



**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Financial Statements and Schedules

June 30, 2007

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

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

We have audited the accompanying statement of fiduciary net assets of the State of New Jersey Health Benefit Program Funds (the Funds) as of and for the year ended June 30, 2007, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Health Benefit Program Funds as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the Funds adopted Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* as of July 1, 2006.

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



Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The combining schedule of fiduciary net assets information - state, combining schedule of changes in fiduciary net assets information - state, combining schedule of fiduciary net assets information - local, and combining schedule of changes in fiduciary net assets information - local (schedules 3 through 6) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

February 29, 2008

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Management's Discussion and Analysis

June 30, 2007

Our discussion and analysis of the financial performance of the Health Benefit Program Funds – State and Local (the Funds) provides an overview of the Funds' financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

As a result of the implementation of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" (OPEB), effective fiscal year 2007, the State Health Benefit Program Funds (SHBP)–State and Local, the Prescription Drug Program Funds (PDP)–State and Local, and the Post–Retirement Medical Funds (PRM) of the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) are combined and reported as trust funds under the Health Benefit Program Funds.

For comparison purposes, management's discussion and analysis has been updated to reflect these changes by including the SHBP, PDP, PERS-PRM, and TPAF-PRM 2006 amounts as if reported as trust funds under the provisions of GASB Statement No. 43.

Financial Highlights

2007 – 2006

- The Funds' net assets held in trust for benefits decreased by \$10,621,222 as a result of fiscal year 2007's operations from \$561,852,322 to \$551,231,100.
- The Funds' additions for the year were \$3,597,829,109, which are comprised of member and employer pension contributions of \$3,547,621,153 and investment income of \$50,207,956.
- The Funds' deductions for the year were \$3,608,450,331, which are comprised of benefit payments of \$3,601,096,822 and administrative expenses of \$7,353,509.

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' net assets. Over time, increases or decreases in the Funds' 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' 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.

**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Management's Discussion and Analysis

June 30, 2007

Financial Analysis

Summary of Net Assets

	<u>2007</u>	<u>2006</u>	<u>Increase (decrease)</u>
Assets	\$ 1,019,053,766	912,054,744	106,999,022
Liabilities	467,822,666	490,802,422	(22,979,756)
Net assets	<u>\$ 551,231,100</u>	<u>421,252,322</u>	<u>129,978,778</u>

Assets consist of cash, investments, and contributions due from members, participating employers and former members who are covered under the rules of the Federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Between fiscal years 2006 and 2007, total assets increased by \$107.0 million or 11.7%. The increase in total assets is due to an increase in the fair value of the balances invested in the Cash Management Fund (CMF). Investments of the PRM of the TPAF and the PERS are also included as part of the Funds as a result of the implementation of GASB Statement No. 43.

Liabilities consist of outstanding medical and long-term disability claim payments. Total liabilities decreased by \$23.0 million or 4.7%. The decrease in total liabilities is due to a decrease in claims payable.

Net assets increased by \$130.0 million or 30.9%.

Summary of Additions to Net Assets

	<u>2007</u>	<u>2006</u>	<u>Increase (decrease)</u>
Member contributions	\$ 161,113,500	165,607,369	(4,493,869)
Employer contributions	3,386,507,653	3,354,002,431	32,505,222
Net investment income	50,207,956	30,206,681	20,001,275
Totals	<u>\$ 3,597,829,109</u>	<u>3,549,816,481</u>	<u>48,012,628</u>

Additions primarily consist of member and employer contributions and earnings from CMF investment activities. Total additions increased by \$48.0 million or 1.4%. Member contributions decreased by \$4.5 million or 2.7%. Employer contributions increased by \$32.5 million or 1.0% partly due to a rate increase. Also, the State made a contribution of \$592.7 million for the TPAF PRM and \$224.3 million for the PERS PRM for fiscal year 2007, which are included as part of the Funds as a result of implementation of GASB Statement No. 43. Comparatively, the State made a contribution of \$555.3 million for the TPAF PRM and \$211.5 million for the PERS PRM for fiscal year 2006.

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

June 30, 2007

Net investment income increased by \$20.0 million or 66.2% primarily due to a higher Cash Management Fund rate of return.

Summary of Deductions from Net Assets

	2007	2006	Increase (decrease)
Benefits	\$ 3,601,096,822	3,347,076,683	254,020,139
Administrative expenses	7,353,509	8,811,546	(1,458,037)
Totals	\$ 3,608,450,331	3,355,888,229	252,562,102

Expenses primarily consist of claim charges for the self-insured health, prescription drug, and dental plans, premium charges for the insured health and dental programs, and administrative expenses. During the year, total expenses increased by \$252.6 million or 7.5%.

For the insured plans, expenses increased due to the higher premium rates for calendar year 2007. The average premium rate increase for all plans is 6.2% for active members and 2.0% for retirees in calendar year 2007. For the self-insured plans, the increase in benefit expenses was due to higher claim charges, which is attributable to the rising cost of health services.

Overall Financial Condition of the Funds

In the Health Benefit Program-State, expenditures are greater than revenue; therefore, the 2007 fiscal year end balance is lower than the beginning net asset balance. The State as the employer is attempting to deal with the rising cost of healthcare by implementing changes to cost sharing between employees and employers, by the conversion of an indemnity plan to a managed care plan, and through the establishment of rates that are projected to recover anticipated claims and result in a positive balance.

Contacting System Financial Management

The financial report is designed to provide our members, beneficiaries, investors and creditors 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
HEALTH BENEFIT PROGRAM FUNDS**

Statement of Fiduciary Net Assets

June 30, 2007

	Health Benefit Program Fund State	Health Benefit Program Fund Local
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ —	374,739
Investments, at fair value:		
Cash Management Fund	134,549,125	775,554,767
Total investments	<u>134,549,125</u>	<u>775,554,767</u>
Receivables:		
Contributions:		
Members	556,909	474,212
Employers	26,114,160	80,223,684
Other	213,538	992,632
Total receivables	<u>26,884,607</u>	<u>81,690,528</u>
Total assets	<u>161,433,732</u>	<u>857,620,034</u>
Liabilities:		
Accounts payable and accrued expenses	191,630,448	276,102,278
Cash overdraft	89,940	—
Total liabilities	<u>191,720,388</u>	<u>276,102,278</u>
Net assets (deficit):		
Held in trust for health benefits	\$ <u><u>(30,286,656)</u></u>	<u><u>581,517,756</u></u>

See schedule of funding progress on pages 13-14.

See accompanying notes to financial statements.

**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Notes to Financial Statements

June 30, 2007

(1) Description of the Funds

The Funds are included along with other state-administered trust funds in the basic financial statements of the State of New Jersey:

State Health Benefits Program Fund (SHBP)–State
State Health Benefits Program Fund (SHBP)–Local

The Division adopted Governmental Accounting Standards Board (GASB) Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans” (OPEB) as of July 1, 2006. Prior to the adoption SHBP-State, PDP-State and DEP-State were reported as governmental funds – special revenue funds. The SHBP-Local, PDP-Local and DEP-Local were reported as proprietary funds – enterprise funds. The Post-Retirement Medical Funds (PRM) of PERS and TPAF were reported as trust funds and were combined with the respective PERS and TPAF pension trust fund plans. As a result of the implementation of GASB Statement No. 43, SHBP, PDP, and Post-Retirement Medical Funds (PRM) of PERS and TPAF are combined and reported as Health Benefit Program Funds. Specifically, SHBP-State, PDP-State, and PRM of PERS are combined and reported as a trust fund classified as a single employer plan. The SHBP-Local, PDP-Local, and PRM of TPAF are combined and reported as a separate trust fund classified as a cost-sharing multiple-employer plan. Certain amounts included in the PERS PRM and TPAF PRM are legally required to be transferred to the SHBP and are recorded as additions and deductions in PERS PRM, TPAF PRM and SHBP. All interfund transactions have been eliminated in the accompanying financial statements.

The SHBP-State is a single-employer defined benefit OPEB plan and the SHBP-Local is a multi-employer, cost-sharing defined benefit OPEB plan, with a special funding situation for the TPAF PRM portion of SHBP-Local.

(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. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The financial statements include the Health Benefit Program Funds–State and Local, which are administered by the Division over which operating controls are with the individual funds 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; however, the accompanying financial statements are intended to present solely the funds listed above which are administered by the Division and not the State of New Jersey as a whole.

Measurement Focus and Basis of Accounting

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

**STATE OF NEW JERSEY
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Notes to Financial Statements

June 30, 2007

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of the 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 Funds conform to the provisions of GASB Statement No. 43.

Membership

Membership in the funds consisted of the following as of June 30, 2007:

	State	Local	Total
Health Benefits Program Fund*	148,616	207,617	356,233
Prescription Drug Program Fund*	113,423	30,883	144,306

* Active and retired participants

The health benefit programs had a total of 454 state and local participating employers and contributing entities for fiscal year 2007.

Membership in the PRM consisted of the following at June 30, 2006, the date of the most recent actuarial valuation:

	TPAF	PERS
Retirees and beneficiaries receiving benefits currently and terminated employees entitled to benefits but not yet receiving them	50,839	20,880
Active members:		
Vested	26,564	12,148
Nonvested	127,324	84,321
Total active members	153,888	96,469
Total	204,727	117,349

Valuation of Investments

Cash Management Fund units are stated at fair value using the closing bid price on the last day of trading during the period as determined by the Transfer Agent.

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 Funds. 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 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.

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Notes to Financial Statements

June 30, 2007

The purchase, sale, receipt of income, and other transactions affecting investments are governed by custodial agreements between the Fund, through the State Treasurer, and custodian banks as agents for the Fund. 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.

Investments

The Funds' investments as of June 30, 2007 consist of an interest in the Cash Management Funds. The Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by the Funds, and it is unrated.

Significant New Legislation

Chapter 103, P.L. 2007, certain parts effective July 1, 2007, provides for changes to State Health Benefits Program (SHBP) and establishes an employee contribution of 1.5% of the employee's base salary.

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 net assets and fund balances.

Funded Status and Funding Progress

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

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

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

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Notes to Financial Statements

June 30, 2007

(3) Contributions

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

Contributions to pay for the health premiums of participating employees in the State Health Benefits Program (SHBP)–State are collected from the State of New Jersey, active members, and retired members. The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are generally distributed to the SHBP on a monthly basis. Active and retired member contributions and payments from the PERS are generally received on a monthly basis. Certain State employees share in the cost of their premiums, as provided by Chapter 8, P.L. 1996.

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

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

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

The State made a contribution of \$1.29 billion including \$224.31 million for PERS PRM for fiscal year 2007.

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

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

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

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

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Notes to Financial Statements

June 30, 2007

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

The State made a contribution of \$592.71 million for TPAF PRM for fiscal year 2007.

(4) Vesting and Benefits

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

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

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

The Program provides free coverage to members of the Public Employees' Retirement System, Teachers' Pension and Annuity Fund, and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service or on a disability retirement. Partially funded benefits are also provided to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Also, local employees are eligible for the PDP coverage after 60 days of employment.

(5) Funds

The Funds maintain the following legally required funds as follows (amounts indicated in parenthesis represent respective fund balances or net asset balances for the funds indicated):

Reserve Fund – SHBP–State (including PDP–State) (\$–30,286,656)

In the Health Benefit Program–State, expenditures were greater than revenue; therefore, the 2007 year end balance was lower than the beginning net asset balance. The State as the employer is attempting to deal with the rising cost of healthcare by implementing changes to cost sharing between employees and employers, by conversion of an indemnity plan to a managed care plan, and through the establishment of rates that are projected to recover anticipated claims and result in a positive balance.

Reserve Fund – SHBP–Local (including PDP–Local) (\$581,517,756)

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

**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Required Supplementary Information

Schedule of Funding Progress

(Unaudited)

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)
Health Benefit Program-State						
June 30, 2006	\$ —	21,587,100,000	21,587,100,000	—	N/A	N/A
Health Benefit Program-Education-State						
June 30, 2006	—	36,471,900,000	36,471,900,000	—	N/A	N/A
Total State	—	58,059,000,000	58,059,000,000	—	N/A	N/A
Health Benefit Program -Local						
June 30, 2006	—	10,774,600,000	10,774,600,000	—	N/A	N/A

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

**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Required Supplementary Information

Schedule of Funding Progress – Additional Actuarial Information

(Unaudited)

Significant actuarial methods and assumptions used in the most recent 2006 actuarial valuations include the following:

Actuarial cost method	Projected unit credit
Asset valuation method	Market value
Amortization method	Level percent, open
Payroll growth rate for amortization	4.00%
Remaining amortization period	30 years
Actuarial assumptions:	
Interest rate	4.50% (assuming no prefunding)
Salary range	N/A
Cost-of-living adjustments	N/A
Valuation date	June 30, 2006

For medical benefits, the healthcare cost trend rate assumption initially is at 10.0% or 11.0% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after twelve years. For prescription drug benefits, the initial healthcare cost trend rate assumption is 12.0%, decreasing to a 5.0% long-term trend rate after fourteen years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 6.5% for three years, with a long-term trend rate of 5.0% thereafter.

**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Required Supplementary Information

Schedule of Employer Contributions

(Unaudited)

	Annual required contribution*	Employer contributions	Percentage contributed
Health Benefit Program-State			
Year ended June 30, 2007	\$ 1,880,600,000	404,415,000	21.5%
Health Benefit Program-Education-State			
Year ended June 30, 2007	3,067,400,000	659,405,000	21.5%
Total State	4,948,000,000	1,063,820,000	21.5%
Health Benefit Program-Local			
Year ended June 30, 2007	892,200,000	185,536,000	20.8%

Notes to schedule:

- * The Annual Required Contribution reflects a 30-year, 4.0% annual increasing amortization of the unfunded actuarial accrued liability. Based on expected benefit payments plus retiree drug subsidy for the applicable fiscal year end.

**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Combining Schedule of Fiduciary Net Assets Information - State

June 30, 2007

	Health Benefit Program Fund State	Prescription Drug Program Fund State	PERS Post- Retirement Medical Fund	Total Health Benefit Program Fund State
Assets:				
Investments, at fair value:				
Cash Management Fund	\$ 115,059,321	18,369,134	1,120,670	134,549,125
Total investments	<u>115,059,321</u>	<u>18,369,134</u>	<u>1,120,670</u>	<u>134,549,125</u>
Receivables:				
Contributions:				
Members	507,633	49,276	—	556,909
Employers	26,094,710	19,450	—	26,114,160
Other	185,818	27,720	—	213,538
Total receivables	<u>26,788,161</u>	<u>96,446</u>	<u>—</u>	<u>26,884,607</u>
Total assets	<u>141,847,482</u>	<u>18,465,580</u>	<u>1,120,670</u>	<u>161,433,732</u>
Liabilities:				
Accounts payable and accrued expenses	184,944,910	6,685,538	—	191,630,448
Cash overdraft	138,529	(48,589)	—	89,940
Total liabilities	<u>185,083,439</u>	<u>6,636,949</u>	<u>—</u>	<u>191,720,388</u>
Net assets held in trust for health benefits	<u>\$ (43,235,957)</u>	<u>11,828,631</u>	<u>1,120,670</u>	<u>(30,286,656)</u>

**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Combining Schedule of Changes In Fiduciary Net Assets Information - State
Year ended June 30, 2007

	Health Benefit Program Fund State	Prescription Drug Program Fund State	PERS Post- Retirement Medical Fund	Eliminations	Total Health Benefit Program Fund State
Additions:					
Contributions:					
Members	\$ 78,039,233	1,729,235	—	—	79,768,468
Employers	1,086,163,519	189,797,720	224,307,808	(210,496,214)	1,289,772,833
Total contributions	<u>1,164,202,752</u>	<u>191,526,955</u>	<u>224,307,808</u>	<u>(210,496,214)</u>	<u>1,369,541,301</u>
Investment income:					
Net appreciation (depreciation) in fair value of investments	(2,721)	(1,048)	542,127	—	538,358
Interest	10,036,421	4,405,684	—	—	14,442,105
	<u>10,033,700</u>	<u>4,404,636</u>	<u>542,127</u>	<u>—</u>	<u>14,980,463</u>
Less: investment expense	—	—	—	—	—
Net investment income	<u>10,033,700</u>	<u>4,404,636</u>	<u>542,127</u>	<u>—</u>	<u>14,980,463</u>
Total additions	<u>1,174,236,452</u>	<u>195,931,591</u>	<u>224,849,935</u>	<u>(210,496,214)</u>	<u>1,384,521,764</u>
Deductions:					
Benefits	1,326,788,276	254,493,027	226,899,597	(210,496,214)	1,597,684,686
Administrative expenses	3,126,203	—	—	—	3,126,203
Total deductions	<u>1,329,914,479</u>	<u>254,493,027</u>	<u>226,899,597</u>	<u>(210,496,214)</u>	<u>1,600,810,889</u>
Net increase (decrease)	<u>(155,678,027)</u>	<u>(58,561,436)</u>	<u>(2,049,662)</u>	<u>—</u>	<u>(216,289,125)</u>
Net assets (deficit) held in trust for health benefits:					
Beginning of year	112,442,070	70,390,067	3,170,332	—	186,002,469
End of year	<u>\$ (43,235,957)</u>	<u>11,828,631</u>	<u>1,120,670</u>	<u>—</u>	<u>(30,286,656)</u>

**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Combining Schedule of Fiduciary Net Assets Information - Local

June 30, 2007

	Health Benefit Program Fund Local	Prescription Drug Program Fund Local	TPAF Post- Retirement Medical Fund	Total Health Benefit Program Fund Local
Assets:				
Cash	\$ 370,599	4,140	—	374,739
Investments, at fair value:				
Cash Management Fund	743,558,426	31,545,311	451,030	775,554,767
Total investments	743,558,426	31,545,311	451,030	775,554,767
Receivables:				
Contributions:				
Members	473,447	765	—	474,212
Employers	74,786,483	5,437,201	—	80,223,684
Other	153,601	839,031	—	992,632
Total receivables	75,413,531	6,276,997	—	81,690,528
Total assets	819,342,556	37,826,448	451,030	857,620,034
Liabilities:				
Accounts payable and accrued expenses	273,902,278	2,200,000	—	276,102,278
Total liabilities	273,902,278	2,200,000	—	276,102,278
Net assets held in trust for health benefits	\$ 545,440,278	35,626,448	451,030	581,517,756

**STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS**

Combining Schedule of Changes In Fiduciary Net Assets Information - Local

Year ended June 30, 2007

	Health Benefit Program Fund Local	Prescription Drug Program Fund Local	TPAF Post- Retirement Medical Fund	Eliminations	Total Health Benefit Program Fund Local
Additions:					
Contributions:					
Members	\$ 80,767,565	577,467	—	—	81,345,032
Employers	1,958,407,057	90,801,190	592,708,536	(545,181,963)	2,096,734,820
Total contributions	<u>2,039,174,622</u>	<u>91,378,657</u>	<u>592,708,536</u>	<u>(545,181,963)</u>	<u>2,178,079,852</u>
Investment income:					
Net appreciation (depreciation) in fair value of investments	(15,495)	(262)	426,184	—	410,427
Interest	33,715,645	1,101,421	—	—	34,817,066
	<u>33,700,150</u>	<u>1,101,159</u>	<u>426,184</u>	<u>—</u>	<u>35,227,493</u>
Less: investment expense	—	—	—	—	—
Net investment income	<u>33,700,150</u>	<u>1,101,159</u>	<u>426,184</u>	<u>—</u>	<u>35,227,493</u>
Total additions	<u>2,072,874,772</u>	<u>92,479,816</u>	<u>593,134,720</u>	<u>(545,181,963)</u>	<u>2,213,307,345</u>
Deductions:					
Benefits	1,867,510,457	85,907,650	595,175,992	(545,181,963)	2,003,412,136
Administrative expenses	4,227,306	—	—	—	4,227,306
Total deductions	<u>1,871,737,763</u>	<u>85,907,650</u>	<u>595,175,992</u>	<u>(545,181,963)</u>	<u>2,007,639,442</u>
Net increase (decrease)	201,137,009	6,572,166	(2,041,272)	—	205,667,903
Net assets held in trust for health benefits:					
Beginning of year	<u>344,303,269</u>	<u>29,054,282</u>	<u>2,492,302</u>	<u>—</u>	<u>375,849,853</u>
End of year	<u>\$ 545,440,278</u>	<u>35,626,448</u>	<u>451,030</u>	<u>—</u>	<u>581,517,756</u>