

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Financial Statements and Schedules

June 30, 2004

(With Independent Auditors' Report Thereon)

KPMG LLP
New Jersey Headquarters
150 John F. Kennedy Parkway
Short Hills, NJ 07078

Independent Auditors' Report

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

We have audited the accompanying statement of fiduciary net assets of the State of New Jersey Pension Trust Funds (the Funds) as of June 30, 2004 and the related statement of changes in fiduciary net assets for the year then ended. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Funds and are not intended to present fairly the financial position and results of operations of the State of New Jersey Division of Pensions and Benefits or the State of New Jersey.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of New Jersey Pension Trust Funds as of June 30, 2004, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Funds' basic financial statements. The schedule of fiduciary net assets and schedule of changes in fiduciary net assets are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Funds. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

September 24, 2004

**STATE OF NEW JERSEY
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Management's Discussion and Analysis

June 30, 2004

Our discussion and analysis of the Pension Trust Funds (the Funds)' financial performance provides an overview of the Funds' financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the basic financial statements and financial statement footnotes which follow this discussion.

FINANCIAL HIGHLIGHTS

- Fiduciary net assets increased by \$6.1 billion as a result of this year's operations from \$65.5 billion to \$71.6 billion.
- Additions for the year were \$11.5 billion, which are comprised of member and employer pension contributions of \$2.7 billion and investment income of \$ 8.8 billion.
- Deductions for the year were \$5.4 billion, which are comprised of benefit and refund payments of \$5.4 billion and administrative expenses of \$32.2 million.
- The Funds utilized net assets (excess assets above the required funding level) to meet this year's normal pension contribution requirements.

THE STATEMENT OF FIDUCIARY NET ASSETS AND THE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

This annual report consists of two financial statements: *The Statement of Fiduciary Net Assets* and *The Statement of Changes in Fiduciary Net Assets*. These financial statements report information about the Funds and about its activities to help you assess whether the Funds, as a whole, have improved or declined as a result of the year's activities. The financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned, and expenses are recorded in the year they are incurred, regardless of when cash is received or paid.

The Statement of Fiduciary Net Assets shows the balances in all of the assets and liabilities of the Funds at the end of the fiscal year. The difference between assets and liabilities represents the Funds' fiduciary net assets. Over time, increases or decreases in the Funds' fiduciary net assets provide one indication of whether the financial health of the Funds is improving or declining. *The Statement of Changes in Fiduciary Net Assets* shows the results of financial operations for the year. This statement provides an explanation for the change in the Funds' fiduciary net assets since the prior year. These two financial statements should be reviewed along with the information contained in the financial statement footnotes, including the required supplementary schedules, to determine whether the Funds are becoming financially stronger or weaker.

FINANCIAL ANALYSIS

STATEMENT OF FIDUCIARY NET ASSETS

	2004	2003	Increase (Decrease)
Assets	\$72,086,082,766	\$65,938,622,793	\$6,147,459,973
Liabilities	437,236,127	397,563,741	39,672,386
Net Assets (Deficit)	\$71,648,846,639	\$65,541,059,052	\$6,107,787,587

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Management's Discussion and Analysis, Continued

Assets mainly consist of cash, investments, and contributions due from members and participating employers. Between fiscal years 2003 and 2004, total assets increased by \$6.1 billion or 9.3%. The total assets increased primarily due to an increase in fair value of investments. Also, it is related to an increase in employer contributions receivables based on Chapter 23, P.L. 2002 (early retirement incentive benefits to State employees) for Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS) and Chapter 108, P.L. 2003 (pension obligation payments by local employers through a five-year phase-in) for PERS and Police and Firemen's Retirement System (PFRS). Employer contribution receivables for TPAF, PERS, and PFRS decreased partly due to Chapter 42, P.L. 2002 (local employers' issuing refunding bonds to retire an unfunded accrued liability).

Liabilities consist of pension and death benefit payments owed to members and beneficiaries, outstanding insurance premium payments, and other payables. Total liabilities increased by \$39.7 million or 10% over last year. This is mainly due to an increase in benefits payable to retirees and beneficiaries, partly related to the State Early Retirement Incentive (Chapter 23, P.L. 2002) for TPAF and PERS.

Net assets increased by \$6.1 billion or 9.3%.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

	2004	2003	Increase (Decrease)
Member Contributions	\$1,196,974,064	\$1,062,340,136	\$134,633,928
Employer Contributions & Other	1,515,936,521	318,288,644	1,197,647,877
Investment & Other	8,805,203,225	2,013,921,753	6,791,281,472
Totals	\$11,518,113,810	\$3,394,550,533	\$8,123,563,277

Additions primarily consist of member and employer contributions and earnings from investment activities. There was an increase by \$134.6 million or 12.7% in total member contributions. In all pension trust funds other than Supplemental Annuity Collective Trust (SACT) and Judicial Retirement System (JRS), member contributions increased between 2003 and 2004 partly due to normal salary increases or increased membership. Also, in TPAF, the increase is partly due to elimination of a reduction in the employee contribution rate (i.e., returning to the normal rate of 5% from 3%), which was effective January 1, 2004. The increases ranged from 2% in Deferred Compensation Fund (DCP) to 33.6% in TPAF. SACT decreased by 7.5%, and JRS decreased by 30.4%.

Employer contributions (excluding pension adjustment fund) increased by \$1.2 billion or 391.8%. The increase was mainly from PERS by \$703.6 million or 993.5%, from PFRS by \$344 million or 430.7%, and from TPAF by \$155.1 million or 51.5%. There are contributions from local employers for appropriation due April 1, 2005 for PERS and PFRS based on Chapter 108, P.L. 2003, and contributions from State appropriation for TPAF and PERS based on Chapter 23, P.L. 2002. On the other hand, last year in PFRS there was a retroactive reduction down to 20% of the revenues of fiscal year 2002 based on Chapter 108, P.L. 2003.

The State made a contribution of \$424.8 million for TPAF and \$168.7 million for PERS fiscal year 2004 post-retirement medical (PRM).

The State made a contribution of \$3.4 million to JRS and \$2.0 million to Consolidated Police and Firemen's Pension Fund (CPFPF) to satisfy the actuarially accrued liabilities in fiscal year 2004.

For fiscal year 2004, the 68% of TPAF and PERS and the 50% of PFRS available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to TPAF and PERS from 1997 to 2004. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997.

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Management's Discussion and Analysis, Continued

Investment & other revenues increased by \$6.8 billion or 337.2% due to an increase in earnings and net appreciation in fair value of investments.

The total investment gain for all pension funds was estimated to be 14.2% compared to 3.3% in the prior year.

DEDUCTIONS FROM FIDUCIARY NET ASSETS

	2004	2003	Increase (Decrease)
Benefits	\$5,276,329,933	\$4,840,497,014	\$435,832,919
Refunds & Adjustments	101,777,214	100,119,056	1,658,158
Administrative Expenses	32,219,076	34,545,410	(2,326,334)
Totals	\$5,410,326,223	\$4,975,161,480	\$435,164,743

Deductions are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members, and administrative costs incurred by the Funds. Benefit payments increased by \$435.8 million or 9%. It is partly due to an increase in number of retirees based on the State Early Retirement Incentive (Chapter 23, P.L. 2002) for TPAF and PERS. The number of refunds processed increased by \$1.7 million or 1.7% compared to last year. Administrative expenses decreased by \$2.3 million or 6.7% mainly due to a decrease in salaries and wages cost over the last year.

RETIREMENT SYSTEMS AS A WHOLE

For the pension benefit funds, the combined funded ratios of 93.7% for fiscal year 2004 and 101.4% for 2003 indicate that these funds have assets sufficient to meet their benefit obligations.

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

CONTACTING SYSTEM FINANCIAL MANAGEMENT

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

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Statement of Fiduciary Net Assets

June 30, 2004

	PENSION FUNDS	POST-RETIREMENT MEDICAL FUNDS	TOTAL
Assets:			
Cash	\$ 591,231	—	591,231
Investments, at fair value:			
Cash Management Fund	2,230,402,718	29,556	2,230,432,274
Bonds	567,656,212	15,048	567,671,260
Common Pension Fund A	33,901,204,020	777,159	33,901,981,179
Common Pension Fund B	16,690,424,085	413,075	16,690,837,160
Common Pension Fund D	13,452,034,439	308,407	13,452,342,846
Common and Preferred Stocks	994,764,914	—	994,764,914
Mortgage Backed Securities	1,401,864,725	11,072	1,401,875,797
Total investments	<u>69,238,351,113</u>	<u>1,554,317</u>	<u>69,239,905,430</u>
Receivables:			
Contributions:			
Members	183,198,741	—	183,198,741
Employers	1,145,908,023	—	1,145,908,023
Accrued interest and dividends	330,682,714	—	330,682,714
Members' loans	1,153,834,380	—	1,153,834,380
Other	31,962,247	—	31,962,247
Total receivables	<u>2,845,586,105</u>	<u>—</u>	<u>2,845,586,105</u>
Total assets	<u>72,084,528,449</u>	<u>1,554,317</u>	<u>72,086,082,766</u>
Liabilities:			
Accounts payable and accrued expenses	43,847,060	—	43,847,060
Retirement benefits payable	374,023,829	—	374,023,829
NCGI premiums payable	9,495,595	—	9,495,595
Cash overdraft	9,869,643	—	9,869,643
Total liabilities	<u>437,236,127</u>	<u>—</u>	<u>437,236,127</u>
Net Assets:			
Held in trust for pension benefits	<u>\$ 71,647,292,322</u>	<u>1,554,317</u>	<u>71,648,846,639</u>

See schedule of funding progress on pages 21 - 25.

See accompanying notes to financial statements.

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2004

	PENSION FUNDS	POST-RETIREMENT MEDICAL FUNDS	TOTAL
Additions:			
Contributions:			
Members	\$ 1,196,974,064	—	1,196,974,064
Employers	911,172,770	593,410,625	1,504,583,395
Other	11,353,192	—	11,353,192
Total contributions	<u>2,119,500,026</u>	<u>593,410,625</u>	<u>2,712,910,651</u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	6,833,547,353	180,794	6,833,728,147
Interest	1,397,127,682	—	1,397,127,682
Dividends	582,417,315	—	582,417,315
	<u>8,813,092,350</u>	<u>180,794</u>	<u>8,813,273,144</u>
Less: investment expense	<u>8,069,985</u>	<u>—</u>	<u>8,069,985</u>
Net investment income	<u>8,805,022,365</u>	<u>180,794</u>	<u>8,805,203,159</u>
Total additions	<u>10,924,522,391</u>	<u>593,591,419</u>	<u>11,518,113,810</u>
Deductions:			
Benefits	4,683,021,428	593,308,505	5,276,329,933
Refunds of contributions	101,777,214	—	101,777,214
Administrative expenses	32,219,076	—	32,219,076
Total deductions	<u>4,817,017,718</u>	<u>593,308,505</u>	<u>5,410,326,223</u>
Change in net assets	6,107,504,673	282,914	6,107,787,587
Net assets - Beginning of year	<u>65,539,787,649</u>	<u>1,271,403</u>	<u>65,541,059,052</u>
Net assets - End of year	<u>\$ 71,647,292,322</u>	<u>1,554,317</u>	<u>71,648,846,639</u>

See accompanying notes to financial statements.

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PENSION TRUST FUNDS**

Notes to Financial Statements

June 30, 2004

(1) DESCRIPTION OF THE FUNDS

The State of New Jersey sponsors and administers the following Pension Trust Funds (the Funds) which have been included in the financial statements of the State of New Jersey Division of Pensions and Benefits (the Division):

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

Individual financial reports have been prepared for the above funds. These financial reports, which can be obtained from the Division, provide a description of the nature and purpose of each individual fund. A description of the benefit provisions and contribution requirements for each fund is provided in notes 1 and 3.

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity:

The Funds are administered by the Division. Operating controls over the Funds are with the individual funds and trusts governing boards and/or the State of New Jersey. The financial statements of the Funds are included in the financial statements of the State of New Jersey as Pension Trust Funds.

Fund Accounting:

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

Fiduciary Funds:

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

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

Vesting and Benefit Provisions - JRS

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

<u>AGE</u>	<u>YEARS OF JUDICIAL SERVICE</u>	<u>BENEFIT AS A PERCENTAGE OF FINAL SALARY</u>
70	10	75%
65	15	75
60	20	75

<u>AGE</u>	<u>YEARS OF JUDICIAL SERVICE</u>	<u>YEARS OF PUBLIC AND JUDICIAL SERVICE</u>	<u>BENEFIT AS A PERCENTAGE OF FINAL SALARY</u>
65	5	15	50%
60	5	20	50

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

Vesting and Benefit Provisions - CPFPP

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

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

Vesting and Benefit Provisions - PFRS

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

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

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Notes to Financial Statements, Continued

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

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

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

Vesting and Benefit Provisions - POPF

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

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions - PERS

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

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

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

Chapter 23, P.L. 2002 provided early retirement incentive benefits to State employees who meet specified age and service requirements and who retire within a specified time period that generally extends from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with at least 20, but less than 25, years of service credit; and an

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PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

additional monthly benefit of \$500 per month for 24 months following the date of retirement to employees who are at least 60 years of age with at least 10, but not more than 20, years of service credit. For those eligible for veterans' retirement benefit, the incentive is an additional pension of 3/55 of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit.

Chapter 353, P.L. 2001 provided an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the members' compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which were effective October 2001.

Chapter 133, P.L. 2001 increased the retirement benefits under service, deferred, and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Chapter 259, P.L. 2001 amended the PERS statutes and created special retirement benefits for members employed as workers' compensation judges. PERS members entitled to the new benefits are the Chief Judge, the administrative supervisory judges, the supervisory judges, and the judges of compensation of the Division of Workers' Compensation of the Department of Labor. Those in eligible titles would receive retirement benefits comparable to those provided to members of the Judicial Retirement System. The effective date of this legislation was December 6, 2001.

Chapter 366, P.L. 2001 provided enhanced pension benefits to selected individuals with County Prosecutor Offices and in the Division of Criminal Justice.

Vesting and Benefit Provisions - SPRS

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

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions - TPAF

The vesting and benefit provisions are set by N.J.S.A. 18A:66. The TPAF provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the TPAF. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

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

Chapter 23, P.L. 2002 provided early retirement incentive benefits to State employees who meet specified age and service requirements and who retire within a specified time period that generally extends from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with at least 20, but less than 25, years of service credit; and an additional monthly benefit of \$500 per month for 24 months following the date of retirement to employees who are at least 60 years of age with at least 10, but not more than 20, years of service credit. For those eligible for veterans' retirement benefit, the incentive is an additional pension of 3/55 of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit.

Chapter 353, P.L. 2001 provided an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the members' compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which were effective October 2001.

Chapter 133, P.L. 2001 increased the retirement benefits under service, deferred, and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Vesting and Benefit Provisions - SACT

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

Benefit Provisions - CPF

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

Vesting and Benefit Provisions - NJSEDCP

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

Benefit Provisions - ABPLTD

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

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All the pension trust funds are accounted for using an economic resources measurement focus. Funds that focus on total economic resources employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs.

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of pension trust funds. Under this method, revenues are recorded in the accounting period in which they are earned, and deductions are recorded at the time the liabilities are incurred. The financial statements of the pension trust funds conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contributions Plans" and No. 26, "Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans." Employer contributions are recognized when payable to the Funds. Benefits and refunds are recognized when payable in accordance with the terms of the Funds.

Capital Assets:

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

Investment Valuation:

Investments, including short-term investments (State of New Jersey Cash Management Funds) are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgage backed securities are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey Division of Investment, under the jurisdiction of the State Investment Council, has the investment responsibility for all funds administered by the State of New Jersey Division of Pensions and Benefits. All investments must conform to standards set by state law.

The State of New Jersey Division of Investment administers three common pension funds which are utilized by the Funds. A brief description of each common pension fund is as follows:

Common Pension Fund A - The operations of Common Pension Fund A are governed by the provisions of Article 62 of the State of New Jersey Investment Council regulations for the purpose of investing in corporate common stocks, securities convertible into corporate common stocks or covered call options.

Common Pension Fund B - The operations of Common Pension Fund B are governed by the provisions of Article 63 of the State of New Jersey Investment Council regulations for the purpose of investing in fixed income and debt securities.

Common Pension Fund D - The operations of Common Pension Fund D are governed by the provisions of Article 67 of the State of New Jersey Investment Council regulations for the purpose of investing in international debt and equity securities, currencies, currency futures, and options.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B and Common Pension Fund D. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

The purchase, sale, receipt of income, and other transactions affecting investments are governed by custodial agreements between the Funds, through the State Treasurer, and custodian banks as agents for the Funds. State laws and policies set forth the requirements of such agreements and other particulars as to the size of the custodial institutions, amount of the portfolio to be covered by the agreements, and other pertinent matters.

In 2001, the Board of Trustees approved that the Post-Retirement Medical Fund earn a rate of return consistent with the Funds and henceforth. In prior years, the Post-Retirement Medical Fund earned a statutorily determined fixed rate of return of 8.75%.

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Purchase Agreements*, requires disclosure of the level of custodial risk assumed by the Funds. Category 1 includes investments that are insured or registered or for which the securities are held by the Funds or its agent in the Funds' name. As of June 30, 2004, all investments held by the Funds (other than mortgage backed securities and the State of New Jersey Cash Management Funds which are not categorized) are classified as Category 1.

Federal securities are maintained at Federal Reserve Banks in Philadelphia and New York through the custodian banks in trust for the Funds. A significant portion of corporate equity and debt securities are maintained by the Depository Trust Company (DTC) through the custodian banks in trust for the Funds. The custodian banks as agents for the Funds maintain internal accounting records identifying the securities maintained by the Federal Reserve Banks and the DTC as securities owned by or pledged to the Funds.

Securities not maintained by the Federal Reserve Banks or DTC are in the name of a designated nominee representing the securities of the Funds, which establishes the Funds' unconditional right to the securities.

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

Membership and Contributing Employers:

Membership and contributing employers of the Pension Trust Funds consisted of the following at June 30, 2003, the date of the most recent actuarial valuations (June 30, 2004 for SACT, CPF, NJSEDCP, and ABPLTD):

	JRS	CPFPF	PFRS	POPF	PERS	SPRS	TPAF	SACT	CPF
Retiree members:									
Retirees and beneficiaries receiving benefits currently	402	1,062	26,682	214	114,702	2,080	59,331	645	350
Terminated employees entitled to benefits but not yet receiving them	4	—	64	—	1,843	—	1,030	—	—
Total retiree members	406	1,062	26,746	214	116,545	2,080	60,361	645	350
Active members:									
Vested	228	—	26,365	—	152,259	1,790	76,378	4,098	—
Non-vested	205	—	17,613	—	142,888	903	69,504	—	—
Total active members	433	—	43,978	—	295,147	2,693	145,882	4,098	—
Total	839	1,062	70,724	214	411,692	4,773	206,243	4,743	350
Contributing Employers	1	1	584	1	1,661	1	107	—	1

	NJSEDCP	ABPLTD
Retiree members:		
Retirees and beneficiaries receiving benefits currently	2,467	—
Terminated employees entitled to benefits but not yet receiving them	—	—
Total retiree members	2,467	—
Active members:		
Vested	31,078	110
Non-vested	—	—
Total active members	31,078	110
Total	33,545	110
Contributing Employers	—	1

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

Members' Loans:

Members of JRS, PFRS, SPRS, PERS and TPAF who have at least three years of service in the Funds may borrow up to 50% of their accumulated member contributions. Repayment of loan balances is deducted from payroll checks and bears an interest rate of 4%. Members who retire with an outstanding loan have the option of paying the loan in full prior to receiving any benefits or continuing their monthly loan payment schedule into retirement.

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

Administrative Expenses:

Administrative expenses are paid by the Funds to the State of New Jersey, Department of the Treasury and are included in the accompanying statements of changes in fiduciary net assets, except for administrative expenses of the CPF which are paid by the State of New Jersey, who is responsible for such costs.

Income Tax Status:

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the funds, systems, and trusts are qualified plans as described in Section 401(a) of the Internal Revenue Code, with the exception of the ABPLTD which is a qualified plan as described in Section 403(b) and the NJSEDCP which is an eligible plan as described in Section 457 of the Internal Revenue Code.

Cash and Cash Equivalents:

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Purchase Agreements*, also requires that deposits held in financial institutions be categorized to indicate the level of custodial risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 consists of deposits which are uninsured and uncollateralized.

Based upon aggregate collateral levels maintained for all State bank accounts as a whole, all cash balances maintained in financial institutions as of June 30, 2004, which include funding for the July 1, 2004 retirement payroll, are designated Category 3.

(3) CONTRIBUTIONS

Contribution Requirements - JRS

The contribution policy is set by N.J.S.A. 43:6A and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Members enrolled on January 1, 1996 or after contribute at 3% on their entire base salary. Contributions by active members enrolled prior to January 1, 1996 are based on 3% of the difference between their current salary and the salary of the position on January 18, 1982. The State of New Jersey is required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

Legislation passed in 1997 (Chapter 115, P.L. 1997) provided for the use of actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey. As a result of this legislation, the State of New Jersey was not required to make a contribution to the JRS for the years between 1997 and 2002.

The State made a contribution of \$3.36 million to satisfy the actuarially accrued liability in fiscal year 2004.

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

Contribution Requirements - CPFPP

The contribution policy is set by N.J.S.A. 43:16 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Contributions by active members are based on 7% of their salary. Employers are required to contribute at an actuarially determined rate.

The State made a contribution of \$1.95 million to satisfy the actuarially accrued liability in fiscal year 2004.

Contribution Requirements - PFRS

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

For fiscal year 2004, the 50% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions of the State of New Jersey and the local participating employers.

In 2004, excess valuation assets were utilized to fund required State contributions of \$7.03 million.

In 2004, actuarially determined excess valuation assets also covered required local employer contributions of \$31.71 million. In accordance with legislation passed in 2001 (Chapter 44, P.L. 2001), excess valuation assets were recognized to reduce 2001 local employer contributions by \$150 million to approximately \$75 million. This legislation required that the savings realized by counties and municipalities as a result of this reduction be used for property tax relief.

Chapter 108 (P.L. 2003), effective July 1, 2003, provided that local employer PFRS normal and accrued liability contributions will be 20% of the amount certified by the PFRS for payments due in State fiscal year 2004 and thereafter a percentage of the amount certified by the PFRS as the State Treasurer will determine, but not more than 40% in fiscal year 2005, not more than 60% in fiscal year 2006, and not more than 80% in fiscal year 2007. According to the Budget Appropriations Act of 2004, the State as well will pay pension obligations through a five-year phase-in.

Contribution Requirements - POPF

The contribution policy is set by N.J.S.A. 43:7 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Contributions by active members are based on 6% of their salary. Employers are required to contribute at an actuarially determined rate.

Contribution Requirements - PERS

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate is 5% of base salary. However, as a result of special legislation (Chapter 415, P.L. 1999), the employee rate was reduced to 3% of base salary effective January 1, 2000, and the rate for State employees will return to the normal rate of 5% effective July 1, 2004 per statute since there are no longer surplus assets available in the System. On the other hand, the rate for members who are eligible for the Prosecutors Part of the PERS (Chapter 366, P.L. 2001) and the rate for the Workers' Compensation Judges Part of the PERS (Chapter 259, P.L. 2001) will remain unchanged at 7.5% and 5% of base salary, respectively. However, the rate for local employees will return to the normal rate of 5% effective January 1, 2005. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L.

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Beginning in 1996, the State has made an additional contribution to the Post-Retirement Medical Reserve Fund to ensure an increase in the fund balance of 1/2 of 1% of the salary of active state employees.

For fiscal year 2004, the 68% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to the PERS between the years 1997 and 2004. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions of the State of New Jersey and the local participating employers.

The State made a contribution of \$168.66 million for fiscal year 2004 post-retirement medical (PRM). Legislation passed in 2002 (Chapter 11, P.L. 2002) allowed the State to use net assets in PRM Fund to cover required pay-as-you-go medical premiums.

To fund the benefit increases provided by Chapter 133, P.L. 2001, the legislation provided for the use of excess assets. A special benefit enhancement fund (BEF) was established from which the required normal contributions for the increased benefits will be charged. To fund the accrued liabilities incurred by the PERS, the actuarial value of assets for the valuation period ending June 30, 1999 was adjusted to reflect the full market value of assets.

The BEF will also provide funding for the benefit increases under Chapter 353, P.L. 2001. Actuarially determined excess valuation assets will cover the additional accrued liability incurred by the retirement system. No additional formula State contribution is required in fiscal year 2004; instead, that contribution will be covered by the BEF.

Chapter 108 (P.L. 2003) provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by the PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008. According to the Budget Appropriations Act of 2004, the State as well will pay pension obligations through a five-year phase-in. In fiscal year 2004, the State paid only 20% of the normal and accrued liability pension cost by using the BEF.

Contribution Requirements - SPRS

The contribution policy is set by N.J.S.A. 53:5A-34 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate of 7.5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

Contribution Requirements - TPAF

The contribution policy is set by N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. In accordance with legislation passed in 2001 (Chapter 133, P.L. 2001), the employee contribution rate was lowered to 3% effective January 1, 2002. Prior to this date, employees had been contributing at a rate of 4.5%. The rate returned to the normal rate of 5% effective January 1, 2004 per statute since there are no longer surplus assets available in the Fund. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Beginning 1996, the State has made an additional contribution to the Post-Retirement Medical Reserve Fund to ensure an increase in the fund balance of 1/2 of 1% of the salary of active state employees.

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

For fiscal year 2004, the 68% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to the TPAF in between the years 1997 and 2004. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions of the State of New Jersey and the local participating employers.

The State made a contribution of \$424.75 million for fiscal year 2004 post-retirement medical (PRM). The Legislation passed in 2002 (Chapter 11, P.L. 2002) allowed the State to use net assets in PRM Fund to cover required pay-as-you-go medical premiums.

To fund the benefit increases provided by Chapter 133, P.L. 2001, the legislation provided for the use of excess assets. A special benefit enhancement fund (BEF) was established from which the required normal contributions for the increased benefits will be charged. To fund the accrued liabilities incurred by the TPAF, the actuarial value of assets for the valuation period ending June 30, 1999 was adjusted to reflect the full market value of assets.

The BEF will also provide funding for the benefit increases under Chapter 353, P.L. 2001. Actuarially determined excess valuation assets will cover the additional accrued liability incurred by the retirement fund. No additional formula State contribution is required in fiscal year 2004; instead, that contribution will be covered by the BEF.

According to the Budget Appropriations Act of 2004, the State will pay pension obligations through a five-year phase-in. In fiscal year 2004, the State paid only 20% of the normal and accrued liability pension cost by using the BEF.

Contribution Requirements - SACT

Participants contribute through payroll deductions and may contribute from 1% to 10% of their base salary, as defined. Contributions are voluntary and may be suspended at the beginning of any quarter. Contributions under the Tax Sheltered Supplemental Annuity Plan are subject to Federal law limitations and qualify for tax-sheltered treatment permitted under Section 403(b) of the Internal Revenue Code. Participants are always fully vested for the accumulated units in their accounts.

Contribution Requirements - CPF

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

The contribution amount required and paid by the State of New Jersey for the fiscal year ended June 30, 2004 was \$425 thousand.

Contribution Requirements - NJSEDCP

Participants may defer between 1% and 100% of their salary and less any 414h reductions or \$13 thousand annually. Under the limited "catch-up" provision, a participant may be eligible to defer up to a maximum of twice the annual maximum in the three years immediately preceding the retirement age at which no reduction in benefits would be applicable. The employer does not make contributions to the Plan.

Contribution Requirements - ABPLTD

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

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

(4) FUNDS

The Funds maintain the following legally required funds as follows:

Members' Annuity Savings Fund - JRS (\$25,325,098); TPAF (\$6,430,036,107); PERS (\$6,689,917,734); PFRS (\$2,269,456,484); SPRS (\$137,630,230).

The Members' Annuity Savings Fund is credited with all contributions made by active members of the Funds.

Contingent Reserve Fund - JRS (\$155,567,001); TPAF (\$2,156,950,936); PERS (\$1,394,613,547); SPRS (\$1,032,820,012)

The Contingent Reserve Fund is credited with the contributions of contributing employers other than post-retirement medical contributions. Interest earnings, after crediting the Accumulative Interest Fund, Retirement Reserve Fund, and Special Reserve Fund, as required, are credited to this account. Additionally, payments for life insurance premiums are made from this Fund.

Retirement Reserve Fund - JRS (\$141,488,061); TPAF (\$19,195,861,683); PERS (\$13,887,326,848); PFRS (\$7,962,500,646); SPRS (\$516,634,654)

The Retirement Reserve Fund is the account from which retirement benefits other than life insurance premiums, contributory group insurance premiums, and post-retirement medical premiums, including cost-of-living benefits, are paid. Upon retirement of a member, accumulated contributions together with accumulated interest are transferred to the Retirement Reserve Fund from the Members' Annuity Savings Fund. Any additional reserves needed to fund the balance of the retirement benefit are transferred from the Contingent Reserve Fund or Pension Accumulation Fund. Annually, interest as determined by the State Treasurer (8.75% for 2004) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund - POPF (\$15,884,428)

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

Special Reserve Fund - TPAF (\$282,911,620); PERS (\$217,021,510); PFRS (\$154,386,487)

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

Contributory Group Insurance Premium Fund - TPAF (\$100,156,283); PERS (\$194,869,806)

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

Pension Accumulation Fund - PFRS (\$5,966,852,715)

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

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Notes to Financial Statements, Continued

Pension Reserve Fund - CPFPE (\$15,379,278)

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

Reserve Fund - Alternate Benefit - Long Term Disability (\$3,101,889)

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

Post-Retirement Medical Fund - TPAF (\$426,066); PERS (\$1,128,251)

The Post-Retirement Medical Fund is credited with employer contributions for post-retirement medical benefits, interest earnings on post-retirement medical reserves, and from which post-retirement medical premiums are paid.

Benefit Enhancement Reserve Fund - TPAF (\$553,807,335); PERS (\$648,474,711)

The Benefit Enhancement Reserve Fund is a special reserve fund from which required normal contributions to provide benefit increases under Chapter 353, P.L. 2001 and Chapter 133, P.L. 2001 will be charged. The fund was established in 2002 and credited with excess assets equivalent to member contributions for fiscal years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the Benefit Enhancement Fund. Additional transfers will be made, as required, to maintain a fund balance equal to the present value of expected additional normal contributions due to the increased benefits. The State will be required to make contributions to the Benefit Enhancement Fund on behalf of State and local members if excess valuation assets are not available.

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Required Supplementary Information

Schedule of Funding Progress

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL ((b - a) / c)
JUDICIAL RETIREMENT SYSTEM (JRS)						
June 30, 1997	\$317,289,094	\$295,150,638	\$(22,138,456)	107.5%	\$46,912,950	(47.2%)
June 30, 1998	333,437,794	305,779,217	(27,658,577)	109.0%	48,196,350	(57.4%)
June 30, 1999	352,858,160	313,873,659	(38,984,501)	112.4%	48,886,350	(79.7%)
June 30, 2000	374,486,433	350,920,345	(23,566,088)	106.7%	55,514,214	(42.5%)
June 30, 2001	379,592,346	372,760,069	(6,832,277)	101.8%	57,800,334	(11.8%)
June 30, 2002	373,231,198	388,950,803	15,719,605	96.0%	61,873,500	25.4%
June 30, 2003	372,835,265	431,450,218	58,614,953	86.4%	61,600,500	95.2%
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND (CPFPF)						
June 30, 1997	\$70,420,937	\$66,004,245	\$(4,416,692)	106.7%	N/A	N/A
June 30, 1998	62,205,001	59,272,789	(2,932,212)	104.9%	N/A	N/A
June 30, 1999	54,018,660	52,226,208	(1,792,452)	103.4%	N/A	N/A
June 30, 2000	46,078,644	46,544,429	465,785	99.0%	N/A	N/A
June 30, 2001	38,656,261	41,658,355	3,002,094	92.8%	N/A	N/A
June 30, 2002	31,842,796	36,350,384	4,507,588	87.6%	N/A	N/A
June 30, 2003	27,623,585	41,396,376	13,772,791	66.7%	N/A	N/A
POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)						
State						
June 30, 1997	\$1,183,747,522	\$1,234,959,165	\$51,211,643	95.9%	\$315,690,310	16.2%
June 30, 1998	1,559,131,933	1,377,734,455	(181,397,478)	113.2%	346,079,078	(52.4%)
June 30, 1999	1,717,248,151	1,534,470,501	(182,777,650)	111.9%	362,949,950	(50.4%)
June 30, 2000	1,884,870,936	1,666,842,906	(218,028,030)	113.1%	363,360,250	(60.0%)
June 30, 2001	1,991,299,968	1,866,140,391	(125,159,577)	106.7%	398,118,379	(31.4%)
June 30, 2002	2,032,977,241	2,046,820,189	13,842,948	99.3%	418,849,259	3.3%
June 30, 2003	1,907,107,359	2,288,937,652	381,830,293	83.3%	447,470,022	85.3%
Local						
June 30, 1997	10,854,173,290	11,746,169,752	891,996,462	92.4%	1,767,762,346	50.5%
June 30, 1998	13,169,957,658	12,881,842,367	(288,115,291)	102.2%	1,870,322,787	(15.4%)
June 30, 1999	14,536,570,357	13,894,951,617	(641,618,740)	104.6%	1,971,087,124	(32.6%)
June 30, 2000	15,644,750,281	14,924,699,712	(720,050,569)	104.8%	2,055,781,766	(35.0%)
June 30, 2001	16,083,153,842	16,056,446,646	(26,707,196)	100.2%	2,163,590,060	(1.2%)
June 30, 2002	16,392,195,411	17,181,142,310	788,946,899	95.4%	2,275,130,620	34.7%
June 30, 2003	16,447,612,874	18,258,853,488	1,811,240,614	90.1%	2,393,467,444	75.7%

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Required Supplementary Information

Schedule of Funding Progress

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL (b - a) / c
PRISON OFFICERS' PENSION FUND (POPF)						
June 30, 1997	\$20,977,035	\$17,479,545	\$(3,497,490)	120.0%	N/A	N/A
June 30, 1998	20,096,072	16,430,313	(3,665,759)	122.3%	N/A	N/A
June 30, 1999	19,137,919	15,292,629	(3,845,290)	125.1%	N/A	N/A
June 30, 2000	18,268,489	14,216,588	(4,051,901)	128.5%	N/A	N/A
June 30, 2001	18,269,899	12,994,567	(5,275,332)	140.6%	N/A	N/A
June 30, 2002	17,908,452	11,781,734	(6,126,718)	152.0%	N/A	N/A
June 30, 2003	17,277,953	10,727,647	(6,550,306)	161.1%	N/A	N/A
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)						
State						
March 31, 1997	\$6,987,217,172	\$6,606,707,924	\$(380,509,248)	105.8%	\$2,714,991,457	(14.0%)
March 31, 1998	7,600,621,930	7,155,035,122	(445,586,808)	106.2%	2,805,791,909	(15.9%)
June 30, 1999	8,879,920,323	7,823,576,056	(1,056,344,267)	113.5%	2,928,470,790	(36.1%)
June 30, 2000	9,743,727,383	8,538,685,222	(1,205,042,161)	114.1%	3,094,280,664	(38.9%)
June 30, 2001	11,123,818,861	9,886,463,368	(1,237,355,493)	112.5%	3,288,383,788	(37.6%)
June 30, 2002	11,073,156,965	10,760,557,483	(312,599,482)	102.9%	3,511,151,199	(8.9%)
June 30, 2003	10,829,953,189	11,942,299,170	1,112,345,981	90.7%	3,576,118,300	31.1%
Local						
March 31, 1997	10,523,061,499	9,599,816,842	(923,244,657)	109.6%	4,407,751,955	(20.9%)
March 31, 1998	11,486,495,310	10,286,532,879	(1,199,962,431)	111.7%	4,513,357,772	(26.6%)
June 30, 1999	13,171,311,650	11,163,283,877	(2,008,027,773)	118.0%	4,655,241,261	(43.1%)
June 30, 2000	14,380,511,913	12,007,160,806	(2,373,351,107)	119.8%	4,910,962,708	(48.3%)
June 30, 2001	16,625,288,260	13,819,038,491	(2,806,249,769)	120.3%	5,240,338,738	(53.6%)
June 30, 2002	16,503,081,054	14,929,334,103	(1,573,746,951)	110.5%	5,534,322,805	(28.4%)
June 30, 2003	16,406,284,200	15,887,012,746	(519,271,454)	103.3%	5,811,726,702	(8.9%)
STATE POLICE RETIREMENT SYSTEM (SPRS)						
June 30, 1997	\$1,322,406,703	\$1,272,242,451	\$(50,164,252)	103.9%	\$142,636,260	(35.2%)
June 30, 1998	1,458,600,992	1,369,277,968	(89,323,024)	106.5%	167,145,161	(53.4%)
June 30, 1999	1,600,165,104	1,469,144,146	(131,020,958)	108.9%	178,203,420	(73.5%)
June 30, 2000	1,752,423,441	1,512,909,805	(239,513,636)	115.8%	188,466,237	(127.1%)
June 30, 2001	1,829,414,353	1,626,631,656	(202,782,697)	112.5%	199,727,203	(101.5%)
June 30, 2002	1,853,684,177	1,739,427,739	(114,256,438)	106.6%	215,161,126	(53.1%)
June 30, 2003	1,865,079,083	1,815,725,256	(49,353,827)	102.7%	217,448,864	(22.7%)

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Required Supplementary Information

Schedule of Funding Progress

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL (b - a) / c
TEACHERS' PENSION AND ANNUITY FUND (TPAF)						
March 31, 1997	\$22,045,481,579	\$21,224,484,588	\$(820,996,991)	103.9%	\$5,771,763,164	(14.2%)
March 31, 1998	24,478,860,383	23,484,403,450	(994,456,933)	104.2%	5,989,748,156	(16.6%)
June 30, 1999	27,457,451,678	25,546,083,289	(1,911,368,389)	107.5%	6,254,198,406	(30.6%)
June 30, 2000	30,203,205,322	27,404,618,051	(2,798,587,271)	110.2%	6,571,641,181	(42.6%)
June 30, 2001	35,351,379,511	32,745,357,185	(2,606,022,326)	108.0%	6,948,381,383	(37.5%)
June 30, 2002	35,148,246,433	35,146,591,842	(1,654,591)	100.0%	7,348,993,141	0.0%
June 30, 2003	34,651,825,932	37,383,732,882	2,731,906,950	92.7%	7,702,854,159	35.5%

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Required Supplementary Information, Continued

Schedule of Funding Progress - Additional Actuarial Information

Significant actuarial methods and assumptions used in the most recent 2003 actuarial valuations include the following:

	JRS	CPFPF
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.75%	2.00%
Salary range	5.95%	—
Cost-of-living adjustments	2.40%	—
Valuation date	June 30, 2003	June 30, 2003
	PFRS	POPF
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	Market value
Amortization method	Level percent, closed	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.75%	5.00%
Salary range	5.95%	—
Cost-of-living adjustments	2.40%	—
Valuation date	June 30, 2003	June 30, 2003

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Required Supplementary Information, Continued

Schedule of Funding Progress - Additional Actuarial Information

	PERS	SPRS
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level percent, closed	Level dollar, closed
Remaining amortization period	38 years for UAAL balance 8 years for asset method change	30 years
Actuarial assumptions:		
Interest rate	8.75%	8.75%
Salary range	5.95%	5.95%
Cost-of-living adjustments	2.40%	2.40%
Valuation date	June 30, 2003	June 30, 2003
	TPAF	
Actuarial cost method	Projected unit credit	
Asset valuation method	5 year average of market value	
Amortization method	Level percent, closed	
Payroll growth rate for amortization	5.00%	
Remaining amortization period	30 years	
Actuarial assumptions:		
Interest rate	8.75%	
Salary range	5.95%	
Cost-of-living adjustments	2.40%	
Valuation date	June 30, 2003	

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Required Supplementary Information, Continued

Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS⁽¹⁾	PERCENTAGE CONTRIBUTED
JUDICIAL RETIREMENT SYSTEM			
1997	\$18,406,865	\$110,483,753 ⁽²⁾	600.2%
1998	14,658,095	13,478,708	92.0%
1999	13,416,851	—	0.0%
2000	13,407,153	—	0.0%
2001	12,816,557	—	0.0%
2002	15,575,602	—	0.0%
2003	16,913,237	8,467,287	50.1%
2004	18,720,233	3,355,438	17.9%
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND			
1997	\$10,580,991	\$43,995,746 ⁽²⁾	415.8%
1998	—	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	550,864	506,541	92.0%
2003	3,550,445	2,713,914	76.4%
2004	5,330,714	1,950,425	36.6%
POLICE AND FIREMEN'S RETIREMENT SYSTEM			
State			
1997	\$111,775,028	\$715,344,385 ⁽²⁾	640.0%
1998	84,167,834	73,587,848	87.4%
1999	93,920,617	23,730,087	25.3%
2000	98,974,449	60,521,749	61.1%
2001	95,883,272	—	0.0%
2002	103,580,989	—	0.0%
2003	104,998,547	—	0.0%
2004	118,297,232	22,215,429	18.8%
Local			
1997	250,220,580	234,963,865	93.9%
1998	238,002,765	223,491,008	93.9%
1999	273,210,113	256,551,862	93.9%
2000	275,790,739	214,164,848	77.7%
2001	249,746,232	75,670,018	30.3%
2002	248,754,078	185,415	0.1%
2003	259,969,532	364,850	0.1%
2004	316,272,883	53,396,685	16.9%

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Required Supplementary Information, Continued

Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS⁽¹⁾	PERCENTAGE CONTRIBUTED
PRISON OFFICERS' PENSION FUND			
1997	\$2,949,604	\$21,688,219 ⁽²⁾	735.3%
1998	—	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	—	—	N/A
2003	—	—	N/A
2004	—	—	N/A
PUBLIC EMPLOYEES' RETIREMENT SYSTEM			
State			
1997	\$134,878,582	\$241,106,642 ⁽²⁾	178.8%
1998	78,833,287	—	0.0%
1999	86,945,810	—	0.0%
2000	103,033,425	—	0.0%
2001	85,078,620	—	0.0%
2002	88,911,187	—	0.0%
2003	44,636,619	—	0.0%
2004	50,365,892	—	0.0%
Local			
1997	142,672,255	67,476,771	47.3%
1998	84,639,988	19,034,673	22.5%
1999	111,886,040	19,599,153	17.5%
2000	112,800,127	20,541,177	18.2%
2001	88,717,727	21,670,774	24.4%
2002	77,254,063	16,174,534	20.9%
2003	—	16,987,033	N/A
2004	—	20,882,718	N/A
STATE POLICE RETIREMENT SYSTEM			
1997	\$44,384,679	\$120,308,862 ⁽²⁾	271.1%
1998	33,317,314	—	0.0%
1999	33,116,255	—	0.0%
2000	33,598,843	—	0.0%
2001	35,341,259	—	0.0%
2002	24,990,652	—	0.0%
2003	29,449,164	—	0.0%
2004	37,600,821	—	0.0%

**STATE OF NEW JERSEY
PENSION TRUST FUNDS**

Required Supplementary Information, Continued
Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS⁽¹⁾	PERCENTAGE CONTRIBUTED
TEACHERS' PENSION AND ANNUITY FUND			
1997	\$372,060,546	\$1,601,688,633 ⁽²⁾	430.5%
1998	297,219,462	—	0.0%
1999	314,671,482	258,816,649	82.2%
2000	368,904,564	—	0.0%
2001	—	—	N/A
2002	—	—	N/A
2003	194,435,594	—	0.0%
2004	686,284,850	—	0.0%

Notes to schedule:

(1) In accordance with Chapter 115, P.L. 1997, available excess valuation assets were used to fund, in full or in part, required employer contributions.

(2) For the year ended June 30, 1997, the employer contributions exceeded the annual required contributions as a result of legislation that was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.

(3) The local employer contribution to the PERS from 1998 to 2004 represents required contributions under the early retirement incentive programs.

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Combining Statement of Fiduciary Net Assets

June 30, 2004

	ALTERNATE BENEFIT LONG TERM DISABILITY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	DEFERRED COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS PENSION FUND	PUBLIC EMPLOYEES RETIREMENT SYSTEM	PERS POST- RETIREMENT MEDICAL FUND	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS PENSION AND ANNUITY FUND	TPAF POST- RETIREMENT MEDICAL FUND	TOTAL
Assets:														
Cash	8,864	1,752	15,943	156,955	—	—	—	—	—	—	—	—	—	591,231
Investments, at fair value														
Cash Management Fund	3,101,889	12,999,536	2,456,203	5,382,511	29,591,362	13,273	118,684,334	1,834,102	1,085,082,430	61,461,827	163,383	2,389,432,274	56,612,500	
Bonds	—	196,015	—	7,408,300	64,328,875	64,126	833,091,311	10,936,341,699	49,944	14,213,400,233	—	213,512	33,901,981,176	17,144,800
Common Pension Fund A	—	—	161,098,238	—	1,004,317,626	3,467,126	86,730,433	1,000,000,000	302,647	1,149,999,999	—	10,000,000	10,000,000	13,453,343,806
Common Pension Fund B	—	—	64,443,023	—	3,011,408	—	330,338,845	4,340,335,026	23,676	56,463,343,738	—	84,731	13,453,343,806	994,684,914
Common Pension Fund C	—	—	—	839,617,468	—	—	—	—	—	—	144,177,446	—	—	1,401,833,977
Common and Preferred Stocks	—	1,023,691	4,953,443	1,026,565,950	2,676,720	10,553,318	8,082	156,840,302	8,082	199,240,801	—	2,990	—	697,339,905,430
Mortgage Backed Securities	—	14,221,242	322,560,760	15,668,011	21,895,852,929	1,128,251	1,656,406,809	145,961,548	28,392,398,934	—	4,500,005	—	—	
Total investments	3,101,889	29,136	322,560,760	15,668,011	21,895,852,929	1,128,251	1,656,406,809	145,961,548	28,392,398,934	—	4,500,005	—	—	
Receivables:														
Contributions	—	—	66,107	—	—	—	—	—	—	—	—	—	—	183,198,741
Members	—	—	—	—	—	—	—	—	—	—	—	—	—	1,145,908,033
Employers	211,877	—	—	—	—	—	—	—	—	—	—	—	—	330,642,114
Accrued interest and dividends	—	6,540	1,868,375	—	—	—	—	—	—	—	—	—	—	1,153,834,380
Members' loans	—	—	610,046	—	—	—	—	—	—	—	—	—	—	31,902,247
Other	2,383	2,367,887	1,106,602	389,467	2,616,687	—	—	—	—	—	—	—	—	
Total receivables	235,777	2,374,427	2,043,078	389,467	2,616,687	—	—	—	—	—	—	—	—	2,845,586,105
Total assets	3,101,889	61,777	324,617,331	16,107,439	23,190,317,973	1,128,251	1,694,597,333	146,337,112	28,893,677,046	—	4,500,005	—	—	7,086,082,765
Liabilities:														
Accounts payable and accrued expenses	20,552	14,836	20,144	980	24,042,413	—	—	—	—	—	—	—	—	43,847,060
Retirement benefits payable	41,225	1,329,147	2,219,424	220,031	134,006,633	—	—	—	—	—	—	—	—	374,033,839
NGO premiums payable	—	—	—	—	1,464,094	—	—	—	—	—	—	—	—	9,495,339
Cash on hand	—	—	—	—	3,394,187	—	—	—	—	—	—	—	—	9,869,645
Total liabilities	61,777	1,343,983	2,239,571	221,011	138,809,819	—	—	—	—	—	—	—	—	437,236,127
Net assets held in trust for pension and post-retirement medical benefits	3,101,889	15,392,794	322,380,160	16,333,196,332	23,052,224,156	1,128,251	1,687,084,896	145,004,089	28,197,733,864	—	4,500,005	—	—	7,164,846,639

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Comparing Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2004

	ALTERNATE PENSION DISABILITY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS PENSION FUND	PUBLIC EMPLOYERS RETIREMENT SYSTEM	PERS PENSION RETIREMENT MEDICAL FUND	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS PENSION AND ANNUITY FUND	TRAF PENSION RETIREMENT MEDICAL FUND	TOTAL
Contributions:													
Members	2,000,000	435,239	2,000,000	1,797,221	263,173,065	—	37,864,048	—	14,622,534	7,217,751	405,695,555	—	1,186,974,064
Employers	—	37,169	18,054,671	5,084,315	261,064,091	1,364,147	605,793,071	16,669,302	43,339	—	31,600,333	424,751,323	1,504,583,395
Other	—	—	—	—	—	—	4,292	—	66	—	—	—	11,329,192
Total contributions	2,000,000	472,408	12,054,671	6,881,536	524,237,156	1,364,147	384,061,411	16,669,302	14,712,929	7,217,751	437,355,878	424,751,323	2,113,910,651
Investment income:													
Net appreciation (depreciation) in fair value	(2,700)	—	(64,541)	35,511,678	1,498,106,652	(500,665)	2,098,776,346	135,600	17,420,869	21,466,898	2,884,010,953	45,104	6,833,738,147
Interest	44,629	78	345,711	5,385,976	318,069,932	691,132	499,133,323	—	28,386,314	30,938	539,038,332	—	1,397,177,682
Dividends	—	—	—	2,696,195	17,838,134	—	184,665,089	—	13,654,619	2,481,466	239,206,574	—	382,417,315
Less: investment expenses	42,425	78	86,120	43,493,849	1,944,648,363	100,967	2,782,624,367	135,600	216,300,802	23,708,269	3,653,143,859	45,104	8,813,273,144
Net investment income	42,425	—	8,865	17,676	1,010,659	1,785	4,147,000	—	9,211	—	2,591,130	—	8,069,983
Total additions	2,042,425	472,408	12,143,536	6,909,212	525,247,815	1,365,932	388,208,411	16,669,302	14,722,140	7,217,751	439,947,008	424,796,427	2,121,980,634
Deductions:													
Benefits	1,859,838	435,238	16,829,838	2,064,394	987,056,680	2,750,556	1,603,185,778	16,669,302	89,272,063	14,631,852	1,881,501,253	424,687,547	5,276,329,933
Refunds of contributions	—	20,204	—	139,889	1,148,274	—	65,677,159	—	53,868	—	287,377,200	—	101,777,214
Administrative expenses	—	—	28,831	169,824	3,530,770	6,298	18,619,822	—	264,858	—	87,880	—	32,219,076
Total deductions	1,859,838	455,442	16,858,669	2,374,107	997,735,724	2,756,854	1,687,482,019	16,669,302	89,590,889	14,631,852	1,919,007,933	424,687,547	5,410,326,023
Net increase (decrease)	182,587	—	(4,604,332)	22,887,105	1,473,340,741	(1,390,922)	2,074,626,392	17,400	141,346,031	16,746,689	217,089,075	108,880	610,783,781
Net assets held in trust for pensions and post-retirement medical benefits	3,919,322	—	20,030,610	299,398,038	14,879,935,591	17,277,953	20,060,536,897	954,217	1,545,388,665	128,506,921	26,548,843,310	317,186	65,541,059,052
Beginning of year	3,101,889	—	15,379,278	322,380,160	16,351,063,332	13,884,426	23,032,234,156	1,128,231	1,687,084,896	145,041,089	28,197,23,864	425,066	1,648,846,639
End of year	—	—	—	—	—	—	—	—	—	—	—	—	—