	38,632,957	29,263,454

Schedule 19

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

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

June 30, 2010

		Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets:					
Cash and cash equivalents	$	2,175,952	5,480,776	5,577,464	2,079,264
Investments, at fair value:					
Cash Management Fund		1,094,235	7,339,261	7,136,976	1,296,520
Receivables:					
State related employer contributions		1,827,468	5,832,814	6,420,360	1,239,922
Other contributions		23,703	97,281	85,654	35,330
Total assets	$	5,121,358	18,750,132	19,220,454	4,651,036
Liabilities:					
Assets held for local contributing employers	$	3,361,228	173,959	—	3,535,187
Pension adjustment payroll payable		532,260	6,482,407	6,541,446	473,221
Due to State of New Jersey		516,997	92,138	516,997	92,138
Due to other funds		710,873	4,935,073	5,095,456	550,490
Total liabilities	$	5,121,358	11,683,577	12,153,899	4,651,036

Schedule 20

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, 2010

		Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets:					
Investments, at fair value:					
Cash Management Fund	$	24,495,836	160,859,501	159,958,505	25,396,832
Receivables:					
Other contributions		1,005,831	111,008,532	112,227,714	(213,351)
Total assets	$	25,501,667	271,868,033	272,186,219	25,183,481
Liabilities:					
Accounts payable and accrued expenses	$	25,009,069	37,499,596	38,456,333	24,052,332
Cash overdraft		492,598	37,251,303	36,612,752	1,131,149
Total liabilities	$	25,501,667	74,750,899	75,069,085	25,183,481

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, 2010

		Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets:					
Investments, at fair value:					
Cash Management Fund	$	20,422,193	129,288,859	129,950,017	19,761,035
Receivables:					
Other contributions		1,140,769	81,189,797	82,321,760	8,806
Total assets	$	21,562,962	210,478,656	212,271,777	19,769,841
Liabilities:					
Accounts payable and accrued expenses	$	21,277,197	32,509,029	34,016,385	19,769,841
Cash overdraft		285,765	32,943,115	33,228,880	—
Total liabilities	$	21,562,962	65,452,144	67,245,265	19,769,841

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, 2010

		Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Assets:					
Investments, at fair value:					
Cash Management Fund	$	4,073,643	31,570,642	30,008,488	5,635,797
Receivables:					
Other contributions		(134,938)	29,818,735	29,905,954	(222,157)
Total assets	$	3,938,705	61,389,377	59,914,442	5,413,640
Liabilities:					
Accounts payable and accrued expenses	$	3,731,872	4,990,567	4,439,948	4,282,491
Cash overdraft		206,833	4,308,188	3,383,872	1,131,149
Total liabilities	$	3,938,705	9,298,755	7,823,820	5,413,640