

**THE POLICE AND FIREMEN'S RETIREMENT SYSTEM
OF NEW JERSEY
ANNUAL REPORT
OF THE ACTUARY
PREPARED AS OF JULY 1, 2003**

DOC:V00295GL.DOC

May 25, 2004

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

Members of the Board:

The law governing the operation of the Police and Firemen's Retirement System of New Jersey provides for annual actuarial valuations of the System. The results of the July 1, 2003 valuation are submitted in this report which also includes a comparison with the results of the July 1, 2002 valuation which has been revised to reflect an adjustment to the receivable contribution for fiscal year 2004 in accordance with Chapter 122, P.L. 2003 (State) and Chapter 108, P.L. 2003 (Locals).

The valuation shows the financial condition of the System as of July 1, 2003 and gives the basis for determining the required annual contribution to be made in the Fiscal Year ending June 30, 2006 for the plan year beginning July 1, 2003.

The valuation reflects the provisions of Chapter 126, P.L. 2000 with regard to the Early Retirement Incentive (ERI) programs offered by Union and Passaic Counties and the provisions of Chapter 42, P.L. 2002 which allowed for the bonding of existing Local ERI liability. The valuation also reflects the additional accrued liability for three State locations and six Municipality and Local Group locations (including five new locations) with certain employees participating in the Fund under the provisions of Chapter 204, P.L. 1989. As in prior years, an interest rate of 8.75% was used for the valuation.

The Table of Contents, which follows, highlights the Sections of the Report.

Respectfully submitted,

(Signed) GEORGE M. LOVAGLIO

George M. Lovaglio
Principal, Consulting Actuary

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REPORT ON THE ANNUAL
VALUATION OF
THE POLICE AND FIREMEN'S RETIREMENT SYSTEM
OF NEW JERSEY
PREPARED AS OF JULY 1, 2003

SECTION I - SUMMARY OF KEY RESULTS

The Police and Firemen's Retirement System of New Jersey was established effective July 1, 1944. Each year an actuarial valuation of the assets and liabilities of the System is made to determine the appropriate level of contributions. This report, prepared as of July 1, 2003, presents the results of the annual actuarial valuation of the Fund.

The report reflects the actuarial assumptions that were determined from the July 1, 1998 to June 30, 2001 Experience Study which was approved by the Board of Trustees at the August 19, 2002 Board meeting. The report also reflects the provisions of Chapter 122, P.L. 2003 (State) and Chapter 108, P.L. 2003 (Locals) which reduced the required contributions payable for fiscal year 2004 to 20% of the amounts certified in the July 1, 2001 actuarial valuation. In addition, the report reflects the provisions of Chapter 126, P.L. 2000 with regard to the Early Retirement Incentive (ERI) programs offered by Union and Passaic Counties and the provisions of Chapter 42, P.L. 2002 which allowed for the bonding of existing Local ERI liability. Finally, the valuation also reflects the additional accrued liability for three State locations and six Municipality and Local Groups locations (including five new locations) with certain employees participating in the Fund under the provisions of Chapter 204, P.L. 1989.

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized on the following pages.

Valuation Date	July 1, 2003	July 1, 2002
<u>Number of Active Participants</u>		
• Contributory	42,887	42,422
• Non-Contributory	<u>1,091</u>	<u>1,169</u>
• Total	43,978	43,591
<u>Annual Compensation</u>		
• Contributory Participants	\$ 2,842,086,579	\$ 2,696,509,935
• Non-Contributory Participants	<u>54,746,859</u>	<u>57,828,335</u>
• Total Compensation	\$ 2,896,833,438	\$ 2,754,338,270
Number of Pensioners and Beneficiaries	26,682	25,501
Total Annual Allowances	\$ 910,431,160	\$ 846,327,124
Number of Terminated Vested Members	64	66
Total Annual Allowances	\$ 842,724	\$ 812,556
<u>Assets</u>		
Total Present Market Value of Assets*	\$ 14,952,857,334	\$ 15,012,872,337
Total Valuation Assets*	18,426,282,038	\$ 18,227,549,207
<u>Contribution Amounts</u>		
Normal Contribution	\$ 451,720,869	\$ 440,142,529
Accrued Liability Contribution#	<u>119,037,772</u>	<u>56,131,914</u>
Total Contribution**	\$ 570,758,641	\$ 496,274,443 ^{##}

*Includes receivable contributions of \$71,561,805 for the July 1, 2003 and \$(197,623,445) for the July 1, 2002 valuation, respectively. The amounts also include the present value of receivable ERI contributions of \$56,636,989 for July 1, 2003 and \$222,255,327 for July 1, 2002.

** The contribution amounts were calculated assuming payment on 7/1/05 and 7/1/04, respectively. Interest should be added from those dates to the actual payment dates.

The accrued liability contribution does not include ERI payments since the actual contribution will depend on the payment schedule chosen by each location.

The fiscal year 2005 required contribution is subject to reduction in accordance with the provisions of Chapter 108, P.L. 2003 (Locals) and could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2005 (State). Without any guidance, we have assumed that the maximum contribution allowable under Chapter 108 (40% of the amount certified for the July 1, 2002 valuation) will be made for the Locals. For consistency, we have assumed that the same level of contributions will be made for the State.

The major benefit and contribution provisions of the statute as reflected in the valuation are summarized in Appendix A. Included in this valuation are the provisions of the following legislation:

- Chapter 42, P.L. 2002 allowed Local employers to issue refunding bonds to retire the unfunded accrued liability of the Local employer owed to the System created through the granting of early retirement benefits to employees of the Local employer. Refunding bonds may be issued to retire the pension liabilities for a Local employer's participation in various early retirement incentive programs. This report reflects all locations that have elected to bond their ERI liability through June 30, 2003.
- The valuation also reflects the effect of the "County ERI Section 44" of Chapter 126, P.L. 2000 which extended the Early Retirement Incentive Program offered under Chapter 59, P.L. 1999 as adopted by Passaic County (Location Numbers 71600 and 71603) and Union County (Location Numbers 72000 and 72003). However, in accordance with Chapter 42, P.L. 2002, Union County has elected to issue refunding bonds to retire a portion of the unfunded accrued liability due to this program. To date, the amount bonded exceeds the additional accrued liability that was determined with this valuation and this amount has been reflected in the asset adjustment for ERI receivable contributions.
- The valuation also reflects the additional accrued liability for three State locations and six Municipality and Local Group locations (including five new locations) with certain employees participating in the Fund under the provisions of Chapter 204, P.L. 1989.

There are no other changes to the plan provisions since the previous valuation.

A summary of the actuarial assumptions and methods employed in the valuation is set forth in Appendix B.

There were no other changes in actuarial assumptions and methods since the previous valuation.

The valuation reflects the provisions of Chapter 122, P.L. 2003 (Appropriation Act of 2003 (State)) and Chapter 108, P.L. 2003 (Locals) which reduced the required contributions payable for fiscal year 2004 to 20% of the amounts certified in the July 1, 2001 actuarial valuation. This legislation also impacted the results of the July 1, 2002 valuation, since a receivable contribution equal to the full required contribution for fiscal year 2004 had been included in that valuation. The original and revised July 1, 2002 assets and full required contributions, after reflecting the revised receivable contribution, can be summarized as follows:

Original July 1, 2002 Valuation Results	State	Local	Total
Market Value of Assets	\$ 1,538,617,657	\$13,752,368,202	\$ 15,290,985,859
Valuation Assets	\$ 1,932,852,995	\$16,572,809,734	\$ 18,505,662,729
Required Contribution:			
Normal Cost	\$ 150,834,442	\$ 289,308,087	\$ 440,142,529
Accrued Liability	<u>8,531,409</u>	<u>31,997,342</u>	<u>40,528,751</u>
Total	\$ 159,365,851	\$ 321,305,429	\$ 480,671,280

Revised July 1, 2002 Valuation Results	State	Local	Total
Market Value of Assets	\$ 1,495,237,897	\$13,517,634,440	\$ 15,012,872,337
Valuation Assets	\$ 1,889,473,235	\$16,338,075,972	\$ 18,227,549,207
Required Contributions:			
Normal Cost	\$ 150,834,442	\$ 289,308,087	\$ 440,142,529
Accrued Liability	<u>13,588,377</u>	<u>42,543,537</u>	<u>56,131,914</u>
Total	\$ 164,422,819	\$ 331,851,624	\$ 496,274,443

The combination of the plan provisions, actuarial assumptions and member and beneficiary data is used to generate the overall required level of employer contributions. The required contribution is summarized in Section III(I).

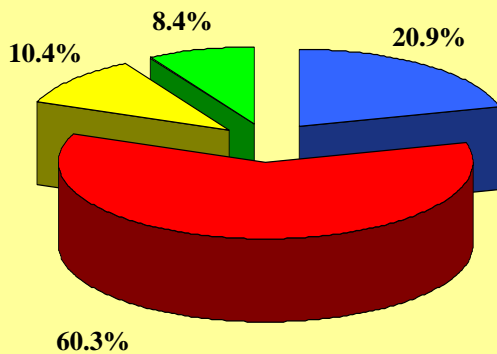
The valuation generates a balance sheet which summarizes in some detail the total present and prospective assets and liabilities of the Fund. A summary comparison of the balance sheets as of July 1, 2003 and July 1, 2002 is set forth in the following table. The allocation of assets among the various investment alternatives is shown in graphic form on page 7.

TABLE I
COMPARATIVE BALANCE SHEET

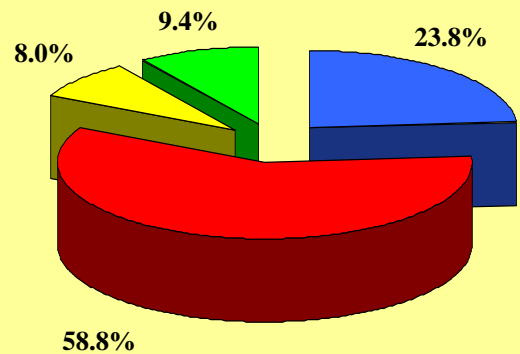
<u>ASSETS</u>	2003	2002
Actuarial value of assets of Fund	\$ 18,426,282,038	\$ 18,227,549,207
Net unfunded accrued liability/(surplus)	2,121,509,102	1,000,413,292
Total Assets	\$ 20,547,791,140	\$ 19,227,962,499
<u>LIABILITIES</u>		
Present value of benefits to present beneficiaries payable from the Retirement Reserve Fund	\$ 10,794,297,407	\$ 10,055,482,615
Present value of benefits to present active members	9,753,493,733	9,172,479,884
Total Liabilities	\$ 20,547,791,140	\$ 19,227,962,499

THE POLICE AND FIREMEN'S RETIREMENT SYSTEM OF NEW JERSEY

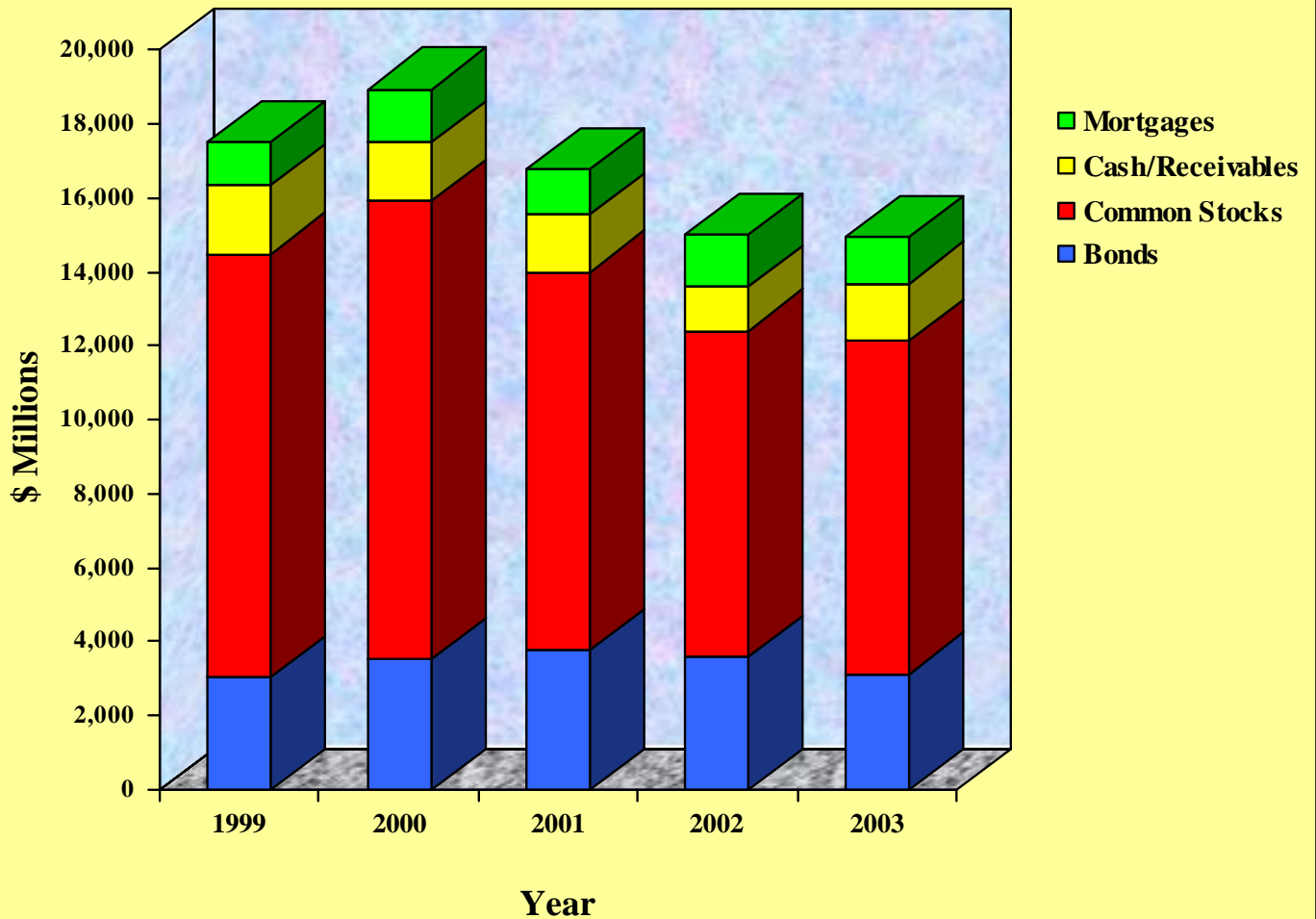
ASSET ALLOCATION MARKET VALUE



2003



2002



SECTION II – EMPLOYEE DATA

The data employed for the valuations were furnished to the actuary by the Division of Pensions and Benefits. The following summarizes and compares the Fund membership as of July 1, 2003 and July 1, 2002 by various categories.

ACTIVE MEMBERSHIP

Group	2003		2002	
	Number	Annual Compensation	Number	Annual Compensation
Men	40,039	\$ 2,671,818,759	39,823	\$ 2,547,632,988
Women	3,939	\$ 225,014,679	3,768	\$ 206,705,282

RETIRED MEMBERS AND BENEFICIARIES

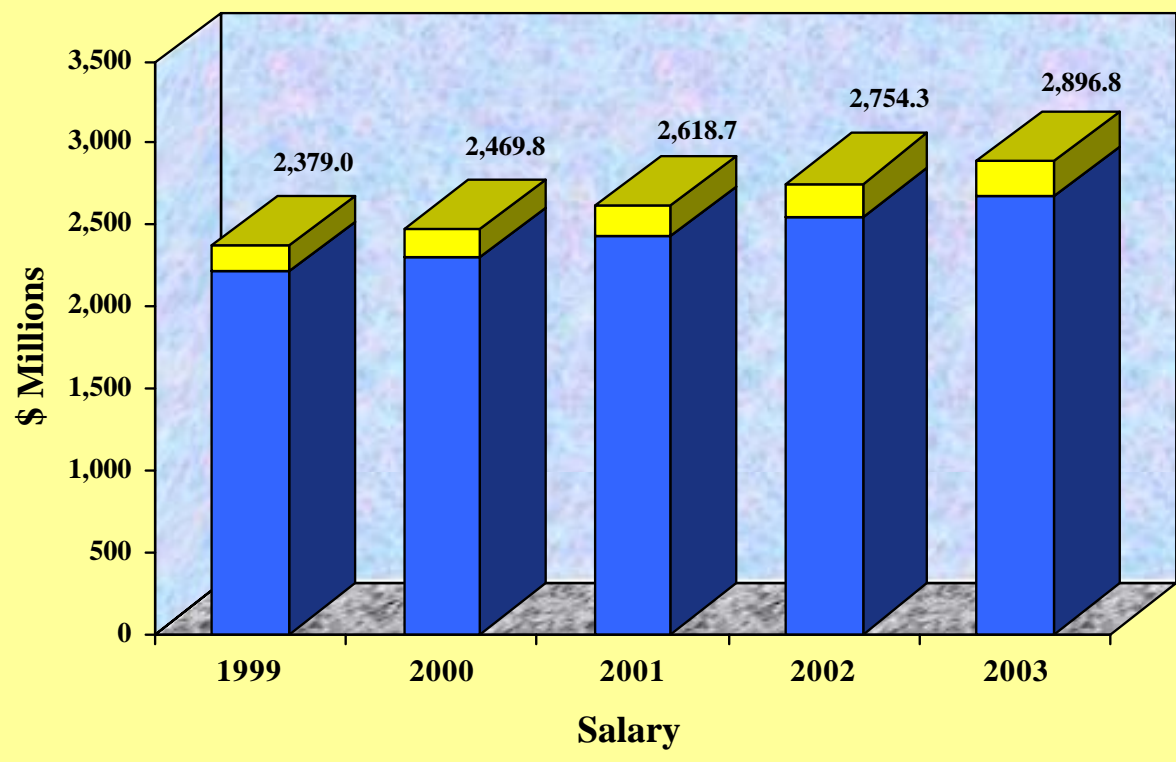
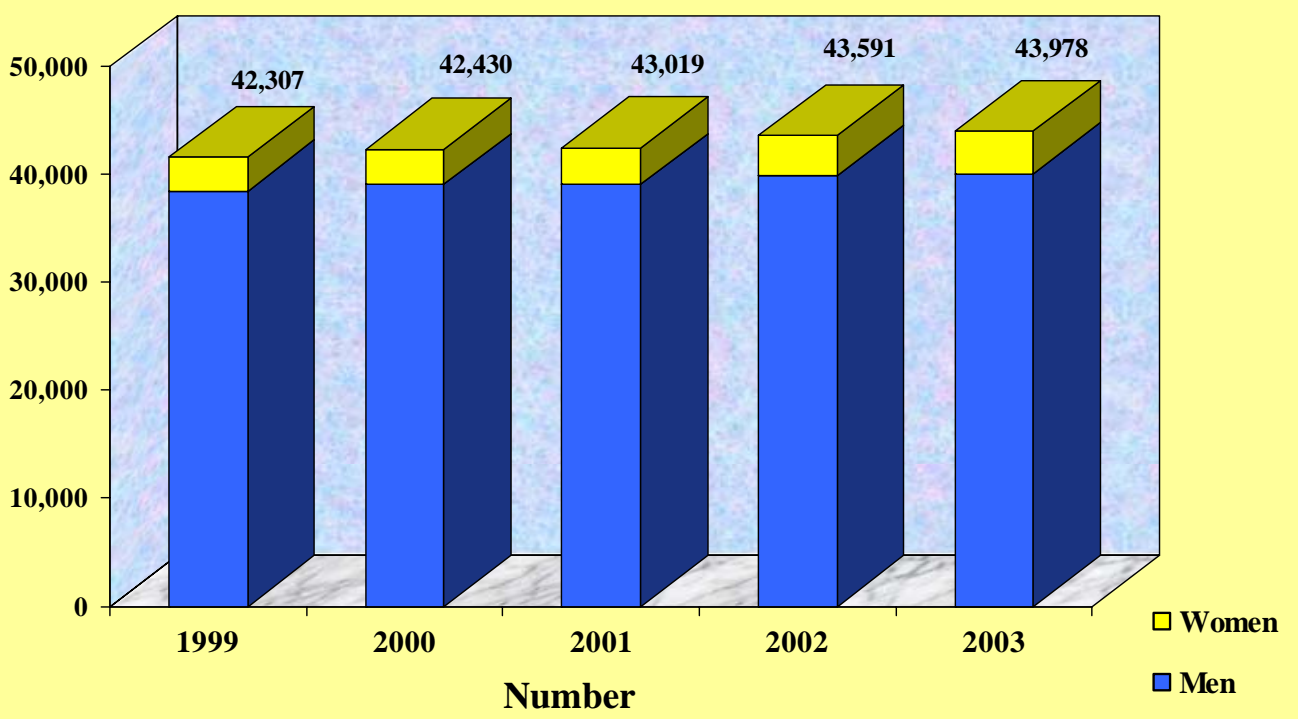
Group	2003		2002	
	Number	Annual Allowances	Number	Annual Allowances
Deferred Terminated Vesteds	64	\$ 842,724	66	\$ 812,556
Service Retirements	17,858	\$ 727,289,865	17,273	\$ 682,306,585
Ordinary Disability Retirements	2,019	\$ 38,180,904	1,850	\$ 32,918,699
Accidental Disability Retirements	1,430	\$ 41,266,363	1,334	\$ 36,284,022
Beneficiaries	5,375	\$ 103,694,028	5,044	\$ 94,817,818

Appendix E provides a detailed distribution between groups.

Graphic presentations of the statistical data on membership are shown on the following pages.

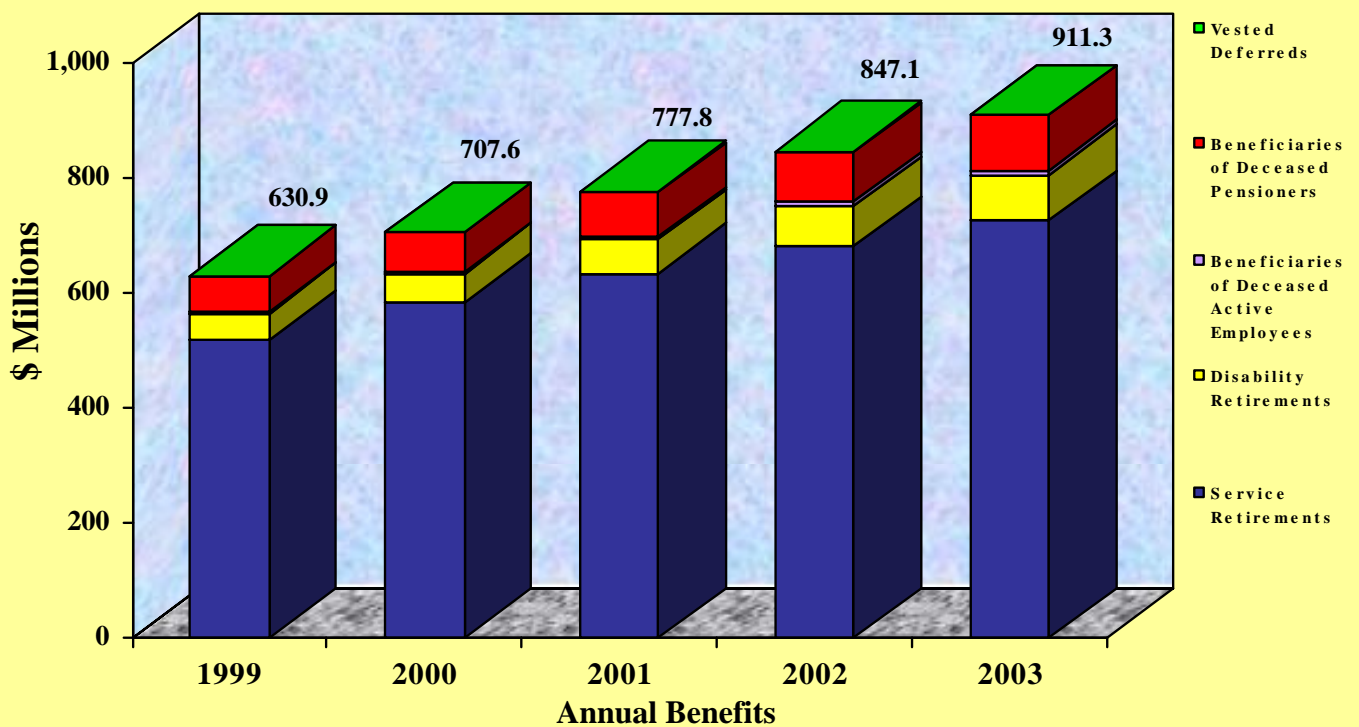
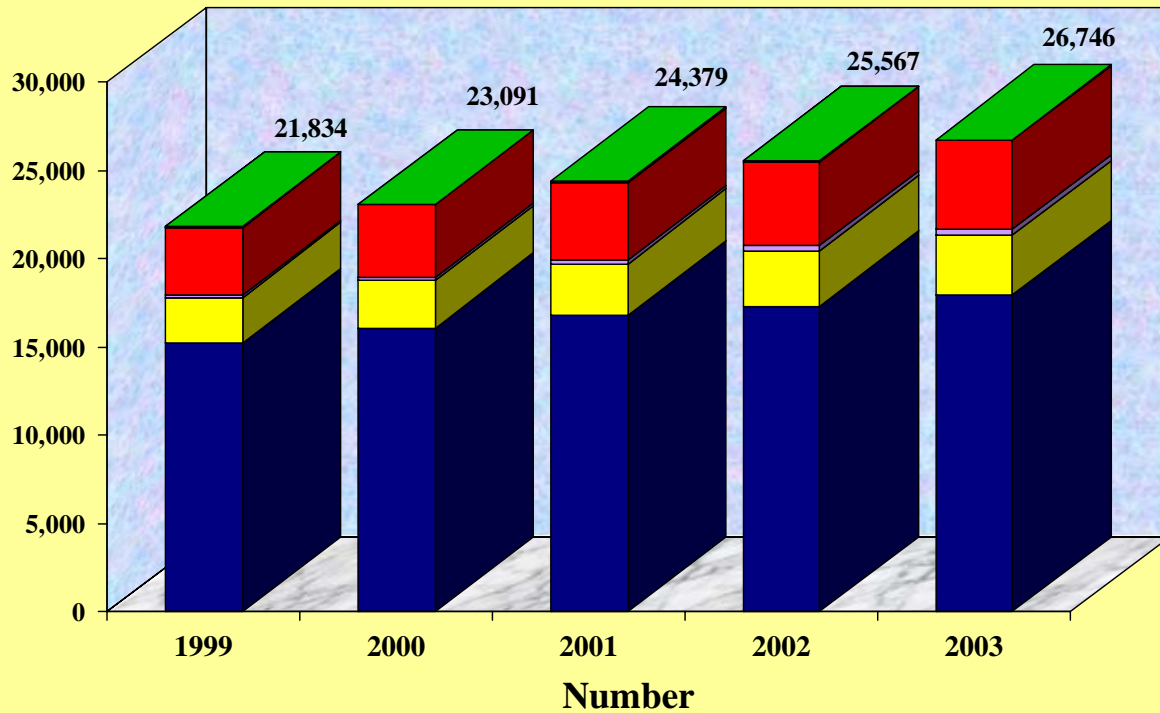
THE POLICE AND FIREMEN'S RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF ACTIVE MEMBERSHIP



THE POLICE AND FIREMEN'S RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF RETIRED PARTICIPATION



SECTION III – ASSETS, LIABILITIES AND CONTRIBUTIONS

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

1.	Assets		
	a.	Cash	\$ (727,585)
	b.	Investment Holdings	14,079,822,504
	c.	Accrued Interest on Investments	46,510,095
	d.	Employers' Contributions Receivable – Local	256,874,084
	e.	Interest Receivable on Loans	2,740,729
	f.	Members' Contributions Receivable	47,455,802
	g.	Members' Loans Receivable	465,514,309
	h.	Dividends Receivable	30,374,541
	i.	Employers' Contributions Receivable – Delayed Enrollments	38,852
	j.	Employers' Contributions Receivable – Delayed Appropriations	18,079
	k.	Accounts Receivable – Others	<u>30,771,611</u>
	l.	Total	\$ 14,959,393,021
2.	Liabilities		
	a.	Pension Payroll Payable	\$ 54,858,436
	b.	Pension Adjustment Payroll Payable	10,299,254
	c.	Withholding Payable	9,092,815
	d.	Death Benefits Payable	3,044,899
	e.	Accounts Payable - Other	1,665,608
	f.	Administrative Expense Payable	<u>476,417</u>
	g.	Total	\$ 79,437,429
3.	Preliminary Market Value of Assets as of June 30, 2003: 1(i) - 2(g)		\$ 14,879,955,592
4.	State Receivable Contributions		\$ 82,692,788*
5.	Adjustment to Local Receivable Contributions		\$ (11,130,983)**
6.	Adjustment to June 30, 2003 Financial Report to reflect actual present value of receivable ERI contributions as of June 30, 2003		<u>\$ 1,339,937</u>
7.	Market Value of Assets as of June 30, 2003 = 3. + 4. + 5. + 6.		\$ 14,952,857,334

* Reflects the net effect of the Appropriation Act of 2003 and the potential effect of the Appropriation Act for fiscal year 2005 (consistent with the Chapter 108, P.L. 2003 provisions for Local employers) on the contributions certified for fiscal years 2004 and 2005.

** Reflects the potential impact of Chapter 108, P.L. 2003 on fiscal year 2005 contribution.

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

	State	Local	Total System
1. Market Value of Assets as of June 30, 2002	\$ 1,633,909,375	\$ 13,571,134,984	\$ 15,205,044,359
2. Increases			
a. Pension Contributions			
(1) Members' Contributions	\$ 40,192,991	\$ 210,588,109	\$ 250,781,100
(2) Transfers from Other Systems	662,226	1,381,073	2,043,299
(3) Total	\$ 40,855,217	\$ 211,969,182	\$ 252,824,399
b. Employers' Contributions			
(1) Appropriations	\$ 0	\$ (80,846,245)	\$ (80,846,245)
(2) Transfers from other Systems	0	0	0
(3) Additional Employers' Contributions	0	451,293	451,293
(4) Delayed Enrollments	3,329	9,341	12,670
(5) Delayed Appropriations	0	(35,394)	(35,394)
(6) Total	\$ 3,329	\$ (80,421,005)	\$ (80,417,676)
c. Transfer for Local Liabilities Payable by State	\$ (154,348,947)	\$ 154,348,947	\$ 0
d. Investment Income	\$ 43,024,042	\$ 387,216,378	\$ 430,240,420
e. Total	\$ (70,466,359)	\$ 673,113,502	\$ 602,647,143
3. Decreases			
a. Benefits Provided by Members			
(1) Withdrawals of Members' Contributions	\$ 1,714,879	\$ 4,660,010	\$ 6,374,889
(2) Withdrawals of Transfers' Contributions	113,240	311,343	424,583
(3) Adjustment for Loans	26,445	0	26,445
(4) Total	\$ 1,854,564	\$ 4,971,353	\$ 6,825,917
b. Benefits Provided by Employers			
(1) Transfer Withdrawals - Employers' Benefits	\$ 0	\$ 0	\$ 0
(2) Death Benefit Claims	4,346,210	25,312,757	29,658,967
(3) Administrative Expense	383,276	3,449,480	3,832,756
(4) Miscellaneous Expense	91,813	102,951	194,764
(5) Total	\$ 4,821,299	\$ 28,865,188	\$ 33,686,487
c. Retirement Allowances	\$ 63,841,846	\$ 702,479,468	\$ 766,321,314
d. Pension Adjustment	\$ 12,378,451	\$ 108,523,741	\$ 120,902,192
e. Total Decreases	\$ 82,896,160	\$ 844,839,750	\$ 927,735,910
4. a. Preliminary Market Value of Assets as of June 30, 2003 = (1) + 2(e) - 3(e)	\$ 1,480,546,856	\$ 13,399,408,736	\$ 14,879,955,592
b. State Receivable Contributions	\$ 39,904,350	\$ 42,788,438	\$ 82,692,788*
c. Adjustment to Local Receivable Contributions	N/A	\$ (11,130,983)**	\$ (11,130,983)
d. Adjustment to June 30, 2003 Financial Report to reflect actual present value of receivable ERI contributions as of June 30, 2003	N/A	\$ 1,339,937	\$ 1,339,937
e. Adjustment for NJIT transfer	\$ 5,115,948	\$ (5,115,948)	\$ 0
5. Market Value of Assets as of June 30, 2003 = 4(a) + 4(b) + 4(c) + 4(d) + 4(e)	\$ 1,525,567,154	\$ 13,427,290,180	\$ 14,952,857,334

* The State fiscal year 2004 required contribution of \$111,077,147 has been reduced to \$22,215,429 in accordance with the provisions of the Appropriation Act of 2003 and the fiscal year 2005 required contribution of \$164,422,819 has been reduced to \$62,769,128 in anticipation of the provisions of the Appropriation Act for fiscal year 2005.

** Reflects the potential impact of Chapter 108, P.L. 2003 on fiscal year 2005 contributions.

C. Summary of Market Value of Assets by Source

1.	Reserve for Employers' Contributions	\$	5,232,788,953
2.	Reserve for Members' Contributions		2,134,093,084
3.	Reserve for Retirement Fund		7,513,073,555
4.	Reserve for Special Reserve Fund		0
5.	Receivable Contributions		71,561,805
6.	Additional receivable ERI contributions		<u>1,339,937</u>
7.	Total Market Value of Assets as of June 30, 2003	\$	14,952,857,334

D.(I) Development of Actuarial Value of Assets as of July 1, 2003

	State	Local Employers	Total System
1. Actuarial Value of Assets as of June 30, 2002 (without receivable contribution)	\$ 2,028,144,713	\$ 16,174,772,612	\$ 18,202,917,325
2. Net Cash Flow excluding Investment Income and Present Value of Remaining ERI Contributions	(196,386,561)	(558,942,626)	(755,329,187)
3. Investment Income at Actuarially Assumed Rate of 8.75%	175,594,398	1,387,544,095	1,563,138,493
4. Additional Employer Contributions Paid to Satisfy Remaining ERI Obligations	0	202,263,731	202,263,731
5. Expected Actuarial Value of Assets as of June 30, 2003 = 1. + 2. + 3. + 4.	\$ 2,007,352,550	\$ 17,205,637,812	\$ 19,212,990,362
6. Mark-up percentage	20.0%	20.0%	
7. Mark-up to Reflect Growth in Preliminary Market Value of Assets (without receivable contribution)	(105,361,139)	(809,545,979)	(914,907,118)
8. Receivable Contribution	39,904,350	31,657,455	71,561,805
9. Present Value of Receivable ERI Contributions as of June 30, 2003	N/A	56,636,989	56,636,989
10. Adjustment for NJIT transfer	5,115,948	(5,115,948)	0
11. Actuarial Value of Assets as of June 30, 2003 = 5. + 7. + 8. + 9. + 10.	\$ 1,947,011,709	\$ 16,479,270,329	\$ 18,426,282,038

D.(II) Reconciliation of Fund Balances as of July 1, 2003

	STATE	LOCAL EMPLOYERS	TOTAL SYSTEM
Present assets of Fund credited to:			
Retirement Reserve Fund			
Credited to Fund as of June 30, 2002	\$ 804,966,753	\$ 6,321,467,888	\$ 7,126,434,641
• Reserve Transferred from (to):			
- Contingent Reserve Fund	84,576,617	461,040,162	545,616,779
- Annuity Savings Fund	17,790,677	86,891,932	104,682,609
• Distribution of Income	70,434,591	553,128,440	623,563,031
• Total Deductions	<u>(76,220,296)</u>	<u>(811,003,209)</u>	<u>(887,223,505)</u>
Credited to Fund as of June 30, 2003	\$ 901,548,342	\$ 6,611,525,213	\$ 7,513,073,555
Annuity Savings Fund			
Credited to Fund as of June 30, 2002	\$ 240,368,519	\$ 1,752,851,857	\$ 1,993,220,376
• Members' Contributions	40,192,991	210,588,108	250,781,099
• Transfers from Other Systems	493,630	1,007,158	1,500,788
• Reserve Transferred from (to):			
- Retirement Reserve Fund	(17,790,677)	(86,891,932)	(104,682,609)
• Distribution of Income	0	0	0
• Total Deductions	<u>(1,799,469)</u>	<u>(4,927,101)</u>	<u>(6,726,570)</u>
Credited to Fund as of June 30, 2003	\$ 261,464,994	\$ 1,872,628,090	\$ 2,134,093,084
Contingent Reserve Fund			
Credited to Fund as of June 30, 2002	\$ 1,055,038,954	\$ 8,575,336,898	\$ 9,630,375,852
• Transfers from Other Systems	168,597	373,914	542,511
• Transfer for Local Liabilities payable by State	(154,348,947)	154,348,947	0
• Reserve Transferred from (to):			
- Retirement Reserve Fund	(84,576,617)	(461,040,162)	(545,616,779)
- Special Reserve Fund	0	0	0
• Employers' Contributions	3,328	(80,421,005)	(80,417,677)
• Distribution of Income	(27,410,549)	(165,912,062)	(193,322,611)
• Total Deductions	(4,876,393)	(28,909,441)	(33,785,834)
• Adjustment to the present value of ERI payments as of June 30, 2003	<u>0</u>	<u>1,339,937</u>	<u>1,339,937</u>
Credited to Fund as of June 30, 2003	\$ 783,998,373	\$ 7,995,117,026	\$ 8,779,115,399
Special Reserve Fund			
Credited to Fund as of June 30, 2002	\$ 0	\$ 0	\$ 0
• Reserve Transferred from (to):			
- Contingent Reserve Fund	<u>0</u>	<u>0</u>	<u>0</u>
Credited to Fund as of June 30, 2003	\$ 0	\$ 0	\$ 0
Total Present Assets	\$ 1,947,011,709	\$ 16,479,270,329	\$ 18,426,282,038
Present value of prospective accrued liability/(surplus) contributions/(credits) payable by the State and Local employers to the Contingent Reserve Fund for basic allowances with cost-of-living adjustments	<u>\$ 341,925,943</u>	<u>\$ 1,779,583,159</u>	<u>\$ 2,121,509,102</u>
Total Assets	\$ 2,288,937,652	\$ 18,258,853,488	\$ 20,547,791,140

E. Summary of Actuarial Accrued Liability as of July 1, 2003

	State	Local Employers	Total System
1. Retirees and Beneficiaries			
a. Service Retirement	\$ 670,555,100	\$ 7,912,762,762	\$ 8,583,317,862
b. Disability Retirement	159,282,308	849,130,007	1,008,412,315
c. Beneficiaries	69,559,901	937,999,243	1,007,559,144
d. Lump Sum Death Benefits	<u>18,731,551</u>	<u>169,721,589</u>	<u>188,453,140</u>
e. Total	\$ 918,128,860	\$ 9,869,613,601	\$ 10,787,742,461
2. Terminated Vested Members	\$ 1,676,788	\$ 4,878,158	\$ 6,554,946
3. Active Participants			
a. Service Retirement	\$ 1,193,423,274	\$ 7,463,956,368	\$ 8,657,379,642
b. Vested Retirement	5,718,635	28,402,021	34,120,656
c. Ordinary Disability	78,072,009	403,887,932	481,959,941
d. Accidental Disability	32,306,306	173,735,819	206,042,125
e. Ordinary Death	34,418,225	174,858,324	209,276,549
f. Accidental Death	2,348,398	12,425,738	14,774,136
g. Withdrawal of Contributions	2,756,549	11,175,991	13,932,540
h. Lump Sum Death Benefit	<u>20,088,608</u>	<u>115,919,536</u>	<u>136,008,144</u>
i. Total	\$ 1,369,132,004	\$ 8,384,361,729	\$ 9,753,493,733
4. Total Actuarial Accrued Liability = 1(e) + 2 + 3(i)	\$ 2,288,937,652	\$ 18,258,853,488	\$ 20,547,791,140

F. Summary of Unfunded Accrued Liability/(Surplus) and Required Contribution

I. Development of Unfunded Accrued Liability/(Surplus)	July 1, 2003 Valuation			July 1, 2002 Valuation		
	State Locations	Municipalities & Local Groups	Total	State Locations	Municipalities & Local Groups	Total
1. Present Value of Benefits	\$ 2,288,937,652	\$ 18,258,853,488	\$ 20,547,791,140	\$ 2,046,820,189	\$ 17,181,142,310	\$ 19,227,962,499
2. Actuarial Value of Assets	1,947,011,709	16,479,270,329	18,426,282,038	1,889,473,235	16,338,075,972	18,227,549,207
3. Unfunded Accrued Liability/(Surplus):						
(a) Basic Unfunded Accrued Liability/(Surplus) Excluding Chapters 204, 247, 428, 109 and 511	\$ 322,524,429	\$ 1,608,174,805	\$ 1,930,699,234	\$ 145,967,981	\$ 753,622,068	\$ 899,590,049
(b) Chapter 204	273,135	5,395,679	5,668,814	0	4,586,551	4,586,551
(c) Chapter 247	0	35,296,266	35,296,266	0	18,755,932	18,755,932
(d) Chapter 428*	19,128,379	68,424,327	87,552,706	11,378,973	32,586,357	43,965,330
(e) Chapter 109	0	38,419,774	38,419,774	0	20,705,558	20,705,558
(f) Chapter 511	0	23,872,308	23,872,308	0	12,809,872	12,809,872
(g) Gross Unfunded Accrued Liability/(Surplus) = (a) + (b) + (c) + (d) + (e) + (f)	\$ 341,925,943	\$ 1,779,583,159	\$ 2,121,509,102	\$ 157,346,954	\$ 843,066,338	\$ 1,000,413,292
4. Net adjustment to Gross Unfunded Accrued Liability to account for phase-in of State paid Local Obligations:						
(a) Chapter 247	\$ 8,538,095	\$ (8,538,095)	\$ 0	\$ 4,816,734	\$ (4,816,734)	\$ 0
(b) Chapter 428*	17,515,673	(17,515,673)	0	0	0	0
(c) Chapter 109	38,419,774	(38,419,774)	0	20,705,558	(20,705,558)	0
(d) Chapter 511	23,872,308	(23,872,308)	0	12,809,872	(12,809,872)	0
(e) Total Adjustments = (a) + (b) + (c) + (d)	\$ 88,345,850	\$ (88,345,850)	\$ 0	\$ 38,332,164	\$ (38,332,164)	\$ 0
5. Present Value of Future Chapter 428 Normal Costs	36,823,059	159,414,413	196,237,472	40,711,284	176,339,300	217,050,584
6. Net Unfunded Accrued Liability/(Surplus) Reflecting Chapter 428 Offset = 3(g) + 4(e) + 5	\$ 467,094,852	\$ 1,850,651,722	\$ 2,317,746,574	\$ 236,390,402	\$ 981,073,474	\$ 1,217,463,876

*The Chapter 428 unfunded accrued liability amounts includes the unfunded accrued liability amounts due to Chapters 86 and 318.

II. Development of Unfunded Accrued Liability Contribution Amount	July 1, 2003 Valuation			July 1, 2002 Valuation		
	State Locations	Municipalities & Local Groups	Total	State Locations	Municipalities & Local Groups	Total
1. Accrued Liability Contribution due to:						
(a) Basic Unfunded Accrued Liability	\$ 15,299,920	\$ 76,288,625	\$ 91,588,545	\$ 6,924,432	\$ 35,750,337	\$ 42,674,769
(b) Chapter 204	13,569	268,054	281,623	0	222,531	222,531
(c) Chapter 247	0	1,674,385	1,674,385	0	889,744	889,744
(d) Chapter 428*	907,412	3,245,914	4,153,326	539,796	1,545,832	2,085,628
(e) Chapter 109	0	1,822,558	1,822,558	0	982,231	982,231
(f) Chapter 511	0	1,132,455	1,132,455	0	607,675	607,675
(g) Gross Unfunded Accrued Liability Contribution = (a) + (b) + (c) + (d) + (e) + (f)	\$ 16,220,901	\$ 84,431,991	\$ 100,652,892	\$ 7,464,228	\$ 39,998,350	\$ 47,462,578
2. Net adjustment to Gross Unfunded Accrued Liability Contribution on account of phase-in of State paid Local Obligations:						
(a) Chapter 247	\$ 1,674,385	\$ (1,674,385)	\$ 0	\$ 889,744	\$ (889,744)	\$ 0
(b) Chapter 428*	3,245,914	(3,245,914)	0	1,545,832	(1,545,832)	0
(c) Chapter 109	1,822,558	(1,822,558)	0	982,231	(982,231)	0
(d) Chapter 511	1,132,455	(1,132,455)	0	607,675	(607,675)	0
(e) Total Adjustment = (a) + (b) + (c) + (d)	\$ 7,875,312	\$ (7,875,312)	\$ 0	\$ 4,025,482	\$ (4,025,482)	\$ 0
3. Accrued Liability Contribution as of the Valuation Date = 1(g) + 2(e)	\$ 24,096,213	\$ 76,556,679	\$ 100,652,892	\$ 11,489,710	\$ 35,972,868	\$ 47,462,578
4. Interest to reflect two year delay in payment	4,401,324	13,983,556	18,384,880	2,098,667	6,570,669	8,669,336
5. Accrued Liability Contribution as of Payment Date	\$ 28,497,537	\$ 90,540,245	\$ 119,037,772	\$ 13,588,377	\$ 42,543,537	\$ 56,131,914

* The Chapter 428 unfunded accrued liability contribution amounts includes the unfunded accrued liability contribution amounts due Chapters 86 and 318.

G. Development of Excess Valuation Assets

Chapter 115, P.L. 1997 prescribed a procedure for determining the value of Excess Valuation Assets. The law provided for a reduction in the normal contributions of the State and other employers for the valuation period ended June 30, 1995 to the extent possible by the excess valuation assets and permitted the State Treasurer to reduce the normal contribution payable by the State and other employers for valuations after June 30, 1995 up to a specified portion of excess valuation assets (50% as of the July 1, 2003 valuation). Further, Chapter 8, P.L. 2000 amended the definition of Excess Valuation Assets, beginning with the June 30, 1998 valuation, to also reflect the present value of the expected additional normal cost contributions attributable to the provisions of Chapter 428, P.L. 1999.

	State	Municipalities and Local Groups
1. Valuation Assets	\$ 1,947,011,709	\$ 16,479,270,329
2. Actuarial Accrued Liability	2,288,937,652	18,258,853,488
3. Net Portion of Local Unfunded Accrued Liability due to Contribution Phase-in Payable by the State	88,345,850	(88,345,850)
4. Present Value of Future Chapter 428 Normal Costs	36,823,059	159,414,413
5. Excess Valuation Assets = 1. - 2. - 3. - 4. not less than zero	\$ 0	\$ 0

H. Development of Normal Cost (with reduction for Excess Assets) as of July 1, 2003

	State	Local Employers	Total System
1. Service Retirement	\$ 77,206,531	\$ 421,113,346	\$ 498,319,877
2. Ordinary Disability Retirement	6,468,474	29,736,545	36,205,019
3. Accidental Disability Retirement	3,563,522	16,531,191	20,094,713
4. Ordinary Death Benefits	194,848	935,463	1,130,311
5. Accidental Death Benefits	233,366	1,059,561	1,292,927
6. Vested Termination Retirement	967,235	4,787,059	5,754,294
7. Return of Members' Contributions Upon Withdrawal	700,374	2,325,250	3,025,624
8. Lump Sum Death Benefits after Retirement	1,473,018	7,404,951	8,877,969
9. Term Cost Lump Sum Death Benefit During Active Service	3,525,193	18,855,865	22,381,058
10. Portion Attributable to Chapter 428	<u>5,238,400</u>	<u>23,066,915</u>	<u>28,305,315</u>
11. Total Gross Normal Cost	\$ 99,570,961	\$ 525,816,146	\$ 625,387,107
12. Expected Employee Contributions	38,583,079	204,849,535	243,432,614
13. Portion of Local Normal Cost Payable by the State due to:			
(a) Chapter 511	\$ 17,309,558	\$ (17,309,558)	\$ 0
(b) Chapter 247	3,670,385	(3,670,385)	0
(c) Chapter 109	26,328,142	(26,328,142)	0
(d) Chapter 428	<u>23,066,915</u>	<u>(23,066,915)</u>	<u>0</u>
(e) Total	\$ 70,375,000	\$ (70,375,000)	\$ 0
14. Preliminary Normal Cost as of July 1, 2003 = 11 - 12 + 13(e)	\$ 131,362,882	\$ 250,591,611	\$ 381,954,493
15. Reduction for Chapter 428 Normal Cost (if covered by Excess Valuation Assets)	0	0	0
16. Reduction due to Excess Valuation Assets	0	0	0
17. Interest to Reflect a 2 Year Delay in Payment to July 1, 2005	<u>23,994,253</u>	<u>45,772,124</u>	<u>69,766,377</u>
18. Net Normal Cost as of July 1, 2005 = 14 - 15 - 16 + 17	\$ 155,357,134	\$ 296,363,735	\$ 451,720,869

I. Summary of Total Required Contributions

	July 1, 2003 Valuation			July 1, 2002 Valuation		
	State Locations	Municipalities & Local Groups	Total	State Locations	Municipalities & Local Groups	Total
Active Participant Payroll	\$ 447,470,022	\$ 2,393,467,444	\$ 2,840,937,466	\$ 418,849,259	\$ 2,275,130,620	\$ 2,693,979,879
1. Normal Cost						
a) Normal Cost (without Chapters 109, 247, 428 and 511)	\$ 51,690,202	\$ 271,731,815	\$ 323,422,017	\$ 48,195,043	\$ 265,732,914	\$ 313,927,957
b) Normal Cost for Chapter 511	24,723,201	N/A	24,723,201	21,899,214	N/A	21,899,214
c) Normal Cost for Chapter 247	4,340,804	2,331,913	6,672,717	5,379,191	2,003,955	7,383,146
d) Chapter 109 Payment	36,958,377	N/A	36,958,377	35,046,574	N/A	35,046,574
e) Term Cost for Lump Sum Death Benefit to Active Members	4,169,092	22,300,007	26,469,099	3,971,239	21,571,218	25,542,457
f) Normal Cost for Chapter 428	33,475,458	0	33,475,458	36,343,181	0	36,343,181
g) Preliminary Normal Cost = (a) + (b) + (c) + (d) + (e) + (f)	\$ 155,357,134	\$ 296,363,735	\$ 451,720,869	\$ 150,834,442	\$ 289,308,087	\$ 440,142,529
h) Reduction for Chapter 428 Normal Cost (currently covered by Excess Valuation Assets)	0	0	0	0	0	0
i) Additional reduction due to Excess Valuation Assets	0	0	0	0	0	0
j) Net Normal Cost = (g) – (h) – (i)	\$ 155,357,134	\$ 296,363,735	\$ 451,720,869	\$ 150,834,442	\$ 289,308,087	\$ 440,142,529
2. Accrued Liability*						
a) Basic Unfunded Actuarial Liability UAL Payment	\$ 18,094,544	\$ 90,223,219	\$ 108,317,763	\$ 8,189,223	\$ 42,280,359	\$ 50,469,582
b) Chapter 204 UAL Payment	16,047	317,016	333,063	0	263,178	263,178
c) Chapter 247 UAL Payment	1,980,222	N/A	1,980,222	1,052,261	N/A	1,052,261
d) Chapter 428 UAL Payment**	4,911,959	N/A	4,911,959	2,466,580	N/A	2,466,580
e) Chapter 109 UAL Payment	2,155,460	N/A	2,155,460	1,161,642	N/A	1,161,642
f) Chapter 511 UAL Payment	1,339,305	N/A	1,339,305	718,671	N/A	718,671
g) Total Accrued Liability = (a) + (b) + (c) + (d) + (e) + (f)	\$ 28,497,537	\$ 90,540,235	\$ 119,037,772	\$ 13,588,377	\$ 42,543,537	\$ 56,131,914
3. Total Contribution = 1(j) + 2(g)	\$ 183,854,671	\$ 386,903,970	\$ 570,758,641	\$ 164,422,819	\$ 331,851,624	\$ 496,274,443

* Does not include ERI payment since actual contributions depend on the payment schedule chosen by each location. The entries for Chapters 247, 428, 109 and 511 include a payment required to fund the portions of the State-paid Local obligations that were not contributed due to the phase-in of contributions for fiscal years 2004 and 2005.

** Includes \$1,828,188 for the July 1, 2002 valuation and \$3,838,800 for the July 1, 2003 valuation attributable to Municipalities & Local Groups' liabilities which are payable by the State as required under Chapters 428, 86 and 318.

J. Summary of Contribution Rates

The following chart summarizes the rounded contribution rates that are applied to the applicable compensation for each location to produce the required contributions:

	July 1, 2003 Valuation		July 1, 2002 Valuation	
	State Locations	Municipalities & Local Groups	State Locations	Municipalities & Local Groups
1. Normal Contribution Rates:				
a) Basic Allowances	11.552%	11.632%	11.507%	11.993%
b) Lump Sum Death Benefit	0.932%	0.932%	0.948%	0.948%
c) Chapter 511*	5.525%	N/A	5.228%	N/A
d) Chapter 247*				
• PERS Local normal rate applicable to pay for individuals without past service	N/A	4.078%	N/A	3.295%
• Total PERS Local rate applicable to pay for individuals with past service	N/A	3.969%	N/A	3.915%
• Portion of Municipalities & Local Groups costs payable by the State	0.970%	N/A	1.284%	N/A
e) Chapter 109*	8.259%	N/A	8.367%	N/A
f) Chapter 428*	7.481%	0.000%	8.677%	0.000%
g) Reduction in Normal Rate due to Excess Assets				
• PERS Local normal rate applicable to pay for individuals without past service	N/A	0.000%	N/A	0.000%
• Total PERS Local rate applicable to pay for individuals with past service	N/A	0.000%	N/A	0.000%
• Applicable to all other members of the System	0.000%	0.000%	0.000%	0.000%
2. Accrued Liability Contribution Rates:##				
a) Basic Allowances	4.044%	3.850%	1.955%	1.902%
b) Chapter 204	**	**	0.000%	**
c) Chapter 247*	0.443%	N/A	0.251%	N/A
d) Chapter 428*#	1.098%	N/A	0.589%	N/A
e) Chapter 109*	0.482%	N/A	0.277%	N/A
f) Chapter 511*	0.299%	N/A	0.172%	N/A

* Payment for certain costs under Chapters 109, 247, 511 and 428 (Chapter 8) for both Municipalities & Local Groups and State Locations are made by the State in accordance with the legislation.

** Costs for locations affected by Chapter 204 are presented in Appendix C.

Includes the additional costs due to Chapter 86, P.L. 2001 and Chapter 318, P.L. 2001.

The rates shown for Chapters 247, 428, 109 and 511 include the rate required to fund the portions of the State-paid Local obligations that were not contributed due to the phase-in of contributions for fiscal years 2004 and 2005.

SECTION IV - COMMENTS CONCERNING THE VALUATION

The variation in liabilities and contributions reflects the Fund's actual experience during the year. The Plan realized a net actuarial loss during the past year, primarily a result of the investment return which was less than that expected (3.62% on an actuarial value basis, rather than the 8.75% expected) and on a net actuarial experience gain.

The following shows the development of the actuarial experience and identifies the major experience components:

Calculation of Net Actuarial Gain

1.	Unfunded Accrued Liability as of July 1, 2002	\$	722,299,770
2.	Normal Cost as of July 1, 2002		581,493,737
3.	Interest on (1) and (2)		114,081,932
4.	Actual Members' Contributions		252,824,399
5.	Discounted value of prior year's Employer Contribution		432,856,999
6.	Expected interest on Members' contributions		<u>11,061,068</u>
7.	Expected Unfunded Accrued Liability as of July 1, 2003 = (1) + (2) + (3) - (4) - (5) - (6)	\$	721,132,973
8.	Increase in Unfunded Accrued Liability due to:		
	a) Portion of contributions not paid due to phase-in provisions of the Appropriation Act of 2003 and Chapter 108, P.L. 2003	\$	559,813,921
	b) Additional Chapter 204, P.L. 1989 liability		<u>777,741</u>
	c) Sub-total	\$	560,591,662
9.	Actual Unfunded Accrued Liability as of July 1, 2003	\$	2,121,509,102
10.	Actuarial (gain)/loss = (9) - (7) - (8) (c)	\$	839,784,467

Components of Actuarial Experience

1.	Investment (Gain)/Loss	\$	914,907,118
2.	Other net (Gain)/Loss, including COLA gains and changes in employee data		<u>(75,122,651)</u>
3.	Total Actuarial (Gain)/Loss	\$	839,784,467

The valuation also reflects costs attributable to the following legislations:

Chapter 204, P.L. 1989

The provisions of Chapter 204 allowed employees with titles which were previously excluded from PFRS membership to enter the Plan. Each employer is required to contribute any additional contribution necessary to fund any unfunded liability arising from Chapter 204. The valuation reflects the additional accrued liability for three State locations and six Municipality and Local Groups locations (including five new locations) with certain employees participating in the Fund under the provisions of this legislation. Appendix C lists all applicable locations and the required contributions.

Chapter 511, P.L. 1991

The provisions of Chapter 511 increased the retirement benefit for a spouse of a retiree from 35% to 50% of the retiree's average final compensation. This law also raised the minimum annual spouse's benefit from \$1,600 to \$4,500 for benefits granted prior to January 14, 1992.

Chapter 511 required that the normal cost and accrued liability contribution attributable to this chapter be separately determined. As a result of Chapter 115, P.L. 1997, the accrued liability contribution attributable to Chapter 511 was eliminated at that time. However, because the Appropriation Act of 2003 reduced the required State contribution for fiscal year 2004 to 20% of that determined for the July 1, 2001 valuation, the remaining 80% of the required contribution which was not paid has been set up as an unfunded accrued liability attributable to Chapter 511. The following summarizes the applicable contribution rates for the current and previous valuations:

Chapter 511 Contribution Rate	June 30, 2003	June 30, 2002
Normal Cost	5.525%	5.228%
Accrued Liability	<u>0.299</u>	<u>0.172</u>
Total Rate	5.824%	5.400%

Chapter 247, P.L. 1993 and Chapter 201 P.L. 2001

Chapter 247 requires the State to pay the difference between the PFRS normal cost rate and the PERS normal cost rate for certain members who transferred into PFRS as of January 1, 1992 or later. In addition, the law requires the State to pay the “System” unfunded accrued liability contribution for Municipalities and Local Groups that transferred into PFRS on and after January 1, 1992 without past service. The following summarizes the number of active employees affected, the applicable contribution rates, and the Chapter 247 contributions for the current and previous valuations:

Chapter 247	June 30, 2003	June 30, 2002
Number of Active Employees	1,158	1,266
<u>Contribution Rates:</u>		
Normal Cost	0.970%	1.284%
Accrued Liability	<u>0.443</u>	<u>0.251</u>
Total Rate	1.413%	1.535%
<u>Contributions:</u>		
Normal Cost	\$ 4,340,804	\$ 5,379,191
Accrued Liability	<u>1,980,222</u>	<u>1,052,261</u>
Total Contribution	\$ 6,321,026	\$ 6,431,452

Chapter 201, P.L. 2001 made changes to Chapter 247, P.L. 1993 with respect to the benefits payable to members who transferred from PERS to PFRS as a result of the Chapter 247 legislation. The resulting increase in the unfunded accrued liabilities due to the increased benefits was fully funded by the recognition of additional market value surplus in the determination of the actuarial value of assets for the July 1, 1999 valuation. Finally, the Appropriation Act of 2003 reduced the required State contribution for fiscal year 2004, including the Chapter 247 payment requirements, to 20% of that determined for the July 1, 2001 valuation. The remaining 80% of the required Chapter 247 contribution has been added to the Chapter 247 unfunded accrued liability and will be paid off by the State in future contributions.

Chapter 59, P.L. 1999 and Chapter 126, P.L. 2000

Chapter 59, P.L. 1999 permitted local units to offer early retirement or termination incentives to certain employees affected by the consolidation of services. “County ERI Section 44” of Chapter 126, P.L. 2000 extended the early retirement incentive program offered under Chapter 59, P.L. 1999 to county governing bodies. Appendix F lists all applicable locations and summarizes the contribution requirement under both Chapter 59 and Chapter 126.

Chapter 8, P.L. 2000

Chapter 8, P.L. 2000 required that, if valuation assets are insufficient to fund the normal cost and accrued liability costs attributable to Chapter 428, P.L. 1999, the contribution required to fund these costs for the State and other employers shall be paid by the State. For both the July 1, 2002 and July 1, 2003 valuations, valuation assets were not sufficient to fund the costs attributable to Chapter 428. In addition, since the Appropriation Act of 2003 reduced the required State contribution for fiscal year 2004, including the Chapter 428 payment requirement, to 20% of that determined for the July 1, 2001 valuation, the remaining 80% of the required Chapter 428 contribution has been added to the Chapter 428 unfunded accrued liability and will be paid off by the State in future contributions. The following chart summarizes the applicable contribution rates and the Chapter 428 contributions for the current and previous valuations:

Chapter 428	June 30, 2003	June 30, 2002
<u>Contribution Rates:</u>		
Normal Cost	7.481%	8.677%
Accrued Liability	<u>1.098</u>	<u>0.589</u>
Total Rate	8.579%	9.266%
<u>Contributions:</u>		
Normal Cost	\$ 33,475,458	\$ 36,343,181
Accrued Liability	<u>4,911,959</u>	<u>2,466,580</u>
Total Contribution	\$ 38,387,417	\$ 38,809,761

Chapter 86, P.L. 2001

Chapter 86, P.L. 2001 amended the active death benefits provided to a beneficiary of a member who died in active duty on or after January 1, 1998 and before January 18, 2000. The law required an eligible beneficiary to apply for the increased benefits within 90 days of enactment and return the member's aggregate contributions to the System. The State is liable for all costs to the System attributable to this law and these costs have been included in the Chapter 428 accrued liability contributions.

Chapter 318, P.L. 2001

Chapter 318, P.L. 2001 amended the active death benefits provided to a beneficiary of a member with 10 or more years of service who died in active service on or after June 1, 1995 and before January 1, 1998 and whose beneficiary had, on May 1, 2001, an appeal of a denial of a benefit related to death in the line of duty pending before the Board of Trustees. The law requires that the appeal be withdrawn or denied and that an eligible beneficiary apply for the increased benefits and return the member's aggregate contributions received. The State is liable for all costs to the System attributable to this law and these costs are also included in the Chapter 428 accrued liability contributions.

SECTION V - ACCOUNTING INFORMATION

Statement No. 5 of the Governmental Accounting Standards Board, issued November 1986, established standards of disclosure of pension information by public retirement systems. Statement No. 25 of the Governmental Accounting Standards Board, issued November 1994, established financial reporting standards for defined benefit pension plans and for the notes to the financial statements of defined contribution plans of state and local governmental liabilities and superseded Statement No. 5 effective for periods beginning after June 15, 1996. Statement No. 27, Accounting for Pensions by State and Local Governmental Employers superseded Statement 5 for employers participating in pension plans and is effective for periods beginning after June 15, 1997.

The information required by Statements No. 25 and No. 27 is presented in the following tables. These include the development of the Annual Required Contribution (ARC) as of April 1, 2006, the Schedule of Funding Progress, the Schedule of Employer Contributions and the required Additional Information.

(A) Development of the Annual Required Contribution (ARC) as of April 1, 2006:

	<u>State</u>	<u>Municipalities & Local Groups</u>
1. Actuarial Value of Plan Assets as of June 30, 2003		
(a) Valuation Assets as of June 30, 2003 (including Employer and ERI Receivable Contributions)	\$1,947,011,709	\$16,479,270,329
(b) Adjustment for Receivable/(Payable) Contributions included in (a)	<u>39,904,350</u>	<u>31,657,455</u>
(c) Valuation Assets as of June 30, 2003 for GASB Disclosure = (a) - (b)	\$1,907,107,359	\$16,447,612,874
2. Actuarial Accrued Liability as of June 30, 2003	\$2,288,937,652	\$18,258,853,488
3. Unfunded Actuarial Accrued Liability/(Surplus) as of June 30, 2003	\$ 381,830,293	\$ 1,811,240,614
4. Amortization of Unfunded Actuarial Accrued Liability/(Surplus) over 30 years with payments Increasing at 5.95% per year	\$ 18,113,272	\$ 85,921,664
5. Development of Net Normal Cost as of June 30, 2003:		
(a) Basic Allowance Normal Cost	\$ 166,420,768	\$ 436,585,281
(b) Term Cost for Lump Sum Death Benefit	3,525,194	18,855,865
(c) Expected Employee Contributions	<u>38,583,080</u>	<u>204,849,535</u>
(d) Net Normal Cost as of June 30, 2003 = (a) + (b) - (c)	\$ 131,362,882	\$ 250,591,611
6. Annual Required Contribution as of April 1, 2006		
(a) Annual Required Contribution as of June 30, 2003 = 4 + 5 (d)	\$ 149,476,154	\$ 336,513,275
(b) Interest Adjustment to April 1, 2006	<u>38,781,393</u>	<u>87,307,930</u>
(c) Annual Required Contribution as of April 1, 2006 = (a) + (b)	\$ 188,257,547	\$ 423,821,205

(B) Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll $\frac{(b-a)}{c}$
6/30/98						
State	\$ 1,559,131,933	\$ 1,377,734,455	\$ (181,397,478)	113.17%	\$ 346,079,078	(52.42)%
Local	<u>13,169,957,658</u>	<u>12,881,842,367</u>	<u>(288,115,291)</u>	<u>102.24%</u>	<u>1,870,322,787</u>	<u>(15.40)%</u>
Total	\$ 14,729,089,591	\$ 14,259,576,822	\$ (469,512,769)	103.29%	\$ 2,216,401,865	(21.18)%
6/30/99						
State	\$ 1,717,248,151	\$ 1,534,470,501	\$ (182,777,650)	111.91%	\$ 362,949,950	(50.36)%
Local	<u>14,536,570,357</u>	<u>13,894,951,617</u>	<u>(641,618,740)</u>	<u>104.62%</u>	<u>1,971,087,124</u>	<u>(32.55)%</u>
Total	\$ 16,253,818,508	\$ 15,429,422,118	\$ (824,396,390)	105.34%	\$ 2,334,037,074	(35.32)%
6/30/00						
State	\$ 1,884,870,936	\$ 1,666,842,906	\$ (218,028,030)	113.08%	\$ 363,360,250	(60.00)%
Local	<u>15,644,750,281</u>	<u>14,924,699,712</u>	<u>(720,050,569)</u>	<u>104.82%</u>	<u>2,055,781,766</u>	<u>(35.03)%</u>
Total	\$ 17,529,621,217	\$ 16,591,542,618	\$ (938,078,599)	105.65%	\$ 2,419,142,016	(38.78)%
6/30/01						
State	\$ 1,991,299,968	\$ 1,866,140,391	\$ (125,159,577)	106.71%	\$ 398,118,379	(31.44)%
Local	<u>16,083,153,842</u>	<u>16,056,446,646</u>	<u>(26,707,196)</u>	<u>100.17%</u>	<u>2,163,590,060</u>	<u>(1.23)%</u>
Total	\$ 18,074,453,810	\$ 17,922,587,037	\$ (151,866,773)	100.85%	\$ 2,561,708,439	(5.93)%
6/30/02						
State	\$ 2,032,977,241	\$ 2,046,820,189	\$ 13,842,948	99.32%	\$ 418,849,259	3.30%
Local	<u>16,392,195,411</u>	<u>17,181,142,310</u>	<u>788,946,899</u>	<u>95.41%</u>	<u>2,275,130,620</u>	<u>34.68%</u>
Total	\$ 18,425,172,652	\$ 19,227,962,499	\$ 802,789,947	95.82%	\$ 2,693,979,879	29.80%
6/30/03						
State	\$ 1,907,107,359	\$ 2,288,937,652	\$ 381,830,293	83.32%	\$ 447,470,022	85.33%
Local	<u>16,447,612,874</u>	<u>18,258,853,488</u>	<u>1,811,240,614</u>	<u>90.08%</u>	<u>2,393,467,444</u>	<u>75.67%</u>
Total	\$ 18,354,720,233	\$ 20,547,791,140	\$2,193,070,907	89.33%	\$ 2,840,937,466	77.20%

(C) Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Employer Contribution**	Percentage Contributed
<u>STATE</u>			
2001	\$ 95,883,272	\$ 0*	0.00%
2002	\$ 103,580,989	\$ 0*	0.00%
2003	\$ 104,998,547	\$ 0*	0.00%
2004	\$ 118,297,232	\$ 22,215,429*#	18.78%
2005	\$ 161,455,508	\$ 65,769,128#	40.74%
2006	\$ 188,257,547	\$ 183,854,671	97.66%
<u>LOCAL</u>			
2001	\$ 249,746,232	\$ 75,670,018	30.30%
2002	\$ 248,754,078	\$ 185,415*	0.07%
2003	\$ 259,969,532	\$ 364,850*	0.14%
2004	\$ 316,272,883	\$ 53,396,685##	16.88%
2005	\$ 355,229,715	\$ 132,540,650##	37.37%
2006	\$ 423,821,205	\$ 386,903,970	91.29%

* In accordance with Chapter 115, P.L. 1997, a portion of the required contribution was offset by available excess valuation assets.

** The employer contribution schedule reflects the portion of Local Employer contributions payable by the State in accordance with Chapters 109, 247, 511, 428, 86 and 318.

The State fiscal year 2004 required contribution of \$111,077,147 has been reduced to \$22,215,429 in accordance with the provisions of the Appropriation Act of 2003 and the fiscal year 2005 required contribution of \$164,422,819 has been reduced to \$65,769,128 in anticipation of the provisions of the Appropriation Act for fiscal year 2005.

The Local fiscal year 2004 required contribution of \$266,983,423 has been reduced to \$53,396,685 in accordance with the provisions of the Chapter 108, P.L. 2003 and the fiscal year 2005 required contribution of \$331,851,624 has been reduced to \$132,740,650 in anticipation of the potential impact of Chapter 108, P.L. 2003 on fiscal year 2005 contributions.

(D) The information presented in the required supplementary schedules was determined as part of the actuarial valuation. Additional information follows:

Valuation Date	June 30, 2003
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	Five year average of market value
Actuarial Assumptions:	
Investment Rate of Return	8.75%
Projected Salary Increases	5.95%
Cost of Living Adjustments	60% of the maximum of the CPI increase and 4.0%

SECTION VI - LEVEL OF FUNDING

Although the value of accrued benefits and the funding ratios shown in the previous section are required for the State's financial statements, it is instructive to also look at these values under an alternative approach. For this purpose, we are presenting liabilities determined on a Financial Accounting Standards Board Statement No. 87 Accumulated Benefit Obligation (ABO) basis. This is the same approach as GASB Statement No. 5 except that no assumption is made as to future salary increases.

FASB 87 ABO Funded Ratios

<u>Valuation Date: June 30, 2003</u>			
Actuarial present value of accumulated benefits:	<u>State</u>	<u>Local Employers</u>	<u>Total System</u>
Vested benefits			
Participants currently receiving payments	\$ 918,128,860	\$ 9,869,613,601	\$ 10,787,742,461
Other participants	710,277,802	5,004,477,066	5,714,754,868
	\$ 1,628,406,662	\$ 14,874,090,667	\$ 16,502,497,329
Non-vested benefits	644,097,443	3,241,181,586	3,885,279,029
Total	\$ 2,272,504,105	\$ 18,115,272,253	\$ 20,387,776,358
Assets at market value	\$ 1,525,567,154	\$ 13,427,290,180	\$ 14,952,857,334
Ratio of Assets to Total Present Value	67.1%	74.1%	73.3%

<u>Valuation Date: June 30, 2002</u>			
Actuarial present value of accumulated benefits:	<u>State</u>	<u>Local Employers</u>	<u>Total System</u>
Vested benefits			
Participants currently receiving payments	\$ 780,388,408	\$ 9,268,750,917	\$ 10,049,139,325
Other participants	501,401,850	3,673,775,576	4,175,177,426
	\$ 1,281,790,258	\$ 12,942,526,493	\$ 14,224,316,751
Non-vested benefits	454,694,918	2,420,635,006	2,875,329,924
Total	\$ 1,736,485,176	\$ 15,363,161,499	\$ 17,099,646,675
Assets at market value	\$ 1,495,237,897	\$ 13,517,634,440	\$ 15,012,872,337
Ratio of Assets to Total Present Value	86.1%	88.0%	87.8%

As in the case of the Governmental Accounting Standard Board Statement No. 5, the actuarial present value of vested and non-vested accrued benefits was based on an interest rate of 8.75% for both 2002 and 2003.

APPENDIX A

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

Eligibility for Membership

Enrollment is restricted to eligible policemen and firemen who are permanent and full-time and who pass the physical and mental fitness requirements. The maximum enrollment age is 35.

1. Definitions

Plan Year	The 12-month period beginning on July 1 and ending on June 30.
Credited Service	A year of service is credited for each year an employee is a Member of the Retirement System plus service, if any, covered by a prior service liability.
Average Final Compensation (AFC)	The average annual compensation for the three consecutive years of Service immediately preceding retirement or the highest three consecutive fiscal years of Membership Service.
Compensation	Base salary upon which contributions by a Member to the Annuity Savings Fund were based in the last year of Service. For Accidental Death, benefits are computed at the annual rate of salary.
Final Compensation (FC)	Annual compensation received by the member in the last 12 months of Credited Service preceding his retirement.
Accumulated Deductions	The sum of all amounts deducted from the compensation of a Member or contributed by him or on his behalf without interest.

2. Benefits

Service Retirement Eligibility means age 55 or 20 years of credited service for an employee who is a member of the Retirement System as of January 18, 2000 and age 55 for an employee who became a member of the Retirement System after January 18, 2000; mandatory at age 65. Benefit is an annual retirement allowance equal to a member annuity plus an employer pension which together equals the greater of:

- (i) 1/60th of FC for each year of Credited Service; or

- (ii) 2% of FC multiplied by years of Credited Service up to 30 plus 1% of FC multiplied by years of Service over 30. (Prior to January 18, 2000, this benefit was based on AFC rather than FC. However, Policy Memorandum 4-2000, which interpreted the provisions of Chapter 428, P.L. 1999, authorized the change in the salary basis).
- (iii) 50% of FC if the member has 20 or more years of Credited Service.

Chapter 428 also requires that, in addition to the 50% of FC benefit, any member as of January 18, 2000 who will have 20 or more years of Credited Service and is required to retire upon attaining age 65, shall receive an additional benefit equal to 3% of FC for each year of Credited Service over 20 years but not over 25 years.

Special Retirement

After completion of 25 years of Credited Service. The annual retirement benefit is equal to a member annuity plus an employer pension which together equal 65% of FC plus 1% of FC for each year of Credited Service over 25. There is a maximum benefit of 70% of FC except for those members with 30 or more years of Credited Service on June 30, 1979.

Vested Termination

- (A) Eligible upon termination of service prior to age 55 and prior to 10 years of Service. The benefit equals a refund of Accumulated Deductions less any outstanding loans.
- (B) Eligible upon termination of service prior to age 55 and after 10 years of Service (but less than 20 years if a member on or prior to January 18, 2000 or less than 25 years of service if a member after January 18, 2000). The benefit is a deferred retirement benefit, commencing at age 55, equal to a member annuity plus an employer pension which together provide a retirement allowance equal to 2% of FC multiplied by years of Credited Service up to 30 plus 1% of FC multiplied by years of Credited Service over 30.

Death Benefits

Ordinary Death Benefit - Lump Sum

- (1) If a member dies prior to retirement, the benefit payable is as follows:
 - A lump sum amount equal to 3-1/2 times FC payable to the member's beneficiary.
- (2) After retirement but prior to age 55, the benefit is as follows:
 - (i) For death while a Disabled Retiree the benefit is equal to 3-1/2 times Compensation.

- (ii) For death while a Deferred Retiree the benefit is equal to his Accumulated Deductions.
 - (iii) For death while a Retiree who has completed 20 years of Service, the benefit is equal to 1/2 times FC.
- (3) After retirement and after age 55, the benefit payable is equal to 1/2 times Compensation. (Note: If a Member is not disabled, 10 years of Credited Service is required for Members enrolling after July 1, 1971.)

Ordinary Death Benefit - Survivor Annuity

- (1) If a member dies prior to retirement, the benefit payable to a widow (widower) is equal to 50% of FC (20% of FC payable to one child, 35% of FC payable to two children or 50% of FC payable to three or more children if there is no surviving widow or widower or if the widow or widower dies or remarries or 25% of FC payable to one parent or 40% of FC payable to two parents if no surviving widow, widower or child. If no widow, widower, child or parent, the benefit payable to a beneficiary is the aggregate Accumulated Contributions at the time of death).

- (2) For any member who retired after December 18, 1967, the benefit payable to widow (widower) is equal to 50% of FC plus 15% of FC for one child and 25% of FC for two or more children.

If no spouse, or spouse remarries, the benefit is equal to 20% of FC for one child, 35% for two children, and 50% for three or more children.

There is also a minimum benefit payable to widows (widowers) of \$4,500 a year.

- (3) For any member who retired with an Accidental Disability Benefit, the benefit payable is equal to \$4,500 a year to the widow (widower). If there is no widow (widower) the benefit payable is \$600 a year for 1 child, \$960 a year for 2 children, and \$1,500 a year for 3 or more children. The benefit for children is payable until age 18.

Accidental Death Benefit

A death while active resulting from injuries received from an accident during performance of duty is eligible for a lump sum equal to the Accumulated Deductions plus 3-1/2 times Compensation plus an annuity benefit payable is as follows:

- (i) The benefit to a widow or widower is equal to 70% of Compensation.
- (ii) The benefit, when there is no spouse, or spouse is remarried, is equal to 20% of Compensation for one child, 35% for two children, 50% for three or more children. The benefit is payable while the children are under age 18, or until age 24 if they are full-time students, or it is payable for life if they are disabled.
- (iii) The benefit, when there is no spouse or children, is equal to 25% of Compensation for one parent and 40% for two parents.
- (iv) The benefit, when there is no relation as stated above, is equal to the Accumulated Deductions and is payable to a beneficiary or to the Member's estate. This is also the minimum benefit payable under (i), (ii) and (iii).

Disability Benefits

Ordinary Disability Retirement

A Member is eligible for Ordinary Disability Retirement if he (she) has 4 years of Service and is totally and permanently incapacitated from the performance of usual or available duties. The benefit is equal to the greater of:

- (i) 1-1/2% of FC times the number of years of Credited Service; or
- (ii) 40% of FC.

In addition, a member who has at least 20 years but less than 25 years of Credited Service and who is required to retire upon application by the employer on and after January 18, 2000 shall receive a benefit equal to a member annuity plus an employer pension which together provide a total retirement allowance equal to 50% of FC plus 3% of FC multiplied by the number of years of Credited Service over 20 but not over 25.

Accidental Disability Retirement

A Member is eligible upon total and permanent incapacitation from the performance of usual or available duties as a result of injury during the performance of regular duties. The benefit payable is equal to a Member annuity plus an employer pension which together equals 2/3 of the Compensation at date of injury.

Special Disability Retirement

A member is eligible for Special Disability Retirement if he (she) has 5 years of Credited Service, is under age 55, and has received a heart transplant. The benefit payable is equal to a Member annuity plus an employer pension which together equals 50% of FC.

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3. Member Contributions

Each member contributes 8-1/2% of Compensation.

APPENDIX B

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHOD

VALUATION INTEREST RATE: 8-3/4% per annum, compounded annually.

SALARY INCREASE: 5.95% per year.

SEPARATIONS FROM SERVICE: Representative values of the assumed annual rates of separation are as follows:

<u>Age</u>	<u>Annual Rates of</u>					<u>Ultimate</u>
	<u>Select Withdrawal</u>					<u>Withdrawal</u>
	<u>Up to the</u>					
	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>5 to 9 Years</u>	<u>After 9 Years</u>
25	3.50%	2.25%	1.85%	1.74%	1.00%	0.00%
30	4.00	2.25	1.85	1.74	1.20	0.60
35	4.50	2.25	1.85	1.74	1.50	0.39
40	5.00	2.25	1.85	2.32	1.50	0.40
45	3.50	2.25	1.85	2.32	1.50	0.32
50	0.00	2.25	1.85	2.00	2.00	0.30
55	0.00	0.00	0.00	0.00	0.00	0.00

<u>Age</u>	<u>Annual Rates of</u>							
	<u>Death</u>		<u>Disability</u>		<u>Service Retirement</u>			
	<u>Ordinary</u>	<u>Accidental</u>	<u>Ordinary</u>	<u>Accidental</u>	<u>Length of Service</u>			
					<u>Less Than</u>	<u>21 to 24</u>	<u>25 Years</u>	<u>26 or More</u>
					<u>21 Years*</u>	<u>Years</u>		<u>Years</u>
25	.050%	.006%	.100%	.029%	2.50%	0.00%	41.00%	15.40%
30	.065	.006	.150	.071	2.50	0.00	41.00	15.40
35	.065	.008	.250	.122	2.50	0.00	41.00	15.40
40	.120	.008	.385	.153	2.50	0.00	41.00	15.40
45	.180	.009	.418	.151	2.50	0.00	44.15	15.40
50	.250	.009	.363	.119	3.75	0.00	47.31	15.40
55	.300	.014	.600	.107	5.00	0.00	49.20	17.48
60	.600	.013	.160	.107	5.00	0.00	55.35	22.78
64	.600	.008	.300	.107	37.50	0.00	55.35	37.80
65 and over	0.000	0.000	0.000	0.000	100.00	100.00	100.00	100.00

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

DEATHS AFTER RETIREMENT: Special mortality tables are used for the period after disability retirement. Representative values of the assumed annual rates of mortality are as follows:

<u>Age</u>	<u>Service Retirements</u>		<u>Beneficiaries</u>		<u>Age</u>	<u>Disability Retirements</u>
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>		
55	0.90%	0.254%	0.90%	0.699%	35	1.494%
60	1.42	0.424	1.42	1.027	40	1.584
65	2.17	0.706	2.17	1.563	45	1.674
70	2.75	1.238	2.75	1.981	50	1.761
75	4.46	2.399	4.46	2.399	55	2.016
80	7.41	4.294	7.41	4.294	60	2.376
85	11.48	6.992	11.48	6.992	65	2.736

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

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

COLA: Benefits are assumed to increase 2.4% each year.

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

APPENDIX C

ADDITIONAL CONTRIBUTION SCHEDULES

A. ADDITIONAL ACCRUED LIABILITY CONTRIBUTION SCHEDULE DUE TO CHAPTER 204, P.L. 1989

	July 1, 2003 Valuation		July 1, 2002 Valuation	
	Payment*	Years Remaining	Payment*	Years Remaining
<u>State Locations</u>				
• Location #00053: Juv. Jus. Comm/Community Prog.	\$ 445	28	N/A	N/A
• Location #00323: Dept. Div. of Human Resources	14,864	28	N/A	N/A
• Location #00498: Univ. of Medicine & Dentistry	738	28	N/A	N/A
Total	\$ 16,047		N/A	
<u>Municipalities & Local Groups</u>				
• Location #21202: Camden City	\$ 46,258	28	\$ 42,364	29
• Location #39300: Belmar Borough	6,188	28	5,667	29
• Location #46800: Roxbury Township	11,508	28	N/A	N/A
• Location #49700: West Windsor Township	17,280	28	15,085	29
• Location #57700: Sea Isle City	3,296	28	N/A	N/A
• Location #62400: NJ Institute of Technology	50,114	28	45,895	29
• Location #62500: Brookdale Community College	54,455	28	49,871	29
• Location #62700: Essex County College	16,365	28	14,988	29
• Location #75000: Lakewood Twp Fire District #1	8,438	28	N/A	N/A
• Location #75700: Middlesex County College	60,531	28	55,434	29
• Location #76200: Lower Camden Regional High School – District 1	1,307	28	1,197	29
• Location #77500: Hopewell Twp Fire District #1	5,083	28	N/A	N/A
• Location #78600: South Jersey Transit Authority	26,434	28	24,209	29
• Location #78700: Washington Township Board of Fire Comm	9,246	28	8,468	29
• Location #79600: Upper Freehold Twp	513	28	N/A	N/A
Total	\$ 317,016		\$ 263,178	

* Dollar amounts include two years of interest at 8.75% and contributions will increase by 5.95% per year.

B. SUMMARY OF FISCAL YEAR 2006 CONTRIBUTIONS FOR STATE COLLEGE LOCATIONS

Location	Location Name	Number of Members	2003 Appropriation Payroll	Normal Contribution	Accrued Liability Contribution	Fiscal Year 2006 Contribution
00410	Rowan University	3	\$ 166,819	\$ 57,918	\$ 10,618	\$ 68,536
00412	Kean University	13	804,254	279,229	51,191	330,420
00413	William Paterson University of NJ	13	708,583	246,013	45,101	291,114
00414	Montclair State University	19	945,599	328,303	60,187	388,490
00415	The College of NJ	11	587,362	203,926	37,386	241,312
00421	Richard Stockton College of NJ	14	712,581	247,401	45,356	292,757
00497	University of Medicine and Dentistry of NJ	38	2,085,181	723,954	132,722	856,676
00498	University of Medicine and Dentistry of NJ	30	1,667,613	578,979	106,144	685,123
00499	University of Medicine and Dentistry of NJ	16	885,008	307,266	56,331	363,597
62400	NJ Institute of Technology	25	1,368,808	475,236	87,125	562,361
90011	Rutgers University	<u>89</u>	<u>5,198,228</u>	<u>1,804,773</u>	<u>330,867</u>	<u>2,135,640</u>
Total		271	\$ 15,130,036	\$ 5,252,998	\$ 963,028	\$ 6,216,026

APPENDIX D**ADDITIONAL CENSUS DATA STATISTICS**

In response to a request from the Board of Trustees, we have performed additional calculations and constructed additional exhibits based on the July 1, 2003 valuation data. The information has been presented in the same order as requested in the memo. Additional responses to the data questions have been included where applicable.

Age Breakdown

1. Average Age at Retirement – split by Special/Service Retirements

The exhibit on page 46 provides information split between Police and Firemen and by type of retirement. The average age at retirement is 56.4, 53.9 and 55.0 for service, special, and deferred retirement respectively.

2. Average Age at Entry

The average age at entry for Contributing active participants at July 1, 2003 is 26.4. The average age at entry for Non-Contributing active participants at July 1, 2003 is 29.6. The average age at entry for all actives at July 1, 2003 is 26.5.

3. & 4. Average Age at Death for Active participants and Retired participants.

We have assumed that all deaths between July 1, 2002 and June 30, 2003 occurred at the middle of the plan year; January 1, 2003. Based on this assumption, the average age at death for the various groups is as follows:

Active Contributing members at July 1, 2002	46.3
Active Non-Contributing members at July 1, 2002	49.8
Retired at July 1, 2002	73.9
Disabled at July 1, 2002	64.8
Beneficiary at July 1, 2002	77.2
Terminated Vested at July 1, 2002	41.5

5. & 6. Average Age at Retirement for those who retired under ordinary and accidental disability.

Specific information by category is contained on page 47. The average age at retirement is 42.4 and 39.5 for ordinary and accidental disability respectively.

Breakdown of Members

1. Police/Firemen split for Active and Retirees

The Police/Firemen split summarized below for plan members can be found in Appendix E of this report.

	<u>Policemen</u>	<u>Firemen</u>	<u>Unknown</u>	<u>Total</u>
Active Contributing Members	36,421	6,466	0	42,887
Active Non-Contributing Members	1,024	67	0	1,091
Vested Terminated Participants	56	5	3	64
Retired Participants	11,634	3,650	2,574	17,858
Disabled Retired Participants	2,710	321	418	449
Beneficiaries	<u>589</u>	<u>153</u>	<u>4,633</u>	<u>375</u>
Total	52,434	10,622	7,628	70,724

Breakdown of Retired Members and Beneficiaries

- 1-6. Number of members receiving various benefits.

This information is included in Appendix E of this report and is summarized as follows:

Number of Members

Receiving Special Retirement Benefits	16,254
Receiving Service Retirement Benefits	1,455
Receiving Deferred Retirement Benefits	149
Receiving Ordinary Disability Benefits	2,019
Receiving Accidental Disability Benefits	1,430

7. Members who died as a result of Accidental Death

We did not receive any information that indicates cause of death for deceased members.

- 8.-10. Number of Widows, Children, and Other Dependents

This information is included in Tables 9 and 10 of Appendix E of this report and is summarized as follows:

	<u>Number</u>
Widows/Widowers	4,337
Children	232
Other Dependents	806

13. The Number of Beneficiaries and Children receiving benefits due to the accidental death of a member is 124 (116 Beneficiaries, 5 Children and 3 other dependents). We have no information to perform a further S.H.B.P./Local Health Benefits split.

Breakdown of Costs

The information contained in this section, "Breakdown of Costs", has been calculated in a manner consistent with that shown in prior reports.

1. Cost per member for Insurance.

Dividing the total death benefit cost, prior to the offset for Excess Valuation Assets, of \$45,335,185, (\$6,271,867 for State location and \$39,063,318 for Local groups) by the number of active contributing members of 42,887 gives the total cost per member for insurance \$1,057.08.

2. Cost per member for Administration

Dividing the Administrative cost per member = \$3,382,756/70,724 members = \$54.19.

- 3.&4. The normal contribution rates for State Locations and Municipalities and Local Groups are summarized in Section III(J) of this report.

- 5.&6. The Accrued Liability rates for State Locations and Municipalities and Local Groups are also summarized in Section III(J) of this report.

Breakdown of Purchases

We do not receive information on the active data file regarding service purchases.

Better Breakdown of Inactive Members

To better demonstrate the effect that inactive participants have on costs, we have split the liabilities attributable to beneficiaries used to calculate the Accrued Liability into specific categories. The information summarized below can be found in Section III(E) of this report.

	<u>Actuarial Accrued Liability</u>	<u>Percentage of Total Accrued Liability</u>
Service/Special Retirements	\$ 8,583,317,862	41.77%
Disableds	1,008,412,315	4.91%
Beneficiaries	1,007,559,144	4.90%
Deferred Terminated Vesteds	6,554,946	0.03%
Lump Sum Death Benefits	<u>188,453,140</u>	<u>0.92%</u>
Total	\$ 10,794,297,407	52.53%

The percentage shown on the right is the percent attributable to each inactive piece of the total Accrued Liability of \$20,547,791,140.

Reconciliation of Census Data

The following chart presents a reconciliation of census data from July 1, 2002 to June 30, 2003:

	Actives		Deferred Vested	Retirees				Beneficiaries	Dependents	Domestic Relations Beneficiaries	Total
	Contrib.	Noncontrib.		Service	Special	Deferred	Disabled				
Members as of July 1, 2002	42,422	1,169	66	1,434	15,699	140	3,184	4,106	213	725	69,158
Status Change											
To Contributing	183	(183)									0
To Noncontributing	(433)	433									0
Terminated Vested	(1)	(8)	9								0
Terminated Non-Vested	(121)	(239)									(360)
Service Retirement	(999)	(20)		107							(912)
Special Retirement					907						907
Deferred Vesteds Now Payable			(10)			11					1
New Disabled	(243)	(98)					341				0
New Death	(44)	(9)	(1)	(86)	(349)	(2)	(77)	(131)		(10)	(709)
Payments Began										135	135
Payments Ceased								(2)	(18)	(49)	(69)
New Actives	2,123	46									2,169
Rehires					(1)		(1)				(2)
New Beneficiaries								364	42		406
Data Corrections					(2)		2				0
Members as of July 1, 2003	42,887	1,091	64	1,455	16,254	149	3,449	4,337	237	801	70,724

Active Member Fifth Age and Service Distribution

The following charts present distributions of active members by age and service.

STATE LOCATIONS AND MUNICIPALITIES AND LOCAL GROUPS

SERVICE	1	5	10	15	20	25	30	35	40	TOTAL
AGE										
20 Number	329	17								346
Salary	11,615,037	735,632	-	-	-	-	-	-	-	12,350,669
25 Number	1,958	1,316	19	-	-	-	-	-	-	3,293
Salary	75,049,579	65,104,158	1,027,523	-	-	-	-	-	-	141,181,260
30 Number	1,655	4,129	1,730	80	-	-	-	-	-	7,594
Salary	65,575,356	230,011,625	112,134,509	5,233,750	-	-	-	-	-	412,955,240
35 Number	824	2,607	3,960	2,544	48	-	-	-	-	9,983
Salary	33,370,845	148,429,296	264,612,284	180,301,344	3,579,624	-	-	-	-	630,293,393
40 Number	79	955	1,969	3,876	1,681	35	-	-	-	8,595
Salary	3,227,375	55,989,357	132,485,691	278,496,615	129,409,451	2,773,237	-	-	-	602,381,726
45 Number	5	223	749	1,779	2,641	1,181	24	-	-	6,602
Salary	179,526	13,291,389	48,216,566	125,534,849	207,210,558	101,417,259	1,894,864	-	-	497,745,011
50 Number	-	82	205	831	1,314	1,482	458	4	-	4,376
Salary	-	4,576,474	12,650,988	56,362,177	99,757,492	127,574,558	42,696,765	394,980	-	344,013,434
55 Number	2	40	88	310	564	622	604	119	-	2,349
Salary	83,691	2,234,437	5,560,188	20,322,259	40,554,669	51,372,956	56,715,061	11,861,420	-	188,704,681
60 Number	1	16	39	108	128	116	127	161	26	722
Salary	118,348	960,011	2,314,916	6,824,681	8,655,550	9,022,833	11,346,359	15,746,433	2,755,527	57,744,658
63 Number	-	1	10	20	15	13	12	22	25	118
Salary	-	44,520	493,370	1,186,190	919,427	737,462	995,825	2,244,488	2,842,084	9,463,366
66 and over Number	-	-	-	-	-	-	-	-	-	-
Salary	-	-	-	-	-	-	-	-	-	-
TOTAL Number	4,853	9,386	8,769	9,548	6,391	3,449	1,225	306	51	43,978
Salary	189,219,757	521,376,899	579,496,035	674,261,865	490,086,771	292,898,305	113,648,874	30,247,321	5,597,611	2,896,833,438

Average Age: 39.3 Years

Average Service: 12.8 Years

Average Salary: \$65,870

Number Vested: 25,503

Number Non Vested: 18,475

Active Member Fifth Age and Service Distribution (continued)

STATE LOCATIONS

SERVICE	1	5	10	15	20	25	30	35	40	TOTAL
AGE										
20 Number	57	2	-	-	-	-	-	-	-	59
Salary	2,329,808	90,304	-	-	-	-	-	-	-	2,420,112
25 Number	397	266	1	-	-	-	-	-	-	664
Salary	17,032,000	12,932,792	50,271	-	-	-	-	-	-	30,015,063
30 Number	426	716	183	12	-	-	-	-	-	1,337
Salary	18,461,931	36,448,493	10,237,142	724,118	-	-	-	-	-	65,871,684
35 Number	247	576	464	425	8	-	-	-	-	1,720
Salary	10,734,094	30,418,111	27,487,610	26,589,587	525,760	-	-	-	-	95,755,162
40 Number	35	233	246	716	341	4	-	-	-	1,575
Salary	1,543,531	12,534,710	14,751,402	45,706,694	22,603,556	270,365	-	-	-	97,410,258
45 Number	2	76	117	428	463	96	2	-	-	1,184
Salary	59,334	4,209,215	6,902,362	27,112,594	31,113,191	7,020,273	115,536	-	-	76,532,505
50 Number	-	48	62	263	289	122	11	-	-	795
Salary	-	2,712,270	3,763,598	16,582,719	19,365,226	8,846,056	731,571	-	-	52,001,440
55 Number	1	25	40	114	175	68	21	4	-	448
Salary	17,735	1,386,765	2,383,642	7,212,119	11,809,089	4,785,574	1,558,653	252,364	-	29,405,941
60 Number	-	11	19	60	59	16	10	4	1	180
Salary	-	687,267	1,120,228	3,784,203	3,979,670	1,062,655	778,315	285,921	56,347	11,754,606
63 Number	-	-	5	7	10	3	1	2	-	28
Salary	-	-	299,290	426,114	622,915	167,990	65,201	131,440	-	1,712,950
66 and over Number	-	-	-	-	-	-	-	-	-	-
Salary	-	-	-	-	-	-	-	-	-	-
TOTAL Number	1,165	1,953	1,137	2,025	1,345	309	45	10	1	7,990
Salary	50,178,433	101,419,927	66,995,545	128,138,148	90,019,407	22,152,913	3,249,276	669,725	56,347	462,879,721

Average Age: 39.5 Years
Average Service: 11.5 Years
Average Salary: \$57,932
Number Vested: 4,475
Number Non Vested: 3,515

Active Member Fifth Age and Service Distribution (continued)

MUNICIPALITIES AND LOCAL GROUPS

AGE	SERVICE	1	5	10	15	20	25	30	35	40	TOTAL
20	Number	272	15	-	-	-	-	-	-	-	287
	Salary	9,285,229	645,328	-	-	-	-	-	-	-	9,930,557
25	Number	1,561	1,050	18	-	-	-	-	-	-	2,629
	Salary	58,017,579	52,171,366	977,252	-	-	-	-	-	-	111,166,197
30	Number	1,229	3,413	1,547	68	-	-	-	-	-	6,257
	Salary	47,113,425	193,563,132	101,897,367	4,509,632	-	-	-	-	-	347,083,556
35	Number	577	2,031	3,496	2,119	40	-	-	-	-	8,263
	Salary	22,636,751	118,011,185	237,124,674	153,711,757	3,053,864	-	-	-	-	534,538,231
40	Number	44	722	1,723	3,160	1,340	31	-	-	-	7,020
	Salary	1,683,844	43,454,647	117,734,289	232,789,921	106,805,895	2,502,872	-	-	-	504,971,468
45	Number	3	147	632	1,351	2,178	1,085	22	-	-	5,418
	Salary	120,192	9,082,174	41,314,204	98,422,255	176,097,367	94,396,986	1,779,328	-	-	421,212,506
50	Number	-	34	143	568	1,025	1,360	447	4	-	3,581
	Salary	-	1,864,204	8,887,390	39,779,458	80,392,266	118,728,502	41,965,194	394,980	-	292,011,994
55	Number	1	15	48	196	389	554	583	115	-	1,901
	Salary	65,956	847,672	3,176,546	13,110,140	28,745,580	46,587,382	55,156,408	11,609,056	-	159,298,740
60	Number	1	5	20	48	69	100	117	157	25	542
	Salary	118,348	272,744	1,194,688	3,040,478	4,675,880	7,960,178	10,568,044	15,460,512	2,699,180	45,990,052
63	Number	-	1	5	13	5	10	11	20	25	90
	Salary	-	44,520	194,080	760,076	296,512	569,472	930,624	2,113,048	2,842,084	7,750,416
66 and over	Number	-	-	-	-	-	-	-	-	-	-
	Salary	-	-	-	-	-	-	-	-	-	-
TOTAL	Number	3,688	7,433	7,632	7,523	5,046	3,140	1,180	296	50	35,988
	Salary	139,041,324	419,956,972	512,500,490	546,123,717	400,067,364	270,745,392	110,399,598	29,577,596	5,541,264	2,433,953,717

Average Age: 39.3 Years

Average Service: 13.1 Years

Average Salary: \$67,632

Number Vested: 21,028

Number Non Vested: 14,960

ADDITIONAL INFORMATION PROVIDED FOR ITEM 1.All Healthy Retirees as of July 1, 2003

<u>Sex</u>	<u>Police or Firemen</u>	<u>Type of Retirement</u>	<u>Counts</u>	<u>Average Years of Service</u>	<u>Average Age at Retirement</u>	<u>Average Annual Benefit</u>	<u>Average Current Age</u>
M	Police	Service	549	18.5	57.6	\$ 23,855	63.6
M	Police	Special	10,770	27.8	53.3	45,188	61.1
M	Police	Deferred	79	16.4	55.0	11,079	62.7
M	Firemen	Service	71	24.9	57.0	30,278	65.9
M	Firemen	Special	3,530	28.9	54.8	43,767	64.6
M	Firemen	Deferred	47	16.3	55.0	9,003	62.1
M	Unknown	Service	739	26.4	55.3	19,920	81.4
M	Unknown	Special	1,804	28.3	56.0	25,651	77.0
M	Unknown	Deferred	21	18.7	55.0	8,591	76.1
F	Police	Service	88	17.2	58.3	20,802	63.1
F	Police	Special	146	26.6	55.0	43,177	59.8
F	Police	Deferred	2	16.7	55.0	19,869	56.5
F	Firemen	Service	1	13.3	62.0	10,648	75.0
F	Firemen	Special	1	26.0	52.0	60,535	53.0
F	Unknown	Service	7	19.5	59.4	12,360	81.2
F	Unknown	Special	3	28.1	58.3	19,512	81.7

New Healthy Retirees as of July 1, 2003

<u>Sex</u>	<u>Police or Firemen</u>	<u>Type of Retirement</u>	<u>Counts</u>	<u>Average Years of Service</u>	<u>Average Age at Retirement</u>	<u>Average Annual Benefit</u>	<u>Average Current Age</u>
M	Police	Service	81	20.4	54.1	\$ 31,542	54.6
M	Police	Special	741	27.3	52.6	54,212	53.2
M	Police	Deferred	8	14.2	55.0	13,016	55.8
M	Firemen	Service	13	24.5	54.1	31,542	54.6
M	Firemen	Special	134	28.9	55.2	58,742	55.9
M	Firemen	Deferred	2	13.3	55.0	7,510	55.5
F	Police	Service	13	20.0	53.1	29,527	53.8
F	Police	Special	32	25.9	55.4	50,051	55.9
F	Police	Deferred	1	17.0	55.0	11,081	55.0

ADDITIONAL INFORMATION PROVIDED FOR ITEMS 5. & 6.All Disabilities as of July 1, 2003

<u>Sex</u>	<u>Police or Firemen</u>	<u>Type of Retirement</u>	<u>Counts</u>	<u>Average Years of Service</u>	<u>Average Age at Retirement</u>	<u>Average Annual Benefit</u>	<u>Average Current Age</u>
M	Police	Ordinary	1,419	13.1	42.3	\$ 19,396	51.9
M	Police	Accidental	1,008	12.0	38.8	31,283	50.3
M	Firemen	Ordinary	204	13.0	40.9	18,107	53.3
M	Firemen	Accidental	117	13.7	40.8	27,440	57.1
M	Unknown	Ordinary	169	15.1	43.6	11,653	71.6
M	Unknown	Accidental	246	14.4	42.1	18,202	73.2
F	Police	Ordinary	226	12.1	42.9	22,039	46.8
F	Police	Accidental	57	9.9	38.7	35,318	44.8
F	Unknown	Ordinary	1	17.3	54.0	12,489	72.0
F	Unknown	Accidental	2	11.0	48.5	15,555	78.0

New Disabilities as of July 1, 2003

<u>Sex</u>	<u>Police or Firemen</u>	<u>Type of Retirement</u>	<u>Counts</u>	<u>Average Years of Service</u>	<u>Average Age at Retirement</u>	<u>Average Annual Benefit</u>	<u>Average Current Age</u>
M	Police	Ordinary	171	14.1	45.9	\$ 26,265	46.8
M	Police	Accidental	94	13.1	39.8	43,988	40.7
M	Firemen	Ordinary	17	13.6	44.9	27,629	45.9
M	Firemen	Accidental	2	13.8	41.9	43,232	42.5
F	Police	Ordinary	51	13.7	44.7	23,951	45.5
F	Police	Accidental	6	8.8	77.3	40,361	38.3

APPENDIX E

TABULATIONS USED AS A BASIS FOR THE 2003 VALUATION

The following tables give the distribution of the number and salaries of members by age and length of service as of July 1, 2003. Tables are also given showing the number and retirement allowances of beneficiaries classified by age as of July 1, 2003.

**THE NUMBER AND ANNUAL COMPENSATION OF
CONTRIBUTING ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2003**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
19	2	\$ 79,716		
20	19	591,266	4	\$ 122,778
21	38	1,276,732	6	161,964
22	121	4,398,695	14	546,572
23	218	8,042,057	41	1,491,694
24	330	12,947,797	63	2,395,744
25	528	21,556,389	82	3,324,304
26	637	27,686,105	97	3,905,886
27	746	34,091,522	124	5,405,749
28	860	41,567,266	109	5,017,331
29	1,061	54,216,030	131	6,372,767
30	1,169	62,786,274	158	7,758,313
31	1,367	76,826,386	166	8,756,981
32	1,612	91,937,918	199	10,587,256
33	1,748	104,664,403	186	10,293,898
34	1,837	113,846,788	182	10,079,953
35	1,795	113,452,007	154	9,121,466
36	1,714	109,829,340	192	11,071,429
37	1,749	116,719,881	191	11,280,004
38	1,753	119,059,264	174	10,539,710
39	1,764	122,814,914	148	9,490,880
40	1,529	107,502,733	140	9,158,469
41	1,398	99,614,010	129	8,080,507
42	1,436	104,608,390	111	7,482,609
43	1,362	99,721,125	105	6,943,688
44	1,288	96,150,276	111	7,661,151
45	1,178	90,132,886	86	5,911,320
46	1,219	94,391,042	96	6,630,809
47	1,123	87,559,555	66	4,620,011
48	1,116	88,029,009	77	5,220,225
49	954	75,335,411	68	4,550,797
50	812	65,062,177	55	3,677,056
51	736	59,322,278	40	2,547,487
52	683	54,749,762	46	2,996,837
53	589	47,971,951	34	2,335,168
54	539	43,937,069	21	1,402,847
55	501	41,224,479	22	1,364,831
56	409	33,503,999	31	2,116,746
57	328	26,900,987	18	1,115,027
58	212	17,404,273	14	825,387
59	159	12,581,519	14	889,164
60	170	14,190,906	7	465,528

TABLE 1
THE NUMBER AND ANNUAL COMPENSATION OF
CONTRIBUTING ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2003

(CONTINUED)

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
61	126	\$ 10,580,614	6	\$ 448,847
62	83	6,740,923	7	452,708
63	57	4,734,470	3	191,721
64	81	6,739,110	3	193,256
TOTAL	39,156	\$2,627,079,704	3,731	\$ 215,006,875

The 42,887 total active contributing participants included in the June 30, 2003 valuation data consist of 36,421 policemen and 6,466 firemen.

**THE NUMBER AND ANNUAL COMPENSATION OF
CONTRIBUTING ACTIVE MEMBERS DISTRIBUTED BY SERVICE
AS OF JUNE 30, 2003**

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	276	\$ 9,259,561	59	\$ 2,016,512
1	1,270	45,525,524	231	8,297,378
2	1,410	56,945,352	253	10,040,243
3	1,656	74,670,289	248	10,869,175
4	1,595	80,397,103	199	9,614,188
5	1,692	93,456,416	202	10,616,605
6	1,781	101,868,982	216	11,945,691
7	1,477	90,585,984	196	11,606,743
8	1,777	115,516,024	224	13,346,820
9	2,130	139,389,058	176	10,865,819
10	1,499	100,200,742	126	7,872,748
11	1,232	83,624,092	114	7,316,837
12	1,109	75,166,803	138	8,486,330
13	1,768	119,713,990	198	12,739,135
14	1,583	110,349,439	188	12,456,091
15	1,880	132,639,789	155	10,476,318
16	1,660	119,987,682	153	10,060,809
17	1,573	115,876,795	115	7,688,436
18	1,662	124,109,867	124	8,395,093
19	1,322	99,763,714	84	5,561,923
20	1,166	87,775,432	67	4,794,674
21	1,156	89,659,154	60	4,414,857
22	1,119	89,667,339	61	4,481,244
23	930	76,643,026	47	3,471,208
24	1,049	88,549,540	43	3,320,282
25	839	70,269,115	28	2,182,570
26	517	45,542,223	9	798,803
27	322	28,942,299	6	472,388
28	264	23,114,888	1	72,240
29	389	35,847,223	6	486,330
30	332	30,733,218	2	107,168
31	172	16,714,892	1	71,236
32	126	12,280,042	1	60,981
33	122	11,779,696		
34	78	7,172,254		
35	72	7,477,504		
36	46	4,866,124		
37	38	3,748,942		
38	37	3,968,412		
39	13	1,370,855		
40	5	521,596		

TABLE 2
THE NUMBER AND ANNUAL COMPENSATION OF
CONTRIBUTING ACTIVE MEMBERS DISTRIBUTED BY SERVICE
AS OF JUNE 30, 2003

(CONTINUED)

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
41	7	\$ 774,852		
42	5	613,872		
TOTAL	39,156	\$2,627,079,704	3,731	\$ 215,006,875

The 42,887 total active contributing participants included in the June 30, 2003 valuation data consist of 36,421 policemen and 6,466 firemen.

**THE NUMBER AND ANNUAL COMPENSATION OF
NON-CONTRIBUTING ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2003**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
22	6	\$ 185,242	1	\$ 39,858
23	4	135,853	3	100,451
24	10	335,041	6	192,162
25	16	591,543	5	141,146
26	19	681,735	7	284,972
27	14	499,007	11	385,068
28	25	1,001,906	6	236,501
29	33	1,283,547	9	347,254
30	29	1,124,992	10	437,360
31	36	1,546,862	6	219,467
32	34	1,561,524	12	554,175
33	33	1,594,770	9	464,376
34	34	1,915,921	8	356,209
35	42	2,128,842	8	446,823
36	35	1,699,359	10	512,432
37	43	2,329,664	7	335,905
38	36	1,869,609	10	497,854
39	27	1,560,953	8	442,633
40	41	2,297,091	3	129,386
41	32	1,949,058	8	518,111
42	28	1,617,610	11	565,733
43	22	1,203,127	5	289,972
44	29	1,687,119	5	317,761
45	27	1,466,385	7	376,433
46	34	1,905,666	4	219,984
47	27	1,474,810	6	344,961
48	20	1,156,213	4	194,446
49	23	1,383,102	4	260,747
50	20	1,174,892	6	312,471
51	10	548,917		
52	13	734,161	3	121,974
53	15	813,705	1	75,500
54	7	412,327	2	117,205
55	16	907,752	1	58,839
56	6	287,688		
57	6	238,192		
58	4	214,988		
59			1	52,127
60	5	223,604	1	57,508
61	6	322,795		
62	5	238,532		

TABLE 3

**THE NUMBER AND ANNUAL COMPENSATION OF
NON-CONTRIBUTING ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2003**

(CONTINUED)

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
63	3	\$ 94,909		
64	8	340,042		
TOTAL	883	\$ 44,739,055	208	\$ 10,007,804

The 1,091 total active non-contributing participants included in the June 30, 2003 valuation data consist of 1,024 policemen and 67 firemen.

TABLE 4

**THE NUMBER AND ANNUAL COMPENSATION OF
NON-CONTRIBUTING ACTIVE MEMBERS DISTRIBUTED BY SERVICE
AS OF JUNE 30, 2003**

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	33	\$ 992,797	7	\$ 230,758
1	81	2,554,520	34	1,057,584
2	49	1,834,454	22	807,624
3	29	1,100,430	15	606,232
4	42	1,935,269	15	694,473
5	51	2,514,785	6	329,646
6	37	1,801,546	9	488,952
7	35	1,915,633	10	594,947
8	30	1,685,417	10	568,912
9	26	1,439,802	4	222,126
10	30	1,565,442	9	459,494
11	74	3,980,262	13	743,016
12	56	2,960,315	13	742,962
13	56	3,149,776	8	462,568
14	54	3,054,674	10	509,555
15	45	2,678,628	4	228,420
16	31	1,696,057	4	221,672
17	28	1,660,042	7	460,071
18	19	1,214,033	2	160,236
19	25	1,430,850	1	74,208
20	10	594,325		
21	11	648,087	1	75,500
22	5	339,542	2	140,881
23	10	678,078	2	127,967
24	3	225,465		
25	5	440,298		
26	1	62,362		
28	2	205,004		
29	2	157,162		
30	2	143,804		
33	1	80,196		
TOTAL	883	\$ 44,739,055	208	\$ 10,007,804

The 1,091 total active non-contributing participants included in the June 30, 2003 valuation data consist of 1,024 policemen and 67 firemen.

TABLE 5

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

SERVICE RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
39	3	\$ 106,475		
40			1	\$ 30,688
41	3	122,938	1	40,143
42	5	175,961	1	28,869
43	14	466,469		
44	8	301,476	1	27,483
45	9	314,478	1	32,952
46	13	450,329	3	96,127
47	6	209,253	2	62,463
48	21	578,253	2	65,642
49	9	282,576		
50	18	653,066	2	65,943
51	4	129,740		
52	6	163,379	1	34,259
53	9	264,257		
54	9	283,700		
55	19	466,601	3	70,916
56	24	437,667	5	158,451
57	20	364,446	1	28,082
58	12	264,492	3	77,585
59	19	361,402	1	20,849
60	23	364,635	3	72,514
61	26	452,341	4	96,228
62	22	335,543		
63	24	464,360	1	5,929
64	26	402,337	7	109,360
65	46	924,789	11	174,806
66	44	1,529,696	5	107,577
67	32	840,233	1	22,219
68	31	713,652	1	18,165
69	24	453,864	6	96,019
70	29	426,261	4	63,993
71	28	364,305	3	44,498
72	21	256,708	3	44,185
73	29	461,827	1	12,611
74	37	761,407	2	29,844
75	38	675,592	3	43,441
76	55	1,046,696	1	9,472
77	71	1,390,622	4	40,114
78	75	1,449,447		
79	75	1,482,013	2	23,895
80	68	1,387,054	4	56,078

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

SERVICE RETIREMENTS

(CONTINUED)

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
81	75	\$ 1,487,149		
82	83	1,696,056		
83	63	1,259,680	2	\$ 25,958
84	54	969,467	1	17,209
85	43	806,428		
86	44	849,311		
87	35	733,084		
88	27	543,146	1	14,807
89	10	202,681		
90	9	160,175		
91	4	63,311		
92	1	16,445		
93	2	55,905		
97	1	22,126		
Total	1,506	\$ 31,445,300	98	\$ 1,969,374

The 1,604 total service retirements consists of 718 policemen, 119 firemen and 767 retirees for whom the information was not reported.

TABLE 6

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

SPECIAL RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
44	6	\$ 275,202		
45	15	820,404	2	\$ 81,709
46	25	1,197,286		
47	79	3,990,905		
48	141	6,808,124	5	200,363
49	200	10,016,567	5	221,429
50	259	13,061,379	5	258,665
51	288	14,341,659	6	259,991
52	361	18,181,483	8	390,082
53	434	21,746,450	9	473,921
54	560	28,034,487	9	383,356
55	576	28,538,741	6	306,374
56	814	38,775,766	5	233,755
57	810	38,608,228	4	169,851
58	635	29,638,424	5	264,384
59	666	31,092,030	3	159,242
60	802	36,987,572	9	371,359
61	823	37,159,768	7	268,754
62	647	29,862,575	7	274,272
63	628	27,682,154	7	286,466
64	597	26,402,914	3	115,317
65	597	25,914,307	3	126,924
66	526	22,641,892	8	349,343
67	501	20,775,256	6	232,855
68	458	18,326,935	4	181,847
69	406	15,576,987	6	210,915
70	407	15,300,097	1	38,087
71	414	15,149,379		
72	396	14,195,676	3	115,280
73	410	13,967,616	1	42,764
74	335	11,075,601	4	149,035
75	288	9,460,993		
76	295	9,570,385	1	40,332
77	327	10,411,172	2	69,975
78	279	8,719,885	1	27,768
79	265	8,283,931	1	25,400
80	224	6,821,126	1	30,120
81	173	5,260,553		
82	138	4,313,388	1	20,718
83	98	2,935,694	1	23,473

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

SPECIAL RETIREMENTS

(CONTINUED)

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
84	85	\$ 2,450,812		
85	47	1,343,861		
86	39	993,493	1	\$ 18,823
87	21	531,566		
88	7	160,528		
89	2	48,987		
TOTAL	16,104	\$ 687,452,239	150	\$ 6,422,952

The 16,254 total special retirements consists of 10,916 policemen, 3,531 firemen and 1,807 retirees for whom the information was not reported.

TABLE 7

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

ORDINARY DISABILITY RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
30	3	\$ 63,598	1	\$ 25,661
31	5	118,043	1	13,561
32	7	127,010	1	23,578
33	19	404,163	4	87,812
34	13	256,399	2	50,253
35	24	538,338	8	188,947
36	22	514,617	4	94,056
37	34	733,864	7	164,977
38	28	557,400	9	200,398
39	34	671,957	10	212,120
40	29	652,368	13	285,901
41	50	1,099,075	10	226,370
42	37	753,838	4	70,985
43	39	828,542	12	265,860
44	42	946,238	8	196,168
45	37	873,745	20	471,374
46	49	1,033,810	9	190,798
47	47	1,003,801	10	217,145
48	52	1,154,532	5	119,755
49	67	1,482,614	8	164,842
50	61	1,263,373	6	135,661
51	46	970,830	3	63,307
52	73	1,555,316	6	128,550
53	48	922,729	9	219,310
54	76	1,386,183	11	243,550
55	74	1,342,410	7	153,660
56	75	1,272,125	2	51,895
57	61	1,008,088	4	92,288
58	45	775,469	6	95,516
59	48	796,116	4	79,028
60	59	968,257	1	19,774
61	42	685,248	5	99,613
62	70	1,073,271	4	91,042
63	46	747,014	2	42,123
64	46	699,892		
65	32	571,851	2	51,771
66	29	477,827	1	18,962
67	25	390,588		
68	18	254,318	3	54,554
69	31	461,171	1	16,640
70	20	249,067	1	20,143

TABLE 7

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

ORDINARY DISABILITY RETIREMENTS

(CONTINUED)

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
71	16	\$ 181,668	1	\$ 16,342
72	13	190,594	1	12,489
73	15	189,945	1	16,554
74	9	114,860		
75	8	103,062		
76	14	158,136		
77	12	123,807		
78	8	75,778		
79	9	97,266		
80	9	86,510		
81	6	68,973		
82	3	36,930		
83	5	52,677		
84	1	9,313		
85	1	12,954		
TOTAL	1,792	\$ 33,187,569	227	\$ 4,993,335

The 2,019 ordinary disability retirees consists of 1,645 policemen, 204 firemen and 170 retirees for whom the information was not reported.

TABLE 8

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

ACCIDENTAL DISABILITY RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
26			1	\$ 29,592
29	5	\$ 197,479		
30	3	91,249		
31	10	362,527		
32	5	192,852	1	42,826
33	14	558,780	1	46,523
34	11	376,280	3	113,371
35	20	785,153	3	111,945
36	27	1,087,723		
37	26	1,092,460	6	257,382
38	19	742,913	1	22,521
39	35	1,371,291	2	75,087
40	31	1,254,858	3	121,753
41	32	1,160,218	1	32,005
42	22	830,707	4	144,553
43	36	1,263,982	2	68,738
44	27	1,107,638	2	59,296
45	21	811,278	2	94,125
46	34	1,224,730		
47	26	992,056	4	135,383
48	45	1,459,366	2	63,741
49	45	1,399,292	3	98,401
50	34	1,122,239	4	122,680
51	27	775,336	1	35,943
52	44	1,390,616	2	77,799
53	41	1,294,475	1	16,983
54	35	1,018,259	1	11,078
55	50	1,244,327		
56	52	1,280,969	1	34,785
57	52	1,362,015	1	48,441
58	43	1,068,683		
59	35	757,236		
60	40	949,715	2	82,273
61	36	825,632		
62	30	704,233		
63	26	589,472		
64	16	292,756	1	13,541
65	21	481,554		
66	19	419,263	1	19,643
67	19	388,458		
68	23	459,139		

TABLE 8

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

ACCIDENTAL DISABILITY RETIREMENTS

(CONTINUED)

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
69	23	\$ 471,688	1	\$ 32,755
70	22	417,841		
71	17	332,508		
72	22	433,383		
73	9	156,512		
74	20	367,791		
75	9	182,244	1	19,800
76	10	172,174		
77	21	392,937		
78	18	361,112		
79	19	350,350		
80	11	192,914		
81	9	185,560	1	11,310
82	8	156,566		
83	2	24,898		
84	6	90,872		
85	5	87,081		
86	1	20,711		
88	1	21,156		
90	1	16,582		
TOTAL	1,371	\$ 39,222,088	59	\$ 2,044,275

The 1,430 accidental disability retirees consists of 1,065 policemen, 117 firemen and 248 retirees for whom the information was not reported.

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

ACTIVE MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
1	1	\$ 10,385		
2	1	10,048	1	\$ 12,171
4	2	16,956		
5	1	10,540		
6	1	12,343		
7			2	14,742
8	2	17,265		
9	1	10,648		
10	1	9,936		
11	1	3,509	2	14,972
12			1	3,509
13	2	15,944	2	27,096
14	1	3,509	1	12,171
15	1	3,509	3	30,674
16			1	9,159
17	3	24,192	1	9,159
18	1	10,098		
19	1	5,802		
21	1	10,353		
26			1	17,044
27			2	43,580
28			1	29,145
29			2	57,159
30			2	50,358
31			5	163,521
32			3	63,307
33			3	91,157
34			4	96,354
35			4	109,463
36			3	92,019
37			5	153,856
38			5	134,544
39	1	20,609	4	120,857
40			3	72,189
41			13	397,408
42			6	187,294
43			8	275,521
44			10	284,493
45			6	207,895
46			7	235,818
47			13	486,170
48			7	225,631
49			2	64,683

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

ACTIVE MEMBERS' DEATH BENEFITS

(CONTINUED)

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
50			8	\$ 297,339
51			10	370,054
52			15	514,073
53			6	193,902
54			6	206,301
55			7	212,010
56			8	273,690
57			6	185,047
58			8	200,478
59			6	140,218
60			7	211,992
61	1	\$ 17,692	7	219,520
62			5	123,751
63			5	133,759
64			1	26,519
65			2	85,240
66			5	137,768
68			3	108,981
69			3	72,544
70			2	41,849
71			2	47,128
72			2	42,968
73			3	56,260
74			6	82,845
75			4	85,735
76			1	24,916
77			5	102,651
78			6	88,138
79			1	24,093
80			7	108,486
81			3	50,409
82			1	9,667
83			4	52,155
84			3	47,516
85			1	512
86			1	6,668
87			1	18,225
88			2	20,634
TOTAL	23	\$ 213,338	306	\$ 8,417,158

The 329 beneficiaries are receiving active member's death benefits on behalf of 3 deceased policemen and 1 deceased fireman. Information was not reported for the other 325 beneficiaries.

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

RETIRED MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
2	1	\$ 8,829	1	\$ 8,829
4			2	11,636
5	1	8,936	1	5,258
6	2	16,046		
7	2	16,987		
9	4	34,467	1	10,050
10	4	23,782	3	14,180
11	1	10,184	3	20,983
12	3	17,114	3	21,414
13	5	44,237	5	43,143
14	5	39,320	8	66,409
15	15	106,797	4	23,843
16	8	66,480	10	77,374
17	11	95,625	17	109,149
18	10	70,485	12	85,096
19	9	69,956	13	120,021
20	2	14,127		
21			2	11,677
22			2	15,801
25			1	6,335
26			2	14,583
27			1	21,014
28			1	28,295
30			1	4,888
32			2	38,565
33	1	6,219	3	34,231
34			2	17,472
35			6	78,305
36			6	69,519
37			5	59,770
38	2	13,446	9	130,877
39	1	4,420	15	139,054
40	1	2,170	19	332,827
41	2	19,567	19	261,134
42	1	4,160	9	137,050
43	1	7,931	24	383,278
44	2	11,458	21	221,951
45	2	23,418	24	393,050
46	1	6,519	41	757,503
47			45	915,225
48			42	696,442
49			36	560,197
50	2	14,488	40	683,627
51	1	6,461	58	1,080,923
52			91	1,534,491
53			87	1,563,482
54			74	1,354,164
55	3	32,392	97	1,817,560

TABLE 10

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

RETIRED MEMBERS' DEATH BENEFITS

(CONTINUED)

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
56			103	\$ 2,233,684
57	2	\$ 12,889	71	1,407,867
58	1	13,836	89	1,895,928
59			97	2,051,033
60	1	23,563	104	2,295,317
61			116	2,460,703
62	1	4,472	98	2,295,483
63	2	13,153	111	2,457,705
64	2	32,553	99	2,101,154
65			94	1,964,072
66			116	2,455,915
67			115	2,440,033
68			112	2,421,476
69			117	2,391,415
70	1	16,224	123	2,546,921
71	1	17,422	154	3,188,768
72	1	27,936	125	2,576,934
73			175	3,515,999
74			159	3,194,890
75	2	59,139	199	3,884,693
76	1	25,009	220	4,171,162
77			190	3,500,157
78	1	30,669	193	3,592,444
79	1	21,461	193	3,466,818
80			166	3,028,323
81			136	2,359,157
82			133	2,325,031
83			139	2,456,058
84			103	1,783,267
85			62	1,084,510
86			53	890,516
87			31	537,513
88			24	396,434
89			12	190,932
90			12	204,652
91			6	98,276
92			2	35,446
93			2	34,173
94			2	28,912
96			1	13,396
101			1	11,351
TOTAL	120	\$ 1,094,342	4,926	\$ 93,969,190

The 5,046 beneficiaries are receiving retired member's death benefits on behalf of 586 deceased policemen, 152 deceased firemen and 4,308 deceased retirees for whom the information was not reported.

TABLE 11

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

DEFERRED TERMINATED VESTEDS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
33	1	\$ 13,200		
36	3	54,588		
37	3	34,140		
39			1	\$ 17,412
40	2	28,668		
41	1	11,964		
42	1	18,960		
43	4	74,604		
44	1	14,952	2	20,400
45	5	59,076		
46	2	22,296	1	12,048
47	8	112,548	1	4,860
48	2	17,844	1	17,892
49	3	37,488		
50	2	13,980		
51	4	49,416	1	26,952
52	1	9,960		
53	4	57,744		
54	5	50,364		
55	3	44,112		
56	1	8,868		
63	1	8,388		
TOTAL	57	\$ 743,160	7	\$ 99,564

The 64 deferred terminated vested members consists of 56 policemen, 5 firemen and 3 deferred terminated vested members for whom information was not reported.

APPENDIX F - EARLY RETIREMENT INCENTIVE (ERI) CONTRIBUTION SCHEDULE

<u>Number</u>	<u>Location Name</u>	<u>ERI 1 Information</u>	
		<u>Current Payment</u>	<u>Present Value as of 7/1/2003</u>
20700	OCEAN CITY	276,829	433,943
22100	EAST RUTHERFORD BOROUGH	42,461	678,635
22300	AVON BY THE SEA	34,063	175,309
22800	METUCHEN BOROUGH	97,517	501,884
23301	HOBOKEN CITY	179,859	2,874,594
23302	HOBOKEN CITY	88,082	1,407,763
24500	PERTH AMBOY CITY	240,639	1,238,483
25100	RIVERSIDE TOWNSHIP	23,524	194,967
25500	GLEN RIDGE BOROUGH	30,532	487,973
26000	NORTH WILDWOOD CITY	91,012	142,666
28300	MONTCLAIR TOWNSHIP	110,209	1,761,414
29300	MAPLE SHADE TOWNSHIP	35,246	292,118
33700	NEW BRUNSWICK CITY	412,788	6,597,354
34200	VERONA TOWNSHIP	55,074	86,331
34600	WALLINGTON BOROUGH	19,962	319,039
35400	BELLEVILLE TOWNSHIP	248,150	388,989
36500	HAMMONTON TOWN	43,413	693,840
36700	FAIRFIELD TOWNSHIP	79,456	124,551
38800	PHILLIPSBURG TOWN	5,975	95,503
39400	SOUTH RIVER BOROUGH	151,883	238,085
40000	TOTOWA BOROUGH	22,897	35,892
40500	HADDON HEIGHTS BOROUGH	22,752	188,570
40800	CALDWELL BOROUGH	12,971	207,314
41000	MANVILLE BOROUGH	28,634	457,638
42800	ROCHELLE PARK TOWNSHIP	57,628	90,335
43400	BOUND BROOK BOROUGH	17,743	283,570
43600	ROSELAND BOROUGH	61,205	314,997
44400	CAPE MAY CITY	90,532	141,914
50000	BRIELLE BOROUGH	37,242	191,670
50800	EAST WINDSOR TOWNSHIP	38,445	60,265
52900	CHESTER TOWNSHIP	36,460	187,646
53100	VOORHEES TOWNSHIP	77,805	121,964
53900	BERKELEY TOWNSHIP	244,985	384,027
54200	PT PLEASANT BOROUGH	69,583	109,075
54400	LINWOOD CITY	27,821	444,641
54700	SEASIDE HEIGHTS BOROUGH	81,704	677,172
56000	HOWELL TOWNSHIP	165,159	258,896
56800	LINCOLN PARK BOROUGH	30,576	47,929
57100	MINE HILL TOWNSHIP	9,699	155,015
57700	SEA ISLE CITY	12,624	104,629
57900	MIDDLE TOWNSHIP	119,035	186,594
59300	EAST GREENWICH TOWNSHIP	42,498	66,618
61200	RARITAN TOWNSHIP	29,238	467,299
70300	BURLINGTON COUNTY	13,915	21,813
70303	BURLINGTON COUNTY	97,977	153,584
70500	CAPE MAY COUNTY	37,106	58,165
70700	ESSEX COUNTY	1,641,312	26,232,182

APPENDIX F - EARLY RETIREMENT INCENTIVE (ERI) CONTRIBUTION SCHEDULE

<u>Number</u>	<u>Location Name</u>	<u>ERI 1 Information</u>	
		<u>Current Payment</u>	<u>Present Value as of 7/1/2003</u>
70800	GLOUCESTER COUNTY	90,883	142,464
70803	GLOUCESTER COUNTY	149,368	234,142
71600	PASSAIC COUNTY	298,190	2,471,426
71603	PASSAIC COUNTY	170,541	1,413,456
		<hr/>	<hr/>
		\$ 6,103,202	\$ 54,644,343

APPENDIX F - EARLY RETIREMENT INCENTIVE (ERI) CONTRIBUTION SCHEDULE
ADDITIONAL CONTRIBUTION SCHEDULES DUE TO RECENT
EARLY RETIREMENT INCENTIVE (ERI) LEGISLATION

<u>Number</u>	<u>Location Name</u>	<u>ERI Information</u>		
		<u>Years and Form of Payment</u>	<u>Current Payment</u>	<u>Present Value as of 7/1/03</u>
<u>Chapter 59, P.L. 1999</u>				
79000	NO. HUDSON REG. FIRE & RESCUE	15 Year - Increasing	\$ 56,817	\$ 470,901
<u>Chapter 126, P.L. 2000</u>				
*	UNION COUNTY	N/A	N/A	\$ (94,922)
71600	PASSAIC COUNTY	15 Year - Level	\$ 198,029	\$ 1,398,897
71603	PASSAIC COUNTY	15 Year - Level	\$ 30,828	\$ 217,770
	Sub-Total		\$ 228,857	\$ 1,521,745
	Total		\$ 285,674	\$ 1,992,646

* Union County locations 72000 and 72003 have elected to issue refunding bonds to retire the unfunded accrued liability due to this program. The amount bonded exceeds the additional liability determined for the valuation.