

*Notes to the
Basic
Financial Statements*

**STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS
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**STATE OF NEW JERSEY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared primarily from accounts and records maintained by the Director of the Office of Management and Budget. The financial data for the various public benefit corporations, authorities, commissions, colleges, and universities has been derived from reports prepared by those organizations based on their independent accounting systems.

B. Financial Reporting Entity

For financial reporting purposes the State of New Jersey includes all fund types, departments, and agencies of the State, as well as boards, commissions, authorities, colleges, universities, and financial interests for which the State is financially accountable. The following circumstances set forth the State's financial accountability for a legally separate organization:

1. The State is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.
2. The State may be financially accountable if an organization is fiscally dependent on the State regardless of whether the organization has (a) a separately elected governing board or (b) a jointly appointed board.

Entities for which the State is financially accountable, and have a financial benefit or burden relationship, such as boards, commissions, authorities, colleges and universities are considered component units. These component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. Component units are either discretely presented or blended. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government (the State). Blending requires the component unit's balances and transactions to be reported in a manner similar to the balances and transactions of the State.

The following organizations comprise the State's blended component units:

Garden State Preservation Trust - The Garden State Preservation Trust is a blended component unit based on the governing body which is substantively the same as the governing body of the primary government. It provides services entirely, or almost entirely, to the primary government. The total debt outstanding, including leases, is expected to be repaid entirely with the resources of the primary government.

New Jersey Building Authority - The New Jersey Building Authority is a blended component unit based on its governing body which is substantively the same as the governing body of the primary government. It provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government. The total debt outstanding, including leases, is expected to be repaid entirely with the resources of the primary government.

New Jersey Schools Development Authority - The New Jersey Schools Development Authority is a blended component unit based on its governing body which is substantively the same as the governing body of the primary government. It provides services entirely, or almost entirely, to the primary government. Its total debt outstanding, including leases, is expected to be repaid entirely with the resources of the primary government.

New Jersey Transportation Trust Fund Authority - The New Jersey Transportation Trust Fund Authority is a blended component unit based on its governing body which is substantively the same as the governing body of the primary government. It provides services entirely, or almost entirely, to the primary government. The total debt outstanding, including leases, is expected to be repaid entirely, or almost entirely, with the resources of the primary government.

Tobacco Settlement Financing Corporation - The Tobacco Settlement Financing Corporation is a blended component unit based on GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, in accordance with paragraph 53b, "usually the services provided by a blended component unit are financing services provided solely to the primary government."

All other component units have been discretely presented. Descriptions of the discretely presented component units and addresses from which complete financial statements of the respective component units can be obtained is detailed in Note 18. Below is a list of all discretely presented component units:

Colleges and Universities

The College of New Jersey
Kean University
Montclair State University
New Jersey City University
New Jersey Institute of Technology
Ramapo College of New Jersey
Rowan University
Rutgers, The State University of New Jersey
Stockton University
Thomas Edison State University
The William Paterson University of New Jersey

Authorities

Casino Reinvestment Development Authority
Higher Education Student Assistance Authority
New Jersey Economic Development Authority
New Jersey Educational Facilities Authority
New Jersey Infrastructure Bank
New Jersey Health Care Facilities Financing Authority
New Jersey Housing and Mortgage Finance Agency
New Jersey Redevelopment Authority
New Jersey Sports and Exposition Authority
New Jersey Transit Corporation
New Jersey Turnpike Authority
New Jersey Water Supply Authority
South Jersey Port Corporation
South Jersey Transportation Authority
University Hospital

C. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intragovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of net position measures not just current assets and liabilities, but also long-term assets and liabilities such as capital assets (including infrastructure assets), long-term obligations, deferred outflows of resources, and deferred inflows of resources. The difference between the State's assets and deferred outflows of resources and its liabilities and deferred inflows of resources is its net position. Net position is displayed in three components - invested in capital assets, restricted, and unrestricted. Net position is restricted when constraints are either externally imposed or are imposed by constitutional provisions or enabling legislation. The amount of net position that is restricted by enabling legislation is disclosed in Note 14. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

The statement of activities is presented in a format that reports the net revenue (expense) of the State's individual functions. The net revenue (expense) format reports the relative financial burden of each of the State's functions on its taxpayers. This format identifies the extent to which each function of the government draws from the general revenues of the State or is self-financed through licenses, fees, permits, and other revenues.

Program revenues originate from the program or from parties other than the government's taxpayers or citizens as a whole and reduce the expenses of the function to be financed by general revenues. Categories of program revenues that are separately reported in the statement are charges for services, program specific operating grants and contributions, and program specific

capital grants and contributions. Charges for services are revenues from exchange or exchange-like transactions with external parties that purchase, use, or directly benefit from the program's goods, services, or privileges. These revenues include fees charged for specific services, licenses and permits, and operating special assessments, as well as payments from exchange transactions with other governments. Program specific operating and capital grants and contributions are revenues from mandatory and voluntary nonexchange transactions with external parties that are restricted for use in a particular program. All other revenues are general revenues, including all taxes, even if levied for a specific purpose. A special item is a significant transaction or other event within the control of management that is either unusual in nature or infrequent in occurrence. An extraordinary item is a transaction or other event that is both unusual in nature and infrequent in occurrence.

In the statement of activities, all expenses are reported by function except those that are special or extraordinary items. Each function reports direct expenses – those specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Some functions, such as government direction, management, and control, include expenses that are indirect expenses of other functions. The State does not allocate indirect expenses to the other functions.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The government-wide financial statements report all financial and capital assets (including infrastructure assets), deferred outflows of resources, short and long-term liabilities, deferred inflows of resources, revenues, expenses, gains, and losses using the economic resources measurement focus and the accrual basis of accounting. Activity and balances resulting from exchange and exchange-like transactions are recognized when the exchange takes place; those resulting from nonexchange transactions are recognized based on the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, these revenues which are considered to be susceptible to accrual include amounts received during the three month period subsequent to June 30 that were earned as of June 30. On an exception basis, the State will occasionally accrue amounts received after this three month period but within twelve months subsequent to June 30. Those revenues which are considered to be susceptible to accrual include sales tax, individual income taxes, corporate income taxes, and federal grants. Licenses, fees, permits, and other sources are recognized when received since they normally are measurable only at that time. Unapplied overpayments of Corporation Business Tax and Gross Income Tax are recorded when a final determination is made as to the ultimate disposition of the overpayments.

Expenditures are recognized when the related fund liabilities are incurred. Expenditures for compensated absences, claims, and judgments are recorded to the extent they would normally be liquidated with available financial resources. Disbursements for prepaid expenses, inventory items, and capital assets are recorded when expenditures are incurred. Expenditures for principal and interest on general obligation long-term debt are recognized when due.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements - The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements previously described.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in the Financial Accounting Standards Board (FASB) pronouncements which does not conflict with or contradict GASB pronouncements, and eliminates the option to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal

ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The State's proprietary funds are the Unemployment Compensation Fund and the State Lottery Fund.

The Unemployment Compensation Fund's principal ongoing operations consist of assessments received from employers and employees and the subsequent disbursement of monies to persons entitled to receive unemployment benefits. Collections and disbursements to eligible recipients are classified as operating revenues and expenses. The State Lottery Fund's principal ongoing operations, which are classified as operating revenues and expenses, consist of receipts from lottery ticket sales and subsequent disbursements of monies to lottery winners.

E. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which represent the fund's assets, liabilities, residual equities or balances, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column. For further details of the funds listed below, see the Description of Funds.

1. Major Funds

The State reports the General Fund and the Property Tax Relief Fund as major governmental funds. The State also reports the State Lottery Fund and the Unemployment Compensation Fund as major proprietary funds. Descriptions are as follows:

- a. General Fund - This fund accounts for all State revenues not otherwise restricted by statute. The largest part of the total financial operations of the State is accounted for in the General Fund. Most revenues received from taxes, federal sources, and certain miscellaneous revenue items are recorded in this fund. The Annual Appropriations Act enacted by the State Legislature provides the basic framework for the operations of the General Fund.
- b. Property Tax Relief Fund - This fund accounts for revenues from the New Jersey Gross Income Tax and a portion of the New Jersey Sales and Use Tax. Revenues realized are dedicated by the State Constitution. All receipts from taxes levied on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. P.L. 2006, c.44 dedicated one half of a percent of the Sales and Use Tax rate to the Property Tax Relief Fund. Annual appropriations are made from the fund, pursuant to formulas established by the State Legislature to counties, municipalities, and school districts.
- c. State Lottery Fund (Common Pension Fund L) - Monies derived from the sale of State lottery tickets are deposited into Common Pension Fund L pursuant to P.L. 2017, c.98, the Lottery Enterprise Contribution Act (LECA). Disbursements are authorized for the payment of prizes to holders of winning lottery tickets, vendor fees in the production and distribution of lottery tickets, and for the administrative expenses of the Division of State Lottery. Remaining balances are solely available to and for the benefit of the Teachers' Pension and Annuity Fund (77.78 percent), Public Employees' Retirement System (21.02 percent), and Police and Firemen's Retirement System (1.20 percent) for a 30 year term effective as of June 30, 2017. The present value of obligations for future installment payments of lottery prizes, which are funded by the purchase of deposit fund contracts and United States Government Treasury securities, are accounted for in this fund.
- d. Unemployment Compensation Fund - This fund accounts for monies deposited from contributions of employers and employees for unemployment compensation, amounts credited or advances made by the federal government, and amounts received herein from any other source. After consideration is given to any claim for refund of overpayment of contributions, the remainder is transferred by the Division of Employment Security to the Treasurer of the United States for credit to the State of New Jersey Unemployment Compensation Fund and held by the Treasurer of the United States in the State of New Jersey Unemployment Trust Fund. Drawdowns against the State of New Jersey Unemployment Trust Fund are made by requests submitted to the Treasurer of the United States by the Division of Employment Security on an as-needed basis, whereby amounts are transferred back to the Unemployment Compensation Fund and are then disbursed by the Division of Employment Security to persons entitled to receive unemployment benefits. Any shortfall in the Unemployment Compensation Fund needed to pay benefits is covered by federal statutes, which authorize advances from the federal government for unemployment benefits. Such advances are repayable by increased rates on federally taxable wages reported by New Jersey employers, or the advances may be repaid out of the fund assets at any time by the Governor.

2. Governmental Fund Types

- a. Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term, "proceeds of specific revenue sources," establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.
- b. Capital Projects Funds - These funds are used to account for and report financial resources that are restricted or committed to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

3. Fiduciary Fund Types

- a. Pension and Other Employee Benefits Trust Funds - These funds report resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, and other employee benefit plans, such as the deferred compensation plan.
- b. Investment Trust Fund - This fund reports an investment pool that consolidates monies from municipalities, counties, school districts, and any other public body, corporate or politic.
- c. Private Purpose Trust Funds - These funds report all other trust arrangements for which principal and income benefit individuals, private organizations, or other governments, including monies held for unclaimed insurance deposits and unclaimed county deposits.
- d. Custodial Funds - These funds report resources held by the State in a purely custodial capacity, such as court imposed obligations or other employment benefits not required to be reported in a Pension Trust Fund or Special Revenue Fund.

F. Appropriations and Outstanding Debt

The State Constitution provides that the Legislature may not create a debt (where total outstanding debt would exceed one percent of total appropriations for the year) unless such law has been submitted to the people at a general election and approved by a majority of the legally qualified voters. After approval by the electorate, and prior to any bond sale, the Legislature may make appropriations up to the legally authorized amount of such bonds, which enables the State to enter into contracts with vendors. The State Constitution allows for certain exceptions to this rule, including for an emergency caused by disaster or act of God.

G. Assets

1. Cash and Cash Equivalents

Deposits encompass the State's cash on deposit with financial institutions and several cash equivalents, including certificates of deposit. All deposits, including cash equivalents that are subject to federal or state depository insurance, generally are classified as deposits. Only investments with an original maturity of three months or less are considered to be cash equivalents. See Note 3 for additional details.

2. Investments

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the Division of Investment to invest in global equities; non-convertible preferred stocks, covered call and put options; futures contracts; obligations of the U.S. Treasury, government agencies, corporations, international governments and agencies; global diversified credit investments; interest rate swap transactions; state and municipal general obligations; public authority revenue obligations; collateralized notes and mortgages; commercial paper; certificates of deposit; repurchase agreements; money market funds; private equity funds; real estate funds; other real assets; and absolute return strategy funds. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

In addition to the amounts invested directly, most of the funds included herein participate in the State of New Jersey Cash Management Fund wherein amounts also contributed by other units of government are combined into a large scale investment program. The Pension Trust Funds also participate in a Common Pension Trust Fund pool whereby

amounts contributed by the various Pension Trust Funds are combined for the purpose of investment. Participation in the Cash Management Fund investment pool and the Common Pension Trust Fund investment pool by State funds is reflected as investments in the Balance Sheets of the respective funds. Amounts contributed to the Cash Management Fund investment pool by local governments and other entities which are not part of the State's reporting entity, are reflected as investments in the statement of net position of the Investment Trust Fund.

Amounts contributed to the Cash Management Fund investment pool are recorded at cost, which approximates fair value. Any differences between cost and fair value for Cash Management Fund pool investments are immaterial. Other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. See Note 4 for additional details.

3. Securities Lending Collateral

The Pension Trust Funds participate in securities lending programs with their custodian banks, whereby securities are loaned to brokers and, in return, the Pension Trust Funds have rights to the collateral received. All of the securities held in the Common Pension Trust Fund investment pool are eligible for the securities lending program. Collateral received may consist of cash, irrevocable bank letters of credit, or U.S. Treasury obligations having a fair value equal to or exceeding 102 percent (U.S. dollar denominated) or 105 percent (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. The contracts with the Common Pension Trust Fund investment pool custodian banks require them to indemnify the investment pool if the brokers fail to return the securities or fail to pay the investment pool for income distributions by the securities' issuers while the securities are on loan. The securities loans can be terminated by notification by either the broker or the investment pool. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of cash collateral. As of June 30, 2025, the Pension Trust Funds have no aggregate credit risk exposure to brokers because the collateral amount held by the Pension Trust Funds exceeded the fair value of the securities on loan. See Note 5 for additional details.

4. Receivables

Receivables in the State's governmental, fiduciary, and proprietary funds, component units - authorities, and component units - college and university funds are stated net of allowances for uncollectible amounts and primarily consist of federal grants, taxes, assessments, loans, interest and dividends, contributions due from employers and members to the respective pension funds, mortgages, and other receivables. See Note 6 for additional details.

5. Capital Assets, including Right of Use Assets

Capital assets are tangible and intangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the statement of net position at cost or historical cost based on appraisals or other acceptable methods when historical cost information is not available. Donated capital assets are recorded at acquisition value at the time of donation. The State's capital assets consist of:

- a. All land, including parks, forests, easements, development rights, highways, and right-of-ways.
- b. Infrastructure assets such as roads, bridges, and dams.
- c. All general government buildings, including hospital, care, and correctional facilities.
- d. Land improvements, equipment, software, and motor vehicles used in general operations with a unit cost of at least \$10,000, \$5,000, \$100,000, and \$30,000, respectively. For the purpose of reporting, equipment and software are consolidated into one category.
- e. Capital assets in the process of construction.

The State is a lessee for various leases of buildings, equipment, and land from external parties. The State is also a lessee for Subscription Based Information Technology Arrangements (SBITAs) from external parties. For all leases and SBITAs with a maximum possible term of more than 12 months at commencement, the State recognizes a right of use lease or SBITA asset and lease or SBITA liability. See Note 7 for additional details.

At commencement, the State initially measures the lease or SBITA liability at the present value of payments expected to be made during the lease or SBITA term. The lease or SBITA liability is then reduced by principal payments made. The lease or SBITA asset is measured as the initial amount of the lease or SBITA liability, adjusted as needed to account for any prepayments or initial indirect costs. Subsequently, the lease or SBITA asset is amortized over the

shorter of the lease or SBITA term or its useful life. The State recognizes interest expense on the lease or SBITA liability using the effective interest method based on the discount rate determined at commencement.

To measure depreciation expense, the State uses the straight-line method, whereby the historical cost (or other capitalized amount) of depreciable assets, less their estimated salvage values, is allocated in equal annual amounts over the estimated useful lives of the assets. To estimate the useful lives of its capital assets, the State uses guidelines from industry organizations. There is no depreciation recorded for land, easements, construction in progress, and right-of-ways.

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Examples of these assets include, but are not limited to statues, monuments, forts, lighthouses, and various capitol related furnishings. Collections, such as historical documents, artifacts, works of art, rare library books, and antique furnishings are not capitalized. These assets are exempted from capitalization as the State maintains the collections for reasons other than financial gain; the collections are protected, kept unencumbered, cared for and preserved; and the collections are subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collection. See Note 8 for additional details related to capital assets.

6. Interfund/Intrafund Transactions

Interfund Transactions - During the course of normal operations, the State has numerous routine transactions between funds, including expenditures, and transfers of resources to provide administrative services, program services, debt service, and compliance with legal mandates, such as legislation requiring the transfer of investment earnings from a capital project fund to the General Fund. In the fund financial statements, these transactions generally are recorded as transfers to/transfers from other funds and due to/due from other funds. Transfers represent legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended and do not represent reimbursement of expenses.

Intrafund Transactions - Intrafund transactions, as a result of contracts among departments within the same fund, are considered expenditures by the contractor and revenues by the contractee in the fund financial statements.

As a general rule, intrafund revenues and expenditures, interfund transfers, and interfund receivables and payables have been eliminated in the government-wide financial statements. An exception is the net residual amounts due between governmental and business-type activities, which is recorded as internal balances. Receivables from and payables to fiduciary funds are recorded in the statement of net position as receivable from and payable to external parties. See Note 15 for additional details.

7. Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. In the government-wide statements, governmental activities column, the deferred outflows of resources represents three items: (1) pension related amounts, (2) other postemployment benefits (OPEB) liability related amounts, and (3) the unamortized deferral on refunding of long-term obligations. The pension and OPEB related amounts consists of: a) differences between expected and actual experience; b) changes of assumptions; c) net difference between projected and actual investment earnings on pension and OPEB plan investments; d) changes in proportion and differences between employer contributions and proportionate share of contributions; and e) employer contributions and benefit payments subsequent to the measurement date. See Note 10 for additional details.

H. Liabilities

1. Unearned Revenue

Unearned revenues at both the government-wide and fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Unearned revenues also arise when resources are received by the State before it has a legal claim. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Unearned revenue consists principally of federal resources received due to the COVID-19 Pandemic not yet recognized as revenues as of June 30. See Note 2 for additional details.

2. Long-term Obligations

The State's long-term obligations are divided into bonded and non-bonded categories. Bonded categories include general obligation bonds, revenue bonds, installment obligations, certificates of participation, Tobacco Settlement Financing Corporation Bonds (TSFC), unamortized interest on capital appreciation bonds, and unamortized premium. Non-bonded categories include compensated absences, leases, loans payable, OPEB liability, net pension liability, pollution remediation obligation, deposit fund contracts, as well as other liabilities. The liability for long-term items described above is reflected in the government-wide financial statements and the proprietary fund financial statements as noncurrent liabilities, due in more than one year and as current liabilities-current portion of long-term obligations, if due within a year.

Bond and note premiums and discounts are amortized to interest expense based on the straight-line method. Capital appreciation bonds are reported at their net or accreted value rather than at face value. Bonds and notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. See Note 11 for additional details.

In Fiscal Year 2024, the State implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. Liabilities for compensated absences are now recognized for leave that has not yet been used, and for leave that has been used but not yet paid in cash or settled through noncash means. If the leave accumulates, is attributable to services already rendered, and is more likely than not to be used for time off or otherwise paid in cash, a liability is recognized for the leave that has not be used. Applicable salary-related payments are included in the measurement of the liability.

3. Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. In the government-wide statements, governmental activities column, the deferred inflows of resources represents three items: (1) pension related amounts, (2) OPEB related amounts, and (3) deferred opioid, tobacco, and grant revenue. The pension and OPEB related amounts consists of: a) differences between expected and actual experience; b) changes of assumptions; c) net difference between projected and actual investment earning on pension plan investments; and d) changes in proportion. Additionally, deferred tobacco, opioid settlement, and grant revenue is recorded as a deferred inflow of resources in the governmental funds as all eligibility criteria excluding timing requirements have been met. See Note 10 for additional details.

I. Net Position

1. **Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted** - Net position is reported as restricted when constraints placed on its use are either: externally imposed by creditors, grantors, contributors, or laws or regulations of the other governments, or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted** - Unrestricted net position consists of assets that do not meet the definition of "restricted" or "invested in capital assets".
4. **Restricted for Custodial Funds** - This is used to accumulate resources held by the State in a custodial capacity.
5. **Restricted for Pool Participants** - This is used to accumulate resources held for investment.
6. **Restricted for Pensions** - This is used to accumulate all active member, State, and other employer contributions and investment income from which pension benefit payments are made.

7. **Restricted for OPEB** - This is used to accumulate all local government retired members and employer contributions and investment income from which post-retirement health benefit payments are made.
8. **Restricted for Private Purpose Trust Funds** - This is used to accumulate resources received as a result of trust arrangements.

J. Fund Balances

1. **Nonspendable** - Fund balance includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact (i.e., the principal of a permanent fund).
2. **Restricted** - Fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers or imposed by law through constitutional provisions, or through enabling legislation.
3. **Committed** - Fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
4. **Unassigned** - Fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Based on the definitions of the nonspendable, restricted, and committed fund balance classifications, positive unassigned amounts can exist only in the General Fund. The State’s General Fund reflects nonspendable, restricted, committed, and unassigned fund balances. Initially, expenditures are made from existing committed fund balances, and if necessary, additional expenditures are made from unassigned fund balances.

K. Fiscal Year End Differences

The following component units have fiscal years that ended on December 31, 2024:

Component Units – Authorities

Casino Reinvestment Development Authority
 New Jersey Economic Development Authority
 New Jersey Educational Facilities Authority
 New Jersey Health Care Facilities Financing Authority
 New Jersey Housing and Mortgage Finance Agency
 New Jersey Redevelopment Authority
 New Jersey Sports and Exposition Authority
 New Jersey Turnpike Authority
 South Jersey Port Corporation
 South Jersey Transportation Authority

Special Revenue Funds

New Jersey Building Authority (blended component unit)
 New Jersey Schools Development Authority (blended component unit)

NOTE 2 - OTHER ACCOUNTING DISCLOSURES

A. Change in Accounting Policy

In Fiscal Year 2025 the State adopted one new Governmental Accounting Standards Board (GASB) standard as follows:

GASB Statement No. 102, *Certain Risk Disclosures*.

B. Federal Relief Programs

The American Rescue Plan Act of 2021 was signed into law March 11, 2021 and established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program which delivered \$6,244.5 million to the State to support a response to and recovery from the COVID-19 Pandemic. SLFRF funds can be used for eligible expenditures incurred between March 3, 2021 and December 31, 2024 and expended by December 31, 2026. As of June 30, 2025, the State incurred expenditures of \$4,077.8 million of SLFRF funds that met the eligibility requirements of this financial assistance. The residual \$2,166.7 million of unearned revenue is shown as a liability.

C. Restatements

The July 1, 2024 Net Position was adjusted for the following:

1. Restatements within Primary Government

During Fiscal Year 2025, various errors were corrected as of June 30, 2024, as detailed below and referenced in the chart.

Restatements were made to the governmental funds' statements. A General Fund overstatement of revenues correction was made for \$47,312,096 and an interfund revenue transfer from the Clean Energy Fund to the General Fund was corrected for \$15,000,000. Both adjustments had a net effect of overstating General Fund balances by \$32,312,096 and governmental funds' revenues in the prior period by \$47,312,096. Relatedly, beginning balance for the Clean Energy Fund was overstated by \$15,000,000.

It was determined the State did not report construction in progress, land improvements, buildings, equipment and software (including leases and SBITAs), and infrastructure capital assets. Therefore, capital assets, net of depreciation, were understated by \$286,977,497 for governmental activities in the prior period. Additionally, the leases liabilities were overstated by \$82,286,282 and compensated absences were understated by \$45,359,345, both affecting noncurrent liabilities for governmental activities for the prior period. The cumulative effect of the restatements to governmental activities, in addition to the restatements to governmental fund balances, increased the July 1, 2024 governmental activities beginning fund balance by \$276,592,338.

2. Restatements within Discretely Presented Component Units:

During Fiscal Year 2025, several universities implemented GASB Statement 101, *Compensated Absences*, resulting in restatements increasing expenditures in the prior period by \$85,463,730. Additionally, Kean University corrected an error that resulted in decreased expenditures in the prior period by \$284,000. The net amount of these restatements decreased beginning net position in the prior period by \$85,179,730.

	Government-wide		Governmental Funds		
	Net Position				
	Governmental Activities	General Fund	Clean Energy Fund	Total Governmental Funds	Component Units
Balance July 1, 2024					
- As Reported	\$ (161,768,140,463)	\$ 17,350,179,122	\$ 590,191,053	\$ 33,068,667,375	\$ 23,659,423,576
Change in Accounting Principle (Adoption of GASB No. 101)	-	-	-	-	(85,463,730)
Error Correction	276,592,338	(32,312,096)	(15,000,000)	(47,312,096)	284,000
Balance July 1, 2024					
- Restated	<u>\$ (161,491,548,125)</u>	<u>\$ 17,317,867,026</u>	<u>\$ 575,191,053</u>	<u>\$ 33,021,355,279</u>	<u>\$ 23,574,243,846</u>

D. Deficit Fund Balance

It is anticipated that bond sales during Fiscal Year 2026 will relieve the current deficit fund balances in the Cultural Centers and Historic Preservation Fund and the 2009 Blue Acres Fund.

E. Joint Ventures

The Port Authority of New York and New Jersey
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150 Greenwich Street, 23rd Floor
New York, NY 10007
www.panynj.gov

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose such as contracting and maintaining an interstate bridge. Pursuant to current financial reporting standards, the State does not record its equity in joint ventures. The only significant joint venture in which the State of New Jersey participates is the Port Authority of New York and New Jersey. Individually published financial statements may be obtained by writing the Port Authority of New York and New Jersey at the above mentioned address. Other joint ventures are immaterial.

The Port Authority is a municipal corporate instrumentality of the States of New York and New Jersey created by compact between the two states in 1921 with the consent of the Congress of the United States. It is authorized and directed to plan, develop, and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the Port District, defined in the compact, which comprises an area of about 1,500 square miles in both states, centering about New York Harbor. The Governor of each State appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective State Senate. Each Governor has from time to time exercised the statutory power to veto the actions of the commissioners from their state.

The commissioners serve six-year overlapping terms as public officials without compensation. They establish Authority policy, appoint an Executive Director to implement it, and also appoint a General Counsel to act as legal advisor to the Board and to the Executive Director. The Authority undertakes only those projects authorized by the two states.

The compact envisions the Port Authority as being financially self-sustaining and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit, its reserve funds, and its future revenues. The Authority has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

Consolidated financial statements for the Port Authority (including the Passenger Facility Charges Program) for the fiscal year ended December 31, 2024 disclosed the following (expressed in millions):

Financial Position	
	<u>Combined Total</u>
Total Assets and Deferred Outflows of Resources	\$ 65,362.0
Total Liabilities and Deferred Inflows of Resources	<u>47,831.0</u>
Net Position	<u><u>\$ 17,531.0</u></u>
Operating Results	
Operating Revenues	\$ 7,229.3
Operating Expenses	(3,969.8)
Depreciation and Amortization	<u>(1,958.7)</u>
Income from Operations	1,300.8
Non-operating Revenues (Expense), Net	<u>(431.3)</u>
Net Income	<u><u>\$ 869.5</u></u>
Changes in Net Position	
Balance January 1, 2024	\$ 16,661.5
Net Income	<u>869.5</u>
Balance December 31, 2024	<u><u>\$ 17,531.0</u></u>

The Authority's debt is secured by its full faith and credit, its reserve funds, or a pledge of future revenues. At December 31, 2024, Port Authority debt consisted of the following (expressed in millions):

Bonds, Notes, and Other Obligations	
Consolidated Bonds and Notes	\$ 26,555.0
Operating Asset Financing	457.7
Capital Asset Financing	<u>2,288.3</u>
Total	<u><u>\$ 29,301.0</u></u>

F. Other

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the balances of the New Jersey Building Authority have been reduced for presentation herein in the amount of \$1.1 million and \$1.0 million, consisting of deferred outflows of resources and deferred inflows of resources, respectively, related to pensions and OPEB as of December 31, 2024.

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, an additional \$1.97 billion in federal grant revenues and economic planning, development, and security expenditures has been recorded.

NOTE 3 - CASH AND CASH EQUIVALENTS

All funds maintain their own individual bank account(s) except for the Casino Control, Casino Revenue, Gubernatorial Elections, Special Transportation, Property Tax Relief, Long Term Obligation and Capital Expenditure, and New Jersey Debt Defeasance and Prevention Funds which are in the General Fund bank accounts. The balances of cash for these funds held in the General Fund, after receipt and disbursement transactions, are accounted for and reflected in the respective due from or due to accounts on the balance sheet presented in the fund financial statements.

New Jersey Revised Statutes (c.52:18-16.1) set the policy that the State Treasurer must follow when depositing State funds and for the collateralization of such funds. The relationship between the face amount of the collateral and the amount of a deposit is not statutory but is stipulated by the State Treasurer. All bank accounts in which the State Treasurer deposits funds must be collateralized. Securities pledged as collateral must consist of obligations of, or be guaranteed by the United States or the State of New Jersey. Securities are pledged in the State Treasurer's name and held by a custodian bank under a custodian agreement.

Collateral requirements for demand accounts and time accounts for banks having less than \$15 million in State deposits per month require 100 percent coverage of the average aggregate daily balance of the preceding month. For banks that have State deposits which total \$15 million or more per month, the amount of collateral required is 120 percent of the average aggregate daily balance on deposit in the bank during each calendar quarter of the year. The State Department of the Treasury monitors the level of collateral required to be maintained by the banks.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that the State disclose bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. The State's bank balances amounted to \$455.7 million as of June 30, 2025, with \$0.4 million exposed to custodial credit risk as uninsured and uncollateralized.

NOTE 4 - INVESTMENTS

Statutes of the State of New Jersey and regulations of the State Investment Council authorize the Division of Investment to invest in global equity investments; non-convertible preferred stocks; covered call and put options; futures contracts; obligations of the U.S. Treasury, government agencies, corporations, international governments and agencies; global diversified credit investments; interest rate swap transactions; state and municipal general obligations; public authority revenue obligations; collateralized notes and mortgages; commercial paper; certificates of deposit; repurchase agreements; money market funds; private equity funds; real estate funds; other real assets; and absolute return strategy funds (All Other Investments). In accordance with P.L. 2018, c.55, investments management of the Police and Firemen's Retirement System (PFRS) was transferred from the Division of Pension and Benefits to the PFRS Board of Trustees (PFRSNJ). PFRSNJ has the authority to formulate investment policies and direct the investment activities of the assets of the PFRS (PFRSNJ Investments).

Federal securities, including those held as collateral on repurchase agreements, are maintained at Federal Reserve Banks in Philadelphia and New York through the custodian banks, in trust for the State of New Jersey. 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 State of New Jersey.

Securities not maintained by the Federal Reserve Banks or DTC are in the name of a designated nominee representing the securities of a particular State fund which establishes the State fund's unconditional right to the securities. The custodian banks, as agents for the State funds, maintain records identifying the securities maintained by the Federal Reserve Banks and the DTC as securities owned by or pledged to the State funds.

In addition to the amounts invested directly, most of the funds included herein participate in the State of New Jersey Cash Management Fund wherein amounts also contributed by other units of government are combined into a large scale investment program. The State's Pension Trust Funds including PFRS (Pension Trust Funds), also participate in a Common Pension Trust Fund pool whereby amounts contributed by the various Pension Trust Funds are combined for the purpose of investment. Participation in the Cash Management Fund investment pool and several Common Pension Trust Fund investment pools by State funds is reflected as investments in the Balance Sheets/Statement of Net Position of the respective funds. Amounts contributed to the Cash Management Fund investment pool by local governments and other entities which are not part of the State's reporting entity, are primarily reflected as investments in the Statement of Fiduciary Net Position, Investment Trust Fund.

Amounts contributed to the Cash Management Fund investment pool are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date.

Casino Control, Casino Revenue, Gubernatorial Elections, Special Transportation, Property Tax Relief, Long Term Obligation and Capital Expenditure, and New Jersey Debt Defeasance and Prevention Funds do not maintain separate investment accounts. Since cash transactions are handled by and through the General Fund as described in Note 3, any available cash balances for these funds reside in the General Fund and are combined with other balances for either participation in the State of New Jersey Cash Management Fund or direct investment as part of the General Fund large scale investment program.

Approximately \$167.9 million of investments represents deposit fund contracts for future installment payments of lottery prizes. Lottery prizes are funded by the purchase of deposit fund contracts which, when matured, will provide amounts sufficient for future payment of installment prizes. Purchases of deposit fund contracts are recorded as an expenditure in the State Lottery Fund in the year of purchase. Annuity contracts are carried at their current contract values which are based upon their original purchase price adjusted for credited interest and amounts already received. The estimated fair value of annuity contracts approximates the carrying value reflected in the statement of net position. In the event of default in making future payments by the insurance company from which the contracts were purchased, the State would be liable for such future payments.

Investments for all funds as of June 30, 2025, are as follows (expressed in millions):

	Amount Reported As Investments
Domestic fixed income securities	\$ 60,683.6
Domestic equities	34,223.5
International equities	22,022.3
Private equities	11,091.2
Private credit funds	6,099.3
Equity mutual funds	4,914.0
Real estate	4,044.6
Real assets	2,435.0
Absolute return strategy funds	2,149.2
International fixed income securities	1,655.6
Fixed income mutual funds	809.7
Annuity contracts	167.9
Private credit investments	71.0
Futures	2.2
Total investments	<u>150,369.1</u>
Unallocated administrative expenses and transaction exchanges	601.5
Net amount recorded as investments	<u><u>\$ 150,970.6</u></u>

As reported on the Government-wide Statement of Net Position and Statement of Fiduciary Net Position as of June 30, 2025 (expressed in millions):

	Current Investments	Non-Current Investments	Total
Governmental activities	\$ 30,388.9	\$ -	\$ 30,388.9
Business-type activities	266.5	149.7	416.2
Fiduciary funds	120,165.5	-	120,165.5
Total	<u><u>\$ 150,820.9</u></u>	<u><u>\$ 149.7</u></u>	<u><u>\$ 150,970.6</u></u>

The State Investment Council approves an investment plan, which includes a targeted asset allocation, as well as long-term targeted ranges for asset classes. PFRSNJ issues regulations, which establish guidelines for permissible investments for the PFRS assets managed by PFRSNJ. Additionally, PFRS purchases the mortgages administered by HMFA on behalf of the Police and Firemen's mortgage program. The asset allocation targets for pension funds were approved by the State Investment Council on July 26, 2023. The asset allocation targets in effect for All Other Investments and PFRSNJ Investments are as follows:

<u>Asset Class - All Other Investments</u>	<u>Target</u>	<u>Asset Class - PFRSNJ Investments</u>	<u>Target</u>
U.S. equity	28.00%	U.S. large cap equity	24.00%
Private equity	13.00	Private equity	10.00
Non-U.S. developed markets equity	12.75	Non-U.S. developed market large cap	9.50
Emerging markets equity	5.50	Private credit	8.00
International small cap equity	1.25	Real estate	7.00
Total global growth	<u>60.50</u>	U.S. treasury bond	7.00
		Emerging markets large cap	6.00
Real estate	8.00	Global multisector fixed income	6.00
Real assets	3.00	HMFA	5.00
Total real return	<u>11.00</u>	U.S. corporate bond	5.00
		U.S. small/mid cap equity	4.00
Private credit	8.00	Infrastructure	3.00
Investment grade credit	7.00	Cash	2.00
High Yield	4.50	Non-U.S. developed market small cap	2.00
Total income	<u>19.50</u>	Emerging markets small cap	1.50
		Total	<u><u>100.00%</u></u>
U.S. treasuries	4.00		
Risk mitigation strategies	3.00		
Cash equivalents	2.00		
Total defensive	<u>9.00</u>		
Total	<u><u>100.00%</u></u>		

The asset allocation policy is reviewed on at least an annual fiscal year basis.

A. Deposit and Investment Risk Disclosure

The State's investments are subject to various risks. Among these risks are credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Each one of these risks is discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corporation (S&P), or Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in United States Treasury and government agency obligations. State Investment Council and PFRSNJ regulations require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue. As of June 30, 2025, the following limits were in effect:

All Other Investments

Category	Minimum Rating			Limitation of Issuers' Outstanding Debt	Limitation of Issue	Other Limitations
	Moody's	S&P	Fitch			
Global debt obligations	Baa3	BBB-	BBB-	10%	-	Not more than 5% of fund assets can be invested in any one issuer
International government and agency obligations	Baa3	BBB-	BBB-	25%	25%	Not more than 5% of fund assets can be invested in this category
Collateralized notes and mortgages	Baa3	BBB-	BBB-	-	25%	Not more than 5% of fund assets can be invested in any one issuer
Commercial paper	P-1	A-1	F-1	-	-	Not more than 5% of fund assets can be invested in any one issuer
Certificates of deposit:						
Domestic	P-1	A-1	F-1	10%	-	Not more than 5% of fund assets can be invested in any one issuer
International	P-1	A-1	F-1	10%	-	Not more than 5% of fund assets can be invested in any one issuer
Private credit investments:						
Direct bank loans	-	-	-	10%	-	Not more than 13% of fund assets can be invested in this category; not more than 5% of fund assets can be invested in any one issuer
Swap transactions	Baa2	BBB	BBB	-	-	Notional value of net exposure to any one counterparty shall not exceed 1% of fund assets; notional value shall not exceed 5% of fund assets but may be increased to 10% for a fixed period of time
Repurchase agreements:						
Broker	P-1	A-1	F-1	-	-	-
State, municipal, and public authority obligations	A3	A-	A-	-	10%	Not more than 2% of fund assets can be invested in debt of any one obligor
Money market funds	-	-	-	-	-	Not more than 5% of fund assets can be invested in this category; limited to 5% of shares or units outstanding
Mortgage backed:						
Pass-through securities	A3	A-	A-	-	-	Not more than 10% of fund assets can be invested in this category
Senior debt securities	-	-	-	-	25%	Not more than 10% of fund assets can be invested in this category
Non-convertible preferred stocks	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in any one issuer

PFRSNJ Investments

Category	Minimum Rating			Limitation of Issuers' Outstanding Debt	Limitation of Issue	Other Limitations
	Moody's	S&P	Fitch			
Global debt obligations	Baa3	BBB-	BBB-	10%	-	Not more than 5% of fund assets can be invested in any one issuer
International government and agency obligations	Baa3	BBB-	BBB-	25%	25%	Not more than 5% of fund assets can be invested in this category
Collateralized notes and mortgages	Baa3	BBB-	BBB-	5%	25%	Not more than 5% of fund assets can be invested in any one issuer
Commercial paper	P-1	A-1	F-1	-	-	Not more than 5% of fund assets can be invested in any one issuer
Certificates of deposit	P-1	A-1	F-1	10%	-	Not more than 5% of fund assets can be invested in any one issuer
Private credit investments: Direct bank loans	-	-	-	10%	-	Not more than 13% of fund assets can be invested in this category; not more than 5% of fund assets can be invested in any one issuer
Swap transactions	Baa2	BBB	BBB	-	-	Notional value of net exposure to any one counterparty shall not exceed 1% of fund assets; notional value shall not exceed 5% of fund assets but may be increased to 10% for a fixed period of time
Repurchase agreements	P-1	A-1	F-1	-	-	-
State, municipal, and public authority obligations	Baa3	BBB-	BBB-	-	10%	Not more than 5% of fund assets can be invested in debt of any one obligor
Money market funds	P-1	A-1	F-1	-	5%	Not more than 10% of fund assets can be invested in this category
Mortgage backed: Pass-through securities	Baa3	BBB-	BBB-	5%	-	Not more than 10% of fund assets can be invested in this category
Senior debt securities	Baa3	BBB-	BBB-	5%	25%	Not more than 10% of fund assets can be invested in this category
Non-convertible preferred stocks	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in any one issuer

The preceding tables do not include Empower investments for the New Jersey State Employees Deferred Compensation Plan (NJSEDCP). The NJSEDCP consists of a number of individual investment managers, which individually have investment guidelines that they comply with and follow.

Up to eight percent of the fair value of the combined assets of all other pension funds may be invested in global debt obligations, collateralized notes and mortgages, non-convertible preferred stocks, and mortgage backed pass-through securities that do not meet the minimum credit rating requirements set forth above.

The total amount of a particular class of stock directly purchased of any one entity by the pension funds cannot exceed 10 percent of that class of stock outstanding. The total amount of shares or interests directly purchased or acquired of any one exchange traded fund or global, regional or country fund by the pension funds shall not exceed 10 percent of the total shares outstanding or interests of such fund.

For securities exposed to credit risk in the fixed income portfolio, the following tables disclose aggregate fair value, by major credit quality rating category at June 30, 2025. The first table includes fixed income securities rated by Moody's. The second and third tables disclose Standard and Poor's and Fitch's ratings for fixed income securities not rated by Moody's (expressed in millions):

	Moody's Rating					
	Aaa	Aa	A	Baa	Ba	P-1
All Other Investments:						
Domestic corporate obligations	\$ -	\$ 1,263.8	\$ 2,293.5	\$ 366.0	\$ 848.2	\$ -
United States Treasury bills	-	32,315.3	-	-	-	-
United States Treasury notes	181.1	-	-	-	-	-
Foreign government obligations	-	762.3	-	29.6	-	-
United States Treasury bonds	4.6	3,047.6	-	-	-	-
Commercial paper	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	10.3
Federal agency obligations	-	5,493.1	-	-	-	-
International corporate obligations	-	33.2	68.5	30.3	159.9	-
Mortgages (FHLMC/FNMA/GNMA)	-	1.9	-	-	-	-
Total All Other Investments	\$ 185.7	\$ 42,917.2	\$ 2,362.0	\$ 425.9	\$ 1,008.1	\$ 10.3
PFRSNJ Investments:						
Government obligations	\$ 1.3	\$ 2,598.3	\$ -	\$ 6.6	\$ 4.1	\$ -
Domestic corporate obligations	45.3	150.7	857.3	1,205.0	307.9	-
Foreign government obligations	66.7	63.3	41.0	45.5	29.4	-
Mortgages (FHLMC/FNMA/GNMA)	-	124.5	-	-	-	-
Collateralized mortgage obligations	5.8	2.8	6.0	6.0	0.3	-
International corporate obligations	17.9	2.5	2.6	9.4	4.1	-
International convertible bonds	-	-	-	1.2	-	-
Convertible bonds	-	-	-	6.2	4.0	-
Other asset backed	8.1	0.9	1.3	5.0	-	-
Total PFRSNJ Investments	\$ 145.1	\$ 2,943.0	\$ 908.2	\$ 1,284.9	\$ 349.8	\$ -
Total	\$ 330.8	\$ 45,860.2	\$ 3,270.2	\$ 1,710.8	\$ 1,357.9	\$ 10.3

	Standard & Poor's Rating					
	AAA	AA	A	BBB	BB	B
All Other Investments:						
Domestic corporate obligations	\$ -	\$ -	\$ 76.7	\$ 2.9	\$ 12.9	\$ 102.1
International corporate obligations	-	-	-	0.9	17.5	21.1
Total All Other Investments	\$ -	\$ -	\$ 76.7	\$ 3.8	\$ 30.4	\$ 123.2

PFRSNJ Investments:						
Domestic corporate obligations	\$ -	\$ 2.2	\$ 6.6	\$ 29.0	\$ 6.4	\$ 11.2
Foreign government obligations	4.5	19.2	0.4	20.5	-	-
Collateralized mortgage obligations	3.4	4.8	11.7	19.2	0.1	-
Government obligations	-	-	-	-	-	0.8
International corporate obligations	1.3	-	0.1	0.6	0.3	-
International convertible bonds	-	-	0.2	-	-	-
Convertible bonds	-	-	-	2.7	0.8	0.1
Other asset backed	0.6	0.6	8.0	6.4	-	-
Total PFRSNJ Investments	\$ 9.8	\$ 26.8	\$ 27.0	\$ 78.4	\$ 7.6	\$ 12.1
Total	\$ 9.8	\$ 26.8	\$ 103.7	\$ 82.2	\$ 38.0	\$ 135.3

	Fitch's Rating					
	AAA	AA	A	BBB	BB	B
All Other Investments:						
Domestic corporate obligations	\$ -	\$ -	\$ -	\$ 10.4	\$ 8.6	\$ 8.0
Total All Other Investments	\$ -	\$ -	\$ -	\$ 10.4	\$ 8.6	\$ 8.0

PFRSNJ Investments:						
Domestic corporate obligations	\$ -	\$ -	\$ -	\$ 3.2	\$ 2.1	\$ -
Foreign government obligations	22.9	4.6	3.1	5.7	1.3	5.9
Collateralized mortgage obligations	3.9	0.4	0.2	-	-	0.1
International corporate obligations	1.4	-	-	-	-	0.3
International convertible bonds	-	-	-	0.8	-	-
Convertible bonds	-	-	-	5.0	2.9	-
Other asset backed	6.1	0.2	6.4	0.4	16.1	-
Total PFRSNJ Investments	\$ 34.3	\$ 5.2	\$ 9.7	\$ 15.1	\$ 22.4	\$ 6.3
Total	\$ 34.3	\$ 5.2	\$ 9.7	\$ 25.5	\$ 31.0	\$ 14.3

The above tables do not contain rated investments totaling \$1,616.3 million. Included in this amount are All Other Investments totaling \$1,481.1 million consisting of: domestic corporate obligations rated B (\$1,108.1 million), Caa (\$191.8 million), and Ca (\$9.6 million) by Moody's; international corporate obligations rated B (\$136.9 million) Caa (\$26.4 million), Ca (\$2.7 million), and C (\$0.4 million) by Moody's; domestic corporate obligations rated CCC (\$4.8 million) by Standard & Poor's; and international corporate obligations rated CCC (\$0.4 million) by Standard & Poor's. PFRSNJ Investments account for the remaining \$135.2 million consisting of: domestic corporate obligations rated B (\$111.2 million), Caa (\$13.2 million), and Ca (\$2.2 million) by Moody's; international corporate obligations rated B (\$7.1 million) by Moody's; and government obligations rated Caa (\$1.5 million) by Moody's.

The tables do not include certain domestic and international corporate obligations and certain fixed income mutual funds, which invest in an underlying portfolio of fixed income securities totaling \$2,220.3 million, and do not have a Moody's, Standard & Poor's, or Fitch rating. U.S. Treasury State and Local Government Series (SLGS) totaling \$6,256.3 million are exempt from credit risk disclosure under Governmental Accounting Standards Board (GASB) Statement No. 40 and not included in the tables.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Commercial paper must mature within 270 days. Certificates of deposits are limited to a term of one year or less. Repurchase agreements must mature within 30 days. State regulations permit the pension funds to enter into foreign exchange contracts for the purpose of hedging the international portfolio.

The following table summarizes the maturities (or, in the case of Remics and mortgage backed securities, the expected average life) of the Pension Trust Funds' fixed income portfolios at June 30, 2025 (expressed in millions):

	Total Fair Value	Maturities in Years*			
		Less than 1	1-5	6-10	More than 10
All Other Investments:					
United States Treasury bills	\$ 32,315.3	\$ 32,315.3	\$ -	\$ -	\$ -
United States Treasury bonds	9,308.5	6,473.2	1,436.7	890.1	508.5
Domestic corporate obligations	6,312.8	321.7	2,753.7	1,721.7	1,515.7
Federal agency obligations	5,493.1	5,444.0	30.8	-	18.3
Foreign government obligations	791.9	33.7	334.3	405.7	18.2
International corporate obligations	499.6	36.8	256.4	138.2	68.2
United States Treasury notes	181.1	163.7	10.2	7.2	-
Certificates of deposit	10.3	10.3	-	-	-
Mortgages (FHLMC/FNMA/GNMA)	2.0	0.1	1.3	0.5	0.1
Total All Other Investments	\$ 54,914.6	\$ 44,798.8	\$ 4,823.4	\$ 3,163.4	\$ 2,129.0
PFRSNJ Investments:					
Domestic corporate obligations	\$ 2,753.6	\$ 23.1	\$ 916.8	\$ 1,024.0	\$ 789.7
Government obligations	2,612.6	7.2	1,424.8	645.9	534.7
Foreign government obligations	334.1	44.8	50.7	131.1	107.5
Mortgages (FHLMC/FNMA/GNMA)	124.5	-	-	-	124.5
Collateralized mortgage obligations	64.7	-	0.2	0.4	64.1
Other asset backed	61.0	0.3	3.0	4.2	53.5
International corporate obligations	47.6	5.9	23.4	11.5	6.8
Convertible bonds	21.7	5.3	11.9	3.3	1.2
International convertible bonds	2.2	-	-	2.0	0.2
Total PFRSNJ Investments	\$ 6,022.0	\$ 86.6	\$ 2,430.8	\$ 1,822.4	\$ 1,682.2
Total	\$ 60,936.6	\$ 44,885.4	\$ 7,254.2	\$ 4,985.8	\$ 3,811.2

* \$2,212.3 million of additional investments do not have specific maturity dates.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As mentioned previously, the Pension Trust Funds participate in the Common Pension Trust Fund pool, which invests in global markets.

At June 30, 2025, All Other Investments had the following foreign currency exposure based on exchange rates in effect for such day (expressed in millions of U.S. dollars):

Currency	Total Fair Value	Cash and Equities	Fixed Income	Alternative Investments
Australian dollar	\$ 695.3	\$ 695.3	\$ -	\$ -
Brazilian real	192.0	192.0	-	-
Canadian dollar	1,189.8	1,189.8	-	-
Danish krone	202.9	202.9	-	-
Euro	4,643.3	3,214.0	14.6	1,414.7
Hong Kong dollar	775.0	775.0	-	-
Hungarian forint	52.2	52.2	-	-
Indonesian rupiah	59.5	59.5	-	-
Japanese yen	2,129.3	2,129.3	-	-
Korean won	324.2	324.2	-	-
Malaysian ringgit	1.2	1.2	-	-
Mexican peso	57.2	57.2	-	-
New Israeli shekel	63.1	63.1	-	-
New Taiwan dollar	400.8	400.8	-	-
New Zealand dollar	17.6	17.6	-	-
Norwegian krone	51.4	51.4	-	-
Philippine Peso	3.3	3.3	-	-
Polish zloty	13.9	13.9	-	-
Qatari riyal	1.5	1.5	-	-
Saudi riyal	16.7	16.7	-	-
Singapore dollar	149.3	149.3	-	-
South African rand	86.7	86.7	-	-
Swedish krona	288.2	288.2	-	-
Swiss franc	838.8	838.8	-	-
Thailand baht	40.0	40.0	-	-
Turkish lira	12.8	12.8	-	-
UAE dirham	16.6	16.6	-	-
United Kingdom pound sterling	1,326.8	1,325.6	1.2	-
Total	\$ 13,649.4	\$ 12,218.9	\$ 15.8	\$ 1,414.7

At June 30, 2025, PFRSNJ Investments had the following foreign currency exposure based on exchange rates in effect for such day (expressed in millions of U.S. dollars):

Currency	Total Fair Value	Equities	Fixed Income	Future
Australian dollar	\$ 329.1	\$ 282.7	\$ 46.4	\$ -
Brazilian real	126.7	104.2	22.5	-
Canadian dollar	482.3	472.6	9.7	-
Chilean peso	15.1	14.6	0.5	-
Columbian peso	11.7	3.2	8.5	-
Czech koruna	7.8	4.2	3.6	-
Danish krone	84.2	84.2	-	-
Dominican peso	3.5	-	3.5	-
Egyptian pound	7.0	1.1	5.9	-
Euro	1,255.8	1,215.6	40.1	0.1
Hong Kong dollar	631.0	631.0	-	-
Hungarian forint	11.7	7.4	4.3	-
Indian rupee	560.5	555.1	5.4	-
Indonesian rupiah	55.1	35.7	19.4	-
Israeli new shekel	42.2	42.2	-	-
Japanese yen	961.3	920.3	41.0	-
Korean won	333.3	315.6	17.8	(0.1)
Kuwaiti dinar	17.1	17.1	-	-
Malaysian ringgit	43.0	43.0	-	-
Mexican peso	77.2	52.0	25.2	-
New Zealand dollar	39.7	9.4	30.3	-
Norwegian krone	60.5	30.5	30.0	-
Philippines peso	24.5	15.4	9.1	-
Polish zloty	38.4	35.3	3.1	-
Qatari riyal	20.4	20.4	-	-
Saudi Arabian riyal	97.9	97.9	-	-
Singapore dollar	57.6	54.7	2.9	-
South African rand	99.4	94.8	4.6	-
Swedish krona	129.8	129.8	-	-
Swiss franc	328.8	328.8	-	-
Taiwan dollar	527.6	527.6	-	-
Thailand baht	34.1	34.1	-	-
Turkish lira	21.6	21.6	-	-
UAE dirham	42.2	42.2	-	-
United Kingdom pound sterling	573.7	527.4	46.2	0.1
Uruguayan peso	3.7	-	3.7	-
Total	\$ 7,155.5	\$ 6,771.7	\$ 383.7	\$ 0.1

The State's interests in alternative investments may contain elements of credit, currency, and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition. State regulations require that not more than 45 percent of the fair value of the pension funds can be invested in alternative investments, with limits on the individual categories of real estate (13 percent), real assets (7 percent), private equity (18 percent), private credit (13 percent), and absolute return strategy (10 percent). Not more than 5 percent of the fair value invested through direct investments, separate accounts, fund-of-funds, commingled funds, co-investments and joint ventures in private credit, private equity, real asset and absolute return strategy investments, plus outstanding commitments, may be committed to any one partnership or investment. Investments made through separate accounts, funds-of-funds, commingled funds, co-investments and joint ventures cannot comprise more than 20 percent of any one investment manager's total assets.

B. Derivatives

The Pension Trust Funds invest in derivative securities. A derivative security is an investment whose value is derived from other financial instruments such as commodity prices, bonds and stock prices, or a market index. Derivative securities are considered investment derivative instruments. The fair value of all derivative securities is reported in the statement of fiduciary net position, and the change in fair value is recorded in the statement of changes in fiduciary net position as a net increase or decrease in fair value of investments.

Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk includes, but is not limited to, the possibility that a change in interest rate risk, foreign currency risk, or the value of the underlying securities will cause the value of a financial instrument to decrease or become more costly to settle. The fair value of underlying security, or securities, risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing limits as to the types, amounts and degree of risk that the Pension Trust Funds may undertake as set forth in their respective regulations.

The Pension Trust Funds may use financial futures to replicate an underlying security or indices they wish to hold in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, the Pension Trust Funds may use futures contracts to improve the yield or adjust the duration of the fixed income portfolio or may sell futures contracts to hedge the portfolio. A financial futures contract is an agreement between a buyer and a seller that is based on a referenced item, such as financial indices, or interest rates or a financial instrument such as equity or fixed income securities, physical commodities, or currencies. Futures contracts may call for physical delivery of specified quantity of the underlying asset of a specified price (futures or strike price) and date, or be settled in cash. Futures contracts must be traded on a securities exchange or over-the-counter market. The net change in the futures contracts value is settled daily in cash with the exchanges. The cash to fulfill these obligations is held in a margin account. As the fair value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse and recognized in the statement of changes in fiduciary net position.

Foreign currency forward contracts are used as a means to hedge against currency risks in the Pension Trust Funds. Foreign currency forward contracts are agreements to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed upon price. Foreign currency forward contracts are marked to market on a daily basis with the change in fair value included in investment income in the statement of changes in fiduciary net position.

The Pension Trust Funds utilize covered call and put options in an effort to add value to or reduce the risk level in the portfolio. Options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call option) or to sell (in the case of a put option) a specific amount of an asset for a specific price (called the strike price) on or before a specified expiration date. The Pension Trust Funds enter into covered calls when they write (or sell) call options on underlying stocks held by the Pension Trust Funds or stock indices. The Pension Trust Funds enter into covered put options when they purchase put options on underlying stocks held by the funds or stock indices. The Pension Trust Funds enter into put spreads when they purchase put options while simultaneously writing put options on the same underlying securities or indices at a lower strike price. The purchaser of put options pays a premium at the outset of the agreement and stands to gain from an unfavorable change (i.e., a decrease) in the price of the instrument underlying the option. The writer of call options receives a premium at the outset of the agreement and may bear the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option.

As of June 30, 2025, derivative investments included foreign currency forward contracts in the Pension Trust Funds, excluding PFRS:

	Notional value (local currency)	Receivable	Payable	Change in fair value
Foreign currency forward contracts:				
Buy:				
Euro	611,838	\$ 718,537	\$ 696,945	\$ 21,592
Sell:				
Euro	12,895,023	14,713,563	15,143,792	(430,229)
UK pound sterling	905,829	1,209,870	1,241,378	(31,508)
Total Forward contracts		<u>\$ 16,641,970</u>	<u>\$ 17,082,115</u>	<u>\$ (440,145)</u>

Certain alternative investment funds and partnerships may use derivative instruments to hedge against market risk and to enhance investment returns. At any point during the year, the Pension Trust Funds may have additional exposure to derivatives primarily through limited liability vehicles such as limited partnerships and commingled investment funds.

As of June 30, 2025, derivative investments included foreign currency forward contracts and futures contracts in the PFRS:

	Notional value (local currency)	Receivable	Payable	Change in fair value
Foreign currency forward contracts:				
Buy:				
Australian dollar	18,495,000	\$ 12,050,917	\$ 12,120,700	\$ (69,783)
Brazilian real	10,900,000	1,985,236	1,997,123	(11,887)
Columbian peso	59,726,000,000	14,634,057	14,619,546	14,511
Czech koruna	47,710,000	2,256,560	2,265,728	(9,168)
Euro	12,056,400	13,869,828	14,173,172	(303,344)
Hungarian forint	216,700,000	635,469	636,411	(942)
Japanese yen	408,300,000	2,821,468	2,826,681	(5,213)
Mexican peso	55,400,000	2,919,262	2,926,061	(6,799)
Norwegian krone	189,452,680	18,740,286	18,723,643	16,643
New Zealand dollar	14,385,000	8,694,409	8,732,413	(38,004)
Singapore dollar	11,086,997	8,700,000	8,753,315	(53,315)
South African rand	82,170,000	4,599,538	4,623,760	(24,222)
United Kingdom pound sterling	5,404,200	7,394,352	7,405,642	(11,290)
Total forward contracts		<u>\$ 99,301,382</u>	<u>\$ 99,804,195</u>	<u>\$ (502,813)</u>
Sell:				
Australian dollar	40,815,000	\$ 26,469,733	\$ 26,757,354	\$ (287,621)
Brazilian real	21,805,000	3,874,388	3,979,797	(105,409)
Columbian peso	95,653,300,000	23,262,789	23,375,745	(112,956)
Czech koruna	95,310,000	4,425,575	4,528,549	(102,974)
Euro	31,376,000	36,231,470	36,938,140	(706,670)
Hungarian forint	433,500,000	1,242,669	1,271,997	(29,328)
Japanese yen	1,509,998,208	10,508,470	10,505,905	2,565
Mexican peso	564,770,638	28,807,579	29,789,022	(981,443)
Norwegian krone	384,186,934	37,861,605	37,972,056	(110,451)
New Zealand dollar	29,055,000	17,473,029	17,647,789	(174,760)
Singapore dollar	42,336,340	33,200,000	33,425,040	(225,040)
South African rand	166,130,000	9,228,594	9,336,333	(107,739)
United Kingdom pound sterling	32,630,700	44,409,795	44,733,549	(323,754)
Total Forward contracts		<u>\$ 276,995,696</u>	<u>\$ 280,261,276</u>	<u>\$ (3,265,580)</u>
Future contracts:				
Name	Currency	Contracts	Local Current Accumulated Gain (Loss)	Base Current Accumulated Gain (Loss)
EURO-BTP FUTURE SEP25	EUR	(70)	\$ (16,640)	(19,533)
EURO-OAT FUTURE SEP25	EUR	(75)	25,020	29,370
KOREA 10YR BND FU SEP25	KRW	(62)	(19,220,000)	(14,241)
LONG GILT FUTURE SEP25	GBP	(15)	5,060	6,934
US 10YR NOTE (CBT) SEP25	USD	(191)	(451,656)	(451,656)
US 10YR ULTRA FUT SEP25	USD	415	908,508	908,508
US 2YR NOTE (CBT) SEP25	USD	32	27,250	27,250
US 5YR NOTE (CBT) SEP25	USD	676	636,322	636,322
US LONG BOND (CBT) SEP25	USD	(77)	(255,056)	(255,056)
US ULTRA BOND CBT SEP25	USD	254	1,285,791	1,285,791
Total Future contracts			<u>\$ (17,055,401)</u>	<u>2,153,689</u>

C. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs are other than quoted or published prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and inputs into the determination of fair value require significant management judgment or estimation, including assumptions about risk.

Investments are reported at fair value as follows:

- Domestic and international equity securities and exchange traded funds are valued using closing sales prices reported on recognized securities exchanges on which the securities are principally traded; these securities are included as Level 1 in the chart below. For listed securities having no sales reported and for unlisted securities, such securities will be valued based upon the last reported bid price; these securities are included as Level 2 in the chart below. For securities with an unobservable price, a Level 3 is assigned. This designation is used for stale and intrinsic pricing.
- Fixed income and equity mutual funds are valued using the published daily closing prices and are included as Level 1 in the chart below.
- Foreign/international and domestic government, agency and corporate obligations, municipal bonds, mortgages, collateralized mortgage obligations, bank loans, asset-backed securities, certificates of deposit, and commercial paper, are valued using an evaluated price, which is based on a compilation of primarily observable market information or broker quotes in a non-active market. These are included as Level 2 in the chart below.
- Foreign exchange contracts are valued using industry recognized market-based models to calculate the value that a holder or counterparty would receive within the bid-ask spread, in an orderly transaction under current market conditions. These securities are included as a Level 1 or a Level 2 in the chart below.
- Distributions from alternative investment vehicles are received as the underlying investments are liquidated. The Plan's ownership interest in partners' capital can never be redeemed, but could be sold subject to approval by the fund's management. As of June 30, 2025, a buyer (or buyers) for these investments have not yet been identified. The partnership interest may be sold at an amount different from the net asset value (NAV) per share (or its equivalent) of the Plan's ownership interest in partners' capital.

The following table summarizes the fair value hierarchy of the investment portfolio as of June 30, 2025 (expressed in millions):

	Fair Value Measurements Using			
	June 30, 2025	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Equity Securities:				
All Other Investments:				
Domestic equities	\$ 21,847.3	\$ 21,847.3	\$ -	\$ -
International equities	13,331.2	13,331.2	-	-
Equity mutual funds	6,748.1	6,748.1	-	-
Exchange traded funds	2,006.3	2,006.3	-	-
Total All Other Investments	<u>43,932.9</u>	<u>43,932.9</u>	<u>-</u>	<u>-</u>
PFRSNJ Investments:				
Domestic equities	\$ 10,374.9	\$ 10,374.9	\$ -	\$ -
International equities	6,771.7	6,771.5	-	0.2
Exchange traded funds	80.4	80.4	-	-
Total PFRSNJ Investments	<u>17,227.0</u>	<u>17,226.8</u>	<u>-</u>	<u>0.2</u>
Total Equity Securities	<u>61,159.9</u>	<u>61,159.7</u>	<u>-</u>	<u>0.2</u>
Debt Securities:				
All Other Investments:				
United States Treasury bills	\$ 32,315.3	\$ -	\$ 32,315.3	\$ -
Domestic corporate obligations	6,312.7	-	6,312.7	-
Federal agency obligations	5,493.1	-	5,493.1	-
United States Treasury bonds	3,052.2	-	3,052.2	-
Fixed income mutual funds	809.7	809.7	-	-
Foreign government obligations	791.9	-	791.9	-
Exchange traded funds	747.4	747.4	-	-
International corporate obligations	499.7	-	499.7	-
United States Treasury notes	181.1	-	181.1	-
Annuity contracts	167.9	21.9	-	146.0
Certificates of deposit	10.3	-	10.3	-
Mortgages (FHLMC/FNMA/GNMA)	2.0	-	2.0	-
Total All Other Investments	<u>50,383.3</u>	<u>1,579.0</u>	<u>48,658.3</u>	<u>146.0</u>
PFRSNJ Investments:				
Domestic corporate obligations	\$ 2,753.6	\$ -	\$ 2,753.6	\$ -
Government obligations	2,612.6	-	2,612.6	-
Exchange traded funds	655.2	655.2	-	-
Foreign government obligations	334.0	-	334.0	-
Mortgages (FHLMC/FNMA/GNMA)	124.5	-	124.5	-
Collateralized mortgage obligations	64.7	-	64.7	-
Other asset backed	61.0	-	61.0	-
International corporate obligations	47.6	-	47.6	-
Convertible bonds	21.7	-	21.7	-
International convertible bonds	2.3	-	2.3	-
Total PFRSNJ Investments	<u>6,677.2</u>	<u>655.2</u>	<u>6,022.0</u>	<u>-</u>
Total Debt Securities	<u>57,060.5</u>	<u>2,234.2</u>	<u>54,680.3</u>	<u>146.0</u>
Total investments by Fair Value	<u>\$ 118,220.4</u>	<u>\$ 63,393.9</u>	<u>\$ 54,680.3</u>	<u>\$ 146.2</u>

	Fair Value Measurements Using		
	June 30, 2025	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments measured at the net asset value (NAV)			
All Other Investments:			
Buyout private equity funds	\$ 8,728.6		
Private credit funds	6,099.3		
Real estate funds - equity	3,961.7		
Real assets	2,435.0		
Multi-strategy hedge funds	1,436.0		
Debt related private equity funds	1,290.1		
General partner equity stake private equity funds	663.2		
Opportunistic hedge funds	473.6		
Venture capital private equity funds	409.0		
Credit oriented hedge funds	237.1		
Real estate funds - debt	82.8		
Equity oriented hedge funds	2.4		
Secondary private equity funds	0.5		
Total All Other Investments	<u>25,819.3</u>		
PFRSNJ Investments:			
Private credit investments	71.0		
Total investments measured at the NAV	<u>\$ 25,890.3</u>		
Investment derivative instruments - all other investments			
Foreign currency forward contracts (assets)	\$ 16.6	\$ -	\$ 16.6
Foreign currency forward contracts (liabilities)	(17.0)	-	(17.0)
Total Investment derivative instruments - all other investments	<u>\$ (0.4)</u>	<u>\$ -</u>	<u>\$ (0.4)</u>
Investment derivative instruments - PFRSNJ investments			
Foreign currency forward contracts (assets)	\$ 376.3	\$ 376.3	\$ -
Foreign currency forward contracts (liabilities)	(380.1)	(380.1)	-
Total foreign currency forward instruments	(3.8)	(3.8)	-
Future contracts - future fixed income	2.2	2.2	-
Total Investment derivative instruments - PFRSNJ investments	<u>\$ (1.6)</u>	<u>\$ (1.6)</u>	<u>\$ -</u>
Investments measured at amortized cost			
All Other Investments:			
U.S. Treasury state and local government series demand deposits	\$ 6,256.3		
Total Investments measured at amortized cost	<u>\$ 6,256.3</u>		

The following table represents the unfunded commitments, redemptions frequency, and redemption notice period for investments measured at the NAV as of June 30, 2025 (expressed in millions):

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Notice Period
Buyout private equity funds ¹	\$ 8,728.6	\$ 3,641.3	None	N/A
Private credit funds ²	6,099.3	3,495.8	None	N/A
Real estate funds - equity ³	3,961.7	2,604.2	Quarterly	15 and 90 days
Real assets ⁴	2,435.0	1,875.5	None, quarterly	None
Multi-strategy hedge funds ⁵	1,436.0	168.8	Quarterly, semi-annual	3, 45 and 60 days
Debt related private equity funds ⁶	1,290.1	499.5	None	N/A
General partner equity stake private equity fund ⁷	663.2	238.3	None	N/A
Opportunistic hedge funds ⁸	473.6	25.0	Monthly, quarterly	2-90 days
Venture capital private equity funds ⁹	409.0	549.9	None	N/A
Credit oriented hedge funds ¹⁰	237.1	-	None	N/A
Real estate funds - debt ¹¹	82.8	310.6	None	N/A
Equity oriented hedge funds ¹²	2.4	-	None	N/A
Secondary private equity funds ¹³	0.5	13.2	None	N/A
Total investment measured at the NAV	\$ 25,819.3	\$ 13,422.1		

Notes:

- 1 Buyout private equity funds include investments in 94 partnerships and 11 co-investment vehicles, which invest primarily in the equity of established operating companies in order to restructure the target company's reserve capital, management and/or organizational structure or facilitate ongoing growth of the firm. Return on investment is typically realized through an initial public offering, sale or merger of the company, or a recapitalization. All of the investments provide for transfer or sale of limited partnership interest with the prior written approval of the General Partner and seven investments further require the right of first refusal by the other partners in the investment. Two of the funds are evergreen investments. It is expected that the underlying assets will be liquidated over the next 6 months to 13.5 years.
- 2 Private credit funds include investments in 30 funds and separate account investments that make investment in mezzanine debt, direct lending, credit structured products, commercial and residential mortgage-backed securities, commercial and residential whole loans, and other similar strategies. Twenty-five of these investments cannot be redeemed because the investments include restrictions. Five of the funds are evergreen investments. As of June 30, 2025, these remaining redemption restriction periods range from one to five years. It is expected that the underlying assets will be liquidated over the next one to eight years.
- 3 Real estate funds - equity include investments in 52 funds or separate accounts that make investments in the equity of the underlying asset, where the investor acts as a shareholder in a specific property and receives a share of the rental income the property generates. Investments representing approximately 81 percent of real estate equity investments can never be redeemed. Two funds contain a provision that will trigger conversion into an open-ended fund. Forty-four of the investments provide for the transfer or sale of the limited partnership interest with the prior written approval of the General Partner and nine investments further require the right of first refusal by the other partners in the investment. Distributions from each fund and separate account will be received as the underlying investments are liquidated. It is expected that the underlying assets will be liquidated over the next 6 months to 14 years.
- 4 Real assets include investments in 22 commingled funds and 4 co-investment vehicles, which invest in the equity or debt of infrastructure, energy, utilities, water, timber, agriculture, metals, mining, and commodity-related and commodity-linked investments. Real asset funds include investments in products, services and technology related to the above. No real asset investments can be redeemed. All of the investments provide for transfer or sale of limited partnership interest with the prior written approval of the General Partner and one investment further requires the right of first refusal by the other partners in the investment. Distributions from each fund and separate account will be received as the underlying investments are liquidated. It is expected that the underlying assets will be liquidated over the next 1 to 15 years.
- 5 Multi-strategy hedge funds include investments in six hedge funds that pursue multiple strategies to diversify risks and reduce volatility. Investments representing approximately 48 percent of the value of the investments cannot be redeemed because the investments include restrictions that do not allow for redemptions. As of June 30, 2025, the remaining redemption restriction periods range from six months to one year. Two of the investments are being liquidated as part of the redemption process.

- 6 Debt related private equity funds include investments in 16 funds and 1 co-investment vehicle employing distressed, turnaround, and mezzanine debt strategies. Distressed debt involves purchasing debt securities that are trading at a distressed level, in anticipation that those securities will have a higher market valuation and generate profit at a future date, or strategies which take a position to potentially gain control of an asset. Turnaround investments focus on acquiring voting control in companies that are in distress, and aim to subsequently restore the company to profitability. Mezzanine debt strategies provide a middle level of financing in leveraged buyouts, which is below the senior debt layer and above the equity layer. A typical mezzanine investment includes a loan to the borrower, in addition to the borrower's issuance of equity in the form of warrants, common stock, preferred stock, or some other equity investment. All of the investments provide for transfer or sale of limited partnership interest with the prior written approval of the General Partner. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 9 years.
- 7 General partner equity stake private equity funds include investments in one fund and three separate accounts, which acquire minority equity interests in investment management companies. Investments in these funds have a perpetual term and cannot be redeemed.
- 8 Opportunistic hedge funds include investments in three hedge funds that invest in speculative opportunities with high net market exposure across varied markets. Opportunistic funds include global macro funds, commodity trading advisor funds, and funds employing other similar strategies. Investments representing approximately 52 percent of the value of the investments in this type cannot be redeemed because the investments include restrictions. As of June 30, 2025, this remaining redemption restriction period is one year.
- 9 Venture capital private equity funds include investments in 13 partnership vehicles that make equity investments primarily in-high growth companies during their early or expansion stages. These companies may or may not have revenues or a client base and in most cases will not be cash flow positive. Distributions from each vehicle will be received as the underlying investments are liquidated. It is expected that the underlying assets will be liquidated over the next 1 to 15 years of the investment.
- 10 Credit oriented hedge funds include investments in six hedge funds and separate account strategies that include both credit and distressed debt funds. Credit strategies typically invest both long and short in high yield and high-grade bonds, and structured products using fundamental credit analysis. These securities tend to be relatively liquid. Distressed debt strategies take advantage of corporate securities in default, under bankruptcy protection, in distress, or in liquidation. All of the investments are being liquidated in an orderly fashion as part of the redemption process.
- 11 Real estate funds – debt include investments in five funds or separate accounts that make investments in the debt of the underlying asset, where the investor acts as a lender to the property owner and receives an interest rate on the loan. Investments can never be redeemed. Five of the investments provide for transfer or sale of the limited partnership interest with the prior written approval of the General Partner and two investments further require the right of first refusal by the other partners in the investments. Distributions from each fund and separate account will be received as the underlying investments are liquidated. It is expected that the underlying assets will be liquidated over the next 1 to 11 years.
- 12 Equity oriented hedge funds include investments in one hedge fund that includes both equity long/short and event driven funds. Equity long/short funds hold a combination of long and short positions primarily in publicly traded equities. Event driven funds invest in merger arbitrage, capital structure arbitrage, relative value, activist or other similar strategies. All of the investments are being liquidated in an orderly fashion as part of the redemption process.
- 13 Secondary private equity funds include investments in three funds that purchase secondary interests in private equity partnerships. The underlying investments represent ownership interests in private equity funds managed by buyout or venture capital firms after the capital has been deployed. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the underlying assets will be liquidated over the next two years.

NOTE 5 - SECURITIES LENDING COLLATERAL

The State Investment Council policies permit the Common Pension Funds and several of the individual pension plan portfolios to participate in securities lending programs, whereby securities are loaned to brokers or other borrowers and, in return, the Funds have rights to the collateral received. The publicly traded securities held by the Common Pension Funds and the pension plans, are eligible for the securities lending program. Collateral received may consist of cash, irrevocable bank letters of credit, or U.S. Treasury obligations having a fair value equal to or exceeding 102 percent (U.S. dollar denominated) or 105 percent (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. Collateral is marked to market daily and adjusted as needed to maintain the required minimum level.

For loans of U.S. government securities or sovereign debt issued by non-U.S. governments, in the event that the fair value of the collateral falls below 100 percent of the fair value of the outstanding loaned securities to an individual borrower, or the fair value of the collateral of all loans of such securities falls below the collateral requirement, additional collateral shall be transferred by the borrower to the respective funds no later than the close of the next business day so that the fair value of such additional collateral together with collateral previously delivered meets the collateral requirements.

For loans of all other types of securities, in the event that the fair value of the collateral falls below the collateral requirement of either 102 percent or 105 percent (depending on whether the securities are denominated in U.S. dollars or a foreign currency, respectively) of the fair value of the outstanding loaned securities to an individual borrower, additional collateral shall be transferred in an amount that will increase the aggregate of the borrower's collateral to meet the collateral requirements. As of June 30, 2025, the Common Pension Funds had no aggregate credit risk exposure to borrowers because the collateral amount held by the Common Pension Funds exceeded the fair value of the securities on loan.

The contract with the securities lending agent requires them to indemnify the Common Pension Funds and pension plans if the brokers or other borrowers fail to return the securities and provides that collateral securities may be sold in the event of a borrower default. The Common Pension Funds and pension plans are also indemnified for any loss of principal or interest on collateral invested in repurchase agreements. The Common Pension Funds and pension plans cannot participate in any dividend reinvestment program or vote with respect to any securities that are on loan on the applicable record date. The securities loans can be terminated by notification by either the borrower or the Common Pension Funds and pension plans. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of the collateral.

The securities lending collateral is subject to various risks. Among these risks are custodial credit risk, credit risk, concentration of credit risk, and interest rate risk. Securities lending collateral is invested in repurchase agreements, the maturities of which cannot exceed 30 days. The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies, collateralized notes and mortgages and corporate obligations meeting certain minimum rating criteria. Total exposure to any individual issuer is limited consistent with internal policies for funds managed by the Division of Investment.

For securities exposed to credit risk in the collateral portfolio, the following table discloses aggregate fair value, by major credit quality rating category at June 30, 2025 (expressed in millions):

	Rating		
	<u>Aaa/AAA</u>	<u>Not Rated</u>	<u>Total</u>
Repurchase Agreements	\$ 875.2	\$ -	\$ 875.2
State Street Navigator Securities Lending			
Money Market Portfolio	-	119.5	119.5
Total	<u>\$ 875.2</u>	<u>\$ 119.5</u>	<u>\$ 994.7</u>

Custodial credit risk for investments is the risk that the Pension Funds will not recover the value of the investments, which are in the possession of an outside party, if the counterparty to the transaction does not fulfill its obligations. The repurchase agreements' underlying securities are held in the Common Pension Fund's name.

As of June 30, 2025, the Pension Funds had outstanding loaned investment securities with an aggregate fair value of \$968.7 million and did not hold any noncash collateral. There were no borrowers or lending agent default losses, and no recoveries or prior-period losses during the year.

NOTE 6 - RECEIVABLES

Fiduciary funds' receivables are not disclosed in the statement of net position. However, these receivables are disclosed in the fund financial statements and consist primarily of amounts due from employers and employees and accrued earnings on investments. Receivables presented in the statement of net position are described below.

A. Federal

Federal government grant awards are established against State appropriations. Most Federal government receivables are comprised of amounts expended against grant awards, the expenditure of which is the basis of reimbursement. Since all amounts due from the Federal government are considered to be collectible, no allowance has been established for doubtful collections. Also see Note 19 – Contingent Liabilities.

These Federal receivables are reported in conformance with generally accepted accounting principles as defined by the National Council on Governmental Accounting Statement No. 2 - *Grant, Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments*. Inasmuch as encumbrances do not constitute expenditures, and since recognition of grants and entitlements as revenue is primarily based on expenditures, there is an additional \$8.7 billion of Federal government awards consisting of encumbrances which are considered unearned and unrecorded as of June 30, 2025.

B. Departmental

Departmental receivables of \$6.7 billion are reported net of allowances of \$1.1 billion and are mostly comprised of major tax revenues substantially collected within the one month period subsequent to June 30. Amounts included in these receivables, but not collected within the one month period subsequent to June 30, 2025, are deemed to be collectible.

C. Loans

Loan receivables of \$2.0 billion are reported net of allowances of \$8.0 million. Major loan receivables include \$1.7 billion loaned to local units of government and other recipients for environmental projects; \$241.3 million loaned for school districts' deficit relief; \$26.1 million loaned for economic development projects within local units of government; and \$1.3 million loaned for housing and mortgage assistance projects.

D. Other

Other receivables of \$1.7 billion are reported net of allowances of \$936.4 million. Major other receivables include \$910.2 million related to water infrastructure projects; \$299.8 million due from a national opioid settlement; \$210.3 million primarily due from claimants representing overpaid unemployment benefits; \$103.5 million due from the tobacco companies; \$103.2 million of Transfer Inheritance Tax and Public Utility Gross Receipts and Franchise Taxes due from taxpayers; \$45.0 million comprised primarily of amounts due from lottery retailers; \$25.4 million representing rebates from pharmaceutical companies; and \$22.3 million due from the utility industry.

NOTE 7 – LEASES AND SIMILAR SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The State of New Jersey is a lessee for various noncancellable leases for buildings, equipment, and land improvements from external parties. Additionally, the State is a lessee for the right to use information technology software, referred to as subscription-based information technology agreements (SBITAs), which are noncancellable arrangements similar to leases. For all leases and SBITAs with a maximum possible term of more than 12 months at commencement, the State recognizes a right of use asset and liability.

The State of New Jersey determines its lease and SBITA liabilities to external parties on any payments that are minimally guaranteed to the lessor, along with portions of variable payments that are fixed in substance which can be calculated. Variable payments that are not fixed in nature and are based on future outcomes are recorded in the fiscal year in which they occur. The State of New Jersey determines its discount rate for a lease and SBITA based on the United States, Department of the Treasury's ten-year par yield curve rate, published daily. State agencies have delegated authority as it relates to the leasing of equipment assets. Leases for land or building properties such as parking lots or offices for State employees are under the oversight and administration of the New Jersey Department of the Treasury, Division of Property Management and Construction.

A summary of right of use lease and SBITA activity and related amortization by category for the year ended June 30, 2025, is as follows (expressed in millions):

	<u>Balance</u> <u>July 1, 2024*</u>	<u>Additions</u>	<u>Deductions</u>	<u>Remeasurements/ Adjustments</u>	<u>Balance</u> <u>June 30, 2025</u>
Governmental Activities					
Right of use lease assets:					
Land improvements	\$ 8.0	\$ 0.4	\$ -	\$ -	\$ 8.4
Buildings and improvements	1,508.8	9.8	1.9	(6.2)	1,510.5
Equipment	5.5	0.3	1.8	-	4.0
Total	<u>1,522.3</u>	<u>10.5</u>	<u>3.7</u>	<u>(6.2)</u>	<u>1,522.9</u>
Less accumulated depreciation:					
Land improvements	2.0	0.2	-	-	2.2
Buildings and improvements	757.9	94.9	1.7	-	851.1
Equipment	4.1	1.1	1.8	-	3.4
Total accumulated depreciation	<u>764.0</u>	<u>96.2</u>	<u>3.5</u>	<u>-</u>	<u>856.7</u>
Total right of use leases, net	<u>758.3</u>	<u>(85.7)</u>	<u>0.2</u>	<u>(6.2)</u>	<u>666.2</u>
SBITA assets:					
SBITA assets	85.8	5.2	6.9	-	84.1
Less accumulated depreciation	50.5	22.7	7.5	-	65.7
Total SBITA assets, net	<u>35.3</u>	<u>(17.5)</u>	<u>(0.6)</u>	<u>-</u>	<u>18.4</u>
Total Right of Use Leases and SBITA					
Assets, net	<u>\$ 793.6</u>	<u>\$ (103.2)</u>	<u>\$ (0.4)</u>	<u>\$ (6.2)</u>	<u>\$ 684.6</u>

* Restated

The detail of lease and SBITA liabilities activity associated with the right of use assets for the year ended June 30, 2025 is as follows (expressed in millions):

	<u>Balance</u> <u>July 1, 2024*</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>
Governmental Activities					
Land improvements lease liabilities	\$ 0.8	\$ -	\$ 0.2	\$ 0.6	\$ 0.2
Buildings and improvements lease liabilities	827.0	8.9	91.8	744.1	85.9
Equipment lease liabilities	2.1	0.3	1.1	1.3	0.7
SBITA liabilities	55.4	5.2	21.4	39.2	20.5
Subtotal Governmental Activities	<u>885.3</u>	<u>14.4</u>	<u>114.5</u>	<u>785.2</u>	<u>107.3</u>
Total	<u>\$ 885.3</u>	<u>\$ 14.4</u>	<u>\$ 114.5</u>	<u>\$ 785.2</u>	<u>\$ 107.3</u>

* Restated

Principal and interest payments for lease and SBITA liabilities are as follows (expressed in millions):

<u>Fiscal Year</u>	<u>Lease Payments</u>			<u>SBITA Payments</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 86.8	\$ 17.8	\$ 104.6	\$ 20.5	\$ 1.3	\$ 21.8
2027	76.8	15.8	92.6	13.1	0.5	13.6
2028	66.7	14.0	80.7	3.8	0.1	3.9
2029	60.6	12.3	72.9	1.8	-	1.8
2030	55.8	10.8	66.6	-	-	-
2031 - 2035	227.1	34.2	261.3	-	-	-
2036 - 2040	108.4	11.1	119.5	-	-	-
2041 - 2045	31.9	4.0	35.9	-	-	-
2046 - 2050	28.4	1.5	29.9	-	-	-
2051 - 2055	2.2	0.2	2.4	-	-	-
2056 - 2060	0.4	0.1	0.5	-	-	-
2061 - 2065	0.5	0.1	0.6	-	-	-
2066 - 2070	0.4	-	0.4	-	-	-
Total Future						
Lease Payments	<u>\$ 746.0</u>	<u>\$ 121.9</u>	<u>\$ 867.9</u>	<u>\$ 39.2</u>	<u>\$ 1.9</u>	<u>\$ 41.1</u>

The State of New Jersey did not record any variable payments or other direct payments which were not included previously in the initial liability of its leased or SBITA assets during the year. No prior commitment payments to leased or SBITA assets were made during the year. Additionally, there were no losses or impairments requiring a change in the lease or SBITA liability.

NOTE 8 – CAPITAL ASSETS

A summary of capital assets and related accumulated depreciation by category as of June 30, 2025 is as follows (expressed in millions):

	<u>Balance July 1, 2024*</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers/ Adjustments</u>	<u>Balance June 30, 2025</u>
Governmental Activities					
Capital assets, not being depreciated:					
Land and easements	\$ 5,603.9	\$ 150.1	\$ 0.1	\$ 2.3	\$ 5,756.2
Construction in progress	6,668.2	2,215.2	0.7	(1,322.1)	7,560.6
Capital assets, being depreciated:					
Land improvements	266.9	11.6	0.1	-	278.4
Buildings and improvements	3,759.0	115.9	8.8	(0.2)	3,865.9
Equipment and software	2,066.2	161.6	24.7	21.7	2,224.8
Infrastructure	37,649.5	0.1	-	645.1	38,294.7
Total at historical cost	<u>56,013.7</u>	<u>2,654.5</u>	<u>34.4</u>	<u>(653.2)</u>	<u>57,980.6</u>
Less accumulated depreciation:					
Land improvements	202.4	4.9	0.1	-	207.2
Buildings and improvements	2,515.8	79.8	13.7	-	2,581.9
Equipment and software	1,635.2	152.8	20.2	-	1,767.8
Infrastructure	19,371.7	985.3	-	-	20,357.0
Total accumulated depreciation	<u>23,725.1</u>	<u>1,222.8</u>	<u>34.0</u>	<u>-</u>	<u>24,913.9</u>
Capital Assets being depreciated, net	32,288.6	1,431.7	0.4	(653.2)	33,066.7
Net Right of Use leases (see Note 7)	758.3	(85.7)	0.2	(6.2)	666.2
Net SBITA Assets (see Note 7)	35.3	(17.5)	(0.6)	-	18.4
Total Capital Assets, net	<u>\$ 33,082.2</u>	<u>\$ 1,328.5</u>	<u>\$ -</u>	<u>\$ (659.4)</u>	<u>\$ 33,751.3</u>

* The July 1, 2024 capital asset balance has been restated by \$523.9 million and the accumulated depreciation balance has been restated by \$236.9 million across construction in progress, land improvements, buildings and improvements, equipment and software, and infrastructure.

Capital Assets were acquired by functions of the primary government as follows (expressed in millions):

	<u>Amount</u>
Public safety and criminal justice	\$ 199.7
Physical and mental health	62.0
Educational, cultural, and intellectual development	67.4
Community development and environmental management	183.7
Economic planning, development, and security	102.3
Transportation programs	1,994.6
Government direction, management, and control	47.9
Special government services	12.6
Total	<u>\$ 2,670.2</u>

A. Items Not Capitalized and Depreciated

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Examples of these assets include, but are not limited to, statues, monuments, forts, lighthouses, and various capitol related furnishings. Collections, such as historical documents, artifacts, works of art, rare library books, and antique furnishings are not capitalized. These assets are exempted from capitalization as the State maintains the collections for reasons other than financial gain; the collections are protected, kept unencumbered, cared for and preserved; and the collections are subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

B. Depreciation and Useful Lives

Capital assets are depreciated using the straight line method. The State assigned useful lives that were most suitable for the particular assets. Estimated useful lives were in an allowable range as follows:

<u>Asset</u>	<u>Years</u>
Land improvements	10-50
Buildings and improvements	12-60
Equipment and software	3-30
Infrastructure	4-70

Depreciation was charged to functions of the primary government as follows (expressed in millions):

	<u>Amount</u>
Public safety and criminal justice	\$ 140.6
Physical and mental health	25.5
Educational, cultural, and intellectual development	37.4
Community development and environmental management	25.9
Economic planning, development, and security	61.8
Transportation programs	990.4
Government direction, management, and control	36.7
Special government services	23.4
Total	<u><u>\$ 1,341.7</u></u>

NOTE 9 - SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

The State issues short-term debt instruments in the form of Tax and Revenue Anticipation Notes (TRANS) in advance of income tax and corporation business tax collections, depositing the proceeds in the General Fund. These notes are used to provide effective cash management to fund the imbalances that occur between the collection of revenues and the disbursement of appropriations of the General Fund and Property Tax Relief Fund. No TRANS were authorized for Fiscal Year 2025.

NOTE 10 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources reported on the Statement of Net Position as of June 30, 2025, consists of the following (expressed in millions):

Deferred Outflows of Resources:	Governmental Activities
Net Pension Liability related items	\$ 8,944.7
OPEB Liability related items	30,656.8
Unamortized deferral on refundings of long-term obligations	283.2
Total Deferred Outflows of Resources	\$ 39,884.7
Deferred Inflows of Resources:	
Net Pension Liability related items	\$ 11,250.2
OPEB Liability related items	39,531.8
Deferred opioid and tobacco revenue	374.4
Total Deferred Inflows of Resources	\$ 51,156.4

Deferred Outflows of Resources:

The pension related amounts consist of: 1) differences between expected and actual experience of \$1,022.4 million; 2) changes of assumptions of \$715.5 million; 3) net difference between projected and actual earnings on pension plan investments of \$106.5 million; 4) changes in proportion of \$195.1 million; and 5) employer contributions of \$6,905.2 million subsequent to the measurement date.

The OPEB related amounts consist of: 1) differences between expected and actual experience of \$8,514.9 million; 2) changes of assumptions of \$15,432.3 million; 3) changes in proportion and differences between actual and proportionate share of contribution of \$4,365.1 million; and 4) benefit payments of \$2,344.5 million subsequent to the measurement date.

Deferred outflows of resources in the Statement of Net Position consists of unamortized deferral on refunding of long-term obligations and pension related amounts. The \$283.2 million of unamortized deferral on refunding of long-term obligations is in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, implemented in Fiscal Year 2014.

Deferred Inflows of Resources:

The pension related amounts consist of: 1) differences between expected and actual experience of \$344.2 million; 2) changes of assumptions of \$10,327.4 million; 3) net difference between projected and actual earnings on pension plan investments of \$432.5 million; and 4) changes in proportion of \$146.1 million.

The OPEB related amounts consist of: 1) differences between expected and actual experience of \$18,174.8 million; 2) changes of assumptions of \$16,397.2 million; 3) net difference between projected and actual earnings on OPEB plan investments of \$2.2 million; and 4) changes in proportion of \$4,957.6 million.

Deferred inflows of resources in the Statement of Net Position consists of \$103.5 million of deferred tobacco revenue reported in accordance with GASB Statement No. 65, \$269.1 million due from a national opioid settlement, and \$1.8 million in deferred grants for the New Jersey Schools Development Authority.

NOTE 11 - LONG-TERM OBLIGATIONS

The State's long-term obligations are divided into bonded and non-bonded categories. Bonded categories include General Obligation Bonds, Revenue Bonds Payable, certain Leases, Installment Obligations, Certificates of Participation (COPs), Tobacco Settlement Financing Corporation (TSFC) Bonds, Unamortized Interest on Capital Appreciation Bonds, and Unamortized Premium. Non-bonded categories include Compensated Absences, certain Leases and SBITAs, Loans Payable, OPEB Liability, Net Pension Liability, Pollution Remediation Obligation, Other, and Deposit Fund Contracts.

A. Changes in Long-term Obligations

The following schedule represents the changes in the State's long-term obligations (expressed in millions):

	Outstanding July 1, 2024	Additions	Deductions	Outstanding June 30, 2025	Amounts Due within One Year
Governmental Activities					
Bonded Debt					
General Obligation Bonds	\$ 3,849.8	\$ -	\$ 410.7	\$ 3,439.1	\$ 384.9
Revenue Bonds Payable	23,579.6	4,750.0	4,360.9	23,968.7	936.0
Less: Unamortized Interest on CABS	<u>(2,663.7)</u>	<u>-</u>	<u>(278.7)</u>	<u>(2,385.0)</u>	<u>(242.3)</u>
Revenue Bonds Payable, net	20,915.9	4,750.0	4,082.2	21,583.7	693.7
Installment Obligations	9,179.0	149.4	1,295.1	8,033.3	1,237.4
Direct Borrowings and Direct Placements	705.7	30.0	284.0	451.7	105.1
Less: Unamortized Interest on CABS	<u>(27.2)</u>	<u>-</u>	<u>(22.7)</u>	<u>(4.5)</u>	<u>(4.0)</u>
Installment Obligations Payable, net	9,857.5	179.4	1,556.4	8,480.5	1,338.5
Certificates of Participation	91.3	5.5	22.0	74.8	20.5
Tobacco Settlement Financing Corporation Bonds	2,453.3	-	114.6	2,338.7	97.6
Unamortized Premium	2,578.1	457.4	350.4	2,685.1	245.0
Non-Bonded Debt					
Compensated Absences *	832.4	72.8	-	905.2	585.0
Leases *	829.9	9.2	93.1	746.0	86.8
SBITAs	55.4	5.2	21.4	39.2	20.5
Loans Payable	1,279.4	-	-	1,279.4	-
OPEB Liability	76,866.3	11,696.6	-	88,562.9	2,286.9
Net Pension Liability	79,448.1	-	1,987.7	77,460.4	-
Pollution Remediation Obligation	67.0	5.0	-	72.0	-
Other	1,844.4	649.5	739.7	1,754.2	668.6
Subtotal Governmental Activities	<u>\$ 200,968.8</u>	<u>\$ 17,830.6</u>	<u>\$ 9,378.2</u>	<u>\$ 209,421.2</u>	<u>\$ 6,428.0</u>
Business-type Activities					
Compensated Absences	1.5	0.1	-	1.6	0.9
Deposit Fund Contracts	<u>181.1</u>	<u>4.8</u>	<u>18.0</u>	<u>167.9</u>	<u>18.2</u>
Subtotal Business-type Activities	182.6	4.9	18.0	169.5	19.1
Total Governmental and Business-type Activities	<u>\$ 201,151.4</u>	<u>\$ 17,835.5</u>	<u>\$ 9,396.2</u>	<u>\$ 209,590.7</u>	<u>\$ 6,447.1</u>

* Beginning balance was restated to reflect the correction of errors for outstanding leases and compensated absences. As a result, leases decreased by \$82.3 million and Compensated absences increased by \$45.4 million.

B. Debt Service Payments

The following schedule represents debt service payments for the next five fiscal years and thereafter (expressed in millions):

Debt Service									
Fiscal Year	General				Direct				
	Obligation Bonds	Revenue Bonds	Leases	SBITAs	Installment Obligations	Borrowings/Placements	COPs	TSFC¹	Total
2026	\$ 384.9	\$ 936.0	\$ 86.8	\$ 20.5	\$ 1,237.4	\$ 105.1	\$ 20.5	\$ 97.6	\$ 2,888.8
2027	403.0	966.8	76.8	13.1	1,006.2	143.1	14.0	87.2	2,710.2
2028	422.3	1,012.1	66.7	3.8	1,204.5	76.2	7.8	92.5	2,885.9
2029	444.9	1,112.7	60.6	1.8	732.5	14.7	4.5	109.7	2,481.4
2030	466.4	1,053.4	55.8	-	254.9	14.2	4.8	116.3	1,965.8
2031-2035	1,069.4	5,780.2	227.1	-	1,399.2	90.1	22.5	689.5	9,278.0
2036-2040	188.3	6,724.0	108.4	-	825.7	8.3	0.7	738.6	8,594.0
2041-2045	59.9	3,965.9	31.9	-	770.5	-	-	339.1	5,167.3
2046-2050	-	1,966.6	28.4	-	482.1	-	-	68.2	2,545.3
2051-2055	-	451.0	2.2	-	120.3	-	-	-	573.5
2056-2067	-	-	1.3	-	-	-	-	-	1.3
Total Principal	3,439.1	23,968.7	746.0	39.2	8,033.3	451.7	74.8	2,338.7	39,091.5
2026	144.2	818.2	17.8	1.3	414.5	17.2	2.7	117.2	1,533.1
2027	126.1	789.4	15.8	0.5	351.0	11.4	1.9	112.3	1,408.4
2028	106.9	762.2	14.0	0.1	292.8	6.3	1.3	108.0	1,291.6
2029	86.8	733.1	12.3	-	218.7	4.8	1.1	103.3	1,160.1
2030	65.5	704.1	10.8	-	178.7	3.6	1.0	97.9	1,061.6
2031-2035	111.4	3,007.7	34.2	-	701.5	5.2	2.1	395.1	4,257.2
2036-2040	38.2	2,063.9	11.1	-	426.7	-	-	210.1	2,750.0
2041-2045	4.1	963.5	4.0	-	243.9	-	-	69.6	1,285.1
2046-2050	-	374.7	1.5	-	85.9	-	-	3.5	465.6
2051-2055	-	69.8	0.2	-	9.3	-	-	-	79.3
2056-2067	-	-	0.2	-	-	-	-	-	0.2
Total Interest	683.2	10,286.6	121.9	1.9	2,923.0	48.5	10.1	1,217.0	15,292.2
2026	529.1	1,754.2	104.6	21.8	1,651.9	122.3	23.2	214.8	4,421.9
2027	529.1	1,756.2	92.6	13.6	1,357.2	154.5	15.9	199.5	4,118.6
2028	529.2	1,774.3	80.7	3.9	1,497.3	82.5	9.1	200.5	4,177.5
2029	531.7	1,845.8	72.9	1.8	951.2	19.5	5.6	213.0	3,641.5
2030	531.9	1,757.5	66.6	-	433.6	17.8	5.8	214.2	3,027.4
2031-2035	1,180.8	8,787.9	261.3	-	2,100.7	95.3	24.6	1,084.6	13,535.2
2036-2040	226.5	8,787.9	119.5	-	1,252.4	8.3	0.7	948.7	11,344.0
2041-2045	64.0	4,929.4	35.9	-	1,014.4	-	-	408.7	6,452.4
2046-2050	-	2,341.3	29.9	-	568.0	-	-	71.7	3,010.9
2051-2055	-	520.8	2.4	-	129.6	-	-	-	652.8
2056-2067	-	-	1.5	-	-	-	-	-	1.5
Total Principal and Interest	\$ 4,122.3	\$ 34,255.3	\$ 867.9	\$ 41.1	\$ 10,956.3	\$ 500.2	\$ 84.9	\$ 3,555.7	\$ 54,383.7

Note:

¹ The State is not liable for debt issued by the TSFC.

C. General Obligation Bonds

The State is empowered by voters to authorize, issue, and incur debt subject to certain constitutional restrictions. General obligation bond acts are both legislatively and voter-approved, subject to certain Constitutional exceptions, and are backed by the State's full faith and credit. As of June 30, 2025, the State had \$3.4 billion of State general obligation bonds outstanding with another \$368.2 million of bonding authorization remaining from various State general obligation bond acts. The amount provided by the State's General Fund for debt service payments for Fiscal Year 2025 was \$574.2 million.

The State has refunded various outstanding general obligation bonds. Refunding bond proceeds are used to purchase and deposit United States Treasury Obligations – State and Local Government Series or open market U.S. Treasury Securities into a separate irrevocable trust fund held by a trustee. The investments and the fixed earnings that accrue are sufficient to fully service the defeased debt until it is called or matures. For financial reporting purposes, the refunded debt is considered defeased at the time the refunding bonds have been issued. Therefore, the refunded debt is removed as a liability from the State's long-term obligations.

During Fiscal Year 2025, the State issued no general obligation bonds. As of June 30, 2025, the amount of defeased general obligation debt outstanding, but removed from the State's long-term obligations, amounted to \$136.2 million.

D. Revenue Bonds Payable

This debt classification represents bond issuances whose segment of debt service is derived solely from legally restricted revenues. Revenue bonds include debt issued by the Garden State Preservation Trust (GSPT) and the New Jersey Transportation Trust Fund Authority (TTFA). During Fiscal Year 2025, the TTFA issued \$4.75 billion of bonds, \$3.25 billion of which were refunding bonds. Refunding bonds were issued in order to defease \$3.41 billion in existing debt. Total debt service payments over the next 25 years were decreased by \$10.5 million and resulted in a net present value savings of \$134.3 million. GSPT issued no debt.

Pursuant to P.L. 2024, c.7, the amount of the total TTFA program bonds authorization increased to \$15.6 billion. Total authorized but unissued revenue bonds equal \$7,145.3 million as of June 30, 2025.

E. Installment Obligations

Installment Obligations represent agreements between the State and several authorities which have issued bonds for the purpose of purchasing or constructing facilities to be rented by the State or to provide financing for other State projects. The State agrees to make payments equal to the corresponding authority's debt service, subject to and dependent upon appropriations being made from time to time by the State Legislature. At the conclusion of the term of the installment obligation agreement, title to the various facilities is transferred to the State, except in the case of the School Facilities Construction Program. During Fiscal Year 2025, these authorities issued \$179.4 million in bonds, of which \$149.4 million were refunding bonds, that were issued in order to defease \$155.4 million of existing debt. The liability on these refunded bonds has been removed from the State's long-term obligations. Total debt service payments over the next eight years were decreased by \$7.1 million and resulted in a net present value savings of \$5.8 million. The State's installment obligations outstanding as of June 30, 2025 total \$8.5 billion. Total authorized but unissued installment obligations equal \$1,386.5 million as of June 30, 2025.

The state has \$451.7 million of outstanding agreements from direct borrowings and direct placements related to governmental activities, mostly issued by the Economic Development Authority on behalf of the New Jersey Schools Development Authority. These agreements are secured by the pledge and assignment of revenues and other pledged property. While events of default vary between each agreement, they generally include failure to pay the loan or any other obligation. If an event of default occurs, the trustee may sue to collect sums due and compel performance of any covenant made. While not considered a default, an additional clause contained in various agreements can trigger an increased interest rate. During the year, the State issued \$30.0 million in bonds related to direct borrowings and direct placements.

F. Certificates of Participation

The State draws on lines of credit to finance equipment needs through its Master Lease Program. In October 2024, a \$185.0 million line of credit expired. On January 15, 2025, the State entered into a new equipment line of credit agreement and exercised an extension granting the ability to borrow up to \$80.0 million through the end of Fiscal Year 2026.

G. Tobacco Settlement Financing Corporation (TSFC)

In November 1998, the State entered into a Master Settlement Agreement (MSA) with participating cigarette manufacturers, 46 states, and six other United States jurisdictions in the settlement of certain smoking-related litigation. During Fiscal Year 2003, the State sold to the newly established TSFC, the State's right, title, and beneficial ownership interest in the State's right to receive tobacco settlement rights under the MSA and decree of Final Judgment. In return, in 2002 and 2003, the TSFC issued \$3.5 billion of bonds to pay for the tobacco settlement rights. Proceeds of the two bond issuances were used to fund General Fund expenditures during Fiscal Year 2003 and Fiscal Year 2004. During Fiscal Year 2007, \$4.7 billion of refunding bonds were issued, of which \$1.1 billion were capital appreciation bonds.

During Fiscal Year 2003, the TSFC was presented as a discreet component unit of the State. Since then, the State adopted GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*. As a result, the TSFC is required to be shown as a blended component unit of the State. Bonds issued by the TSFC are the sole obligation of the TSFC. The State is not liable for any debt issued by the TSFC nor is the debt dependent on any dedicated stream of revenue generated by the State.

On March 7, 2014, the TSFC entered into a credit enhancement transaction. Pursuant to the Series 2007-1B Pledge Agreement, the TSFC pledged an additional 15.99 percent of the Tobacco Settlement Revenues (TSRs) received on and after July 1, 2016, to be applied to the optional redemption of the Series 2007-1B bonds. Pursuant to the Series 2007-1C Pledge Agreement, the TSFC additionally pledged 7.75 percent of the TSRs received on and after July 1, 2016, to be applied to the optional redemption of the Series 2007-1C bonds. As a result of these Pledge Agreements, a bond enhancement premium of \$96.5 million was received by the TSFC in Fiscal Year 2014, of which \$91.6 million was paid to the State of New Jersey, in accordance with the Pledge Agreements, and the remaining \$4.9 million was paid to various professionals as a transaction fee.

On April 11, 2018, the TSFC issued Series 2018 A Senior Bonds in the amount of \$2.1 billion and Series 2018 B Subordinate Bonds in the amount of \$1.0 billion. These bonds were issued to refund the balances of the Series 2007 bonds. The liability on these refunded bonds has been removed from the TSFC's long-term obligations. Total debt service payments over the next 27.0 years were decreased by \$131.7 million and resulted in a net present value savings of \$162.2 million. The MSA revenue received totaling \$265.6 million in April 2018, was transferred to the General Fund of the State of New Jersey. Master Settlement Revenues received subsequent to 2018 will remain in the TSFC. The proceeds of the Series 2018 bonds are secured by TSFC's right, title and interest in the pledged TSRs, consisting of 100 percent of the tobacco assets received by the Corporation on or after December 1, 2018.

H. Unamortized Interest on Capital Appreciation Bonds

Unamortized Interest on Capital Appreciation Bonds represents the unaccrued interest value on zero coupon bonds that have been issued.

I. Unamortized Premium

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires bond premiums to be deferred and amortized over the life of the bonds.

J. Compensated Absences

Pursuant to GASB Statement No. 101, *Compensated Absences*, (which supercedes GASB Statement No. 16, *Accounting for Compensated Absences*), compensated absences represents the liability due to employees for unused sick, vacation, or paid time off. GASB Statement No. 101 is effective for fiscal years beginning after December 31, 2023, and was early implemented beginning in Fiscal Year 2024. The beginning balance was restated (increased) by \$45.4 million to reflect the correction of an error.

K. Leases/SBITAs (Non-bonded)

Leases represent long-term contractual obligations that the State has entered into for the purpose of utilizing office space for State operations and program usage. Examples of non-bonded leases include motor vehicle inspection stations, State government office buildings, and State Police facilities. Subscription-based information technology arrangements (SBITAs) represent noncancellable information technology software arrangements similar to leases. See Note 7 for additional details. The beginning balance for Leases was restated (decreased) by \$82.3 million to reflect the correction of an error.

L. Loans Payable

The New Jersey Automobile Insurance Guaranty Fund received a \$1.3 billion loan from the New Jersey Property-Liability Insurance Guaranty Association. The loan was made in an effort to depopulate the New Jersey Automobile Insurance Guaranty Fund and to help satisfy its unfunded liability. The repayment of the loans depends upon a number of contingencies, including the legislature voting to appropriate funds to pay the loans.

M. OPEB Liability

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to active, inactive, and retired employees. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments, which typically get paid by the General Fund. The State's OPEB liability for Fiscal Year 2025 is \$88.6 billion.

N. Net Pension Liability

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the reporting of net pension liability as a State general long-term obligation. GASB Statement No. 68 requires participating employers in cost sharing plans to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense, excluding that attributable to employer-paid member contributions. Contributions to the plans to pay for the State's share of liabilities are made primarily by the General Fund. The net pension liability represents the liability of employers and nonemployer contributing entities to employees for defined benefit pensions. The liability is measured as the portion of the present value of projected benefit payments to be provided through the pension plans to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plans' fiduciary net position. The Net Pension Liability as of June 30, 2025 is \$77.5 billion.

O. Pollution Remediation Obligation

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, requires the reporting of Pollution Remediation Obligations as a State general long-term obligation. The Pollution Remediation Obligation represents State contractual commitments with either vendors to clean up hazardous waste contaminated sites or the administrative authorization to proceed to clean up identified hazardous waste contaminated sites. Pollution remediation activities include the engagement of contractors to define the extent of the hazardous waste contamination through a remedial investigative contract, outline the method of cleanup/remediation through a feasibility study contract, implement the required/recommended remediation action through construction contractors, and maintain and monitor the operations of the cleanup remedy at the site.

The Pollution Remediation Obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

The estimated liability as of June 30, 2025 is \$72.0 million. The reported amount represents the unexpended balances of those cleanup actions in which the State has obligated itself to commence remediation. The reported amounts represent the prospective outlays for existing remediation activities and not anticipated remediation work that may be addressed by the site's responsible parties at some future time or date.

P. Other

This obligation represents unamortized long-term claims which are required to be reported under National Council on Governmental Accounting Statement No. 1 as a State general long-term obligation. This includes Business Employment Incentive Program (BEIP) grants of \$690.5 million which have been incurred but not reported and South Jersey Port Corporation obligations of \$360.4 million. The New Jersey Department of Health implemented a hospital performance initiative entitled the Quality Improvement Program (QIP) on July 1, 2021, which has an obligation of \$270.1 million. Also included are health benefit claims of \$202.2 million incurred but not reported, Medicaid benefit claims (\$200.6 million of which \$119.7 million is federally reimbursable) incurred but not reported, an arbitrage liability due to the federal government of \$22.0 million, and \$8.1 million of capitalized software liability which is required to be reported in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Finally, this obligation also includes Unclaimed Property of \$0.1 million that has been deemed to be payable to other states. Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, resulted in the inclusion of the State's estimated future obligation relating to the South Jersey Port Corporation bonds. The State, when necessary, provides the South Jersey Port Corporation with funds to cover all debt service and property tax requirements when the Corporation's earned revenues are anticipated to be insufficient to cover these obligations. On December 1, 2024, the Corporation certified that it would be unable to provide sufficient funds from operations for debt service, and therefore, required a State appropriation for Fiscal Year 2025 in the amount of \$29.8 million.

Q. Deposit Fund Contracts

Large Lottery prizes are paid out to winners over a period of multiple years. Current Lottery proceeds are used to purchase deposit fund contracts which will provide sufficient amounts for future payment of installment prizes. Future payments of installment prizes in the present value of \$167.9 million are recorded as liabilities in both the fund financial statements and the government-wide statements.

R. Nonexchange Financial Guarantees

The authorizing legislation for certain State entities provides for specific budgetary procedures with respect to certain obligations issued by these entities. Pursuant to such legislation, a designated official is required to certify any deficiency in debt service funds maintained to meet payments of principal and interest on the obligations and a State appropriation in the amount of the deficiency is to be made. However, the State Legislature is not legally bound to make an appropriation. Bonds issued pursuant to authorizing legislation of this type are sometimes referred to as "moral obligation" bonds. There is no statutory limitation on the amount of "moral obligation" bonds which may be issued by eligible State entities. Currently, bonds issued by the South Jersey Port Corporation, the New Jersey Housing and Mortgage Finance Agency, and the Higher Education Student Assistance Authority fall under this category. Furthermore, the New Jersey Housing and Mortgage Finance Agency and the Higher Education Student Assistance Authority have not had a deficiency in their respective debt service funds which required the State to appropriate funds.

NOTE 12 - TAX ABATEMENTS

The State of New Jersey, through the New Jersey Economic Development Authority (NJEDA), provides various tax credit programs subject to the disclosure requirements of GASB Statement No. 77, *Tax Abatement Disclosures*: Grow New Jersey Assistance Program, Economic Redevelopment and Growth Program, Angel Investor Tax Credit Program, Technology Business Tax Certificate Transfer (NOL) Program, Urban Transit Hub Tax Credit Program, Business Employment Incentive Program, and Film and Digital Media Tax Credit Program. Only tax credit programs with greater than \$5.0 million in taxes abated during Fiscal Year 2025 are disclosed.

Pursuant to N.J.S.A. 34:1B-120.1, the NJEDA is authorized to issue a recapture assessment of all or a portion of tax credits, which shall be based upon the proportionate value of the grant of tax credits that corresponds to the amount and period of noncompliance.

Pursuant to P.L. 2020, c.156, The New Jersey Economic Recovery Act of 2020 (NJ ERA) established seven new tax credit programs with annual credit limits and an overall aggregate limit of \$11.5 billion. If any program's annual credit limit is not reached, the NJEDA is authorized to add the unused amount to the subsequent year's program credit limit.

A. Grow New Jersey Assistance Program

The NJEDA administers the Grow New Jersey Assistance Program (GROW NJ), which was created in 2012 to provide tax credits to encourage job creation and job retention that strengthen New Jersey's competitive edge in the increasingly global marketplace. Revised through P.L. 2013, c.161, the intent of the program is to provide tax credits to eligible businesses which make, acquire, or lease a capital investment equal to or greater than certain minimum capital investment amounts at a qualified business facility at which it will employ a certain number of employees in retained and/or new full-time jobs. Qualified eligible businesses receive tax credits ranging from \$500 to \$5,000 per job annually for up to ten years, plus potential bonus credits based on specific criteria, for each new or retained full-time job to be located at the qualified business facility. The maximum amount of the annual tax credits is generally determined by applying the gross amount per job per year plus all applicable bonuses which must fall at or below annual caps. Credits can be used to lower corporation business tax and insurance premium tax liabilities. The program stopped accepting applications on June 30, 2019.

In order to qualify for consideration to GROW NJ, a business must meet the following eligibility requirements:

- Locate the project in a Qualified Incentive Area, defined as one of the following: Urban Transit Hub Municipality, distressed municipality, Garden State Growth Zone, a project in a priority area, or another eligible area not located within a distressed municipality or priority area.
- Meet or exceed the minimum employment and capital investment requirements.
- Demonstrate that the award of the tax credit is a "material factor" in the company's decision to create or retain at least the minimum number of full-time jobs.
- Demonstrate the capital investment and creation of eligible positions will yield a net positive benefit of at least 110 percent of the requested tax credit amount.
- Ascertain that all projects meet Green Building Requirements.
- Meet certain compliance requirements within 12 months following application approval.
- Use "prevailing wage" labor rates and affirmative action requirements in any construction contracts signed.
- Maintain the project and related employment at the project site for 1.5 times the period in which the business received the tax credit.
- Maintain a minimum of its 80 percent full-time New Jersey workforce from the last tax period prior to grant approval and 80 percent of new and retained full-time jobs at the qualified business facility specified in the incentive agreement.

B. Economic Redevelopment and Growth Program

The Economic Redevelopment and Growth (ERG) Program is another program offered by the NJEDA as an incentive for developers and businesses to address revenue gaps in development projects, defined as having insufficient resources to support the projects' debt service under a standard financing scenario. While not meant as a substitute for conventional debt and equity financing, ERG can also apply to projects that have a below market development margin or rate of return.

Created by law in 2012, and revised through P.L. 2013, c.161 and the "Economic Opportunity Act of 2014, Part 3," P.L. 2014, c.63, the intent of this program is to provide State incentive grants to a developer or non-profit organization on behalf of a qualified developer, in order to capture new State incremental taxes derived from a project's development to address a financing gap. The program offers incentives in the form of cash reimbursements and tax credits. In Fiscal Year 2025, approximately 72 percent of incentive payments were in the form of tax credits, with offsets being available to corporation business tax, insurance premiums tax, and gross income tax liabilities.

Per N.J.S.A. 34:1B-207 et seq. / N.J.A.C. 19:31-4 and the program's rules, the applicant must:

- Have a redevelopment project that is located in a qualifying area and not have begun any construction at the project site prior to submitting an application, except: if the NJEDA determines the project would not be completed otherwise or if the project is undertaken in phases, a developer may apply for phases for which construction has not yet commenced.
- Demonstrate to the NJEDA that the project has a financing gap.
- Meet a 20 percent equity requirement.

Residential projects that do not generate tax revenues can qualify for tax credits that can be assigned to lenders for project financing. A tax credit of up to 20 percent of total project cost, with additional tax credit amounts possible based on project type and/or location is available. Residential projects have an affordable housing requirement.

Mixed use parking projects that do not generate tax revenues can qualify for tax credits that may be assigned to lenders for project financing. A tax credit of up to 100 percent of the parking component project costs and up to 40 percent (including additional tax credit amounts) of the non-parking component project costs. Aggregate tax credits available to qualified residential and mixed-use parking projects under ERG are limited to \$718 million.

The program stopped accepting applications on June 30, 2019 and has been replaced by the Aspire Program.

C. Angel Investor Tax Credit Program

The Angel Investor Tax Credit Program, offered by the NJEDA, is where businesses investing in a qualifying New Jersey emerging technology business may benefit from a tax credit of up to 20 percent of the investment, capped at \$500,000 for each investment transaction per investor. Pursuant to P.L. 2019, c.145 effective for investments made after January 1, 2020, available tax credits have increased from 10 to 20 percent of the qualified investment. Additionally, taxpayers may be eligible for a tax credit up to 25 percent of the qualified investment if the emerging technology business is located in a qualified opportunity zone or low-income community as defined by federal law, or is certified as a minority business or a women's business by the State. If the cumulative credits claimed by taxpayers exceed the amount available in a given year, then credits will be applied in the order in which applications are received and completed, starting on the first day of the succeeding calendar year in which Angel Investor Tax Credits do not exceed the amount of credits available. The purpose of the credit is to stimulate investment in New Jersey emerging technology businesses.

Pursuant to P.L. 2013, c.14, and as amended by P.L. 2019, c.145, the New Jersey emerging technology business must meet the following criteria:

- Employs fewer than 225 full-time employees, at least 75 percent of whom work in New Jersey.
- Does business, employs or owns capital or property, or maintains an office in New Jersey.
- Conducts at least one of the following activities in New Jersey: incurs qualified research expenses in the State; conducts pilot scale manufacturing in the State; commercializes one or more various eligible technologies in the State; advanced computing, advanced materials, biotechnology, electronic devices, information technology, life sciences, medical devices, mobile communications, and renewable energy technology.
- Has as its primary business an eligible technology (advanced computing, advanced materials, biotechnology, electronic devices, information technology, life sciences, medical devices, mobile communications, and renewable energy technology).
- Qualified investments include non-refundable transfers of cash made directly to the New Jersey emerging technology business or indirectly, through the New Jersey Emerging Technology Business Holding Company in connection with at least one of the items listed below. To be considered non-refundable, the following items must be held or not expire for at least two calendar years from the date of the transfer of cash, with an exception being made for initial public offerings (IPOs), mergers and acquisitions, damage awards for the business's default of an agreement, or other return of initial cash outlay beyond the investor's control:
 - Stock, interests in partnerships or joint ventures, licenses (exclusive or non-exclusive), rights to use technology, marketing rights, warrants, options, or any similar items, including, but not limited to, options or rights to acquire any of the listed.
 - A purchase, production, or research agreement.

Credits may be treated as an overpayment and refunded with no interest on the overpayment paid. For corporate taxpayers, the tax credits may be carried over up to 15 tax years following the tax year for which the credit was allowed. Individuals cannot carryforward the tax credits. Credits may not be carried forward in a tax year in which the taxpayer was a target for corporate acquisition or in which the taxpayer was party to a merger or consolidation unless the taxpayer can demonstrate to the New Jersey Division of Taxation the identity of the acquiring corporation. The credits may be claimed on the taxpayer's New Jersey tax return in the tax year applicable to the effective date of approval. Through 2020, the program had a cap of \$25 million approved per calendar year. Starting in 2021, up to \$35 million of the credit may be approved per calendar year.

D. Technology Business Tax Certificate Transfer (NOL) Program

Pursuant to N.J.S.A. 34:1B-7.42a, The Technology Business Tax Certificate Transfer Program enables qualified, unprofitable NJ-based technology or biotechnology companies with fewer than 225 U.S. employees (including parent company and all subsidiaries) to sell a percentage of net operating losses and research and development tax credits to unrelated profitable corporations. Net operating losses and research and development tax credits may be sold for at least 80 percent of their value, up to a maximum lifetime benefit of \$20 million per business. Up to \$75 million is available annually.

An eligible company must own, have filed for, or have a license to use protected, proprietary intellectual property, defined as a patent or a registered copyright. Additionally, the company must have at least one full-time employee working in New Jersey if incorporated or formed less than three years, five full-time employees in New Jersey if incorporated or formed more than three years but less than five years, or ten full-time employees in New Jersey if incorporated or formed more than five years. Only technology and biotechnology companies whose primary business involves the provision of a scientific process, product, or service are eligible.

An eligible company cannot have had positive net operating income on either of its last two full-year income statements. The two most recent years of operations must be compiled, reviewed or audited by an independent certified public accounting firm and prepared according to the United States Generally Accepted Accounting Principles. In addition, an eligible company cannot have a parent company with positive net operating income or be part of a consolidated group of affiliates for federal income tax purposes with positive net operating income.

The application deadline falls on June 30th of each program year. The applicant company's Corporate Business Tax returns, with all required schedules and attachments, must also be filed with the New Jersey Division of Taxation by the application deadline. Failure to file by the program deadline results in the applicant company having no available tax benefit for the current program year.

E. Urban Transit Hub Tax Credit Program

The Urban Transit Hub Tax Credit Program (HUB) was previously offered by the NJEDA and phased out during Fiscal Year 2014. Pursuant to P.L. 2007, c.346, the Urban Transit Hub Tax Credit Act established a program available to individuals or businesses making a qualified capital investment within a designated Urban Transit Hub. Tax credits equal up to 100 percent of the qualified capital investments made within an eight-year period. Taxpayers can apply ten percent of the total credit amount per year over a ten-year period against their corporate business tax, insurance premiums tax or gross income tax liability. Tax credits may be sold under the tax credit certificate transfer program of not less than 75 percent of the transferred credit amount. Total credits approved under this program are capped at \$1.75 billion, with \$250 million allocated towards residential projects which may receive up to a 35 percent credit.

This incentive program was designed to spur private capital investment, business development, and employment by providing tax credits for businesses planning a large expansion or relocating to a designated transit hub located within one of nine New Jersey urban municipalities. Urban Transit Hubs are located within one-half mile of a New Jersey Transit, Port Authority Trans-Hudson Corporation (PATH), Port Authority Transit Corporation Speedline (PATCO), or light rail station in Camden (expanded to one mile), East Orange, Elizabeth, Hoboken, Jersey City, Newark, New Brunswick, Paterson, and Trenton. Eligibility was expanded to locations within these municipalities that had active freight adjacent or connected to the proposed building and utilized by the occupant.

Businesses were able to apply for the tax credits within five years of the program's January 13, 2008 effective date and satisfy the capital investment and employment conditions within eight years of that date. The tax credits may be reduced or forfeited if facility or employment levels are not maintained.

Developers, owners, and tenants were eligible to qualify for the Urban Transit Hub Tax Credit Program if they met the following criteria:

- Developers or owners must have made a minimum \$50 million capital investment in a single business facility located in one of the nine designated Urban Transit Hubs. In addition, at least 250 employees must work full-time at that facility.
- Tenants must occupy space in a qualified business facility that represents at least \$17.5 million of the capital investment in the facility and employ at least 250 full-time employees in that facility. Up to three tenants may aggregate to meet the 250 employee requirement.
- Projects retaining 250 full-time jobs were eligible for tax credits of up to 80 percent of the qualified capital investment, while projects which created 200 or more jobs were qualified for up to 100 percent of the qualified capital investment.
- Mixed-use components are part of the "qualified residential project" definition.
- Applicants must have demonstrated at the time of application that the State's financial support of the proposed capital investment in a qualified business facility will yield a net positive benefit to both the State and the eligible municipality.

- S corporations, limited liability corporations and partnerships were eligible; however, tax credits cannot be applied against an individual's New Jersey gross income tax liability.

F. Business Employment Incentive Program

The Business Employment Incentive Program (BEIP) created business employment incentives to approved New Jersey companies. Pursuant to P.L. 1996, c.26, BEIP offered cash incentives to economically viable expanding or relocating businesses that created at least 25 jobs in a two-year period, or at least ten jobs if positioned in the technology or biotech industries. Businesses must have also demonstrated the BEIP grant was a material factor in moving the job expansion or relocation forward in the State. The grant program stopped accepting applications in 2013. Pursuant to P.L. 2015, c.194, businesses previously approved for the program were granted 180 days to direct the NJEDA to convert the grant to a refundable corporation business tax credit or an insurance premium tax credit in lieu of a cash incentive. For Fiscal Year 2025, 100 percent of incentive payments were in the form of tax credits, with issuance based on the chronological order of program acceptance.

G. Film and Digital Media Tax Credit Program

The New Jersey Film and Digital Media Tax Credit Program provides a credit against the corporation business tax and the gross income tax for certain expenses incurred for the production of certain films and digital media content in New Jersey. The goal of the program is to encourage production of filming and digital media content in the State. The type of media production utilized will affect the eligibility of the credit and how it is calculated.

Tax credits up to 35 percent for qualified film production expenses are available. Qualified film production expenses incurred for services performed and tangible personal property purchased for use at a sound stage or other location located in the State and within a 30-mile radius of certain geographic locations in New York City are eligible for 30 percent.

In order for a film project to be eligible for tax credits under the NJ Film Tax Credit Program, the film project must be a feature film, a television series, or a television show of 22 minutes or more in length, intended for a national audience, or a television series or a television show of 22 minutes or more in length intended for a regional audience, filmed and produced at a nonprofit arts and cultural venue receiving State funding. Productions featuring news, current events, weather, and market reports or public programming, talk show, sports event, or reality show, a production that solicits funds, a production containing obscene material as defined under N.J.S.2C:34-2 and N.J.S.2C:34-3, or a production primarily for private, industrial, corporate, or institutional purposes are not eligible for film tax credits.

Pursuant to P.L. 2018, c.56, additional eligibility requirements include:

- 60 percent of the total film production expenses, exclusive of post-production costs, must be incurred for services performed and goods used or consumed in New Jersey, or the qualified film production expenses exceed \$1 million.
- Principal photography of the project must commence within 180 days from the date of the original application for the credit.
- End credits must include "Filmed in New Jersey" statement or logo.

For digital media, tax credits up to 30 percent of qualified digital media production expenses, or 35 percent of qualified digital media production expenses are eligible when incurred for services performed and tangible personal property purchased through vendors whose primary place of business is located in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer or Salem counties. Additional incentives are offered for post-production in the form of a tax credit equal to 35 percent of the qualified digital media content production expenses incurred for post-production services including visual effects services performed by a qualified independent post-production company, or 40 percent of qualified digital media production expenses for post-production services performed at a New Jersey film-lease production facility or that are incurred by a New Jersey studio partner.

Pursuant to P.L. 2018, c.56, film projects are eligible for tax credits under the NJ Digital Media Tax Credit Program if at least \$2 million of the total digital media production expenses are incurred for services performed and goods purchased through vendors authorized to do business in New Jersey and at least 50 percent of the qualified digital media content production expenses are incurred for wages and salaries paid to full-time employees in New Jersey.

H. Food Desert Relief Super Market Credit

The Food Desert Relief Supermarket Tax Credit Program addresses the food security needs of communities across New Jersey by providing up to \$40 million per year in tax credits to develop and sustain new supermarkets and grocery stores in food deserts, for a total of \$240 million over six years. The NJEDA has identified fifty Food Desert Communities (FDCs) across the state in coordination with the Department of Community Affairs and the Department of Agriculture. Tax credits are available to up to two eligible supermarkets or grocery stores in each FDC.

The Food Desert Relief Supermarket Tax Credit Program is comprised of two tax credits: the Financing Cap Tax Credit, applied for by a store's developer, and the Initial Operating Costs Tax Credit, applied for by a store's operator. For a single store to receive both credits, the applications must be reviewed and approved at the same time. Tax credits may be resold for a minimum of 85 percent of the transferred credit amount. Developers will be eligible to receive tax credits up to 40 percent of the total project cost for the first approved supermarket in an FDC and up to 20 percent for the second approved supermarket in an FDC, capped at the project financing gap. Operators of supermarkets will be eligible to receive three years of tax credits up to 100 percent of initial operating costs for the approved supermarket in an FDC and up to 50 percent of initial operating costs for the second approved supermarket in an FDC, capped at the initial operating shortfall.

To receive tax credits through the Food Desert Relief Supermarket Tax Credit Program, supermarkets or grocery stores must:

- Be the first or second newly constructed or rehabilitated supermarket or grocery store in a designated FDC to be approved under this program.
- Be a retail outlet with at least 16,000 square feet where at least 80 percent of square footage is occupied by food and related products.
- Devote at least ten percent of retail space to fresh and/or frozen fruits and vegetables.
- Open the supermarket or grocery store for business to the public within six months of the receipt of a temporary certificate of occupancy or within three years of executing the incentive award agreement corresponding to the project.
- Commit to accept benefits from federal nutrition assistance programs.
- Demonstrate that the store would not be economically feasible without the tax credit award, but with the tax credit award, it would operate on a full-time basis for seven years after opening and be economically and commercially viable by the end of that period.
- Hold a public listening session in the FDC at least once a year.

The following tax credit programs established by the NJEDA anticipate abatement amounts awarded in Fiscal Year 2026:

I. Emerge Program

Pursuant to P.L. 2021, c. 160, the Emerge Program encourages economic development in priority sectors and in targeted communities across New Jersey. The Program provides per-job tax credits to projects that invest private capital into the State and create new jobs, or retain a large number of jobs.

Projects under the Emerge Program (and Aspire Program) are subject to a program cap of \$1.1 billion per year for six years. Credits are awarded on an annual per job basis, with base credits for new jobs ranging from \$500 to \$4,000 per job, depending on location and other aspects of the project. Bonus credits are available for meeting specific criteria, and can increase the annual per-job credits to a maximum of \$8,000 per job. Tax credits that are awarded through the Emerge Program can be used to offset corporation business tax or insurance premiums tax liabilities, or they can be transferred for no less than 85 percent of their value, or surrendered to the New Jersey Division of Taxation for 90 percent of the value of the credits.

In order to be eligible for the Emerge Program support, a project must meet the following criteria:

- Create at least 35 new, full-time jobs.
- Be located in an eligible incentive location.
- Meet the minimum capital investment requirements.
- Tax credits must yield a minimum net positive economic benefit to the state of 200 percent to 400 percent, depending on project location.
- Ensure that at least 80 percent of incited employees' work time is spent in New Jersey and 80 percent of the withholdings of new or retrained full-time jobs are subject to the 'New Jersey Gross Income Tax Act'.
- Commit to stay at the Qualified Business Facility for 1.5 times the eligibility period.
- Ensure the Qualified Business Facility can accommodate at least 50 percent of incited jobs.
- Demonstrate that the award of the tax credit is a "material factor" in the decision to create or retain at least the minimum number of full-time jobs.

J. Aspire

Aspire is a gap financing tool to support commercial, mixed use, and residential real estate development projects. The program encourages place-based economic development in the State by providing tax credits for ten years. The amount of tax credits a real estate development project receives is generally determined by the project location and other aspects of the project. The tax credits available to applicants range from 50 percent to 85 percent of eligible costs and are subject to caps.

To be eligible for Aspire, a project must:

- Demonstrate through NJEDA analysis that without the incentive award, the redevelopment project is not economically feasible.
- Demonstrate that a project financing gap exists and/or the redevelopment project will generate a below market rate of return.
- Be located in a designated incentive area.
- Include a developer who has an equity participation of at least 20 percent of the total cost.
- Result in a net positive benefit to the State.
- Meet specific cost thresholds, depending on where the project is located.

Tax credits are typically disbursed over a 10-year period. Certain projects can be disbursed in either a 5-year or 10-year period.

K. Business Retention and Relocation Assistance Grant Program

A business relocating operations within New Jersey and retaining jobs, or a business maintaining jobs at a current location and making a qualified capital investment may have been eligible to apply for the Business Retention and Relocation Assistance Grant (BRRAG) program, pursuant to N.J.S.A. 34:1B-114. BRRAG, which stopped accepting applications in Fiscal Year 2014, offered eligible companies corporate business tax credits of up to \$2,250 per year for up to six years, per job retained in the State. Offered by the NJEDA, the BRRAG program helped companies preserve jobs, expand operations, and reinvest in the State. The total amount of credits that can be applied against a single company's tax liability in a fiscal year may not exceed \$10 million.

In order to have qualified for BRRAG, a company must have done the following:

- Retained a minimum of 50 full-time jobs.
- Committed to remain in the State for the tax credit term and an additional five years. For leased project locations, the business must have signed a written lease for a period of no less than the commitment duration or eight years, whichever is greater.
- Offered its employees healthcare benefits.
- Demonstrated that the grant was a "material factor" in moving the relocation project forward in New Jersey. Applicants must not have signed a lease, entered into a purchase contract, or otherwise committed to a site in New Jersey that will host the relocation project prior to receiving NJEDA Board of Directors' approval. For companies relocating 1,500 or more employees from outside a designated urban center to one or more new locations within a designated urban center, the "material factor" did not apply if the application was received within six months of the company signing its lease or purchase agreement.
- Demonstrated that the capital investment and job retention resulting from a proposed project would yield a net positive benefit to the State.
- Entered into any construction contracts associated with the project using "prevailing wage" labor rates and affirmative action requirements.
- Have operated continuously in New Jersey in whole or in part, in its current form or as a predecessor entity, for at least ten years.

L. New Jersey Innovation Evergreen Fund

Established by the NJ ERA and pursuant to P.L. 2023, c.118, The New Jersey Innovation Evergreen Fund (NJIEF) is a partnership with the private sector that will raise and invest funds in New Jersey-based companies to address New Jersey's shortfalls in venture capital funding and create the conditions necessary for entrepreneurs to succeed. The NJEDA will raise funds for the NJIEF by offering up to \$300 million of tax credits over seven years through annual auctions. Corporations have the opportunity to offset their corporation business tax liability in the State by up to 25 percent. Qualified businesses receiving investment may also access support from the NJIEF Fund Advisory Board, comprised of corporations that purchased tax credits as part of the NJIEF Corporate Tax Credit Auction.

Professional, institutional venture capital investors can apply to become a Qualified Venture Firm (QVF). Under the program, QVFs will have access to up to \$12.5 million per year to invest in the growth and creation of jobs in New Jersey-based companies operating in innovative sectors. Dividends and returns on investments will be reinvested by the Evergreen Fund, making it self-sustaining, or "evergreen."

In order to access funds, venture capital firms must be certified as a QVF by the NJEDA and meet the following eligibility parameters:

- Demonstrate a minimum of \$10 million assets under management at time of certification.
- Have no fewer than two principals or persons employed full-time to direct the qualified investment of capital, with at least 5 years of money management experience on the date the determination is made.
- Demonstrate satisfactory diversity, equity, and inclusion (DE&I) policies and track records in achieving their stated DE&I goals.

Following, or concurrently with qualification, venture capital firms may apply for co-investment into Qualified Investments. Businesses receiving Qualified Investments must:

- Be registered to do business in New Jersey.
- Have principal business operations located in New Jersey and intend to maintain principal business operations in the State after receiving a qualified investment under the program.
- Be a high-growth business engaged in a targeted industry.
- Employ fewer than 250 persons.

M. Fiscal Year 2025 Revenues Reduced by Abatement Programs

<u>Program</u>	<u>Amount (in thousands)</u>
Grow New Jersey Assistance Program (GROW NJ)	\$ 346,757
Film and Digital Media Tax Credit Program	183,118
Urban Transit Hub Tax Credit Program (HUB)	96,273
Economic Redevelopment and Growth Program (ERG)	78,528
Business Employment Incentive Program (BEIP)	62,980
Technology Business Tax Certificate Transfer Program (NOL)	33,399
Food Desert Relief	20,000
Angel Investor Tax Credit Program	19,373
Total Tax Abatements	\$ 840,428

NOTE 13 - RISK MANAGEMENT AND INSURANCE COVERAGE

The State is self-insured and self-administered for tort, workers' compensation, and automobile liability claims. As of June 30, 2025, no liability for unpaid claims has been established since the amount of loss cannot be reasonably estimated, however, any unpaid claims are not expected to be material. Claims are reported as expenditures in the General Fund in the year they are paid. Amounts expended for tort, workers' compensation, and automobile liability claims for Fiscal Years 2025 and 2024 are detailed below (expressed in millions):

<u>Type of Claim</u>	<u>Fiscal Year</u>	
	<u>2025</u>	<u>2024</u>
Tort	\$ 56.1	\$ 37.2
Workers' compensation	122.1	113.1
Automobile	5.3	7.6

Property exposure is handled by a commercial insurance carrier. There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2025. No settlements exceeded commercial insurance coverage during each of the past three fiscal years. The State does not participate in any risk pools.

NOTE 14 - NET POSITION RESTRICTED BY ENABLING LEGISLATION/GOVERNMENTAL FUND BALANCES

A. Net Position Restricted by Enabling Legislation

As of June 30, 2025, \$12,465.2 million of restricted net position is reported in the Statement of Net Position. Net position is restricted when constraints have been placed upon the use of resources through enabling legislation initiated by voter referendum, constitutional provisions, debt covenants, or other external parties such as the federal government. Unexpended debt proceeds that are recorded as assets and restricted fund balance in the governmental funds (\$1,278.7 million) have been deducted from the restricted net position balance.

B. Governmental Fund Balances

In the governmental fund financial statements, fund balances are segregated into the following categories: nonspendable, restricted, committed, and unassigned.

Nonspendable

The nonspendable fund balance classification includes amounts in the New Jersey Cultural Trust Fund (\$20.0 million) and the State of New Jersey Tischler Memorial Fund (\$0.4 million) that are legally required to remain intact.

Restricted

Similar to the net position restricted by enabling legislation definition, the restricted fund balance classification is used when constraints have been placed upon the use of resources through enabling legislation initiated by voter referendum, constitutional provisions, debt covenants, or other external parties such as the federal government.

Restricted Fund Balance – School Bond Reserve:

Fund for Support of Free Public Schools

New Jersey statutes provide for the establishment of a school bond reserve within this fund. The school bond reserve consists of two accounts, the old school bond reserve account and the new school bond reserve account. The old school bond reserve account shall be funded in an amount equal to at least 1.5 percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities, or school districts for school purposes for all such indebtedness issued prior to July 1, 2003. The new school bond reserve account shall be funded in an amount equal to at least 1.0 percent of the aggregate issued and outstanding bonded indebtedness of counties, municipalities, or school districts for school purposes for all such indebtedness issued on or after July 1, 2003, exclusive of bonds for debt service, which is provided by State appropriations. Accordingly, of the total \$172.3 million restricted fund balance, \$79.6 million has been reserved as of June 30, 2025, for the school bond reserve.

Committed

The committed fund balance classification is used for amounts that can only be used for purposes specified in enabling legislation, with the consent of both the legislative and executive branches. In contrast to the restricted fund balance classification, amounts in this category may be redeployed for other purposes with appropriate due process.

Restricted and Committed fund balances are categorized as follows (expressed in millions):

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
Restricted for:				
Physical and mental health	\$ 1.5	\$ -	\$ 252.7	\$ 254.2
Educational, cultural and intellectual development	339.9	-	283.2	623.1
Community development and environmental management	1,298.7	-	3,602.0	4,900.7
Economic planning development and security	176.2	-	387.4	563.6
Transportation programs	865.5	-	603.6	1,469.1
Government direction, management and control	0.1	-	-	0.1
Employee benefits	-	-	1,116.1	1,116.1
Debt service	-	-	280.3	280.3
Property tax relief	-	1,055.2	-	1,055.2
Total Restricted	<u>\$ 2,681.9</u>	<u>\$ 1,055.2</u>	<u>\$ 6,525.3</u>	<u>\$ 10,262.4</u>
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	
Committed for:				
Public safety and criminal justice	\$ 1,130.3	\$ 71.8	\$ 1,202.1	
Physical and mental health	707.9	42.7	750.6	
Educational, cultural and intellectual development	2,298.1	108.4	2,406.5	
Community development and environmental management	2,104.9	795.7	2,900.6	
Economic planning development and security	780.0	1,334.6	2,114.6	
Transportation programs	1,059.5	-	1,059.5	
Government direction, management and control	1,924.9	355.3	2,280.2	
Special government services	527.0	27.6	554.6	
Unclaimed property payments	520.0	7.3	527.3	
Total Committed	<u>\$ 11,052.6</u>	<u>\$ 2,743.4</u>	<u>\$ 13,796.0</u>	

The restricted and committed fund balance amounts presented above contain funds reserved for encumbrances, long-term loans, escrow balances, and other legally mandated reserves not immediately available for expenditures in subsequent accounting periods. The following table reflects the amounts reserved within each fund balance classification presented above, by major and non-major governmental funds (expressed in millions):

Major Components of:	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
Restricted Fund Balance:	\$ 2,681.9	\$ 1,055.2	\$ 6,525.3	\$ 10,262.4
Encumbrances	316.8	674.3	148.4	1,139.5
Long-term loans and receivables	197.9	-	2,403.5	2,601.4
School Bond Reserve	-	-	79.6	79.6

Major Components of:	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Committed Fund Balance:	\$ 11,052.6	\$ 2,743.4	\$ 13,796.0
Encumbrances	2,162.2	209.9	2,372.1
Long-term loans and receivables	266.9	5.9	272.8

Unassigned

Unassigned balance is \$8,625.6 million. This classification represents fund balance that has not been restricted or committed to specific purposes within the General Fund.

NOTE 15 - INTERFUND TRANSACTIONS

During the course of normal operations, the State has numerous routine transactions between funds, including interfund loans, expenditures, and transfers of resources to provide administrative services, program services, debt service, and compliance with legal mandates, such as legislation requiring the transfer of investment earnings from a capital project fund to the General Fund. In the fund financial statements, these transactions generally are recorded as transfers in/transfers (out) and due from/due to other funds. Transfers represent legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended and do not represent reimbursement of expenses. Interfund balances are operating receivables and payables expected to be paid within one year.

A. Due From/Due To Other Funds

The balances of current interfund receivables and payables at June 30, 2025 are presented below (expressed in millions):

	General Fund	Property Tax Relief Fund	Non-Major Governmental Funds	State Lottery Fund	Unemployment Compensation Fund	Fiduciary Funds	Total
Due from:							
General Fund	\$ -	\$ 251.1	\$ 256.2	\$ -	\$ -	\$ 28.8	\$ 536.1
Property Tax Relief Fund	-	-	50.8	-	-	4.8	55.6
Non-Major Governmental Funds	1,849.8	19.4	346.6	-	17.5	-	2,233.3
State Lottery Fund	12.4	-	-	-	-	172.0	184.4
Unemployment Compensation Fund	0.2	40.4	5.2	-	-	-	45.8
Fiduciary Funds	100.4	13.1	150.0	-	-	-	263.5
Total Due from	<u>\$ 1,962.8</u>	<u>\$ 324.0</u>	<u>\$ 808.8</u>	<u>\$ -</u>	<u>\$ 17.5</u>	<u>\$ 205.6</u>	<u>\$ 3,318.7</u>
Due to:							
General Fund	\$ -	\$ -	\$ 1,849.8	\$ 12.4	\$ 0.2	\$ 100.4	\$ 1,962.8
Property Tax Relief Fund	251.1	-	19.4	-	40.4	13.1	324.0
Non-Major Governmental Funds	256.2	50.8	346.6	-	5.2	150.0	808.8
Unemployment Compensation Fund	-	-	17.5	-	-	-	17.5
Fiduciary Funds	28.8	4.8	-	172.0	-	-	205.6
Total Due to	<u>\$ 536.1</u>	<u>\$ 55.6</u>	<u>\$ 2,233.3</u>	<u>\$ 184.4</u>	<u>\$ 45.8</u>	<u>\$ 263.5</u>	<u>\$ 3,318.7</u>

B. Transfer In/(Out)

Interfund transfers for the fiscal year ended June 30, 2025 are presented below (expressed in millions):

	General Fund*	Property Tax Relief Fund	Non-Major Governmental Funds*	State Lottery Fund	Unemployment Compensation Fund	Fiduciary Funds	Total
Transfers (out) to:							
General Fund	\$ -	\$ (43.6)	\$ (2,406.3)	\$ -	\$ -	\$ (0.1)	\$ (2,450.0)
Non-Major Governmental Funds	(4,958.2)	(250.0)	(2,140.0)	-	-	-	(7,348.2)
Total Transfers (Out)	<u>\$ (4,958.2)</u>	<u>\$ (293.6)</u>	<u>\$ (4,546.3)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.1)</u>	<u>\$ (9,798.2)</u>
Transfers in from:							
General Fund	\$ -	\$ -	\$ 4,940.5	\$ -	\$ -	\$ -	\$ 4,940.5
Property Tax Relief Fund	43.6	-	250.0	-	-	-	293.6
Non-Major Governmental Funds	2,406.3	-	2,140.0	-	-	-	4,546.3
Fiduciary Funds	0.1	-	-	-	-	-	0.1
Total Transfers In	<u>\$ 2,450.0</u>	<u>\$ -</u>	<u>\$ 7,330.5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,780.5</u>
Net Transfers	<u>\$ (2,508.2)</u>	<u>\$ (293.6)</u>	<u>\$ 2,784.2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.1)</u>	<u>\$ (17.7)</u>

*The New Jersey Building Authority and the New Jersey Schools Development Authority (blended component units included in the Non-Major Governmental Funds) have a fiscal year end of December 31, 2024. Due to the State having a June 30, 2025 fiscal year end, transactions between these funds and other funds within the General Fund have created an imbalance within the transfers.

NOTE 16 - RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems; pension plans) covering substantially all state and local government employees. For additional information about all pension plans, please refer to the State of New Jersey Division of Pension and Benefits (the Division), Annual Comprehensive Financial Report, which can be found at www.state.nj.us/treasury/pensions.

In accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB Statement No. 68), the State has elected to use the prior fiscal year end (June 30, 2024), as the measurement date for reporting purposes.

A. Descriptions of Retirement Systems

1. Single-Employer Defined Benefit Pension Plans

Judicial Retirement System (JRS):

The State of New Jersey JRS is a single-employer defined benefit pension plan administered by the Division. The vesting and benefit provisions are set by N.J.S.A. 43:6A. JRS provides retirement benefits as well as death and disability benefits. Retirement is mandatory at age 70. Service retirement benefits are available to members who have reached certain ages and various years of service. Benefits of 75 percent of final salary are available to members at age 70 with 10 years or more of judicial service; members between ages 65-69 with 15 years or more of judicial service or between ages 60-64 with 20 years or more of judicial service. Benefits of 50 percent of final salary are available to those with both judicial service and non-judicial service for which five or more consecutive years were judicial service. These benefits are available at age 65 or older with 15 years or more of aggregate service or age 60 or older with 20 or more years of aggregate service. Benefits of two percent of final salary for each year of public service up to 25 years plus one percent of final salary for each year in excess of 25 years are available at age 60 with 5 consecutive years of judicial service plus 15 years in the aggregate of public service or at age 60 while serving as a judge.

Early retirement benefits of two percent of final salary for each year of service up to 25 years and one percent of final salary for each year over 25 years is available to members who retire before age 60, have 5 or more consecutive years of judicial service, and 25 years or more in aggregate public service. The amount of benefits is actuarially reduced for the number of months remaining until the member reaches age 60.

Prison Officers' Pension Fund (POPF):

The State of New Jersey POPF is a single-employer defined benefit pension plan administered by the Division. This plan includes various employees in the state penal institutions appointed prior to January 1, 1960. There are no active members in POPF. The vesting and benefit provisions were set by N.J.S.A.43:7.

State Police Retirement System (SPRS):

The State of New Jersey SPRS is a single-employer defined benefit pension plan administered by the Division. The vesting and benefit provisions are set by N.J.S.A. 53:5A. SPRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, as defined, and members are always fully vested in their contributions. Mandatory retirement is at age 55. Voluntary retirement is prior to age 55 with 20 years of credited service. The benefit is an annual retirement allowance equal to the greater of (a), (b), or (c), as follows: (a) 50 percent of final compensation; (b) for members retiring with 25 years or more of service, 65 percent of final compensation, plus 1 percent for each year of service in excess of 25 years to a maximum of 70 percent of final compensation; or (c) for members as of August 29, 1985 who would not have 20 years of service by age 55, benefit as defined in (a) above. For members as of August 29, 1985, who would have 20 years of service, but would not have 25 years of service at age 55, benefit is as defined in (a) above plus three percent for each year of service.

Single-Employer Plan Membership

Single-employer defined membership pension plans consisted of the following as of the measurement date:

Number of Employees Covered by Single-Employer Defined Benefit Pension Plans

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>
Active plan members	399	-	3,218
Inactive plan members or beneficiaries currently receiving benefits	687	36	3,671
Inactive plan members entitled to but not yet receiving benefits	13	-	-
Total	<u>1,099</u>	<u>36</u>	<u>6,889</u>

2. Multiple-Employer Defined Benefit Pension Plans

Consolidated Police and Firemen's Pension Fund (CPFPPF):

The State of New Jersey CPFPPF is a cost-sharing multiple-employer defined benefit pension plan administered by the Division. The plan includes county and municipal police officers and firemen appointed prior to July 1, 1944. There are no active members in CPFPPF. The vesting and benefit provisions were set by N.J.S.A.43:16.

Public Employees' Retirement System (PERS):

The State of New Jersey PERS is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Division. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit are available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit are available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 years or more of service credit before age 62, and tier 5 members with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

Police and Firemen's Retirement System (PFRS):

The State of New Jersey PFRS is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Division. The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits 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.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be two percent of final compensation for each year of creditable service, as defined, up to 30 years plus one percent for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65 percent (tier 1 and 2 members) and 60 percent (tier 3 members) of final compensation plus 1 percent for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to two percent of final compensation for each year of service.

Teachers' Pension and Annuity Fund (TPAF):

The State of New Jersey TPAF is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, which the State is responsible to fund 100 percent of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the Division. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death, and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent 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.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 years or more of service credit before age 62, and tier 5 members with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

3. Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The State or local governmental employers do not appropriate funds to SACT.

The State administers the Defined Contribution Retirement Program. Individuals eligible for membership include State or Local Officials who are elected or appointed on or after July 1, 2007; employees enrolled in the PERS or TPAF on or after July 1, 2007, who earn salary in excess of established annual maximum compensation limits (equivalent to annual maximum wage base for Social Security deductions); employees enrolled in the PFRS or SPRS after May 21, 2010, who earn salary in excess of established annual maximum compensation limits (equivalent to annual maximum wage base for Social Security

deductions); and employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary required for PERS or TPAF tier 3 enrollment or do not work the minimum hours per week required for PERS or TPAF tier 4 and tier 5 enrollments.

The State also administers the Central Pension Fund (CPF) which is a single-employer noncontributory defined benefit plan for special groups which are not included in other State-administered systems.

Additionally, while the cost-of-living increase for JRS, PFRS, PERS, SPRS, and TPAF is suspended, the cost-of-living adjustment is still funded directly by each of the respective systems.

According to State law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

B. Basis of Presentation

Pension plans administered by the State are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employees services are performed; investment gains and losses are recognized as incurred; benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, all components including information about the fiduciary net position of all plans and additions to/deductions from all plans' fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

C. Cost-Sharing Pension Plans Allocation

Public Employees' Retirement System (PERS)

GASB Statement No. 68 requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. For the fiscal year ended June 30, 2025, the State reported net pension liability (excluding the State colleges and universities) of \$18,666,648,356 for its proportionate share of the collective net pension liability for PERS. The State's proportionate share of net pension liability for PERS was 84.20 percent, a decrease of 0.17 percentage points since the prior reporting period. The proportion is based on the State's contributions of all participating employers.

Police and Firemen's Retirement System (PFRS)

GASB Statement No. 68 requires participating employers in PFRS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. For the fiscal year ended June 30, 2025, the State reported net pension liability (excluding the State colleges and universities) of \$4,212,762,520 (comprised of the State proportionate share of the collective net pension liability of \$4,200,320,252 and special location Palisades Interstate Park Commission of \$12,442,268). The State's proportionate share of the net pension liability for PFRS was 95.84 percent, an increase of 0.16 percentage points since the prior reporting period. The proportion is based on the State's contributions of all participating employers.

Teachers' Pension Annuity Fund (TPAF)

For the fiscal year ended June 30, 2025, the State reported net pension liability of \$66,965,723. The State's proportionate share of the net pension liability for TPAF was 0.14 percent, a decrease of 0.01 percentage points since the prior reporting period. The proportion is based on the State's contributions of all participating employers.

D. Special Funding Situations

Public Employee's Retirement System

A special funding situation exists for certain local employers of the State of New Jersey PERS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers under P.L.2001, c.366 and P.L.2001, c.133. Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. Pursuant to P.L.2001, c.366, the Prosecutors Part of the PERS establishes enhanced retirement benefits for prosecutors enrolled in the PERS. The State is liable for the increased pension costs to a county that resulted from the enrollment of these eligible individuals. Pursuant to P.L.2001, c.133, this special funding situation is due to the State paying the additional normal cost related to benefit improvement from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity.

For the fiscal year ended June 30, 2025, the State, as a nonemployer contributing entity, reported a net pension liability of \$114,378,189 for the PERS special funding situation. This represents the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contributions through the valuation date. The pension expense for this special funding situation is \$53,698,726, which is the actuarially determined contribution amount that the State recognized for the current fiscal year end. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Police and Firemen's Retirement System

A special funding situation exists for the local employers of the State of New Jersey PFRS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers. Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation, which legally obligate the State is as follows: P.L.2000, c.8; P.L.2001, c.318; P.L.2001, c.86; P.L.1991, c.511; P.L.1979, c.109; P.L.1993, c.247; and P.L.2001, c.201. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity.

For the fiscal year ended June 30, 2025, the State, as a nonemployer contributing entity, reported a net pension liability of \$2,035,866,994 for the PFRS special funding situation. This represents the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contributions through the valuation date. The pension expense for this special funding situation is \$234,210,235, which is the actuarially determined contribution amount that the State recognized for the current fiscal year end. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Teachers' Pension Annuity Fund

The employer contributions for local participating employers are legally required to be funded 100 percent by the State, excluding any local ERI contributions in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity.

For the fiscal year ended June 30, 2025, the State, as a nonemployer contributing entity, reported a net pension liability of \$49,425,106,602 for the TPAF special funding situation. This represents the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contributions through the valuation date. The pension benefit for this special funding situation is \$148,167,647, which is the actuarially determined contribution amount that the State recognized for the current fiscal year end.

E. Contributions

Judicial Retirement System (JRS):

The contribution policy is set by N.J.S.A. 43:6A and requires contributions by active members and the State. Members enrolled on January 1, 1996 or after, contribute on their entire base salary. Contributions by active members enrolled prior to January 1, 1996 are based on the difference between their current salary and the salary of the position on January 18, 1982. Pursuant to the provisions of P.L.2011, c.78, the active member contribution rate was 12.00 percent in the Fiscal Year 2024. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. During Fiscal Year 2024, the State contributed \$69,337,962 to JRS, which was greater than the actuarial determined amount of \$69,337,827.

Prison Officers' Pension Fund (POPF):

Based on the recent actuarial valuation, there was no normal cost or unfunded accrued liability contribution required by the State during Fiscal Year 2024.

State Police Retirement System (SPRS):

The contribution policy is set by N.J.S.A. 53:5A and requires contributions by active members and the State. Pursuant to the provisions of P.L.2011, c.78, the active member contribution rate was nine percent in the Fiscal Year 2024. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. During Fiscal Year 2024, the State contributed \$220,357,798 to SPRS, which was less than the actuarial determined amount of \$220,358,248.

Consolidated Police and Firemen's Pension Fund (CPFPPF):

Based on the recent actuarial valuation, the State made no contribution towards the normal cost or unfunded accrued liability during Fiscal Year 2024. The vesting and benefit provisions were set by N.J.S.A. 43:16.

Public Employees' Retirement System (PERS):

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L.2011, c.78, the active member contribution rate was 7.50 percent in the Fiscal Year 2024. The rate for members who are eligible for the Prosecutors Part of PERS (P.L.2001, c.366) was ten percent in the Fiscal Year 2024. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. During Fiscal Year 2024, the State contributed \$1,676,030,276 to PERS, which was greater than the actuarial determined amount of \$1,580,408,579.

Police and Firemen's Retirement System (PFRS):

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L.2011, c.78, the active member contribution rate was ten percent in the Fiscal Year 2024. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. During Fiscal Year 2024, the State contributed \$627,384,788 to PFRS, which was greater than the actuarial determined amount of \$606,730,357.

Teachers' Pension and Annuity Fund (TPAF):

The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L.2011, c.78, the active member contribution rate was 7.50 percent in the Fiscal Year 2024. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. During Fiscal Year 2024, the State contributed \$4,328,185,331 to TPAF, which was greater than the actuarial determined amount of \$4,155,875,428.

F. Aggregate Pension Amounts

The following table represents the aggregate pension amounts for all plans for the State as an employer for the fiscal year ended June 30, 2025:

Aggregate Pension Amounts - All Plans	
Net pension asset	\$ (3,392,969)
Net pension liability	77,460,398,549
Deferred outflows of resources related to pension	8,944,729,977
Deferred inflows of resources related to pension	11,250,213,723
Pension Expense (Benefit) - All Plans	
Judicial Retirement System (JRS)	\$ 51,716,238
Prison Officers' Pension Fund (POPF)	(246,049)
State Police Retirement Systems (SPRS)	47,753,866
Consolidated Police and Fireman's Pension Fund (CPFPF)	(261,139)
Public Employees' Retirement System (PERS)*	1,243,658,213
Police and Firemen's Retirement System (PFRS)	554,100,486
Teachers' Pension and Annuity Fund (TPAF)	(180,539,491)
Total	\$ 1,716,182,124

* The PERS pension expense includes the blended component units (New Jersey Building Authority and New Jersey Schools Development Authority).

G. Changes in the Net Pension Liability

The following table represents the single-employer pension plans' schedule of changes in the net pension liability for the fiscal year ended June 30, 2025:

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>
Total pension liability:			
Service cost	\$ 26,865,890	\$ -	\$ 90,446,028
Interest on total pension liability	64,178,104	81,798	303,516,750
Effect of economic/demographic (gains) or losses	696,941	(66,334)	27,305,767
Effect of assumptions changes or inputs	-	(23,988)	-
Transfers from other systems	2,635,029	-	761,989
Benefit payments	(70,761,781)	(398,182)	(260,365,181)
Net change in total pension liability	<u>23,614,183</u>	<u>(406,706)</u>	<u>161,665,353</u>
Total pension liability - Beginning	<u>923,451,423</u>	<u>2,438,346</u>	<u>4,373,113,800</u>
Total pension liability - Ending	<u>\$ 947,065,606</u>	<u>\$ 2,031,640</u>	<u>\$ 4,534,779,153</u>
Plan fiduciary net position:			
Contributions - employer	\$ 69,337,962	\$ -	\$ 220,357,798
Contributions - employee	10,335,174	-	31,192,573
Net investment (loss) income	22,299,705	242,341	220,016,992
Transfers from other systems	2,635,029	-	761,989
Benefit payments, including refunds of employee contributions	(70,761,781)	(398,182)	(260,365,181)
Administrative expense	(276,759)	(4,816)	(1,623,420)
Net change in plan fiduciary net position	<u>33,569,330</u>	<u>(160,657)</u>	<u>210,340,751</u>
Plan fiduciary net position - Beginning	<u>212,634,415</u>	<u>4,661,202</u>	<u>2,108,653,735</u>
Plan fiduciary net position - Ending	<u>\$ 246,203,745</u>	<u>\$ 4,500,545</u>	<u>\$ 2,318,994,486</u>
Net pension liability - Ending	<u>\$ 700,861,861</u>	<u>\$ (2,468,905)</u>	<u>\$ 2,215,784,667</u>

H. Collective Net Pension Liability

1. Components of Net Pension Liability

The components of the net pension liability of the participating employers for PFRS as of the measurement date are as follows:

	Police and Firemen's Retirement System		
	State	Local	Total
Total pension liability	\$ 6,404,078,773	\$ 45,210,001,314	\$ 51,614,080,087
Plan fiduciary net position	2,008,799,009	32,847,534,867	34,856,333,876
Net pension liability	<u>\$ 4,395,279,764</u>	<u>\$ 12,362,466,447</u>	<u>\$ 16,757,746,211</u>
Plan fiduciary net position as a percentage of the total pension liability	31.37%	72.66%	67.53%

The components of the net pension liability of the participating employers for PERS as of the measurement date are as follows:

	Public Employees' Retirement System		
	State	Local	Total
Total pension liability	\$ 30,497,816,419	\$ 43,115,494,090	\$ 73,613,310,509
Plan fiduciary net position	8,327,580,797	29,413,070,105	37,740,650,902
Net pension liability	<u>\$ 22,170,235,622</u>	<u>\$ 13,702,423,985</u>	<u>\$ 35,872,659,607</u>
Plan fiduciary net position as a percentage of the total pension liability	27.31%	68.22%	51.27%

The components of the net pension liability (asset) of the participating employers for the defined benefit plans as of the measurement date are as follows:

	Components of Net Pension Liability (Asset)		
	JRS	PFRS	PERS
Total pension liability	\$ 947,065,606	\$ 51,614,080,087	\$ 73,613,310,509
Plan fiduciary net position	246,203,745	34,856,333,876	37,740,650,902
Net pension liability	<u>\$ 700,861,861</u>	<u>\$ 16,757,746,211</u>	<u>\$ 35,872,659,607</u>
Plan fiduciary net position as a percentage of the total pension liability	26.00%	67.53%	51.27%

	SPRS	TPAF	Total
	Total pension liability	\$ 4,534,779,153	\$ 79,808,368,112
Plan fiduciary net position	2,318,994,486	30,316,295,787	105,478,478,796
Net pension liability	<u>\$ 2,215,784,667</u>	<u>\$ 49,492,072,325</u>	<u>\$ 105,039,124,671</u>
Plan fiduciary net position as a percentage of the total pension liability	51.14%	37.99%	50.10%

	CPFPF	POPF	Total
	Total pension liability	\$ 1,210,341	\$ 2,031,640
Plan fiduciary net position	2,134,405	4,500,545	6,634,950
Net pension asset	<u>\$ (924,064)</u>	<u>\$ (2,468,905)</u>	<u>\$ (3,392,969)</u>
Plan fiduciary net position as a percentage of the total pension liability	176.35%	221.52%	204.66%

2. Net Pension Liability Reconciliation to Government-wide Financial Statements

For the fiscal year ended June 30, 2025, the State reported net pension liability of \$77,460,398,549 in governmental activities for its respective proportionate share of collective net pension liability.

	<u>Amount</u>
Net Pension Liability per GASB Statement No. 68	\$ 105,039,124,671
PERS Adjustments:	
Include Nonemployer Local Government Group (Special Funding Situation)	114,378,189
Exclude Local Government Group	(13,702,423,985)
Exclude State Colleges and Universities	(3,503,587,266)
PFRS Adjustments:	
Include Nonemployer Local Government Group (Special Funding Situation)	2,035,866,994
Exclude Local Government Group	(12,362,466,447)
Exclude State Colleges and Universities	(182,517,244)
Blended Component Units:	
Include New Jersey Building Authority (PERS)	1,056,770
Include New Jersey Schools Development Authority (PERS)	20,966,867
Net Pension Liability per Statement of Net Position	<u>\$ 77,460,398,549</u>

I. Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2025, the State recognized pension expense of \$1,716,182,124. At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>JRS</u>		<u>SPRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 981,169	\$ -	\$ 83,884,215	\$ -
Changes of assumptions	-	-	31,533,951	313,359,217
Net difference between projected and actual earnings on pension plan investments	-	270,562	-	27,839,963
Changes in proportion	-	-	-	-
Contributions subsequent to the measurement date	71,337,037	-	232,276,818	-
Total	<u>\$ 72,318,206</u>	<u>\$ 270,562</u>	<u>\$ 347,694,984</u>	<u>\$ 341,199,180</u>

	<u>PERS*</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 369,709,369	\$ 37,550,810	\$ 131,382,268	\$ 39,788,171
Changes of assumptions	10,195,627	99,333,355	2,177,812	39,819,769
Net difference between projected and actual earnings on pension plan investments	61,480,468	1,021,176	44,993,380	-
Changes in proportion	113,232,651	71,229,694	11,562,751	4,577,874
Contributions subsequent to the measurement date	1,680,422,542	-	638,555,375	-
Total	<u>\$ 2,235,040,657</u>	<u>\$ 209,135,035</u>	<u>\$ 828,671,586</u>	<u>\$ 84,185,814</u>

	TPAF		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 436,488,877	\$ 266,879,466	\$ 1,022,445,898	\$ 344,218,447
Changes of assumptions	671,623,600	9,874,858,005	715,530,990	10,327,370,346
Net difference between projected and actual earnings on pension plan investments	-	403,364,319	106,473,848	432,496,020
Changes in proportion	70,321,342	70,321,342	195,116,744	146,128,910
Contributions subsequent to the measurement date	4,282,570,725	-	6,905,162,497	-
Total	\$ 5,461,004,544	\$ 10,615,423,132	\$ 8,944,729,977	\$ 11,250,213,723

*The PERS deferred outflows/inflows of resources include the blended component units (New Jersey Building Authority and New Jersey Schools Development Authority).

The State reported \$6,905,162,497 as collective deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date, which will be recognized as a reduction of the collective net pension liability in the fiscal year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense (benefit) as follows:

For the Fiscal Year Ending June 30,

Year	JRS	SPRS	PERS*
2026	\$ (197,160)	\$ (180,809,242)	\$ 56,268,168
2027	4,838,180	(38,274,518)	239,567,720
2028	(2,408,409)	(5,496,000)	52,734,848
2029	(1,522,004)	(6,450,666)	(5,176,839)
2030	-	4,411,271	2,089,183
Thereafter	-	838,141	-
Total	\$ 710,607	\$ (225,781,014)	\$ 345,483,080

Year	PFRS	TPAF	Total
2026	\$ (3,607,220)	\$ (3,681,028,670)	\$ (3,809,374,124)
2027	59,953,684	(1,839,302,001)	(1,573,216,935)
2028	16,743,424	(1,977,654,443)	(1,916,080,580)
2029	20,640,092	(1,907,819,552)	(1,900,328,969)
2030	11,438,371	2,992,761	20,931,586
Thereafter	762,046	(34,177,408)	(32,577,221)
Total	\$ 105,930,397	\$ (9,436,989,313)	\$ (9,210,646,243)

*The PERS deferred outflows/inflows of resources include the blended component units (New Jersey Building Authority and New Jersey Schools Development Authority).

J. Actuarial Assumptions and Other Inputs

The total pension liability was determined by an actuarial valuation as of July 1, 2023, with the results rolled forward to the measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

	CPFPF	JRS	POPF	SPRS
Inflation rate:				
Price	N/A	2.75%	N/A	2.75%
Wage	N/A	3.25%	N/A	3.25%
Salary increases:				
Through fiscal year	N/A	2027	N/A	All future years
Rate	N/A	2.00%	N/A	2.75% - 3.75% based on years of service
Thereafter	N/A	2.75%	N/A	N/A
Long-term expected rate of return	3.93%	7.00%	3.93%	7.00%
Period of actuarial experience study upon which actuarial assumptions were based	N/A	July 1, 2018 - June 30, 2021	N/A	July 1, 2018 - June 30, 2021
	PERS	PFRS	TPAF	
Inflation rate:				
Price	2.75%	2.75%	2.75%	
Wage	3.25%	3.25%	3.25%	
Salary increases:				
Through fiscal year	All future years	All future years	All future years	
Rate	2.75% - 6.55% based on years of service	3.25% - 16.25% based on years of service	2.75% - 4.25% based on years of service	
Thereafter	N/A	N/A	N/A	
Long-term expected rate of return	7.00%	7.00%	7.00%	
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2018 - June 30, 2021	July 1, 2018 - June 30, 2021	July 1, 2018 - June 30, 2021	

The following table represents the mortality table and improvement assumptions used:

Plan	Pre-retirement mortality	Post-retirement mortality	Disability
CPFPF	Not applicable as there are no active members.	The Pub-2010 Public Safety Healthy Retiree mortality table for healthy retirees and the Pub-2010 General Healthy Retiree mortality table for beneficiaries, unadjusted, and with future improvements from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.	Not applicable as there are no disabled members.
JRS	The Pub-2010 Teachers Above-Median Income Employee mortality table, unadjusted, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.	The Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table, unadjusted, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.	The Pub-2010 Non-Safety Disabled Retiree mortality table, unadjusted, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.
POPF	Not applicable as there are no active members.	The Pub-2010 Public Safety Healthy Retiree mortality table, unadjusted, for healthy retirees and the Pub-2010 General Healthy Retiree mortality table, unadjusted, for beneficiaries, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.	The Pub-2010 Public Safety Disabled Retiree mortality table, unadjusted, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.
SPRS	The Pub-2010 Public Safety Above-Median Income Employee mortality table, unadjusted, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.	The Pub-2010 Public Safety Above-Median Income Healthy Retiree mortality table, unadjusted, for healthy retirees (healthy annuitants) and the Pub-2010 General Above-Median Income Healthy Retiree mortality table, unadjusted, for beneficiaries (contingent annuitants), with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.	The Pub-2010 Public Safety Disabled Retiree mortality table, unadjusted, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.
PERS	The Pub-2010 General Below-Median Income Employee mortality table with a 82.2 percent adjustment for males and 101.4 percent adjustment for females, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.	The Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4 percent adjustment for males and 99.7 percent adjustment for females, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.	The Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7 percent adjustment for males and 117.2 percent adjustment for females, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

PFRS	The Pub-2010 amount-weighted mortality table (sex-specific) with MP-2021 mortality projection.	The Pub-2010 amount-weighted mortality table (sex-specific) with MP-2021 mortality projection.	144 percent of the Pub-2010 amount-weighted mortality table for males and 100 percent of the Pub-2010 amount-weighted mortality table for females, with MP-2021 mortality projection.
TPAF	The Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9 percent adjustment for males and 85.3 percent adjustment for females, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.	The Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7 percent adjustment for males and 99.6 percent adjustment for females, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.	The Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3 percent adjustment for males and 100.3 percent adjustment for females, with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (seven percent at the measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plans' investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in pension plans' target asset allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>JRS, SPRS, PERS, TPAF</u>	
	<u>Target Allocation</u>	<u>Long-Term Rate of Return</u>
U.S. Equity	28.00%	8.63%
International Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Assets	3.00%	8.20%
Real Estate	8.00%	10.95%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents*	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

*All CPPPF & POPF pension plan investments are in cash equivalents with a long-term expected rate of return of 3.57 percent.

Asset Class	PFRS	
	Target Allocation	Long-Term Rate of Return
U.S. Large Cap Equity	24.00%	6.90%
U.S. Small/Mid Cap Equity	4.00%	7.40%
International Developed Large Cap	9.50%	6.70%
International Developed Small Cap	2.00%	7.50%
Emerging Markets Large Cap Equity	6.00%	9.60%
Emerging Markets Small Cap Equity	1.50%	9.60%
Private Equity	10.00%	10.10%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Private Debit/Credit	8.00%	9.10%
Infrastructure	3.00%	7.00%
Cash Equivalents	2.00%	3.40%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities Bond	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%

Discount Rates

The discount rates used to measure the total pension liabilities of each pension plan as of the measurement date were as follows. The single blended discount rate per pension plan was based on the long-term expected rate of return on pension plan investments of 7.00 percent and a municipal bond rate of 3.93 percent as of the measurement date based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make projected future benefit payments of current plan members through crossover periods shown in the following table per pension plan. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through the crossover periods, and the municipal bond rate was applied to projected benefit payments after those periods in determining the total pension liabilities.

Pension Plan	Discount Rate
Consolidated Police and Firemen's Pension Fund	3.93%
Judicial Retirement System	7.00%
Police and Firemen's Retirement System	7.00%
Prison Officers' Pension Fund	3.93%
Public Employees' Retirement System	7.00%
State Police Retirement System	7.00%
Teachers' Pension and Annuity Fund	7.00%

The following table represents the crossover period, if applicable, for each defined benefit plan:

Period of projected benefit payments for which the following rates were applied:	CPFPF	JRS	PFRS	POPF	PERS	SPRS	TPAF
Long-term expected rate of return	Not applicable	All periods	All periods	Not applicable	All periods	All periods	All periods
Municipal bond rate	All periods	Not applicable	Not applicable	All periods	Not applicable	Not applicable	Not applicable

Sensitivity of Net Pension Liability (Asset)

The following presents the net pension liability (asset) of each pension plan calculated using the discount rates as disclosed above as well as what each plan's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Pension Plan	Rates Used	At Current		
		At 1% Decrease	Discount Rate	At 1% Increase
CPFPF	(2.93%, 3.93%, 4.93%)	\$ (868,411)	\$ (924,064)	\$ (974,528)
JRS	(6.00%, 7.00%, 8.00%)	787,805,352	700,861,861	625,824,136
PFRS	(6.00%, 7.00%, 8.00%)	7,844,686,551	6,248,629,514	4,918,890,873
POPF	(2.93%, 3.93%, 4.93%)	(2,380,233)	(2,468,905)	(2,549,697)
PERS*	(6.00%, 7.00%, 8.00%)	21,597,041,424	18,803,050,182	16,430,464,991
SPRS	(6.00%, 7.00%, 8.00%)	2,769,028,685	2,215,784,667	1,757,696,653
TPAF	(6.00%, 7.00%, 8.00%)	58,828,334,396	49,492,072,325	41,629,174,739

*Includes the blended component units of New Jersey Building Authority and New Jersey Schools Development Authority.

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS AND ACTIVE EMPLOYEE HEALTH BENEFITS

General Information about the Other Postemployment Benefits (OPEB) Plans:

The State of New Jersey (the State) implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), for Fiscal Year 2018. For additional information regarding the available plans, please refer to the State of New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

In accordance with GASB Statement No. 75, the State has elected to use the prior fiscal year end (June 30, 2024), as the measurement date for reporting purposes.

A. Descriptions of OPEB Plans

State Health Benefit State Retired Employees Plan:

The State Health Benefit State Retired Employees Plan (State Retired OPEB Plan) is a single-employer defined benefit OPEB plan with a special funding situation. The State Retired OPEB Plan is administered on a “pay-as-you-go” basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The State Retired OPEB Plan covers the State, State colleges and universities, the Palisades Interstate Park Commission, and the New Jersey Building Authority (referred to collectively as “the employers”) for which the State is legally obligated to pay for benefits. The State Retired OPEB Plan is treated as a cost-sharing multiple employer plan with a special funding situation for allocating the total OPEB liability and related OPEB amounts since each employer mentioned above is required to issue stand-alone financial statements. The State Retired OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of the employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

In accordance with N.J.S.A. 52:14-17.32, the State is required to pay the premiums or periodic charges for health benefits of State employees who retire with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Judicial Retirement System (JRS), the State Police Retirement System (SPRS), the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen’s Retirement System (PFRS), and the Alternate Benefit Program (ABP). In addition, N.J.S.A. 52:14-17.26 provides that for purposes of the State Retired OPEB Plan, an employee of Rutgers, the State University of New Jersey, and New Jersey Institute of Technology shall be deemed to be an employee of the State. Further, P.L.1966, c.302, addresses the other State colleges and universities, whereas while these institutions were provided autonomy from the State, their employees retained any and all rights to health benefits within the State Retired OPEB Plan and are therefore classified as State employees.

N.J.S.A. 34:14 states that employees of the Palisades Interstate Park Commission whose salary is paid in full from funds appropriated by the State shall be deemed to be employees of the State.

Pursuant to P.L.2011, c.78, future retirees eligible for postemployment medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

State Health Benefit Local Education Retired Employees Plan:

The State Health Benefit Local Education Retired Employees Plan (Local Education Retired OPEB Plan) is a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation. The Local Education Retired OPEB Plan is administered on a “pay-as-you-go” basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Local Education Retired OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of local education employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to this law, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: TPAF, PERS, PFRS, or ABP.

Pursuant to P.L.2011, c.78, future retirees eligible for postemployment medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

State Health Benefit Local Government Retired Employees Plan:

The State Health Benefit Local Government Retired Employees Plan (Local Government Retired OPEB Plan) is a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation. The Local Government Retired OPEB Plan is administered on a "pay-as-you-go" basis; therefore, there is no prefunding of the OPEB liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. The Local Government Retired OPEB Plan covers employees of local government employers that have adopted a resolution to participate in this plan, as well as the employees' covered dependents. The Local Government Retired OPEB Plan provides medical and prescription drug coverage to local police officers and firefighters, who retire with 25 years of service or on a disability retirement from an employer who does not provide postretirement medical coverage. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

In accordance with P.L.1997, c.330, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability pension from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the State of New Jersey Division of Pensions and Benefits in order for their employees to qualify for State-paid retiree health benefits coverage under this law. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under P.L.1989, c.271.

Pursuant to P.L.2011, c.78, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Employees Covered by Benefit Terms

The following employees were covered by benefit terms as of the measurement date:

	<u>State Retired OPEB Plan</u>	<u>Local Education Retired OPEB Plan</u>	<u>Local Government Retired OPEB Plan*</u>
Active employees	90,965	219,185	15,460
Inactive employees or beneficiaries currently receiving benefit payments	50,858	153,556	4,374
Total Plan Members	<u>141,823</u>	<u>372,741</u>	<u>19,834</u>

*Includes the New Jersey Schools Development Authority.

B. Aggregate OPEB Amounts

The following table represents the aggregate OPEB amounts for the aforementioned plans for the fiscal year ended June 30, 2025:

<u>Aggregate OPEB Amounts - All Plans</u>	
OPEB liability	\$ 88,562,970,257
Deferred outflows of resources related to OPEB	30,656,750,063
Deferred inflows of resources related to OPEB	39,531,774,107
<u>OPEB Expense (Benefit) - All Plans</u>	
State Retired OPEB Plan	\$ (202,026,745)
Local Education Retired OPEB Plan	1,999,742,665
Local Government Retired OPEB Plan*	(534,944,687)
Total	<u>\$ 1,262,771,233</u>

* Includes the New Jersey Schools Development Authority.

C. Special Funding Situations

State Health Benefit State Retired Employees Plan:

The State is legally required to pay for the OPEB benefit coverage for eligible retirees of the various State colleges and universities. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. The State, as a nonemployer contributing entity, reported a Fiscal Year 2025 total OPEB liability of \$6,299,549,546 for this special funding situation.

State Health Benefit Local Education Retired Employees Plan:

The State is legally required to pay for the OPEB benefit coverage for the participating local education employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. The State, as a nonemployer contributing entity, reported a Fiscal Year 2025 total OPEB liability of \$59,650,630,530 for this special funding situation.

State Health Benefit Local Government Retired Employees Plan:

The State is legally required to pay for the OPEB benefit coverage for the qualified local police officer and firefighter retirees and dependents under P.L.1997, c.330 and P.L.1989, c.271. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. The State, as a nonemployer contributing entity, reported a Fiscal Year 2025 net OPEB liability of \$4,876,644,957 for this special funding situation.

Under P.L.1997, c.330, the State shall pay the premium or periodic charges for the qualified local police officers and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under P.L.1989, c.271.

D. Total OPEB Liability

The State of New Jersey reported a total OPEB liability of \$83,658,249,203, determined by an actuarial valuation as of July 1, 2023, which was rolled forward to the measurement date.

	State Retired OPEB Plan	Local Education Retired OPEB Plan	Total
Total OPEB Liability - Beginning	\$ 20,991,549,032	\$ 52,361,668,239	\$ 73,353,217,271
Changes for the Year:			
Service cost	674,067,072	2,152,062,729	2,826,129,801
Interest on total OPEB liability	777,822,958	1,963,557,443	2,741,380,401
Difference between expected and actual experience	(323,994,655)	158,934,425	(165,060,230)
Changes of assumptions	2,605,398,311	4,462,660,491	7,068,058,802
Contributions - member	49,659,405	51,347,810	101,007,215
Benefit payments	(766,883,450)	(1,499,600,607)	(2,266,484,057)
Net Changes in Total OPEB Liability	<u>3,016,069,641</u>	<u>7,288,962,291</u>	<u>10,305,031,932</u>
Total OPEB Liability - Ending	<u>\$ 24,007,618,673</u>	<u>\$ 59,650,630,530</u>	<u>\$ 83,658,249,203</u>

E. Net OPEB Liability

The State of New Jersey reported a net OPEB liability of \$4,904,721,054, determined by an actuarial valuation as of July 1, 2023, which was rolled forward to the measurement date.

	Local Government Retired OPEB Plan*
Total OPEB Liability - Beginning	\$ 3,533,327,705
Changes for the Year:	
Service cost	149,311,870
Interest on total OPEB liability	151,876,426
Changes in benefit terms	29,493,485
Difference between expected and actual experience	111,895,437
Changes of assumptions	475,528,380
Changes in proportion	597,531,898
Contributions - member	17,628,866
Benefit payments	<u>(152,674,824)</u>
Net Changes in Total OPEB Liability	<u>1,380,591,538</u>
Total OPEB Liability - Ending	<u><u>\$ 4,913,919,243</u></u>
Plan Fiduciary Net Position - Beginning	\$ 20,216,831
Contributions - employer and nonemployer	126,624,917
Contributions - member	17,628,866
Net investment (loss) income	448,231
Benefit payments	(152,674,824)
Administrative expense	<u>(3,045,832)</u>
Net Change in Plan Fiduciary Net Position	<u>(11,018,642)</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 9,198,189</u></u>
Net OPEB Liability - Ending	<u><u>\$ 4,904,721,054</u></u>

*Includes the New Jersey Schools Development Authority.

F. Actuarial Assumptions and Other Inputs

The OPEB liability was determined by actuarial valuation as of July 1, 2023, with the results rolled forward to the measurement date using the following actuarial assumptions. These assumptions vary for each plan member depending on the pension plan the member is enrolled in and are based on normal entry age into the plan. These assumptions are based on the results of actuarial experience studies for the period of July 1, 2018 through June 30, 2021 for the JRS, SPRS, TPAF/ABP, PERS, and the PFRS.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	State Retired OPEB Plan				
	JRS	SPRS	TPAF/ABP	PERS	PFRS
Salary increases:					
Through fiscal year	2025	All future years	All future years	All future years	All future years
Rate	2.00%	2.75% - 6.75% based on years of service	2.75% - 4.25% based on years of service	2.75% - 6.55% based on years of service	3.25% - 16.25% based on years of service
Thereafter	2.75%	Not Applicable	Not Applicable	Not Applicable	Not Applicable

	Local Education Retired OPEB Plan			Local Government Retired OPEB Plan*	
	TPAF/ABP	PERS	PFRS	PERS	PFRS
Salary increases:					
Through fiscal year	All future years	All future years	All future years	All future years	All future years
Rate	2.75% - 5.65% based on years of service	2.75% - 6.55% based on years of service	3.25% - 16.25% based on years of service	2.75% - 6.55% based on years of service	3.25% - 16.25% based on years of service
Thereafter	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

* PERS includes retirees from the New Jersey Schools Development Authority and PFRS includes retirees covered under P.L. 1997, c.330

Discount Rate

The discount rate for all OPEB plans was 3.93 percent. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality Rates

State Retired OPEB Plan:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Safety" for SPRS/PFRS, Healthy "Teachers" for TPAF/ABP, and Healthy "General" for JRS/PERS classification headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rate for all retirees was based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality rates were based on the Pub-2010 Disabled "Safety" for future SPRS/PFRS, Disabled "Teachers" for future TPAF/ABP, and Disabled "General" for all current disabled retirees and future JRS/PERS classification headcount-weighted disabled mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2021.

Local Education Retired OPEB Plan:

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Safety” for PFRS, Healthy “Teachers” for TPAF/ABP, and Healthy “General” for PERS classification headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rate for all retirees was based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality rates were based on the Pub-2010 Disabled “Safety” for future PFRS, Disabled “Teachers” for future TPAF/ABP, and Disabled “General” for all current disabled retirees and future PERS classification headcount-weighted disabled mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2021.

Local Government Retired OPEB Plan:

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Safety” for PFRS and Healthy “General” for PERS classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rates for Chapter 330 retirees were based on the Pub-2010 Healthy “Safety” for PFRS, “General” for all other retirees classification headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality rates for current Chapter 330 retirees and future PFRS were based on the Pub-2010 Disabled “Safety” and future PERS and all current disabled retirees were based on Disabled “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Health Care Trends

State Retired OPEB Plan:

The trend rate for pre-Medicare medical benefits is initially 7.50 percent and decreases to a 4.50 percent long-term trend rate after nine years for all OPEB plans. For post 65 medical benefits PPO, the trend is initially 3.06 percent in Fiscal Year 2025, increasing to 21.39 percent in Fiscal Year 2027 and decreasing to 4.50 percent in Fiscal Year 2034. The HMO trend is initially 2.65 percent in Fiscal Year 2025, increasing to 24.11 percent in Fiscal Year 2027 and decreasing to 4.50 percent in Fiscal Year 2034. For prescription drug benefits, the initial trend rate is 12.25 percent and decreases to a 4.50 percent long-term trend rate in Fiscal Year 2034. In addition, the Medicare Part B reimbursement trend rate is 5.0 percent.

Local Education Retired OPEB Plan:

The trend rate for pre-Medicare medical benefits is initially 7.50 percent and decreases to a 4.50 percent long-term trend rate after nine years for all OPEB plans. For post 65 medical benefits PPO, the trend is initially 3.45 percent in Fiscal Year 2025, increasing to 19.36 percent in Fiscal Year 2027 and decreasing to 4.50 percent in Fiscal Year 2034. The HMO trend is initially 2.95 percent in Fiscal Year 2025, increasing to 22.88 percent in Fiscal Year 2027 and decreasing to 4.50 percent in Fiscal Year 2034. For prescription drug benefits, the initial trend rate is 12.25 percent and decreases to a 4.50 percent long-term trend rate in Fiscal Year 2034. In addition, the Medicare Part B reimbursement trend rate is 5.0 percent.

Local Government Retired OPEB Plan:

The trend rate for pre-Medicare medical benefits is initially 7.50 percent and decreases to a 4.50 percent long-term trend rate after nine years for all OPEB plans. For post 65 medical benefits PPO, the trend is initially 2.42 percent in Fiscal Year 2025, increasing to 22.62 percent in Fiscal Year 2027 and decreasing to 4.50 percent in Fiscal Year 2034. The HMO trend is initially 2.25 percent in Fiscal Year 2025, increasing to 23.58 percent in Fiscal Year 2027 and decreasing to 4.50 percent in Fiscal Year 2034. For prescription drug benefits, the initial trend rate is 12.25 percent and decreases to a 4.50 percent long-term trend rate in Fiscal Year 2034.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of the measurement date:

	At 1% Decrease (2.93%)	At Current Discount Rate (3.93%)	At 1% Increase (4.93%)
State Retired OPEB Plan	\$ 27,781,916,568	\$ 24,007,618,673	\$ 20,943,770,844
Local Education Retired OPEB Plan	69,863,663,542	59,650,630,530	51,437,232,141
Total	\$ 97,645,580,110	\$ 83,658,249,203	\$ 72,381,002,985

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate as of the measurement date:

	<u>At 1% Decrease (2.93%)</u>	<u>At Current Discount Rate (3.93%)</u>	<u>At 1% Increase (4.93%)</u>
Local Government Retired OPEB Plan*	\$ 5,713,471,427	\$ 4,904,721,054	\$ 4,256,983,880

*Includes the New Jersey Schools Development Authority.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates as of the measurement date:

	<u>At 1% Decrease</u>	<u>At Current Health Care Trend Rate</u>	<u>At 1% Increase</u>
State Retired OPEB Plan	\$ 20,328,727,982	\$ 24,007,618,673	\$ 28,675,597,666
Local Education Retired OPEB Plan	49,689,409,509	59,650,630,530	72,625,778,279
Total	<u>\$ 70,018,137,491</u>	<u>\$ 83,658,249,203</u>	<u>\$ 101,301,375,945</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates as of the measurement date:

	<u>At 1% Decrease</u>	<u>At Current Health Care Trend Rate</u>	<u>At 1% Increase</u>
Local Government Retired OPEB Plan*	\$ 4,148,392,888	\$ 4,904,721,054	\$ 5,877,146,524

*Includes the New Jersey Schools Development Authority.

G. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025, the State recognized OPEB expense of \$1,262,771,233. At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>State Retired OPEB Plan</u>		<u>Local Education Retired OPEB Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,887,587,440	\$ 6,204,053,843	\$ 6,378,932,312	\$ 11,139,706,892
Changes of assumptions	4,607,333,521	3,920,440,131	10,004,978,073	11,662,607,882
Net difference between projected and actual investment earnings on OPEB plan investments	-	-	-	-
Changes in proportion and differences between actual and proportionate share of contributions	710,654,429	710,654,429	2,256,535,401	2,256,535,401
Benefit payments subsequent to the measurement date	743,441,758	-	1,543,421,129	-
Total	<u>\$ 7,949,017,148</u>	<u>\$ 10,835,148,403</u>	<u>\$ 20,183,866,915</u>	<u>\$ 25,058,850,175</u>

	Local Government Retired OPEB Plan*		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 248,389,470	\$ 831,028,452	\$ 8,514,909,222	\$ 18,174,789,187
Changes of assumptions	819,976,508	814,152,727	15,432,288,102	16,397,200,740
Net difference between projected and actual investment earnings on OPEB plan investments	-	2,220,201	-	2,220,201
Changes in proportion and differences between actual and proportionate share of contributions	1,397,939,131	1,990,374,149	4,365,128,961	4,957,563,979
Benefit payments subsequent to the measurement date	57,560,891	-	2,344,423,778	-
Total	\$ 2,523,866,000	\$ 3,637,775,529	\$ 30,656,750,063	\$ 39,531,774,107

*Includes the New Jersey Schools Development Authority.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year Ending June 30,

Year	State Retired OPEB Plan	Local Education Retired OPEB Plan	Local Government Retired OPEB Plan*	Total
2026	\$ (1,519,205,182)	\$ (2,115,877,507)	\$ (685,315,464)	\$ (4,320,398,153)
2027	(1,121,331,744)	(1,774,175,666)	(457,709,313)	(3,353,216,723)
2028	(270,961,363)	(842,677,045)	(343,207,847)	(1,456,846,255)
2029	(357,258,344)	221,470,185	(149,924,809)	(285,712,968)
2030	(675,537,410)	(1,537,725,697)	101,000,308	(2,112,262,799)
Thereafter	314,721,030	(369,418,659)	363,686,705	308,989,076
Total	\$ (3,629,573,013)	\$ (6,418,404,389)	\$ (1,171,470,420)	\$ (11,219,447,822)

*Includes the New Jersey Schools Development Authority.

H. Active Employee Health Benefits

The State sponsors and administers the State Health Benefits Program (SHBP). The following programs cover substantially all State and local government employees:

State Health Benefits Program Fund – Local Education Active (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.46a established the School Employees Health Benefits Program Fund which provides medical coverage to qualified active education participants. Also, education employees are eligible for the Prescription Drug Program coverage after 60 days of employment.

State Health Benefits Program Fund – Local Government Active (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.38b established rules allowing for the participation of non-State employers to participate in the SHBP. Also, local employees are eligible for the Prescription Drug Program coverage after 60 days of employment.

State Health Benefits Program Fund – State Active (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.25 provides medical coverage to qualified active State participants. The Prescription Drug Program 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 prescription written by a physician. State employees are eligible for Prescription Drug Program coverage after 60 days of employment.

NOTE 18 - COMPONENT UNITS

A. Authorities

Managed independently of the appropriated budget process, the Authorities are legally separate entities with powers generally vested in a governing board. Established for the benefit of the State's citizenry, Authorities exist for a variety of purposes such as financing economic development, public transportation, low-cost housing, environmental protection, and capital development for health and education. Unlike the State itself, Authorities are not subject to State constitutional restrictions on the incurrence of debt; however, similar to the State, Authorities may issue bonds and notes within legislatively authorized amounts.

With the approval of the State Senate, the Governor appoints the members of the board of most Authorities. Authorities generally submit annual reports to the Governor, the State Legislature, and the Director, Division of Budget and Accounting on their operations and finances accompanied by an independent auditor's report thereon. Authorities also submit annual budget information on operations and capital construction to the Governor and the State Legislature. From time to time, the Governor has exercised the statutory power to veto actions.

The activities of the Garden State Preservation Trust, the New Jersey Building Authority, the New Jersey Schools Development Authority, the New Jersey Transportation Trust Fund Authority, and the Tobacco Settlement Financing Corporation have been blended into the financial activities of the State as Special Revenue Funds.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, all other Authorities have been presented discretely as major and non-major component units in the State's financial statements. These component units are included in the State's reporting entity because of the significance of their operational or financial relationship with the State. Financial statements for the Authorities are derived from their most recently issued financial statements. Descriptions of the discretely presented Authorities, addresses and websites from which separately issued audited financial statements and accompanying notes may be obtained, are provided below:

Casino Reinvestment Development Authority (N.J.S.A. 5:12-153)
15 S. Pennsylvania Avenue
Atlantic City, New Jersey 08401
njcrda.com

The Casino Reinvestment Development Authority (CRDA) was created to maintain public confidence in the casino gaming industry as a tool of urban redevelopment throughout New Jersey, and to facilitate the direct redevelopment of blighted areas by providing eligible projects in which licensees (casinos) can invest. CRDA encourages investment in, or financing of, projects which are made as part of a comprehensive plan to improve blighted areas or targeted to benefit low-income through middle-income residents. CRDA is also responsible for promoting the tourist industry in New Jersey, especially in Atlantic County.

Within the Atlantic City Tourism District, the Authority has jurisdiction to implement initiatives to promote cleanliness, safety and commercial development, institute coordinated public safety improvements, undertake redevelopment projects, adopt a tourism district master plan and impose use regulations.

Higher Education Student Assistance Authority (N.J.S.A. 18A:71A-1 et. seq.)
4 Quakerbridge Plaza, P.O. Box 545
Trenton, New Jersey 08625-0545
hesaa.org

New Jersey's Higher Education Student Assistance Authority (HESAA) was established to provide a single statewide agency for the coordination and delivery of student financial assistance. HESAA serves as the Guaranty Agency for the Federal Family Education Loan (FFEL) program and the issuer of State of New Jersey College Loans to Assist State Students (NJCLASS) supplementary loan program. In addition to administering the delivery of a number of needs-based and merit-based State scholarship programs, to include Tuition Aid Grants (TAG), New Jersey Student Tuition Assistance Reward Scholarship (NJSTARS), and World Trade Center Scholarship Fund, HESAA oversees the State's 529 College Savings Program, known as the New Jersey Better Educational Savings Trust (NJBEST).

New Jersey Economic Development Authority (N.J.S.A. 34:1B-4)
36 West State Street, P.O. Box 990
Trenton, New Jersey 08625-0990
njeda.gov

The New Jersey Economic Development Authority is authorized to arrange long-term, low-interest financing, as well as other forms of assistance to private firms and companies, for the purpose of maintaining and expanding employment opportunities and enlarging New Jersey's tax base for State and local governments.

New Jersey Educational Facilities Authority (N.J.S.A. 18A:72A-4)
5 Vaughn Drive, Suite 300
Princeton, New Jersey 08540-6612
nj.gov/njefa

The New Jersey Educational Facilities Authority (NJEFA) provides a means for New Jersey public and independent colleges and universities to construct additional facilities through the financial resources of a public authority empowered to sell their debt instruments (bonds, notes, and other obligations). NJEFA may finance academic and auxiliary facilities for the State's public and independent institutions of higher education.

New Jersey Health Care Facilities Financing Authority (N.J.S.A. 26:2I-4)
22 South Clinton Avenue, Station Plaza, Bldg. #4
P.O. Box 366
Trenton, New Jersey 08625-0366
nj.gov/njhcffa

The New Jersey Health Care Facilities Financing Authority provides low-cost capital financing for the State's public and private not-for-profit health care institutions.

New Jersey Housing and Mortgage Finance Agency (N.J.S.A. 55:14K-4)
637 South Clinton Avenue, P.O. Box 18550
Trenton, New Jersey 08650-2085
nj.gov/dca/hmfa

The Housing and Mortgage Finance Agency (HMFA) makes mortgage and improvement loans to nonprofit and limited dividend sponsors for the construction or major rehabilitation of rental apartment housing for low-income through moderate-income families and senior citizens. In addition to providing financing, HMFA monitors and provides technical support in the planning, construction, and management of all developments in its portfolio. Its mortgage loan funds come from the sale of tax-exempt revenue bonds.

In promoting the availability of affordable homeownership financing, HMFA also provides low-interest mortgage and improvement loans to eligible residents throughout the State. Proceeds from the sale of tax-exempt mortgage revenue bonds enable the Agency to finance the purchase and improvement of one to four unit residences.

New Jersey Infrastructure Bank (N.J.S.A. 58:11B-4)
3131 Princeton Pike, Bldg. 4, Suite 216
Lawrenceville, New Jersey 08648-2201
njib.gov

On October 14, 2016, the Governor signed into law an amendment of the Trust Enabling Act. The amendments changed the name of the Trust to the New Jersey Infrastructure Bank and authorized the Trust to fund local transportation infrastructure projects in addition to environmental infrastructure projects with separately appropriated funds.

The New Jersey Infrastructure Bank provides low-cost financing for the construction of infrastructure projects that enhance and protect ground and surface water resources, ensure the safety of drinking water supplies, and make possible responsible and sustainable economic development.

Working in partnership with the New Jersey Department of Environmental Protection and the New Jersey Department of Transportation, the New Jersey Infrastructure Bank has devised a system to leverage the funds available from the federal government to make money available at the lowest possible cost. The financing program has provided funds to local and county government units, as well as some private water companies, to finance wastewater systems, combined sewer overflow abatement, nonpoint source pollution control, safe drinking water supplies, open space acquisition and transportation infrastructure projects.

New Jersey Redevelopment Authority (P.L. 1996, c.62)
150 West State Street, 2nd Floor, P.O. Box 790
Trenton, New Jersey 08625-0790
njra.us

The New Jersey Redevelopment Authority provides assistance in the redevelopment and revitalization of New Jersey cities. The Authority provides financial, managerial, and technical assistance to persons, firms, or corporations that wish to undertake industrial, commercial, or civic projects within qualified municipalities.

New Jersey Sports and Exposition Authority (N.J.S.A. 5:10-4)
One DeKorte Park Plaza
P.O. Box 640
Lyndhurst, New Jersey 07071
njsea.com

The New Jersey Sports and Exposition Authority (NJSEA) owns, operates, and manages a variety of sports, entertainment, wagering, and convention facilities throughout New Jersey; it also has been responsible for the financing, construction, and management of the Meadowlands Racetrack, the IZOD Center, and the MetLife stadium. In addition to being authorized to issue bonds and notes and provide the terms and security thereof, NJSEA is charged with the responsibility to own, operate, and build various facilities for athletic and entertainment events, trade shows, and other expositions located throughout the State. Effective February 5, 2015, the New Jersey Meadowlands Commission merged and became part of the New Jersey Sports and Exposition Authority.

New Jersey Transit Corporation (N.J.S.A. 27:25-1)
One Penn Plaza East
Newark, New Jersey 07105-2246
njtransit.com

New Jersey Transit Corporation (NJ TRANSIT) is empowered to acquire, own, operate, and contract for the operation of public transportation services. Both the State, by legislative appropriation, and the federal government, by defined formula grants under the Federal Transit Administration, provide NJ TRANSIT with operating subsidies. NJ TRANSIT uses these subsidies to operate public transportation services through bus and commuter rail subsidiaries.

NJ TRANSIT also contracts with several motor bus carriers for certain transportation services; under these contracts, NJ TRANSIT has the right to set fares and coordinate service levels and schedules. In addition, NJ TRANSIT contracts with the National Railroad Passenger Corporation (Amtrak) for the use of Amtrak's Northeast Corridor, including the cost of maintaining right-of-way as well as propulsion costs.

New Jersey Turnpike Authority (N.J.S.A. 27:23-3)
1 Turnpike Plaza, P.O. Box 5042
Woodbridge, New Jersey 07095-5042
njta.com

The New Jersey Turnpike Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations established by law. Subject to prior approval by the Governor and by either or both the State Treasurer and the Director, Division of Budget and Accounting, the Authority also may issue turnpike revenue bonds or notes that are payable solely from Authority tolls and other revenues.

New Jersey Water Supply Authority (N.J.S.A. 58:1B-1)
1851 State Route 31, P.O. Box 5196
Clinton, New Jersey 08809
njwsa.org

The New Jersey Water Supply Authority is authorized to acquire, finance, construct, and operate water supply systems. The Authority currently operates and maintains the Delaware and Raritan Canal Transmission Center, the Spruce Run/Round Valley Reservoirs Complex, and the Manasquan Reservoir Water Supply System. Upon the request of a municipality, county, the State, or agencies thereof, the Authority may enter into a contract to provide services for any water system project. All projects undertaken by the Authority shall conform to the recommendations of the New Jersey Statewide Water Supply Plan. Bonds of the Authority may be issued to finance these projects, and the debt service on the bonds is payable from the revenues and other funds of the Authority.

South Jersey Port Corporation (N.J.S.A. 12:11A-2)
2 Aquarium Drive, Suite 100
Camden, New Jersey 08103
southjerseyport.com

The South Jersey Port Corporation is empowered to establish, acquire, construct, rehabilitate, improve, operate, and maintain marine terminals in the South Jersey Port District, to include Mercer, Burlington, Camden, Gloucester, Salem, Cumberland, and Cape May counties. To this end, the Corporation may issue tax-exempt revenue bonds subject to the provisions and restrictions of its Marine Terminal Bond Resolution, which mandates the distribution of funds to various Port Corporation funds.

South Jersey Transportation Authority (P.L. 1991, c.252)
Farley Service Plaza, P.O. Box 351
Hammonton, New Jersey 08037
sjta.com

The South Jersey Transportation Authority is authorized and empowered to acquire, construct, maintain, operate, and support transportation projects to include the Atlantic City Expressway, the Atlantic City International Airport terminal, and the parking facilities in Atlantic City. Subject to prior approval by the Governor and by either or both the State Treasurer and the Director, Division of Budget and Accounting, the Authority also may issue revenue bonds or notes, which are payable solely from Authority tolls and other revenues.

University Hospital (P.L. 2012, c.45)
150 Bergen Street
Newark, New Jersey 07103
uhnj.org

In accordance with Public Law 2012, c.45, the “New Jersey Medical and Health Science Education and Restructuring Act” (the Restructuring Act), effective July 1, 2013, University Hospital (the Hospital), a public institution of healthcare and a body politic of the State of New Jersey was separated from University of Medicine and Dentistry of New Jersey as a new stand-alone entity and is the primary teaching hospital for the Newark-based schools of the Rutgers School of Biomedical and Health Sciences. The Hospital shall maintain its public mission to provide a comprehensive healthcare program and services in collaboration with the Newark-based schools of the Rutgers School of Biomedical and Health Sciences. The Hospital is committed to act in accordance with the spirit and intent of the “Agreements Reached between Community and Government Negotiators Regarding New Jersey College of Medicine and Dentistry and Related Matters of April 30, 1968.”

B. Colleges and Universities

Enactment of P.L. 1986, c.42 and c.43, provided autonomous status for New Jersey’s eight State colleges and universities. Prior to the July 1, 1987 effective date of this legislation, revenues and expenses for these public institutions of higher education were included in the General Fund of the State of New Jersey.

The financial statements of all eleven of the State’s Senior Public institutions of higher education (three Public Research universities and the aforementioned eight State colleges and universities) have been prepared in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. Due to the significance of their operational or financial relationships and fiscal dependency with the State, these component units are included in the State’s reporting entity. State appropriations, tuition, federal grants, and private donations and grants provide funding for these institutions. Based upon the relative size of assets, liabilities, revenues, and expenses in relation to the total, the financial statements of these institutions have been presented discretely in either the major or non-major categories in both the Statement of Net Position and the Statement of Activities. In addition, pursuant to GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the financial statements of all eleven institutions include financial activities related to their foundations and other similar organizations.

Separately issued independent audited financial statements and accompanying notes may be obtained directly from the State's Senior Public institutions of higher education at the following addresses and websites:

The College of New Jersey
(N.J.S.A. 18A:62-1)
2000 Pennington Road
Ewing, New Jersey 08628-0718
tcnj.edu

Kean University
(N.J.S.A. 18A:62-1)
1000 Morris Avenue
Union, New Jersey 07083
kean.edu

Montclair State University
(N.J.S.A. 18A:62-1)
One Normal Avenue
Montclair, New Jersey 07043
montclair.edu

New Jersey City University
(N.J.S.A. 18A:62-1)
2039 Kennedy Boulevard
Jersey City, New Jersey 07305
njcu.edu

New Jersey Institute of Technology
(N.J.S.A. 18A:64E-14)
University Heights
Newark, New Jersey 07102-1982
njit.edu

Ramapo College of New Jersey
(N.J.S.A. 18A:62-1)
505 Ramapo Valley Road
Mahwah, New Jersey 07430
ramapo.edu

Rowan University
(N.J.S.A. 18A:62-1)
201 Mullica Hill Road
Glassboro, New Jersey 08028
rowan.edu

Rutgers, The State University of New Jersey
(N.J.S.A. 18A:65-1)
University Accounting, West Wing, 2nd floor
33 Knightsbridge Road
Piscataway, New Jersey 08854
rutgers.edu

Stockton University
(N.J.S.A. 18A:62-1)
101 Vera King Farris Drive
Galloway, New Jersey 08205-9441
stockton.edu

Thomas Edison State University
(N.J.S.A. 18A:62-1)
111 West State Street
Trenton, New Jersey 08608
tesu.edu

William Paterson University of New Jersey
(N.J.S.A. 18A:62-1)
300 Pompton Road
Wayne, New Jersey 07470
wpunj.edu

NOTE 19 - CONTINGENT LIABILITIES

General Fund

At any given time, there are various numbers of tort, contract, and other claims and cases pending against the State, State agencies, and employees, seeking recovery of monetary damages. The claims filed can represent significant amounts and include, but are not limited to, issues regarding pensions and education funding. The majority of these claims have historically proven to be substantially less value than originally claimed. The State does not formally estimate its reserve representing potential exposure for these claims and cases. As of June 30, 2025, the exact amount involved in these legal proceedings is not fully determinable.

Unapplied overpayments of Corporation Business Tax are recorded when a final determination is made as to the ultimate disposition of the overpayment. These overpayments only become a liability based upon a taxpayer filing a request for the refund. As of June 30, 2025, there were approximately \$2,037.0 million of overpayments.

New Jersey Lawyers' Fund for Client Protection

Claims of approximately \$4.5 million have been filed against this Fund by individuals and companies seeking reimbursement for losses resulting from the alleged dishonest conduct by members of the Bar of the State of New Jersey. Under present rules and regulations of the Fund, the total maximum amount that may be awarded from this Fund is \$3.0 million. The ultimate disposition of these claims is not determinable at this time.

New Jersey Spill Compensation Fund

Various claims totaling approximately \$29.2 million have been filed against this Fund by third parties for damages caused by spills. In addition, there are a number of similar claims for unspecified dollar amounts which are pending. The ultimate disposition of these claims is not determinable at this time.

Property Tax Relief Fund

Unapplied overpayments of Gross Income Tax are recorded when a final determination is made as to the ultimate disposition of the overpayment. These overpayments only become a liability based upon a taxpayer filing a request for the refund. As of June 30, 2025, there were approximately \$5.268.0 million of overpayments.

Sanitary Landfill Facility Contingency Fund

Various claims totaling approximately \$4.9 million have been filed against this Fund by individuals, local municipalities, and school districts. In addition, there are a number of similar claims for unspecified dollar amounts which are pending. The ultimate disposition of these claims is not determinable at this time.

Medical Malpractice Self Insurance Fund

The State has the ultimate liability for tort and malpractice claims in excess of the resources of the Fund. The University of Medicine and Dentistry of New Jersey (UMDNJ) – Self-Insurance Reserve Fund was dissolved as of July 1, 2013. A new fund was established, the Medical Malpractice Self-Insurance Fund, which encompasses three successor entities; University Hospital, Rowan University, which includes UMDNJ's former school of Osteopathic Medicine, and Rutgers University, which now includes all other components of the former UMDNJ. As of June 30, 2025 projected unpaid claims were \$178.0 million. Fund management is presently evaluating the claims. There has been no determination as to the ultimate amount for which this Fund will be liable.

Capital Projects Funds

Due to delays in construction and design problems, various claims for damages have been filed with respect to the Special Transportation Fund in the amount of \$25.2 million. Fund management is presently evaluating the claims. There has been no determination as to the ultimate amount for which this Fund will be liable.

Federal Programs

Under the terms of various grant awards, expenditures from federal funds are subject to audit. As of June 30, 2025, audits of expenditures for Fiscal Year 2024 and prior years may not be completed. Disallowances which may result from these audits are not determinable at this time. In addition, Medicaid disallowances may be issued during federal Fiscal Year 2025 (which ends

September 30, 2025) or 2026 (which ends September 30, 2026) based on a series of federal Office of the Inspector General program audits of claim documentation and cost allocation methodologies. The Department of Human Services disputes these findings and is taking steps to minimize the final impact of these audits. Twenty audits, which in the aggregate total approximately \$1,127.0 million, are currently in draft or final form but, due to the possible revisions or appeals, the final amounts and timing of any repayments are uncertain. The State is unable at this time to estimate its exposure.

The Adoption Assistance Program provides funds to states to facilitate the timely placement of children with adoptive families whose special needs or circumstances would otherwise make it difficult to place. Authorized under Title IV-E of the Social Security Act, the program provides federal matching funds of 50 percent to the State. Currently, there are approximately 11,898 contracts entered into whereby the State agrees to provide family assistance payments until the child turns 18 or some other ineligibility occurs. Federal money is reimbursed subsequent to the claim approval process. The State is currently obligated to pay approximately \$650.1 million in monthly payments and to receive federal matching funds of approximately \$325.1 million over the life of the contracts.

New Jersey Economic Development Authority Incentive Programs

The State of New Jersey through the New Jersey Economic Development Authority (NJEDA) provides various types of tax incentive programs to qualifying businesses. The objectives are to help stimulate business development, job creation, and community revitalization in New Jersey. The businesses must meet certain statute and program requirements to qualify and must annually certify that all eligibility criteria have been met. There are currently 23 programs approved for future cash or tax incentive credits, some of which have been discontinued, but the approved amounts are still available for future use. As of June 30, 2025, the State approved \$11.3 billion in incentives to be issued through fiscal year 2046, which are subject to each recipient attaining the milestones set forth in each respective program. Historically, the full amount of available incentives are not utilized. A portion of the incentives are forfeited or otherwise reduced due to non-compliance. Once earned, the tax incentive credits can be utilized to offset corporation business tax, insurance premium tax, and in some instances, gross income tax liabilities. For more information, please see njeda.gov/financing-and-incentives.

NOTE 20 - SUBSEQUENT EVENTS

Long-term Obligations

On October 30, 2025, the New Jersey Transportation Trust Fund Authority issued \$1,500.0 million of Transportation Program Bonds 2025 Series AA. Interest on the bonds ranges from 5.0 to 5.3 percent per annum and is payable on June 15 and December 15, commencing on December 15, 2025.

Other

On August 7, 2025, Fitch affirmed an A+ credit rating on the State's general obligation bonds, with a stable outlook. On August 11, 2025, S&P Global Ratings upgraded New Jersey's general obligation bonds credit rating to A+ from A. On September 17, 2025, Moody's upgraded its rating on the State's general obligation bonds to Aa3 from A1, revising the outlook from positive to stable. Overall, New Jersey has received nine credit rating upgrades since March 2022.

On September 11, 2025, Governor Phil Murphy signed legislation that splits the Department of Military and Veterans Affairs into two distinct cabinet departments. A newly created Department of Veterans Affairs will provide services and benefits for veterans and their families. The Department of Military Affairs will remain in control of military operations. The law took effect on January 9, 2026.

On January 12, 2026, Governor Phil Murphy signed a bill into law advancing the merger of Kean University and New Jersey City University. The merger is expected to be completed by July 1, 2026; it still requires approval from the Middle States Commission on Higher Education and the U.S. Department of Education.