

**TEACHERS' PENSION AND ANNUITY FUND
OF NEW JERSEY**

June 30, 2002 Actuarial Valuation Report

Board of Trustees
March 10, 2003
Page 2

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Variability of Results

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Certification

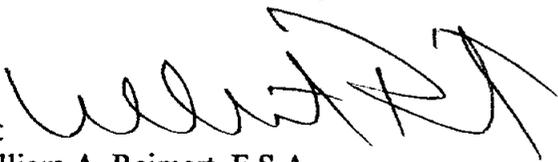
We hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices based on actuarial assumptions and methods adopted by the Board or mandated by statute.

We are members of the American Academy of Actuaries and meet its Qualification Standard to render this actuarial opinion.

Respectfully submitted,

MILLIMAN USA, INC.

By: *Scott Porter*
Scott F. Porter, A.S.A.
Member American Academy of Actuaries

By: 
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TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

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TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

A. Summary of Principal Results

	PARTICIPANT DATA				
	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>	<u>Percentage</u>	
	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Change</u>	
				<u>2001 to 2002</u>	
				<u>2000 to 2001</u>	
				<u>Percentage</u>	
				<u>Change</u>	
				<u>2000 to 2001</u>	
Active Contributing Members					
Number	131,410	126,079	121,145	4.2 %	4.1 %
Number of Veteran Members	2,109	2,298	2,560	(8.2)	(10.2)
Average Pay	\$ 55,935	\$ 55,122	\$ 54,259	1.5	1.6
Total Payroll	7,350,386,281	6,949,781,636	6,573,196,597	5.8	5.7
Total Appropriation Payroll	7,348,993,141	6,948,381,383	6,571,641,181	5.8	5.7
Average Member Accumulated Contributions	42,043	41,190	39,870	2.1	3.3
Total Member Accumulated Contributions	5,524,899,039	5,193,145,446	4,830,001,781	6.4	7.5
Active Non-Contributing Members					
Number	10,750	9,771	8,842	10.0 %	10.5 %
Number of Veteran Members	105	132	125	(20.5)	5.6
Average Pay	\$ 38,670	\$ 37,674	\$ 37,061	2.6	1.7
Total Payroll	415,697,475	368,112,230	327,697,493	12.9	12.3
Average Member Accumulated Contributions	17,966	18,380	18,251	(2.3)	0.7
Total Member Accumulated Contributions	193,133,949	179,589,732	161,379,045	7.5	11.3

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

A. Summary of Principal Results (continued)

PARTICIPANT DATA

	June 30, 2002	June 30, 2001	June 30, 2000	Percentage Change 2001 to 2002	Percentage Change 2000 to 2001
	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>		
Service Retirees, Including Domestic Relations Beneficiaries					
Number	50,907	48,785	46,561	4.3 %	4.8 %
Average Annual Pension	\$ 28,268	\$ 24,657	\$ 23,358	14.6	5.6
Total Annual Pensions	1,439,037,117	1,202,870,361	1,087,549,520	19.6	10.6
Average Retirement Age of New Retirees	60.1	59.6	59.8	0.8	(0.3)
Disabled Retirees					
Number	2,032	1,976	1,862	2.8 %	6.1 %
Average Annual Pension	\$ 20,354	\$ 17,891	\$ 17,043	13.8	5.0
Total Annual Pensions	41,359,301	35,352,919	31,734,357	17.0	11.4
Beneficiaries and Dependents					
Number	3,298	3,131	2,942	5.3 %	6.4 %
Average Annual Pension	\$ 16,397	\$ 14,255	\$ 13,549	15.0	5.2
Total Annual Pensions	54,076,253	44,633,358	39,862,525	21.2	12.0
Terminated Vested Participants					
Number	1,161	1,217	1,240	(4.6) %	(1.9) %
Average Annual Pension	\$ 9,067	\$ 8,657	\$ 8,376	4.7	3.4
Total Annual Pensions	10,526,280	10,535,028	10,385,880	(0.1)	1.4

Section I - A

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

A. Summary of Principal Results (continued)

CONTRIBUTIONS

	June 30, 2002	June 30, 2001	June 30, 2000	June 30, 2000	June 30, 2000
	Valuation (State's	Valuation (State's	Valuation (State's	Valuation (State's	Valuation (State's
	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002	Fiscal Year 2002	Fiscal Year 2002
	<u>Contributions)</u>	<u>Contributions)</u>	<u>Contributions)</u>	<u>Contributions)</u>	<u>Contributions)</u>
				2001 to 2002	2000 to 2001
				Change	Change
				Percentage	Percentage
Pension Normal Cost	\$ 448,664,518	\$ 414,912,670	\$ 407,342,804	8.1 %	1.9 %
Excess Assets Available	0	<u>(1,624,594,811)</u>	<u>(2,267,466,199)</u>	<u>(100.0)</u>	<u>(28.4)</u>
Normal Contribution	448,664,518 *	0 *	0	N/A	0.0
Additional Formula Normal Cost	78,734,504	71,281,810	N/A	10.5 %	N/A %
Benefit Enhancement Fund Balance	<u>(761,611,740)</u>	<u>(790,914,950)</u>	N/A	<u>(3.7)</u>	N/A
Additional Formula Contribution	0 *	0 *	N/A	0.0	N/A
Accrued Liability Contribution	35,760,019 *	0 *	0	N/A %	0.0 %
Estimated Post Retirement Medical (PRM)					
Contribution for State	490,815,499	334,164,124	258,295,036	46.9 %	29.4 %
Total State Contribution for Pension and					
Post Retirement Medical	\$ 975,240,036	\$ 334,164,124	\$ 258,295,036	191.8 %	29.4 %
Total Certain State College Contribution	878,648	413,109	399,170	112.7 %	3.5 %
(Included Above)					

* These amounts should be increased for assumed interest at the rate of 8.75% per annum if payment is delayed beyond June 30, 2003 and June 30, 2002, respectively.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

A. Summary of Principal Results (continued)

CONTRIBUTIONS

	June 30, 2002	June 30, 2001	June 30, 2000
	Valuation (State's	Valuation (State's	Valuation (State's
	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002
	<u>Contributions)</u>	<u>Contributions)</u>	<u>Contributions)</u>
	0.0%	2.0%	2.0%
		(100.0) %	0.0 %
		Percentage	Percentage
		Change	Change
		2001 to 2002	2000 to 2001

Employee Contribution Reduction for 2004, 2003 and 2002 calendar years, respectively

Early Retirement Incentive Contributions payable April 1, 2004,

April 1, 2003 and April 1, 2002, respectively

ERI 1 - Local Employers	\$ 10,651,700	\$ 10,651,700	\$ 10,703,581	0.0 %	(0.5) %
ERI 2 - Local Employers	13,154,126	15,322,595	15,320,885	(14.2)	0.0
ERI 3 - Local Employers *	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total	\$ 23,805,826	\$ 25,974,295	\$ 26,024,466	(8.3)	(0.2)

Terminal Funding Contribution payable April 1, 2004

Location #00844

	\$ 49,287	\$ 0	\$ 0	N/A	N/A
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* ERI 3 was introduced by Chapter 23, P.L. 2001 for State employees including NJIT employees. Contributions will be payable beginning April 1, 2005 and will be determined in the 2003 actuarial valuation. The liability as of July 1, 2002 is \$332,072.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

A. Summary of Principal Results (continued)

ASSETS AND LIABILITIES

	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>	<u>Percentage</u>	<u>Percentage</u>
	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Change</u>	<u>Change</u>
				<u>2001 to 2002</u>	<u>2000 to 2001</u>
Market Value of Pension Assets	\$ 27,121,744,264	\$ 30,853,577,329	\$ 35,337,853,377	(12.1) %	(12.7) %
Actuarial Value of Pension Assets	\$ 35,148,246,433	\$ 35,351,379,511	\$ 30,213,776,221	(0.6) %	17.0 %
Actuarial Accrued Liability (Pension only)	\$ 35,146,591,842 *	\$ 32,745,357,185 *	\$ 27,404,618,051	7.3 %	19.5 %
Funded Ratio (based on Market Value)	77.2 %	94.2 %	128.9 %	(17.0) %	(34.7) %
Funded Ratio (based on Actuarial Value)	100.0 %	108.0 %	110.3 %	(8.0) %	(2.3) %

* Reflects revised actuarial assumptions without adjustment on account of phase-in adopted to calculate the normal contribution.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

B. General Comments

This report summarizes the results of the actuarial valuation of the Teacher's Pension and Annuity Fund (TPAF) as of June 30, 2002 excluding the contributory lump sum death benefits.

The required pension contribution has increased to \$484.4 million for the State's fiscal year 2004 from \$0 for the State's fiscal year 2003, the excess assets have decreased from \$1,644.5 million to \$0 as of July 1, 2002 and the 2.0% member contribution reduction has been eliminated. Effective January 1, 2004, the employee contribution rate will return to the 5.0% level. The primary reason for these changes is the adverse investment performance during the last two fiscal years.

As mandated by statute, only 20% of the difference between the expected actuarial value of assets and the market value is recognized in calculating the actuarial value of assets. Due to the significant drop in the equity markets since the market re-start as of 1999 adopted in 2001, the actuarial value of assets as of June 30, 2002 is 130% of market value. If an asset value closer to market value were used in the valuation, the required pension contribution would be significantly higher.

The actuarial accrued liability figures reflect the full additional liability due to pension adjustment benefits for actives, retirees, terminated vested members and beneficiaries. For purposes of calculating employer contributions, the portion of the normal cost attributable to the pension adjustment benefits for active members is reflected separately and its cost is being phased-in over a period beginning with the March 31, 1987 valuation. The current valuation reflects a 44.30% phase-in of the pension adjustment normal cost for active members.

The actuarial accrued liability excludes the liability associated with non-contributory lump sum death benefits since these benefits are financed on a term cost basis. The accrued liability shown for the post retirement medical benefits is the balance in the Post Retirement Medical Fund; an actuarially computed accrued liability was not calculated. The post retirement medical benefits are financed on a modified term cost basis.

This valuation reflects the assumptions developed as a result of the Experience Study covering the period April 1, 1997 – June 30, 2000. For purposes of determining contributions, these revised assumptions are being phased-in over a 3-year period. This valuation reflects the second year of the phase-in. If the assumptions were fully recognized, the required pension contribution would be \$28.4 million higher.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

This valuation reflects the following:

Chapter 353, P.L. 2001 – increased benefits for current and future veteran and disabled members by approximately 9.09%. This chapter increased the actuarial accrued liability by approximately \$226.1 million.

Chapter 23, P.L. 2001 – introduced Early Retirement Incentive III (ERI-3) for State employees who meet the eligibility criteria. There were three categories of eligibility criteria corresponding to various benefit enhancements. A description of this program is included on Page 55 of this report. There were 80 members who retired under the program as of July 1, 2002 which increased the actuarial accrued liability by approximately \$10.2 million.

Chapter 11, P.L. 2001 – reduced the funding requirements for post retirement medical (PRM) benefits for fiscal years 2002 and 2003. This chapter eliminated the 1/2 of 1% payroll contribution and allowed the State to use the balance in the PRM Fund to pay the premiums to the State Health Benefits Fund. The payroll portion of the contribution was also increased to 3/5 of 1% beginning with the 2004 fiscal year. The remaining balance in the PRM Fund as of July 1, 2002 is \$43.9 million.

As of July 1, 2002, the liabilities of the Fund exceeded the valuation assets resulting in no excess assets. Excess assets would first be applied to reductions in member contributions established in prior valuations and then used for current contribution reductions. Since there are no excess assets, no additional member contribution reductions will result from this valuation. Therefore, the member contribution rate will return to 5% (from 3%) effective January 1, 2004. The member contribution reductions established in prior valuations remain unchanged since excess assets existed at those times. The total liability associated with the reductions in future member contributions established in previous valuations (July 1, 2002 to December 31, 2002 and the 2003 calendar year) totals \$214.9 million.

The balance in the Benefit Enhancement Fund (BEF) as of July 1, 2002 prior to reduction for the additional formula normal cost is \$700.3 million. This fund is used to reduce the State's Additional Formula Contribution from Chapter 133, P.L. 2001. The Additional Formula Contribution equals \$72.4 million. Since this is less than the BEF balance, no Additional Formula State Contribution is required in fiscal year 2004. Instead that contribution will be covered by the BEF. The limit on the BEF balance is equal to the present value of estimated additional normal costs due to the formula change. As of July 1, 2002 there are no excess assets, so no additional contributions can be made to the BEF.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

The pension normal cost based on the 1/60 formula payable as of July 1, 2002 is \$412.6 million. This is \$31.1 million more than the comparable normal cost of \$381.5 million payable on July 1, 2001. This increase is due to (1) the continued phase-in of the pension adjustments (\$3.5 million), (2) an increase in the cost of the noncontributory death benefits (\$1.0 million), (3) the continued phase-in of the new assumptions (\$10.6 million) and (4) increases in payroll and the number of active participants (\$16.0 million).

The additional formula normal cost payable as of July 1, 2002 is \$72.4 million. This is \$6.9 million more than the additional formula normal cost of \$65.5 million payable on July 1, 2001. This increase is due to (1) the continued phase-in of the new assumptions (\$1.3 million) and (2) increases in payroll and the number of active participants (\$5.6 million).

The Post Retirement Medical Contribution increased from the \$334.2 million shown in the prior valuation to \$490.8 million. This increase of \$156.6 million is primarily due to (1) the significant increase in the premium rates, (2) use of the PRM asset balance to pay for the 2002 and 2003 fiscal year premiums (which eliminated the investment income credit), and (3) an increase in payroll portion of the contribution. The premium rates increased by approximately 31% for retirees less than 65 and 26% for retirees greater than 65. Chapter 11 also increased the payroll contribution from 1/2 to 3/5 of 1% of payroll.

TPAF experienced an actuarial loss based on full recognition of the assumptions adopted in the 2000 Experience Study for the period July 1, 2001-June 30, 2002 of \$(1,945.6) million, or 5.5% of the Actuarial Accrued Liability as of July 1, 2002. The major factors contributing to this loss are summarized below and are compared the experience for the prior two plan years.

	<u>June 30, 2002</u>	<u>Gain/(Loss)</u> <i>(Amounts in Millions)</i> <u>June 30, 2001</u>	<u>June 30, 2000</u>
Economic Factors:			
Investment Return	\$ (2,006.6)	\$ (1,248.1)	\$ 1,288.2
Salary Increases	226.7	149.0	106.9
COLA Adjustments	40.9	2.2	65.3
Expenses	(10.1)	(8.3)	(33.2)
Demographic Factors:			
Active Members	(119.8)	(210.2)	(165.6)
New Entrants	(61.9)	(51.6)	(45.7)
Non-Contributing Members	(16.6)	(20.1)	(18.2)
Retirees and Beneficiaries	75.4	71.8	54.2
Active Data Changes	<u>(73.6)</u>	<u>(185.0)</u>	<u>(88.5)</u>
Total	\$ (1,945.6)	\$ (1,500.3)	\$ 1,163.4

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

Total pension assets (excluding PRMF) earned investment returns of approximately (8.25)% on a market value basis and 2.98% on an actuarial value basis for the period ending June 30, 2002. The resulting loss to the plan of \$(2,006.6) million represents the shortfall in the actuarial value of assets relative to the 8.75% assumed investment return.

Salary increases for contributory members who were active on both July 1, 2001 and July 1, 2002 averaged 5.10% versus the average anticipated salary scale assumption of 5.95%. Salaries for new entrants averaged \$37,740, which is significantly below the average salary of all contributory members (\$55,935). This resulted in the average salary of all contributory members increasing by only 1.5% over last year, with total contributory payroll growing by 5.8%.

Under Chapter 113, P.L. 1997, certain local employers elected to allow grandfathered employees to retiree with benefits based on compensation in excess of the 401(a)(17) compensation cap. The value of the benefits based on compensation in excess of the compensation cap will be paid by the local employer. During the plan year ended June 30, 2002, one such member retired and the contribution due is \$49,287.

C. Discussion of Supporting Exhibits

Assets

Section II summarizes the System assets taken into account in the preparation of the actuarial valuation. Subsection A summarizes the market value of System assets as of June 30, 2002.

Subsection B reconciles the development of the market value of pension and post retirement medical assets separately, starting from the market values as of June 30, 2001. Subsection C summarizes the development of the actuarial value of pension assets as of July 1, 2002. The exhibit reflects the growth in the pension assets based on the expected investment income at an assumed rate of 8.75% adjusted to reflect 20% of the excess of the market value of pension assets as of the valuation date in excess of the expected actuarial value. The balance in the Post Retirement Medical Fund is added to the actuarial value of pension assets to obtain the actuarial value of total system assets.

Subsection D estimates the annual rate of return for the year ending June 30, 2002 on the actuarial value and the market value of pension assets. Subsection E summarizes the estimated annual rates of return for the five previous plan years. The 5-year compounded

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

annual return on the actuarial value of assets and the market value of assets are 9.56% and 6.44%, respectively.

Liabilities and Contributions

Section III summarizes the actuarial liabilities and the development of the required State contribution for the plan year beginning July 1, 2002. The State is required to make three contributions, a Normal Cost Contribution, an Accrued Liability Contribution and an Additional Formula Normal Cost Contribution, which in general are determined under the Projected Unit Credit funding method. The Normal Cost and Additional Formula Normal Cost under the Projected Unit Credit funding method is defined as the present value of the benefits attributed to the current year. The Normal Cost reflects the phase-in of the cost of pension adjustment benefits. The Unfunded Accrued Liability (Surplus) is determined as the difference between the Actuarial Accrued Liability used to develop contributions and the Adjusted Actuarial Value of Assets (excludes the BEF and the liability for member reductions granted in previous valuations). These liabilities used to develop contributions reflect a 3-year phase-in of the assumptions developed in the 2000 Experience Study. This is the second year of the phase-in.

Subsection A summarizes the development of the Actuarial Accrued Liability as of July 1, 2002 for all current members and indicates the portion of those present values attributable to active participants, retirees and beneficiaries, and terminated vested participants. It also shows the application of the phase-in assumption adjustment to determine the accrued liability for contribution purposes. These liabilities include the full liability for pension adjustment benefits for all members. The non-contributory lump sum death benefits payable from active service, terminated vested status and retiree status have been excluded from the Actuarial Accrued Liability as of July 1, 2002 since those benefits will be funded on a term cost basis. Projected benefits based on compensation in excess of the 401(a)(17) compensation cap for a group of grandfathered employees for certain School Districts under Chapter 113, P.L. 1997 has been included in the determination of the Accrued Liability.

Subsection A also indicates the balance in the Post Retirement Medical Benefits Fund.

Subsection B summarizes the development of the pension Normal Cost under the 1/60 and 1/55 formulas payable July 1, 2002. It also shows the application of the phase-in adjustment to determine the pension normal cost for contribution purposes. The schedule shows the portion of the Normal Cost attributable to: (1) the basic allowances offset by expected employee contributions, (2) a one-year term cost of lump sum non-contributory death

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

benefits payable during active service, terminated vested status and retiree status and (3) pension adjustment benefits for active members. The Normal Cost due to pension adjustments reflects the 44.30% phase-in of the pension adjustment benefits. The Normal Cost as of July 1, 2002 was developed based on the Projected Unit Credit Method. Projected benefits based on compensation in excess of the 401(a)(17) compensation cap for a group of grandfathered employees for certain School Districts under Chapter 113, P.L. 1997 has been included in the determination of the Normal Cost.

Subsection C summarizes the development of the Excess Valuation Assets which are \$0 as of July 1, 2002. The Excess Valuation Assets are determined by subtracting the Actuarial Accrued Liability for basic allowances and pension adjustment benefits, the Post Retirement Medical Premium Fund, the present value of the total projected normal cost in excess of the projected phased-in normal cost for pension adjustment benefits of active members and the BEF (prior to reduction for additional formula normal contribution) from the Valuation Assets.

Subsection D shows the development of the Contribution Reductions from Excess Assets. The contribution reductions include member contribution reductions, the pension normal contribution based on the 1/60 formula and the BEF contribution. The member contribution reductions include 2% for the remaining 2002 and 2003 calendar years set in prior valuations. Since there are no Excess Assets as of June 30, 2002, there will be no 2004 calendar year member contribution reduction, no offset to the pension Normal Contribution based on the 1/60 formula and no BEF contribution.

Subsection E summarizes the development of the BEF as of July 1, 2002 and the Additional Formula Normal Contribution. Chapter 133, P.L. 2001 established the BEF as of June 30, 1999. The BEF is credited with excess assets not to exceed actual member contributions made to the system. The balance in the BEF is limited to the present value of expected additional normal costs due to the formula change. The Additional Formula Normal Contribution payable by the State has been reduced to \$0 due to the balance in the BEF.

Schedule F summarizes the development of the state's fiscal year 2004 pension contribution and estimated Post Retirement Medical Contribution. The total pension contribution of \$484,424,537 equals the Normal Contribution of \$448,664,518 based on the 1/60 formula plus the Additional Formula Normal Contribution of \$0 and the Accrued Liability Contribution of \$35,760,019. The estimated Post Retirement Medical Contribution of \$490,815,499 is comprised of three pieces: (1) an estimated amount necessary to pay anticipated premiums for the state's 2004 fiscal year's benefits of \$444,884,292 less (2) the

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

expected return on the Post Retirement Medical Benefits Fund assets of \$0 plus (3) 3/5% of the valuation year payroll of active members (fiscal year 2003 payroll) of \$45,931,207. The Total Required Contribution for the state's fiscal year 2004 is estimated to be \$975,240,036. This is an estimate because the state will contribute the actual 2004 fiscal year post retirement medical premiums, not the estimated amount shown above.

Subsection G shows the Required Contribution (before and after the reduction due to Excess Valuation Assets and the BEF) as a percentage of appropriation payroll on three bases: (1) after reflecting the actual phase-in of the pension adjustment benefits, (2) as if the pension adjustment liabilities were fully phased-in and (3) as if the new assumptions and the pension adjustment liabilities were fully phased-in.

Subsection H shows the fiscal year 2004 Required Contribution based on the 1/60 formula, the Additional Formula Contribution, the Accrued Liability Contribution and the estimated Post Retirement Medical Contribution payable by the State and certain State Colleges before and after application of the excess assets and the BEF. The contributions attributable to these State Colleges assume that these locations would receive an allocated portion of the excess assets and the BEF. The State's contribution is allocated between the Department of Higher Education, Department of Education, County Colleges, Charter Schools and other.

Subsection I shows the calculation of the total actuarial gain (loss). The general comments section outlines the areas where experience differed from that expected.

Actuarial Balance Sheet

Section IV provides the actuarial balance sheet summarizing the assets and liabilities by Fund as of June 30, 2002. The assets credited to the various funds include the portion of the investment income allocated to each fund for the year and ending June 30, 2002. The liabilities presented are based on the actuarial accrued liabilities summarized in Section III without any phase-in adjustments.

The actuarial balance sheet indicates the following transfers should be made:

(1) Retirement Reserve Fund

When a member retires, or when he dies and an allowance is payable to his beneficiary, the allowance including cost-of-living adjustments is paid from the Retirement Reserve Fund. The member's own contributions with interest are transferred from the Annuity

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

Savings Fund, and the balance of the reserve on the total allowance is transferred from the Contingent Reserve Fund. As of June 30, 2002, the Retirement Reserve Fund has present assets of \$15,565,307,749 including accrued interest. The liabilities of the fund amount to \$16,215,596,839 so that there is a deficit of \$650,289,090 in the fund as of the valuation date. It is recommended that the fund be put in balance as of June 30, 2002 by a transfer of assets from the Contingent Reserve Fund, and this transfer is shown in the balance sheet.

(2) Pension Fund

The reserves held in the Pension Fund represent the reserves on retirement allowances payable to non-veteran members who retired prior to 1956. As of June 30, 2002, the Pension Fund has assets credited to it amounting to \$121,572 including accrued interest. The total liabilities of the State on account of allowances payable from the Pension Fund amount to \$118,321. Therefore, there is a surplus of \$3,251 in the fund as of the valuation date. It is recommended that the fund be put in balance as of June 30, 2002 by a transfer of assets to the Contingent Reserve Fund, and this transfer is shown in the balance sheet.

(3) Annuity Savings Fund and Contingent Reserve Fund

The Annuity Savings Fund, which is the fund to which members' contributions with interest are credited, has assets amounting to \$5,782,201,078 as of June 30, 2002 after accrued interest has been added. The Contingent Reserve Fund is the fund to which contributions made by the State and local employers to provide the benefits paid from retirement fund monies are credited. The assets creditable to the Contingent Reserve Fund amount to \$12,522,397,105 as of June 30, 2002 after adjustment is made on account of accrued interest and the amounts transferable to the Retirement Reserve Fund and from the Pension Fund and the BEF.

If a member withdraws from active service before qualifying for retirement, the amount of his accumulated deductions is paid to him from the Annuity Savings Fund. If he dies before retirement and no survivorship benefit is payable, his accumulated deductions are paid to his beneficiary from the Annuity Savings Fund. If he retires, or if he dies leaving a beneficiary eligible for a survivorship benefit, his accumulated deductions are transferred from the Annuity Savings Fund to the Retirement Reserve Fund, and the reserve on the allowance which is not provided by his own deductions is transferred from the Contingent Reserve Fund to the Retirement Reserve Fund. Any lump sum

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

benefit payable upon the death of a member before or after retirement is paid by The Prudential Insurance Company of America.

(4) Special Reserve Fund

The Special Reserve Fund is the fund to which any excess interest earnings are transferred and against which any losses from the sale of securities are charged. The maximum limit on the accumulations in this fund is set at one percent of the market value of the investments of the retirement fund; any amounts in excess of this limit are creditable to the Contingent Reserve Fund. The Special Reserve Fund is considered as an asset of the retirement fund. This fund has no assets as of the valuation date.

(5) Post Retirement Medical Benefits Fund

The Post Retirement Medical Benefits Fund is established to hold contributions in respect to future post retirement medical benefits. The fund has assets of \$43,933,778 as of June 30, 2002. These assets have been included as retirement system assets. The balance in the fund should increase by 3/5 of 1% of payroll beginning with the state's fiscal year 2004 contribution. An offsetting liability equal to this fund balance has also been established.

(6) Benefit Enhancement Fund

The reserves held in the BEF are used to fund the additional formula normal contributions. The BEF is credited with excess assets not to exceed actual member contributions made to the system. The balance in the BEF is limited to the present value of the expected additional formula normal contributions. No additional excess assets will be credited to the BEF after the maximum amount is attained. If excess assets permit, monies are transferred from the Contingent Reserve Fund. As of June 30, 2002, the BEF has present assets including accrued interest of \$700,332,634. The additional formula normal contribution payable June 30, 2002 is \$72,399,544. This amount is to be transferred to the Contingent Reserve Fund, and this transfer is shown in the balance sheet.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

Accounting Information

Section V presents the accounting information required under Governmental Accounting Standards Statement No. 25 (GASB25). Schedule A outlines the development of the Annual Required Contribution (ARC). The ARC comprises the employer's normal cost plus a specified amortization of the unfunded actuarial accrued liability (UAAL). The amortization method selected for this system is a closed level percentage of projected payroll based on an assumed payroll growth rate of 5.0%. For the fiscal year ending June 30, 2003 the portion of the UAAL attributable to the change in the asset valuation method was amortized over 10 years and the balance of the UAAL was amortized over 40 years (which is the maximum allowable amortization period of the total UAAL). However, applying this methodology for fiscal year ending June 30, 2004 results in an amortization greater than the actuarial surplus. Therefore, the amortization was limited to the amount of the surplus.

Schedule B shows the projection of the Estimated Net Pension Obligation (NPO) as of June 30, 2004. The NPO represents the cumulative difference between the Annual Pension Costs for the system and the contributions made. After the expected contribution of \$484,424,537, the NPO as of June 30, 2004 is expected to be \$201,860,313.

Schedule C is the Schedule of Funding Progress. This schedule presents the Actuarial Accrued Liability, the Actuarial Value of Assets, the Unfunded Accrued Liability, the funded ratio (assets as a percentage of Actuarial Accrued Liability), and the Unfunded Accrued Liability as a percentage of covered payroll. Six years of historical information are shown in compliance with GASB 25.

Schedule D is the Schedule of Employer Contributions. This schedule presents the ARC for the fiscal year, the employer contributions made for that fiscal year and the percentage of the ARC those contributions represent. For the fiscal year ending June 30, 2004, the expected employer contributions are 70.6% of the ARC since the ARC is based on full recognition of the new assumptions and no phase-in of the pension adjustment benefits. The expected employer contributions are offset by excess valuation assets in accordance with Chapter 115, P.L. 1997 and by the BEF in accordance with Chapter 133, P.L. 2001. Six years of historical information are shown in compliance with GASB 25.

Schedule E presents the funding policy for the fiscal year. This disclosure includes the valuation date, the Actuarial Cost Method, the amortization period and method, the Asset Valuation Method, and certain key actuarial assumptions.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY (continued)

C. Discussion of Supporting Exhibits (continued)

Census Data

Section VI summarizes the census data provided by the Division of Pensions and Benefits and utilized in the preparation of the actuarial valuation. Subsection A provides a reconciliation of the current year participant counts from the prior valuation. Subsection B shows the appropriation count and salary information by group. Subsection C shows the number and annual retirement allowances with pension adjustments by beneficiary type. Subsections D and E present a profile of Contributory and Non-contributory members split by gender, summarized by 5-year age and service groupings. Subsection F provides a profile of terminated vested members, retired members, disabled members, and beneficiaries broken down into 5-year age categories. The census data represents the status of plan participants as of June 30, 2002.

In performing this analysis, we relied on data and other information provided by Teacher's Pension and Annuity Fund of New Jersey. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Actuarial Assumptions and Methods

Section VII summarizes the actuarial assumptions and methods utilized in the preparation of this actuarial valuation. Subsection A identifies the various assumptions. These assumptions are based on the assumptions developed in the Experience Study from April 1, 1997 to June 30, 2000. These assumptions are being phased-in over a 3-year period, as directed by the Board. This is the second year of the 3-year phase-in period. Thus the assumptions will be fully phased-in for the June 30, 2003 actuarial valuation. Subsection B summarizes the actuarial valuation methodology set forth in Chapter 62, P.L. 1994 as modified by Chapters 115, P.L. 1997 and 133, P.L. 2001.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION I - SUMMARY

(continued)

C. Discussion of Supporting Exhibits (continued)

will differ from projected amounts to the extent that actual experience deviates from expected experience.

Summary of Principal Plan Provisions

Section VIII summarizes the principal plan provisions as of the valuation date and denotes any changes from the previous valuation.

Early Retirement Incentive Contribution Schedule

Appendix I presents the contribution schedule for the early retirement incentive programs (ERI1 and ERI2) by location for the 2004 fiscal year. It also provides the present value of the future contributions as of June 30, 2002.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION II - ASSETS

A. Market Value of Assets as of June 30, 2002

1. Assets	
Cash	\$ (1,120,899)
Investment Holdings	26,625,667,265
Employers' Contributions Receivable - State	0
Employers' Contributions Receivable - Local	202,844,012
Employers' Contributions Receivable - Delayed Enrollments	157,773
Employers' Contributions Receivable - Delayed Appropriations	1,023,885
Members' Contributions Receivable	62,765,295
Accrued Interest on Investments	113,238,584
Accounts Receivable	25,979
Loans Receivable	256,038,595
Dividends Receivable	<u>49,201,843</u>
Total	\$ <u>27,309,842,332</u>
2. Liabilities	
Pension Payroll Payable	\$ 96,524,760
Pension Adjustment Payroll Payable	16,681,556
Withholdings Payable	15,999,392
Death Benefits Payable	6,548,169
Administration Expense Payable	1,850,080
Accounts Payable - Other	<u>6,560,333</u>
Total	\$ <u>144,164,290</u>
3. Market Value of Assets as of June 30, 2002: (1) - (2)	\$ 27,165,678,042
4. 2001 Valuation Receivable Contribution from the State	<u>0</u>
5. Adjusted Market Value of Assets as of June 30, 2002: (3) + (4)	\$ <u>27,165,678,042</u>

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION II - ASSETS

(continued)

B. Reconciliation of Market Value of Assets from June 30, 2001 to June 30, 2002

	<u>Pension</u>	<u>Post Retirement Medical</u>
1. Market Value of Assets as of June 30, 2001	\$ 30,853,577,329	\$ 584,518,147
2. Increases		
Member Contributions excluding transfers from Other Systems	\$ 295,963,764	\$ 0
Member Transfer Contributions	4,765,784	0
Other Employer Contributions including Transfers From Other Systems, Delayed Appropriations And Delayed Enrollments	6,065,071	0
Post Retirement Medical Contribution Adjustment	N/A	(258,295,036)
Investment Income	<u>(2,495,054,369)</u>	<u>(29,360,080)</u>
Total	\$ <u>(2,188,259,750)</u>	\$ <u>(287,655,116)</u>
3. Decreases		
Withdrawal of Member Contributions and Transfer Contributions	\$ 22,624,415	\$ 0
Retirement Allowances	1,301,023,793	0
Pension Adjustment	183,842,626	0
Death Benefit Claims	26,434,091	0
Administrative Expense	9,640,294	0
Miscellaneous Expense	8,096	0
Medical Benefits and Expenses	<u>0</u>	<u>252,929,253</u>
Total	\$ <u>1,543,573,315</u>	\$ <u>252,929,253</u>
4. Market Value of Assets as of June 30, 2002: (1) + (2) - (3)	\$ 27,121,744,264	\$ 43,933,778
5. 2001 Valuation Receivable Contribution from the State	<u>0</u>	<u>0</u>
6. Adjusted Market Value of Assets as of June 30, 2002: (4) + (5)	\$ <u>27,121,744,264</u>	\$ <u>43,933,778</u>

Section II - B

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION II - ASSETS

(continued)

C. Development of Actuarial Value of Assets as of July 1, 2002

1. Actuarial Value of Pension Assets as of July 1, 2001	\$ 35,351,379,511
2. Net Cash Flow without Investment Income	(1,236,778,696)
3. Investment Income at Actuarially Assumed Rate @ 8.75%	3,040,271,160
4. 2001 Valuation Receivable Contribution from the State	<u>0</u>
5. Expected Actuarial Value of Pension Assets: (1) + (2) + (3) + (4)	37,154,871,975
6. Market Value of Pension Assets as of June 30, 2002	27,121,744,264
7. Excess Market Value over Expected Actuarial Value Assets: (6) - (5)	(10,033,127,711)
8. 20% mark-up to reflect growth in Market Value: 20% * (7)	<u>(2,006,625,542)</u>
9. Actuarial Value of Pension Assets as of July 1, 2002: (5) + (8)	\$ 35,148,246,433
10. Post Retirement Medical Assets as of July 1, 2002	<u>43,933,778</u>
11. Total Actuarial Value of Assets as of July 1, 2002: (9) + (10)	<u>35,192,180,211</u>

Section II - C

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION II - ASSETS

(continued)

D. Estimated Annual Rate of Return for year ending June 30, 2002

	<u>Pension Actuarial Value</u>	<u>Pension Market Value</u>
1. Value of Assets as of July 1, 2001	\$ 35,351,379,511	\$ 30,853,577,329
2. Employee Contributions	306,794,619	306,794,619
3. 2001 Valuation Receivable Contribution	0	0
4. Benefit Payments and Expenses	1,543,573,315	1,543,573,315
5. Value of Assets as of June 30, 2002	35,148,246,433	27,121,744,264
6. Non-Investment Increment: (2) - (4)	(1,236,778,696)	(1,236,778,696)
7. Investment Increment: (5) - (1) - (3) - (6)	1,033,645,618	(2,495,054,369)
8. Time Weighted Value: (1) +.5 * (6)	34,732,990,163	30,235,187,981
9. Estimated Annual Rate of Return: (7) / (8)	2.98%	-8.25%

E. Estimated Historical Rates of Return

<u>Plan Year Ending</u>	<u>Actuarial Value</u>	<u>Market Value</u>
June 30, 2002	2.98%	-8.25%
June 30, 2001	5.47%	-9.70%
June 30, 2000	13.43%	11.57%
March 31, 1999	13.36%	14.21%
March 31, 1998	13.02%	29.43%
 5-Year Compounded Annual Rate of Return	 9.56%	 6.44%

Section II - D&E

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

A. Actuarial Accrued Liability as of July 1, 2002 - 1/55th Formula

1. Projected Benefits Payable to Beneficiaries and Retirees	
Service Retirees (Including ERI Benefits)	\$ 15,315,584,516
Disability Retirees	399,693,656
Beneficiaries	<u>500,436,988</u>
Total	\$ 16,215,715,160
2. Projected Benefits for Vested Terminated Members	102,738,787
3. Projected Benefits for Active Members	
Service Retirement	\$ 14,273,971,744
Ordinary Disability Retirement	374,658,307
Accidental Disability Retirement	18,349,295
Accidental Death prior to Retirement	883,219
Return of Members' Contributions	202,556,253
Withdrawal	179,981,443
Pension Adjustment Benefits	3,484,441,941
Non-contributory Members	<u>293,295,693</u>
Total	\$ 18,828,137,895
4. Total Pension Accrued Liability - New Assumptions: (1) + (2) + (3)	\$ 35,146,591,842
5. Total Pension Accrued Liability - Old Assumptions	34,268,261,111
6. New Assumption Phase-In Adjustment: [(5) - (4)] * 1/3	(292,776,909)
7. Total Pension Accrued Liability used to develop contributions: (4) + (6)	\$ 34,853,814,933
8. Post Retirement Medical Benefits Fund	<u>43,933,778</u>
9. Total Actuarial Accrued Liability used to develop contributions: (7) + (8)	\$ 34,897,748,711

Section III - A

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

B. Development of Normal Cost payable July 1, 2002

	<u>1/60th Formula</u>	<u>1/55th Formula</u>
1. Basic Allowances		
a. Basic Allowances	\$ 685,068,067	\$ 744,956,563
b. Expected Employee Contributions	<u>357,198,547</u>	<u>357,198,547</u>
Subtotal: (a) - (b)	\$ 327,869,520	\$ 387,758,016
2. Non-Contributory Lump Sum Death Benefits	27,550,299	27,550,299
3. Pension Adjustment Benefits for active members (reflects 44.30% of liability due to cola)	<u>67,721,749</u>	<u>73,820,340</u>
4. Total Pension Normal Cost - New Assumptions: (1) + (2) + (3)	\$ 423,141,568	\$ 489,128,655
5. Total Pension Normal Cost - Old Assumptions	391,412,083	454,127,917
6. New Assumption Phase-In Adjustment: [(5) - (4)] * 1/3	(10,576,494)	(11,666,912)
7. Total Pension Normal Cost used to develop contributions: (4) + (6)	\$ 412,565,074	\$ 477,461,743

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

C. Development of Excess Valuation Assets as of July 1, 2002

1. Valuation Assets	\$ 35,192,180,211
2. Actuarial Accrued Liability for Basic Allowances & Pension Adjustment Benefits	34,853,814,933
3. Post Retirement Medical Premium Fund	43,933,778
4. Present Value of Total Projected Normal Cost in Excess of the Projected Phased-in Normal Cost for Pension Adjustment Benefits	808,656,034
5. Benefit Enhancement Fund (prior to reduction for additional formula normal cost)	<u>700,332,634</u>
6. Excess Valuation Assets as of July 1, 2002: (1)-(2)-(3)-(4)-(5), not less than \$0	\$ 0

D. Development of Contribution Reductions from Excess Assets

1. Excess Valuation Assets as of July 1, 2002	\$ 0
2. Liability for Reduction in Employee Contributions by 2% For July 1, 2002 - December 31, 2002 (established in 2000 valuation)	74,491,244
3. Liability for Reduction in Employee Contributions by 2% For Calander Year 2003 (established in 2001 valuation)	140,420,275
4. Excess Assets Available for Current Year Reductions: [(1)-(2)-(3)] x 84%, not less than \$0	0
5. Liability for Reduction in Employee Contributions by 2% For Calander Year 2004	0
6. Pension Normal Cost as of July 1, 2002 - 1/60th Formula	412,565,074
7. Net Normal Contribution as of July 1, 2002: (6) - [(4) - (5)], not less than \$0	412,565,074
8. Net Excess Assets as of July 1, 2002 prior to Benefit Enhancement Fund Contribution: (4) - (5) - (6), not less than \$0	\$ 0

Section III - C & D

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

**E. Development of Benefit Enhancement Fund and Additional Formula Contribution
As of July 1, 2002**

1. Benefit Enhancement Fund as of July 1, 2001	\$	661,731,623
2. Accrued Interest		<u>38,601,011</u>
3. Benefit Enhancement Fund as of July 1, 2002		700,332,634
4. Additional Formula Normal Cost to be paid by Benefit Enhancement Fund		
a. Gross Normal Cost payable July 1, 2002 - 1/55th Formula		897,817,504
b. Gross Normal Cost payable July 1, 2002 - 1/60th Formula		<u>825,417,960</u>
c. Additional Formula Normal Cost: (a) - (b)		72,399,544
5. Net Benefit Enhancement Fund Balance as of July 1, 2002 before Fiscal Year 2004 Contribution: (3) - (4c)		627,933,090
6. State Additional Formula Contribution as of July 1, 2002: (4c) - (3), not less than \$0		0
7. Estimated Fiscal Year 2004 Employee Contributions		274,632,238
8. Limit on Fiscal Year 2004 Benefit Enhancement Fund Contribution		
a. Present Value of Future Normal Costs as of June 30, 2002 - 1/55th Formula	8,900,219,128	
b. Present Value of Future Normal Costs as of June 30, 2002 - 1/60th Formula	<u>8,169,751,356</u>	
c. Limit: (a) - (b) - (5)	102,534,682	
9. Excess Assets Available (D8)		0
10. Fiscal Year 2004 Benefit Enhancement Fund Allowable Contribution: Lesser of (7), (8c), (9)	\$	0

Section III - E

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

F. Development of State's Fiscal Year 2004 Required Contributions

1. Net Pension Normal Contribution as of July 1, 2002: D(7)		\$ 412,565,074
2. Net Pension Normal Contribution as of June 30, 2003		448,664,518
3. Additional Formula Contribution as of July 1, 2002: E(6)		0
4. Additional Formula Contribution as of June 30, 2003		0
5. Accrued Liability Contribution		
a. Actuarial Accrued Liability for Basic Allowances & Pension		
Adjustment Benefits (excluding PRMF)	\$ 34,853,814,933	
b. Adjusted Actuarial Value of Assets		
(excluding PRMF & BEF)	34,447,913,799	
c. Reserve for previously earned reductions		
in Member Contributions	<u>214,911,519</u>	
d. Unfunded Pension Accrued Liability: (a) - (b) + (c)	\$ 620,812,653	
e. 30 - Year Amortization with 5% increasing payments of		
Unfunded Pension Accrued Liability payable June 30, 2003		35,760,019
6. Total Pension Contribution for State's Fiscal Year 2004: (2) + (4) + (5e)		484,424,537
7. State's Fiscal Year 2004 Estimated Post Retirement Medical Contribution		
a. Anticipated Fiscal Year 2004 Premiums	\$ 444,884,292	
b. Expected Asset Return on Balance	0	
c. 3/5% of Estimated FY 2003 Payroll	<u>45,931,207</u>	
Subtotal: (a) - (b) + (c)		<u>490,815,499</u>
8. Total State's Fiscal Year 2004 Contribution for Pension and		
Post Retirement Medical: (6) + (7)		\$ <u>975,240,036</u>

Section III - F

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

G. Required Contribution as a Percentage of Appropriation Payroll

	Prior to Reduction due to Benefit Enhancement Fund and <u>Excess Assets</u>	Reflecting Reduction due to Benefit Enhancement Fund and <u>Excess Assets</u>
Basic Allowances - 1/60th Formula*	4.72%	4.72%
Non-Contributory Lump Sum Death Benefits*	0.41%	0.41%
Active COLA (Phase-in percentage of 44.30%)-1/60th Formula*	0.98%	0.98%
Additional Formula Normal Cost*	1.07%	0.00%
Post Retirement Medical Benefits**	6.68%	6.68%
Accrued Liability	<u>0.49%</u>	<u>0.49%</u>
Total	14.35%	13.28%
If COLA fully phased-in, total percentage of payroll would equal *:	15.58%	14.51%
If new assumptions and COLA fully phased-in, total percentage of payroll would equal:	16.01%	14.94%

* Reflecting 2/3 phase-in of new assumptions

** Contributions are the estimated 2004 fiscal year's actual post retirement medical premiums less interest on PRM Fund plus the 3/5% of compensation additional state contribution.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTIONS

(continued)

H. Fiscal Year 2004 Required Contributions Payable by the State and Certain State Colleges

Group	Before Application of Excess Assets & BEF		After Application of Excess Assets & BEF		Accrued Liability Contribution	Post Retirement Medical Benefits
	Normal Contribution (1/60 Formula)	Additional Formula Contribution	Normal Contribution (1/60 Formula)	Additional Formula Contribution		
<u>Certain State Colleges</u>						
NJ Institute of Technology	\$16,820	\$2,952	\$16,820	\$0	\$1,341	\$18,400
Rowan College of NJ	47,450	8,327	47,450	0	3,782	51,908
Jersey City State College	70,659	12,400	70,659	0	5,632	77,297
Kean College of NJ	99,600	17,478	99,600	0	7,938	108,957
William Patterson State College	52,360	9,188	52,360	0	4,173	57,279
Montclair State College (Group 4)	55,241	9,694	55,241	0	4,403	60,431
The College of NJ	40,134	7,043	40,134	0	3,199	43,905
Ramapo State College	0	0	0	0	0	0
Stockton State College	17,559	3,081	17,559	0	1,400	19,209
Montclair State College (Group 6)	4,403	773	4,403	0	351	4,817
Total for Certain State Colleges	\$404,226	\$70,936	\$404,226	\$0	\$32,219	\$442,203
<u>State</u>						
Dept of Higher Education	0	0	0	0	0	0
Dept of Education	1,160,399	203,634	1,160,399	0	92,488	1,269,416
County Colleges	282,115	49,507	282,115	0	22,485	308,619
Charter Schools	1,984,931	348,328	1,984,931	0	158,205	2,171,410
Other	444,832,847	78,062,099	444,832,847	0	35,454,622	486,623,851
Total for State	\$448,260,292	\$78,663,568	\$448,260,292	\$0	\$35,727,800	\$490,373,296
Total for System	\$448,664,518	\$78,734,504	\$448,664,518	\$0	\$35,760,019	\$490,815,492

Section III - H

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION III - LIABILITIES AND CONTRIBUTION

(continued)

I. Analysis of Actual Experience for the Year Ended June 30, 2002

1. Unfunded Accrued Liability as of June 30, 2001	\$	(2,606,022,326)
2. Gross Normal Cost as of June 30, 2001		892,314,769
3. Interest: ((1) + (2)) * 8.75%		(149,949,411)
4. Employee and Employer Contributions Made with Interest		<u>319,935,455</u>
5. Expected Unfunded Accrued Liability as of June 30, 2002: (1) + (2) + (3) - (4)	\$	(2,183,592,423)
6. Increase in liability due to formula change for veteran and disabled benefits (Ch. 353)		226,105,493
7. Increase in liability due to ERI-3 (Ch. 23)		10,212,748
8. Expected Unfunded Accrued Liability after changes as of June 30, 2002: (5) + (6) + (7)	\$	(1,947,274,182)
9. Actual Unfunded Accrued Liability as of June 30, 2002 excluding assumptions phase-in		<u>(1,654,591)</u>
10. Gain/(Loss): (8) - (9)	\$	<u>(1,945,619,591)</u>

Section III - I

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION IV - ACTUARIAL BALANCE SHEET AS OF JUNE 30, 2002

<u>Assets</u>		<u>Liabilities</u>
<u>Retirement Reserve Fund (RRF)</u>		<u>Payable from Retirement Reserve Fund</u>
Credited to Fund w/ Distribution of Income	\$15,565,307,749	Retirees, Disableds and Beneficiaries
Add/(deduct) reserve transferable from/(to) CRF	650,289,090	currently receiving benefits
Adjusted Total	16,215,596,839	
<u>Pension Fund (PF)</u>		<u>Payable from Pension Fund</u>
Credited to Fund w/ Distribution of Income	121,572	Retirees, Disableds and Beneficiaries
Add/(deduct) reserve transferable from/(to) CRF	(3,251)	currently receiving benefits
Adjusted Total	118,321	
Annuity Savings Fund (ASF) w/ Distribution of Income	5,782,201,078	<u>Payable from Annuity Savings Fund</u>
<u>Contingent Reserve Fund (CRF)</u>		and <u>Contingent Reserve Fund</u>
Credited to Fund w/ Distribution of Income	13,100,283,400	Active Members
Add/(Deduct) from/(to) RRF, PF & SRF	(577,886,295)	Term Vested Members
Adjusted Total	12,522,397,105	Total
<u>Benefit Enhancement Fund (BEF)</u>		
Add/(deduct) reserve transferable from/(to) CRF	700,332,634	
Adjusted Total	(72,399,544)	
Special Reserve Fund (SRF)	0	
Post Retirement Medical Benefits Fund	43,933,778	Post Retirement Medical Benefits Fund
Total Actuarial Value of Assets as of June 30, 2002	\$35,192,180,211	
Present Value of Prospective Contributions to the CRF and BEF excluding payments due July 1, 2002 for basic allowances with cola adjustments	(1,654,591)	
Total Assets	\$35,190,525,620	Total Liabilities (excluding assumption phase-in)
		\$35,190,525,620

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

**SECTION V - ACCOUNTING INFORMATION FOR
STATE'S FISCAL YEAR 2004**

A. Development of Annual Required Contribution as of June 30, 2004

1. Actuarial Value of Assets as of July 1, 2002		
a. Actuarial Value of Assets as of July 1, 2002	\$35,192,180,211	
b. Post Retirement Medical Benefits Fund	<u>43,933,778</u>	
c. Actuarial Value of Assets for GASB purposes: (a) - (b)		\$35,148,246,433
2. Actuarial Accrued Liability as of July 1, 2002		
a. Total Actuarial Accrued Liability (new assumptions)	\$35,190,525,620	
b. Post Retirement Medical Benefits Fund	<u>43,933,778</u>	
c. Accrued Liability for GASB purposes: (a) - (b)		<u>35,146,591,842</u>
3. Unfunded Accrued Liability as of July 1, 2002: (2) - (1)		(\$1,654,591)
4. Amortization Payment payable July 1, 2002		
a. Asset Valuation Method Change	(467,129,662)	
b. Other Unfunded Accrued Liability	<u>167,633,943</u>	
c. Total Amortization Payment payable July 1, 2002: (a) + (b), not less than (3)		(1,654,591)
5. Net Normal Cost as of July 1, 2002		
a. Basic Allowances and pension adjustments (including full cost of pension adjustment benefits)	\$911,593,900	
b. Expected Employee Contributions	357,198,547	
c. Non-contributory Lump Sum Death Benefits	<u>27,550,299</u>	
d. Net Normal Cost as of July 1, 2002: (a) - (b) + (c)		<u>581,945,652</u>
6. Annual Required Contribution as of June 30, 2004		
a. Annual Required Contribution as of July 1, 2002: (4) + (5)		\$580,291,061
b. Interest to Expected Payment Date		<u>105,993,789</u>
c. Annual Required Contribution: (a) + (b)		\$686,284,850

Section V - A

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION V - ACCOUNTING INFORMATION FOR STATE'S FISCAL YEAR 2004

(continued)

B. Projection of Net Pension Obligation as of June 30, 2004

1. Estimated Net Pension Obligation as of June 30, 2003	(\$195,683,430)
2. Annual Pension Cost for Fiscal Year 2004	
a. Annual Required Contribution	\$686,284,850
b. Interest on Net Pension Obligation	(17,122,300)
c. Adjustment to ARC	<u>(212,805,730)</u>
d. Annual Pension Cost: (a) + (b) - (c)	881,968,280
3. Expected Fiscal Year 2004 Contributions	<u>484,424,537</u>
4. Estimated Net Pension Obligation as of June 30, 2004: (1) + (2) - (3)	\$201,860,313

C. Schedule of Funding Progress

Valuation Year	(1) Actuarial Value of Assets for GASB Purposes	(2) Accrued Liability for GASB Purposes	(3) Unfunded Accrued Liability (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Appropriation Payroll	(6) Unfunded Accrued Liability as a % of Payroll: (3) / (5)
1997	22,045,481,579	21,224,484,588	(820,996,991)	103.87%	5,771,763,164	-14.22%
1998	24,478,860,383	23,484,403,450	(994,456,933)	104.23%	5,989,748,156	-16.60%
1999	27,457,451,678	25,546,083,289	(1,911,368,389)	107.48%	6,254,198,406	-30.56%
2000	30,203,205,322	27,404,618,051	(2,798,587,271)	110.21%	6,571,641,181	-42.59%
2001	35,351,379,511	32,745,357,185	(2,606,022,326)	107.96%	6,948,381,383	-37.51%
2002	35,148,246,433	35,146,591,842	(1,654,591)	100.00%	7,348,993,141	-0.02%

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION V - ACCOUNTING INFORMATION FOR STATE'S FISCAL YEAR 2004

(continued)

D. Schedule of Employer Contributions

<u>Fiscal Year</u>	<u>State's Annual Required Contribution</u>	<u>Employer Contributions*</u>	<u>Percentage of ARC Contributed</u>
1999	\$314,671,482	\$258,816,649	82.25%
2000	368,904,564	0	0.00%
2001	0	0	100.00%
2002	0	0	100.00%
2003	194,435,594	0	0.00%
2004	686,284,850	484,424,537	70.59%

* Expected employer contributions were offset by excess valuation assets in accordance with Chapter 115, P.L. 1997 and by the BEF in accordance with Chapter 133, P.L. 2001

E. Funding Policy for State's Fiscal Year 2004

Valuation Date	July 1, 2002
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Closed
Payroll Growth Rate for Amortization	5.00%
Remaining Amortization Period	Approximately 1 year
Asset Valuation Method	Actuarial Value
<u>Actuarial Assumptions</u>	
Investment Rate of Return	8.75%
Projected Salary Increases**	5.95%
Cost-of-Living Adjustments	60% of the maximum of the CPI increase and 4.0%

** Variable scale, designed to average 5.95%

Section V - D&E

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

A. Reconciliation with Prior Year

	Active Contrib	Active NonContrib	Deferred Vested	Retirees	Disableds	Beneficiaries	Beneficiaries	Domestic Relations Beneficiaries	Total
Members as of June 30, 2001	126,079	9,771	1,217	48,594	1,976	3,131	191	190,959	
Terminated Vested	(74)	(49)	123	-	-	-	-	0	
Terminated Non-Vested	(507)	(1,668)	-	-	-	-	-	(2,175)	
Retired	(3,379)	(144)	(152)	3,675	-	-	-	0	
Disabled	(97)	(45)	-	-	142	-	-	0	
Died with Beneficiary	(29)	(5)	-	(255)	(16)	308	(1)	2	
Died without Beneficiary	(84)	(29)	(9)	(1,326)	(68)	(165)	-	(1,681)	
Payments Began	-	-	-	-	-	-	30	30	
Payments Ceased	-	-	-	-	-	-	(7)	(7)	
New Actives and Rehires	12,170	340	(17)	-	-	-	-	12,493	
Changed to Contributing	1,511	(1,511)	-	-	-	-	-	0	
Changed to Noncontributing	(4,178)	4,178	-	-	-	-	-	0	
Data Corrections	(2)	(88)	(1)	6	(2)	24	-	(63)	
Members as of June 30, 2002	<u>131,410</u>	<u>10,750</u>	<u>1,161</u>	<u>50,694</u>	<u>2,032</u>	<u>3,298</u>	<u>213</u>	<u>199,558</u>	

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

B. Appropriation Number and Salary by Group *

<u>Group</u>	<u>Number</u>	<u>Salaries</u>
Department of Higher Education	0	\$ 0
Department of Education	274	19,007,002
New Jersey Institute of Technology	3	275,507
State Colleges	72	5,985,863
County Colleges	56	4,620,953
Charter Schools	788	32,512,583
Other	<u>130,200</u>	<u>7,286,591,233</u>
Total	<u>131,393</u>	\$ <u>7,348,993,141</u>

* Excludes veterans hired prior to 1955 and Chapter 198 members

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

C. Number and Annual Benefits Including Pension Adjustments of Retirees, Beneficiaries,

<u>Group</u>	<u>Number</u>	<u>Annual Benefit</u>
Service and Early Retirements	50,907	\$ 1,439,037,117
Ordinary Disability Retirements	1,869	36,520,218
Accidental Disability Retirements	163	4,839,083
Ordinary Death Benefits	6	3,389
Accidental Death Benefits	4	81,116
Dependents of Deceased Beneficiaries	3,185	52,078,364
Dependents of Deceased Beneficiaries who elected to receive annuities certain instead of lump sum	<u>103</u>	<u>1,913,384</u>
Total	<u>56,237</u>	\$ <u>1,534,472,671</u>

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

D. Age, Service and Salary Profile of Active Contributing Participants

Age Group	Males									Total	Average Annual Salary
	Years of Service										
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
15-19	0	0	0	0	0	0	0	0	0	0	\$0
20-24	488	0	0	0	0	0	0	0	0	488	35,720
25-29	2,788	332	0	0	0	0	0	0	0	3,120	37,574
30-34	1,912	1,780	232	0	0	0	0	0	0	3,924	42,704
35-39	945	1,012	877	166	0	0	0	0	0	3,000	49,018
40-44	728	568	547	786	228	0	0	0	0	2,857	55,966
45-49	663	509	460	645	1,257	578	0	0	0	4,112	63,663
50-54	542	418	455	512	892	2,570	1,589	2	0	6,980	72,490
55-59	401	223	229	286	414	877	2,846	864	2	6,142	77,485
60-64	144	83	106	96	138	144	369	796	126	2,002	77,762
65 & Up	<u>45</u>	<u>36</u>	<u>48</u>	<u>35</u>	<u>40</u>	<u>53</u>	<u>34</u>	<u>69</u>	<u>148</u>	<u>508</u>	76,751
Total	8,656	4,961	2,954	2,526	2,969	4,222	4,838	1,731	276	33,133	

Average Age = 45.7
 Average Service = 16.5
 Average Age at Entry = 29.3
 Average Annual Salary = \$61,797

Age Group	Females									Total	Average Annual Salary
	Years of Service										
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+		
15-19	0	0	0	0	0	0	0	0	0	0	\$0
20-24	2,401	2	1	0	0	0	0	0	0	2,404	35,462
25-29	9,881	1,590	0	0	0	0	0	0	0	11,471	37,677
30-34	5,067	5,008	755	1	0	0	0	0	0	10,831	41,098
35-39	2,662	1,857	2,631	640	0	0	0	0	0	7,790	45,975
40-44	2,874	1,707	1,787	2,769	602	3	0	0	0	9,742	50,293
45-49	3,131	2,568	2,392	2,391	3,529	1,184	0	0	0	15,195	54,890
50-54	1,977	1,938	2,940	3,203	3,012	5,115	2,310	3	0	20,498	62,403
55-59	706	748	1,390	2,160	2,670	2,187	3,254	732	0	13,847	66,761
60-64	187	172	402	703	1,099	1,073	680	632	122	5,070	68,538
65 & Up	<u>34</u>	<u>40</u>	<u>88</u>	<u>175</u>	<u>264</u>	<u>328</u>	<u>237</u>	<u>135</u>	<u>128</u>	<u>1,429</u>	70,959
Total	28,920	15,630	12,386	12,042	11,176	9,890	6,481	1,502	250	98,277	

Average Age = 44.6
 Average Service = 13.5
 Average Age at Entry = 31.1
 Average Annual Salary = \$53,901

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

E. Age, Service and Salary Profile of Non-Contributing Participants

Age Group	Males									Total	Average Annual Salary
	Years of Service										
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40+</u>		
15-19	0	0	0	0	0	0	0	0	0	0	\$0
20-24	12	0	0	0	0	0	0	0	0	12	31,585
25-29	198	2	0	0	0	0	0	0	0	200	34,620
30-34	188	59	0	0	0	0	0	0	0	247	36,885
35-39	122	45	31	2	0	0	0	0	0	200	40,364
40-44	83	20	33	13	3	0	0	0	0	152	40,854
45-49	87	28	72	25	5	0	0	0	0	217	41,571
50-54	73	19	118	57	26	6	2	0	0	301	43,957
55-59	53	16	76	71	50	7	8	0	0	281	42,301
60-64	38	5	18	14	9	3	2	0	0	89	39,447
65 & Up	<u>27</u>	<u>6</u>	<u>2</u>	<u>6</u>	<u>4</u>	<u>3</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>49</u>	34,074
Total	881	200	350	188	97	19	12	1	0	1,748	

Average Age = 44.7
 Average Service = 7.6
 Average Age at Entry = 37.1
 Average Annual Salary = \$40,054

Age Group	Females									Total	Average Annual Salary
	Years of Service										
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40+</u>		
15-19	0	0	0	0	0	0	0	0	0	0	\$0
20-24	95	0	0	0	0	0	0	0	0	95	32,007
25-29	1,027	75	0	0	0	0	0	0	0	1,102	34,918
30-34	1,245	993	70	0	0	0	0	0	0	2,308	38,240
35-39	521	416	462	11	0	0	0	0	0	1,410	40,170
40-44	357	116	375	93	5	0	0	0	0	946	39,819
45-49	336	82	378	114	36	3	0	0	0	949	38,282
50-54	239	69	474	222	51	18	1	0	0	1,074	37,340
55-59	143	30	351	204	64	9	8	1	0	810	40,253
60-64	53	16	65	50	21	2	4	2	0	213	41,575
65 & Up	<u>39</u>	<u>6</u>	<u>11</u>	<u>13</u>	<u>9</u>	<u>7</u>	<u>3</u>	<u>4</u>	<u>3</u>	<u>95</u>	38,976
Total	4,055	1,803	2,186	707	186	39	16	7	3	9,002	

Average Age = 40.4
 Average Service = 7.2
 Average Age at Entry = 33.2
 Average Annual Salary = \$38,401

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

F. Age and Benefit Profiles

Terminated Vested Participants

Age	Male		Female		Total	
	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
Under 35	0	\$0	0	\$0	0	\$0
35-39	2	15,084	5	41,076	7	56,160
40-44	5	36,120	11	105,300	16	141,420
45-49	15	154,104	61	443,508	76	597,612
50-54	82	681,864	212	1,517,736	294	2,199,600
55-59	141	1,122,528	490	4,869,768	631	5,992,296
60 & Up	29	273,852	108	1,265,340	137	1,539,192
Total	274	\$2,283,552	887	\$8,242,728	1,161	\$10,526,280
Average Age		=	55.3			
Average Annual Pension		=	\$9,067			

Service Retired Participants

Age	Male		Female		Total	
	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
Under 50	11	\$273,706	24	\$431,177	35	\$704,883
50-54	293	8,877,144	597	16,603,115	890	25,480,259
55-59	2,228	84,207,826	2,978	103,136,177	5,206	187,344,003
60-64	3,623	141,862,026	5,124	158,669,950	8,747	300,531,976
65-69	3,870	144,302,374	5,653	165,050,378	9,523	309,352,752
70-74	3,800	127,901,012	5,704	146,328,528	9,504	274,229,540
75-79	2,625	73,978,615	4,510	93,719,736	7,135	167,698,351
80-84	1,488	32,649,739	3,234	55,499,374	4,722	88,149,113
85-89	765	14,671,722	2,156	33,492,880	2,921	48,164,602
90-94	291	5,620,206	1,356	22,102,250	1,647	27,722,456
95-99	53	1,098,482	445	7,342,636	498	8,441,118
100 & Up	3	59,348	76	1,158,716	79	1,218,064
Total	19,050	\$635,502,200	31,857	\$803,534,917	50,907	\$1,439,037,117
Average Age		=	70.8			
Average Annual Pension		=	\$28,268			

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

F. Age and Benefit Profiles (continued)

Disabled Retired Participants

<u>Age</u>	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Annual Pension</u>	<u>Number</u>	<u>Annual Pension</u>	<u>Number</u>	<u>Annual Pension</u>
Under 35	0	\$0	0	\$0	0	\$0
35-39	2	30,434	6	93,490	8	123,924
40-44	3	68,582	29	575,850	32	644,432
45-49	18	414,142	72	1,564,396	90	1,978,538
50-54	95	2,287,712	227	5,120,297	322	7,408,009
55-59	141	3,235,210	317	7,011,860	458	10,247,070
60-64	82	1,775,243	283	6,149,481	365	7,924,724
65-69	85	1,640,190	209	4,218,403	294	5,858,593
70-74	54	883,134	156	2,719,511	210	3,602,645
75-79	50	662,205	105	1,668,972	155	2,331,177
80-84	22	317,826	40	508,450	62	826,276
85 & Up	4	61,079	32	352,834	36	413,913
Total	556	\$11,375,757	1,476	\$29,983,544	2,032	\$41,359,301
		Average Age	=	62.2		
		Average Annual Pension	=	\$20,354		

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VI - CENSUS DATA

(continued)

F. Age and Benefit Profiles (continued)

Beneficiaries and Dependents

Age	Male		Female		Total	
	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
Under 25	1	\$40,619	5	\$75,010	6	\$115,629
25-29	3	72,365	3	69,579	6	141,944
30-34	1	30,795	5	67,505	6	98,300
35-39	5	140,409	4	40,105	9	180,514
40-44	12	227,185	20	332,085	32	559,270
45-49	19	309,019	34	614,931	53	923,950
50-54	31	502,055	73	1,447,251	104	1,949,306
55-59	74	1,260,236	112	2,617,215	186	3,877,451
60-64	60	1,202,875	205	4,634,098	265	5,836,973
65-69	68	1,242,853	311	6,926,418	379	8,169,271
70-74	75	1,222,470	407	8,563,499	482	9,785,969
75-79	66	892,323	464	7,443,722	530	8,336,045
80-84	80	907,393	507	6,414,276	587	7,321,669
85-89	48	447,372	370	4,122,157	418	4,569,529
90-94	19	173,448	159	1,512,261	178	1,685,709
95-99	3	15,885	48	459,147	51	475,032
100 & Up	2	14,296	4	35,396	6	49,692
Total	567	\$8,701,598	2,731	\$45,374,655	3,298	\$54,076,253
		Average Age	=	74.1		
		Average Annual Pension	=	\$16,397		

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2002

A. Actuarial Assumptions

Interest: 8.75% per annum, compounded annually (as prescribed by the State Treasurer).

CPI: 4.0% per annum, compounded annually (as prescribed by the State Treasurer).
 The pension adjustment is 60% of the cumulative increase.

Future Payroll Growth: 5.0% per annum, compounded annually.

Salary Scale: Salary increases vary by age and service with a salary scale which averages 5.95% (as prescribed by the State Treasurer). Illustrative rates are shown below:

<u>Less than 10 Years of Service</u>		<u>10 or More Years of Service</u>	
<u>Years of Service</u>	<u>Annual Rate</u>	<u>Age</u>	<u>Annual Rate</u>
0	8.16%	30	7.88%
1	8.16	35	7.88
2	7.15	40	7.14
3	7.08	45	5.94
4	7.08	50	5.20
5	7.08	55	4.95
6	7.08	60	4.83
7	7.08	65	4.74
8	7.08	70	4.72
9	7.08		

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2002

A. Actuarial Assumptions (continued)

Termination: Withdrawal rates vary by age, service and sex. Illustrative rates are shown below:

<u>Years of Service</u>	<u>Less Than 10 Years of Service</u>		<u>Age</u>	<u>Annual Rates for Those with Deferred Annuity Benefits*</u>		<u>Annual Rates for Receiving Return of Contributions</u>	
	<u>Male</u>	<u>Female</u>		<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
0	8.13%	7.54%	25	0.07%	0.08%	1.14%	1.58%
1	6.45	6.04	30	0.07	0.08	1.14	1.58
2	5.61	5.40	35	0.07	0.08	0.88	1.27
3	4.53	5.40	40	0.07	0.08	0.51	0.83
4	3.60	4.80	45	0.14	0.12	0.30	0.55
5	3.07	4.48	50	0.31	0.45	0.19	0.36
6	2.55	4.29	55	1.03	1.22	0.16	0.30
7	2.34	3.60					
8	1.71	2.68					
9	1.16	2.22					

*Members must have attained 10 years of service or 60 years of age in order to receive an annuity benefit.

Retirement: Rates of retirement vary by age and when initially eligible. Illustrative rates are shown below.

First Year of Eligibility for Unreduced Retirement

<u>Age</u>	<u>Annual Rate</u>	
	<u>Male</u>	<u>Female</u>
55	15.34%	16.49%
56	15.34	16.49
57	15.34	16.49
58	15.34	16.49
59	15.34	16.49

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2002

A. Actuarial Assumptions (continued)

After First Year of Eligibility for Unreduced Retirement

<u>Age</u>	<u>Annual Rate</u>	
	<u>Male</u>	<u>Female</u>
55	15.34%	16.49%
56	10.25	11.33
57	10.84	11.67
58	12.04	11.81
59	13.85	12.62
60	17.28	13.56
61	19.61	14.21
62	31.39	20.98
63	25.38	18.86
64	25.38	19.56
65	32.67	29.03
66-70	30.04	27.79
71 & Over	44.73	46.01

Reduced Retirement

<u>Age</u>	<u>Annual Rate</u>	
	<u>Male</u>	<u>Female</u>
<45	1.0%	1.20
45	1.0	1.20
46	1.0	1.20
47	1.0	1.20
48	1.2	1.36
49	1.4	1.52
50	1.6	1.68
51	1.8	1.84
52	2.0	2.00
53	2.0	2.00
54	2.0	2.00

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2002

A. Actuarial Assumptions (continued)

Disability: Illustrative rates of the incidence of disabilities among active members are shown below:

<u>Age</u>	<u>Annual Rates</u>			
	<u>Ordinary</u>		<u>Accidental</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
25	0.018%	0.022%	0.009%	0.006%
30	0.026	0.031	0.009	0.006
35	0.039	0.048	0.009	0.006
40	0.057	0.070	0.009	0.006
45	0.087	0.107	0.009	0.006
50	0.142	0.174	0.009	0.006
55	0.241	0.296	0.009	0.006

Mortality (pre-retirement): Illustrative rates of mortality of active members are shown below:

<u>Age</u>	<u>Annual Rates</u>		
	<u>Ordinary</u>		<u>Accidental</u>
	<u>Male</u>	<u>Female</u>	<u>Unisex</u>
25	0.037%	0.018%	0.0004%
30	0.043	0.021	0.0004
35	0.061	0.035	0.0004
40	0.099	0.046	0.0004
45	0.135	0.077	0.0004
50	0.226	0.116	0.0004
55	0.333	0.178	0.0004
60	0.393	0.260	0.0004
65	0.550	0.314	0.0004
70	0.768	0.610	0.0004

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2002

A. Actuarial Assumptions (continued)

Mortality (post-retirement): Special mortality tables are used for the period after disability retirements. Illustrative rates of mortality for retired members and beneficiaries are shown below:

<u>Age</u>	<u>Service Retirements and Beneficiaries</u>		<u>Disability Retirement</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
40	0.12%	0.06%	2.89%	1.01%
45	0.17	0.09	3.02	1.08
50	0.61	0.13	3.22	1.28
55	0.56	0.21	3.54	1.61
60	0.68	0.42	4.05	2.12
65	1.19	0.81	4.84	2.92
70	1.98	1.29	6.08	4.18
75	3.45	2.10	8.00	6.14
80	6.09	3.66	10.97	9.16

Marriage: Husbands are assumed to be 3 years older than wives. Among the active population, 80% of participants are assumed to be married. No children are assumed. Neither the percentage married nor the number of children assumptions are necessarily individually explicit, but they are considered reasonable, when viewed as a single combined assumption.

Post Retirement Medical: Projected 2003-2004 Per Retiree Benefit Costs (based on June 30, 2002 health plan distribution, medical trends ranging from 21%-23% for those less than age 65 and 23%-24% for those greater than 65, and the Social Security Standard premium for Medicare Part B trend at 8.5%):

Pre-Medicare:	\$13,141.10
Medicare Eligible:	\$7,877.70

B. Actuarial Valuation Method

The Projected Unit Credit Method was used as required by Chapter 62, P.L. 1994 as modified by Chapters 115, P.L. 1997 and 133, P.L. 2001.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VII - ACTUARIAL ASSUMPTIONS AND METHODS
AS OF JUNE 30, 2002

C. Asset Valuation Method

A five year average of market value with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five year period. Cash flows are based on an accrual accounting approach. This method is prescribed by statute.

D. Changes in Actuarial Assumptions

The per capita benefit costs for postretirement medical benefits have changed since the previous valuation. The costs were previously \$10,054.20 for pre-Medicare and \$7,877.70 for Medicare eligible.

The assumptions shown above in Section A are the assumptions recommended as a result of the 1997 to 2000 Experience Study. These assumptions are being phased-in over a 3-year period, as directed by the Board.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2002

1. Type of Plan

The Plan is a contributory, defined benefit plan. Contributions by Members are 5% of compensation. If the Fund has excess assets, member contributions may be reduced by as much as 2%.

2. Effective Date

The Plan was established in 1919. It was reorganized and integrated with Social Security in 1955. Social Security integration was eliminated in 1966, i.e., reductions in retirement benefits based on Social Security benefits were eliminated. The Plan is coordinated with Social Security. Members receive their full benefits under the Plan and Social Security benefits.

3. Eligibility for Membership

Employees appointed to positions requiring certification as members of a regular teaching or professional staff of a public school system in New Jersey are required to enroll as a condition of employment. Employees of the Department of Education holding unclassified, professional and certificated titles are eligible for membership. Temporary or substitute employees are not eligible.

4. Definitions

- a. Fiscal Year: A Fiscal Year is a 12-month period beginning on July 1 and ending on June 30.
- b. Credited Service: A year of Credited Service for each year an employee is a Member of the Retirement System plus service, if any, covered by a prior service liability.
- c. Final Compensation: This is the average annual compensation for the three consecutive years of Creditable Service immediately preceding retirement or the highest three fiscal years of Membership Service.
- d. Final Year Compensation: This is the compensation upon which contributions by a Member to the Annuity Savings Fund are based in the last year of Membership Service.
- e. Aggregate Member Contributions: This is the sum of all amounts deducted from the compensation of a Member or contributed by him or on his behalf without interest.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2002

4. Definitions (continued)

- f. Class A Member: Any member who contributes towards retirement allowance based on 1/64th benefit rate per year of creditable service.
- g. Class B Member: Any member who contributes towards a retirement allowance based on 1/55th benefit rate per year of creditable service.

5. Retirement Benefits

a. Service Retirement

Service Retirement Eligibility: Eligibility means age 60 with no minimum service requirement.

Service Retirement Benefit: An employee's annual service retirement allowance is equal to a member annuity plus an employer pension which together equals 1/64th of Final Compensation for each year of service for Class A members and 1/55th of Final Compensation for each year of service for Class B members.

Note: See Section 12 for special benefits for veteran members.

b. Early Retirement

Early Retirement Eligibility: A Member may retire after completion of 25 years of Creditable Service.

Early Retirement Benefit: The benefit may be either:

- (i) the lump sum withdrawal benefit described in 6.a. below; or
- (ii) the service retirement benefit reduced by 1/4 of one percent for each month the retirement date precedes age 55.

6. Termination Benefits

a. Lump Sum Withdrawal

Eligibility: A Member is eligible upon termination of service.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2002

6. Termination Benefits (continued)

Lump Sum Withdrawal Benefit: The benefit equals a refund of Aggregate Member Contributions plus, if the member has completed three years of service, interest accumulated at 2.0% per annum allowed thereon.

b. Deferred Retirement

Eligibility: A Member is eligible upon termination of service prior to age 60 and after 10 years of Creditable Service.

Deferred Retirement Benefit: The benefit may be either:

- (i) the lump sum withdrawal benefit described in 6.a. above; or
- (ii) a deferred retirement benefit, commencing at age 60, equal to a member annuity plus an employer pension which together provide a retirement allowance equal to the service retirement benefit based on Final Compensation and Creditable Service at date of termination.

7. Death Benefits

a. Ordinary Death (Insured) Benefit - Lump Sum (Non-Contributory)

Pre-retirement Death Benefit Eligibility: Any current active member is eligible.

Pre-retirement Death Benefit: The benefit is a lump sum benefit equal to the Aggregate Contributions with interest allowed thereon plus an amount equal to 1-1/2 times Compensation at date of death.

Post-retirement Death Benefit Prior to Age 60 Eligibility: Eligible if disabled or retired early.

Post-retirement Death Benefit Prior to Age 60 Benefit: The benefit is as follows:

- (i) For death while a Disabled Retiree the benefit is equal to 1-1/2 times Compensation.
- (ii) For death while an Early Retiree, the benefit is equal to 3/16 times Compensation.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2002

7. Death Benefits (continued)

(iii) For death while vested terminated, the benefit is equal to his Aggregate Contributions with interest allowed thereon.

Post-retirement Death Benefit After Age 60 Eligibility: Eligible after attainment of age 60 for service, deferred and disabled retirements (if not disabled, 10 years of Creditable Service required for members enrolling on or after July 1, 1971).

Post-retirement Death Benefit After Age 60 Benefit: The benefit payable is equal to 3/16 times Compensation.

b. Contributory Death Benefit: An additional, employee-paid, death benefit is also available through group insurance purchased by the Board of Trustees. Contributions for this benefit are required by Members during the first year of enrollment. Participation may be terminated after the first year. The benefit prior to retirement is 2 times compensation. The benefit after retirement is 1/4 times final year compensation (coverage at retirement, and 10 years of participation for Members enrolling on or after July 1, 1970, is required).

c. Pre-retirement Accidental Death Benefit:

Eligibility: A death resulting from injuries received from an accident during performance of duty and not a result of willful negligence is eligible.

Pre-retirement Lump Sum Benefit: The benefit is a lump sum equal to 1-1/2 times Compensation.

Pre-retirement Accidental Death Benefit: The benefit payable is as follows:

(i) The annuity benefit to a widow or widower is equal to 50% of Compensation, payable for life until remarriage.

(ii) The annuity benefit, when there is no spouse, or the spouse is remarried, is equal to 20% of Compensation for one child, 35% for two children, 50% for three or more children. The benefit is payable while the children are under age 18 and it is payable for life if they are disabled.

(iii) The annuity benefit, when there is no spouse or children, is equal to 25% of Compensation for one dependent parent and 40% for two dependent parents.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2002

7. Death Benefits (continued)

(iv) The benefit, when there is no relation is stated above, is equal to the Aggregate Contributions with interest allowed thereon and is payable to a beneficiary or to the Member's estate. This is also the minimum benefit payable under (i), (ii) and (iii) above.

8. Disability Benefits

a. Ordinary Disability Retirement

Eligibility: A Member is eligible for Ordinary Disability Retirement if he (she) has 10 years of Creditable Service and is totally and permanently incapacitated from the performance of usual or available duties.

Ordinary Disability Retirement Benefit: The total retirement allowance is equal to the greater of:

- (i) 1.64% of Final Compensation times the number of years of Creditable Service; or
- (ii) 43.6% of Final Compensation.

Note: See Section 12 for special benefits for veteran members.

b. Accidental Disability Retirement

Eligibility: A Member is eligible upon total and permanent incapacitation as a direct result of a traumatic event occurring during and as a result of the performance of regular or assigned duties.

Accident Disability Retirement Benefit: The benefit payable is equal to a Member annuity plus an employer pension which together equals 72.7% of the Compensation at date of injury.

9. Cost-of-Living Pension Adjustment Benefits: All retirees and eligible beneficiaries will receive an annual adjustment of at least 60% of the cumulative change in the Consumer Price Index. This adjustment is first available on the 25th month after retirement or death.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

SECTION VIII – SUMMARY OF PRINCIPAL PLAN PROVISIONS
AS OF JUNE 30, 2002

10. Additional Old-Plan Benefit: An additional pension is payable to any retiree who was a member of the old Teachers' Retirement Fund. This pension is the actuarial equivalent of his contributions to the old Teachers' Retirement Fund without interest.
11. Special Minimum Benefit: A member who retired prior to 1955 with 20 or more years of service may receive a minimum pension of \$500 a month inclusive of any amounts payable under any pension adjustments.
12. Special Benefits for Veterans:
 - a. Service Retirement: Eligible if member attains age 60 and completes 20 years of service or attains age 55 and completes 25 years of service. Benefit equals 54.5% of highest 12-month contributory compensation.
 - b. Chapter 97 Benefit: Eligible if age 55 and completes 35 years of service. Benefit equals 1/55th of final year compensation for each year of service.
13. Post Retirement Medical Benefits: The Fund pays medical premiums including Medicare for retired members who retire after 25 years of service or under the disability provisions of the Fund.

14. Benefit and Compensation Limits

The provisions of IRC Section 415 and IRC Section 401(a)(17), which limit benefits paid and limit compensation used in determining benefits, has been reflected in this report.

The IRC Section 415 limit is \$160,000 and the 401(a)(17) compensation cap is \$200,000. The \$200,000 compensation cap is not applied to plan years prior to 2002.

15. Contributions

- a. Member Contributions: Each member becoming a member on or after January 1, 1956 contributes at the rate of contribution applicable to Class B members.

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2002

15. Contributions (continued)

- (i) **Class B Membership:** Any member on December 31, 1955 may elect to be classified as a Class B member and contribute at the rate of contribution applicable to Class B members at his age at membership. Any such member may elect to increase his accumulated deductions by the amount required by the Board to receive credit as a Class B member for all or part of his service prior to such election.

- (ii) **Class A Membership:** Any member who is not a veteran and does not elect to be classified as a Class B member continues to contribute at the rate of contribution applicable to his age at membership which was payable prior to the establishment of the integrated system, except that if he became a member subsequent to June 30, 1946 he will pay after January 1, 1955 at the rate of contribution in effect on June 30, 1946 applicable to his age at membership.

Prior to July 1, 1979 different contribution rates were established for men and women. Effective on that date members contribute at rates intermediate between the rates previously applicable to male and female members, computed to provide the same present value of future employee contributions at each entry age on the basis of the membership as constituted on the effective date.

- (iii) **Early Retirement Incentive Contributions:** The State and Local employers which elected to participate in the early retirement incentive programs authorized by Chapters 137, 229 and 231, P.L. 1991 and Chapters 48, 138 and 163, P.L. 1993 pay contributions to cover the additional liability for these programs over amortization periods chosen by the employer or the amortization period for the Unfunded Accrued Liability of the system.

- (iv) **Chapter 113 Contributions:** Certain School Districts have elected to exempt a select group of employees from the compensation limit under IRC Section 401(a)(17) incorporated under Chapter 113. These school districts will pay the full cost of this exemption at a member's date of retirement.

16. Changes in Plan Provisions Since Prior Valuation

Chapter 353, P.L. 2001 increased the benefit percentages for disability and veteran benefits by approximately 9.09% as follows:

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY
SECTION VIII – SUMMARY OF PRINCIPAL PLAN APROVISIONS
AS OF JUNE 30, 2002

	New Percentage	Old Percentage
Ordinary Disability	1.64	1.50
Ordinary Disability Minimum	43.60	40.00
Accidental Disability	72.70	66.66
Veteran Service Retirement	54.50	50.00

Chapter 23 provided for State employees who met the eligibility criteria to participate in Early Retirement Incentive III (ERI-3) which provided for enhanced retirement benefits. ERI-3 was effective for retirements from February 1, 2002 to July 1, 2002. The following is a brief description of the program.

Category	Eligibility	Enhancement
I (a)	Age 50 w/ at least 25 years	Additional 3 years
(b)	Veteran Age 55 w/ at least 25 years	Additional 3/55 benefit
II	Age 60 w/ at least 20 years	Receive Retiree Medical Coverage
III	Age 60 w/ at least 10 years	\$500 per month supplement payable for 24 months

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE

<u>Group Number</u>	<u>Location Name</u>	ERI 1	ERI 1	ERI 2	ERI 2
		<u>Present Value</u> <u>June 30, 2002</u>	<u>Fiscal Year</u> <u>2004 Payment</u>	<u>Present Value</u> <u>June 30, 2002</u>	<u>Fiscal Year</u> <u>2004 Payment</u>
3	981 NJ INST OF TECH	\$245,865	\$26,438	\$314,155	\$16,365
5	1001 ATLANTIC COMMUNITY COLLEGE	79,708	8,571	N/A	N/A
5	6080 ESSEX CO COMMUNITY COLLEGE	N/A	N/A	N/A	N/A
5	201 MIDDLESEX COUNTY COLLEGE	216,274	23,256	300,563	15,657
5	501 OCEAN COUNTY COLLEGE	N/A	N/A	N/A	N/A
6	911 ALLAMUCHY BD OF ED	N/A	N/A	119,797	11,088
6	2021 ALLENDALE BORO BD OF ED	854,398	90,027	N/A	N/A
6	300 ASBURY PARK BD OF ED	3,993,272	429,398	N/A	N/A
6	1000 ATLANTIC CITY BD OF ED	7,155,924	769,479	1,338,602	402,392
6	969 ATLANTIC CO VOCATIONAL SCHOOLS	240,230	25,832	N/A	N/A
6	4011 AUDUBON BOROUGH BD OF ED	706,173	75,935	N/A	N/A
6	8010 BAYONNE BOARD OF ED	1,373,231	147,664	1,800,501	223,270
6	4013 BELLMAWR BORO BD OF ED	497,515	53,498	N/A	N/A
6	324 BELMAR BORO BD OF ED	524,029	56,349	N/A	N/A
6	980 BERGEN CO VOCATIONAL	N/A	N/A	2,178,956	270,200
6	4014 BERLIN BORO BD OF ED	N/A	N/A	228,944	37,016
6	3012 BEVERLY CITY BD OF ED	N/A	N/A	N/A	N/A
6	412 BOONTON TWP BD OF ED	155,742	16,747	N/A	N/A
6	514 BRICK TWP BD OF ED	N/A	N/A	3,418,440	1,027,604
6	326 BRIELLE BORO BD OF ED	319,553	43,151	N/A	N/A
6	3003 BURLINGTON CO BD OF SPCL SRVCS	N/A	N/A	N/A	N/A
6	774 BYRAM TWP BD OF ED	273,913	29,454	N/A	N/A
6	2025 CARLSTADT BD OF ED	N/A	N/A	N/A	N/A
6	231 CARTERET BD OF ED	2,066,988	222,264	N/A	N/A
6	416 CHESTER TWP BD OF ED	N/A	N/A	466,824	140,330
6	232 CRANBURY TWP BD OF ED	N/A	N/A	20,466	6,152
6	121 EAST WINDSOR REG SCHOOL DIST	N/A	N/A	272,386	33,777
6	4010 EASTERN CAMDEN CO REG SCH DIST	384,199	41,313	N/A	N/A
6	2036 ENGLEWOOD CITY BD OF ED	N/A	N/A	2,804,216	347,735
6	6012 ESSEX CO EDUCATIONAL SERV COMM	238,761	25,674	N/A	N/A
6	122 EWING TWP BD OF ED	N/A	N/A	4,271,793	529,721
6	6082 FAIRFIELD TWP BD OF ED ESSEX CO	430,464	46,288	N/A	N/A
6	2039 FAIRVIEW BORO BD OF ED	640,117	68,832	123,298	11,412
6	329 FARMINGDALE BD OF ED	N/A	N/A	266,964	43,163
6	775 FRANKFORD TWP BD OF ED	N/A	N/A	497,244	80,395
6	748 FRANKLIN TWP BD OF ED	N/A	N/A	N/A	N/A
6	4032 GIBBSBORO BORO BD OF ED	28,802	15,979	N/A	N/A
6	4033 GLOUCESTER CITY BD OF ED	N/A	N/A	564,649	169,737
6	753 GREEN BROOK BD OF ED	363,785	39,118	N/A	N/A
6	8082 GUTTENBERG BORO BD OF ED	195,656	21,039	N/A	N/A
6	4037 HADDON HEIGHTS BD OF ED	812,663	87,386	N/A	N/A
6	8083 HARRISON TWP BD OF ED	1,141,771	122,775	276,308	83,060
6	780 HIGH POINT REG HIGH SCHOOL	N/A	N/A	1,733,262	214,932

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE

(continued)

<u>Group Number</u>	<u>Location Name</u>	ERI 1		ERI 2	
		<u>Present Value June 30, 2002</u>	<u>Fiscal Year 2004 Payment</u>	<u>Present Value June 30, 2002</u>	<u>Fiscal Year 2004 Payment</u>
6	922 HOPE TWP BD OF ED	N/A	N/A	N/A	N/A
6	335 HOWELL TWP BD OF ED	1,900,021	204,310	1,032,138	95,531
6	956 HUDSON CO VOCATIONAL SCHOOL	N/A	N/A	804,731	74,483
6	9030 HUNTERDON CENTRAL HIGH SCHOOL	1,381,545	148,558	N/A	N/A
6	6040 IRVINGTON TWP BD OF ED	N/A	N/A	4,346,646	539,003
6	518 JACKSON TWP BD OF ED	N/A	N/A	5,002,817	620,371
6	8030 KEARNY TWP BD OF ED	1,145,365	635,431	1,221,555	367,207
6	810 KENILWORTH BORO BD OF ED	342,025	36,778	N/A	N/A
6	795 KITTATINNY REGIONAL H S	N/A	N/A	N/A	N/A
6	521 LAKEHURST BORO BD OF ED	102,222	10,992	N/A	N/A
6	645 LAKELAND REGIONAL	919,034	98,824	N/A	N/A
6	500 LAKEWOOD TWP BD OF ED	N/A	N/A	2,030,472	328,289
6	4038 LAUREL SPRINGS BORO BD OF ED	N/A	N/A	N/A	N/A
6	124 LAWRENCE TWP BD OF ED	2,827,611	304,054	N/A	N/A
6	3005 LENAPE REGIONAL H S BD OF ED	2,882,154	309,919	783,627	235,563
6	790 LENAPE VALLEY REG H S DIST	N/A	N/A	421,193	126,613
6	4068 LINDENWOLD BORO BD OF ED	N/A	N/A	618,454	76,691
6	2052 LITTLE FERRY BD OF ED	N/A	N/A	24,218	7,280
6	2053 LODI BD OF ED	1,665,214	179,061	1,005,454	162,563
6	310 LONG BRANCH BD OF ED	N/A	N/A	3,610,542	334,179
6	4045 LOWER CAMDEN CO REG HS DIST 1	2,357,111	253,461	2,250,816	279,111
6	2055 LYNDHURST TWP BD OF ED	1,810,550	194,689	N/A	N/A
6	1096 MAINLAND REGIONAL	N/A	N/A	2,310,784	213,878
6	524 MANCHESTER TWP BD OF ED	736,350	79,180	N/A	N/A
6	1060 MARGATE CITY BD OF ED	N/A	N/A	N/A	N/A
6	343 MATAWAN-ABERDEEN REG SCHOOL	N/A	N/A	4,571,630	566,902
6	2056 MAYWOOD BD OF ED	N/A	N/A	319,787	N/A
6	3027 MEDFORD TWP BD OF ED	N/A	N/A	414,905	124,723
6	111 MERCER CO SPECIAL SERVICES	454,402	48,862	N/A	N/A
6	953 MERCER CO VOCATIONAL SCHOOLS	N/A	N/A	511,964	82,775
6	972 MIDDLESEX CO VOCATIONAL SCHOOL	N/A	N/A	1,337,502	165,856
6	242 MILLTOWN BORO BD OF ED	627,646	67,491	N/A	N/A
6	346 MONMOUTH BEACH BD OF ED	124,607	13,399	N/A	N/A
6	987 MONMOUTH CO VOCATIONAL SCHOOLS	735,225	79,059	N/A	N/A
6	372 MONMOUTH REGIONAL HIGH SECHOOL	N/A	N/A	N/A	N/A
6	243 MONROE TWP BD OF ED	N/A	N/A	1,451,611	234,698
6	6050 MONTCLAIR BD OF ED	N/A	N/A	N/A	N/A
6	2059 MOONACHIE BORO BD OF ED	253,761	27,287	N/A	N/A
6	3029 MOUNT LAUREL TWP BD OF ED	N/A	N/A	1,546,922	250,108
6	4043 MT EPHRAIM BD OF ED	N/A	N/A	41,380	12,439

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE

(continued)

<u>Group Number</u>	<u>Location Name</u>	ERI 1	ERI 1	ERI 2	ERI 2
		Present Value <u>June 30, 2002</u>	Fiscal Year <u>2004 Payment</u>	Present Value <u>June 30, 2002</u>	Fiscal Year <u>2004 Payment</u>
6	436 MT OLIVE TWP BD OF ED	\$1,961,697	\$210,942	N/A	N/A
6	2063 NORTH ARLINGTON BD OF ED	1,793,270	192,831	893,239	82,675
6	8040 NORTH BERGEN BD OF ED	N/A	N/A	3,520,025	325,801
6	3033 NORTH HANOVER TWP BD OF ED	N/A	N/A	N/A	N/A
6	901 NORTH WARREN REG HIGH SCHOOL	N/A	N/A	713,027	115,283
6	1089 NORTHFIELD BD OF ED	N/A	N/A	495,824	149,048
6	351 OCEAN TWP BD OF ED	N/A	N/A	N/A	N/A
6	2068 ORADELL BD OF ED	N/A	N/A	197,953	24,547
6	2071 PALISADES PARK BD OF ED	832,379	89,506	254,461	23,552
6	952 PASSAIC CO VOC SCH	N/A	N/A	596,951	179,447
6	3035 PEMBERTON BORO BD OF ED	N/A	N/A	N/A	N/A
6	3036 PEMBERTON TWP BD OF ED	2,521,650	271,154	500,712	150,517
6	210 PERTH AMBOY BD OF ED	N/A	N/A	2,469,311	399,241
6	4069 PINE HILL BORO BD OF ED	134,046	14,414	N/A	N/A
6	502 PINELANDS REG SCH DIST	N/A	N/A	N/A	N/A
6	245 PISCATAWAY TWP BD OF ED	N/A	N/A	N/A	N/A
6	721 PITTSBORO TWP BD OF ED	273,746	29,436	132,719	12,284
6	1010 PLEASANTVILLE BD OF ED	1,362,378	146,497	1,332,751	165,267
6	839 RAHWAY CITY BD OF ED	2,551,503	274,364	N/A	N/A
6	353 RED BANK BD OF ED	N/A	N/A	N/A	N/A
6	301 RED BANK REGIONAL H S DISTRICT	1,440,849	154,935	N/A	N/A
6	2058 ROCHELLE PARK TWP BD OF ED	137,394	14,774	94,223	8,721
6	444 ROCKAWAY TWP BD OF ED	710,392	394,115	N/A	N/A
6	445 ROXBURY TWP BD OF ED	2,968,799	319,236	1,512,504	187,557
6	2082 SADDLE BROOK BD OF ED	N/A	N/A	3,093,776	286,349
6	984 SALEM CO VOCATIONAL SCHOOL	80,140	15,462	N/A	N/A
6	366 SEA GIRT BD OF ED	N/A	N/A	N/A	N/A
6	531 SEASIDE HEIGHTS BD OF ED	N/A	N/A	15,364	2,484
6	8084 SECAUCUS TWP BD OF ED	N/A	N/A	774,079	232,693
6	5071 SHILOH BOROUGH BD OF ED	13,587	1,461	N/A	N/A
6	373 SHORE REGIONAL H S DISTRICT	N/A	N/A	N/A	N/A
6	356 SHREWSBURY BORO BD OF ED	N/A	N/A	N/A	N/A
6	730 SOMERVILLE BORO BD OF ED	2,299,193	247,233	N/A	N/A
6	249 SOUTH AMBOY BD OF ED	432,315	46,487	N/A	N/A
6	254 SPOTSWOOD BORO BD OF ED	N/A	N/A	734,959	118,829
6	844 SPRINGFIELD TWP BD OF ED	913,874	176,321	N/A	N/A
6	4062 STRATFORD BD OF ED	N/A	N/A	756,683	93,832
6	2083 TEANECK BD OF ED	5,786,924	622,270	N/A	N/A
6	100 TRENTON CITY BD OF ED	9,544,319	1,026,304	5,634,939	521,550
6	359 UNION BEACH BORO BD OF ED	N/A	N/A	N/A	N/A

TEACHERS' PENSION AND ANNUITY FUND OF NEW JERSEY

APPENDIX I - EARLY RETIREMENT INCENTIVE CONTRIBUTION SCHEDULE

(continued)

<u>Group Number</u>	<u>Location Name</u>	ERI 1	ERI 1	ERI 2	ERI 2
		<u>Present Value</u> <u>June 30, 2002</u>	<u>Fiscal Year</u> <u>2004 Payment</u>	<u>Present Value</u> <u>June 30, 2002</u>	<u>Fiscal Year</u> <u>2004 Payment</u>
6	8050 UNION CITY BD OF ED	\$2,343,995	\$452,246	\$1,863,126	\$560,067
6	988 UNION COUNTY VOCATIONAL SCHS	N/A	N/A	863,279	79,902
6	1070 VENTNOR CITY BD OF ED	520,123	55,929	N/A	N/A
6	794 VERNON TWP BD OF ED	N/A	N/A	1,169,104	351,440
6	6092 VERONA BORO BD OF ED	1,384,838	267,188	N/A	N/A
6	362 WALL TWP BD OF ED	3,084,617	331,690	1,863,684	172,496
6	641 WANAQUE BD OF ED	N/A	N/A	317,320	29,370
6	758 WATCHUNG BORO BD OF ED	N/A	N/A	N/A	N/A
6	4064 WATERFORD TWP BD OF ED	N/A	N/A	N/A	N/A
6	8060 WEEHAWKEN TWP BD OF ED	850,467	91,451	619,708	57,358
6	451 WEST MORRIS REGIONAL DIST	N/A	N/A	N/A	N/A
6	8070 WEST NEW YORK TWP BD OF ED	N/A	N/A	2,825,810	261,547
6	934 WHITE TWP BD OF ED	<u>256,970</u>	<u>27,632</u>	<u>N/A</u>	<u>N/A</u>
	Grand total for Local Employers	\$87,403,341	\$10,651,700	\$89,902,047	\$13,154,126