DEPARTMENT OF THE TREASURY

R. David Rousseau
State Treasurer

DIVISION OF PENSIONS AND BENEFITS

Frederick J. Beaver
Director

STATE HEALTH BENEFITS PROGRAM OF NEW JERSEY

COMMISSION as of June 30, 2007

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State of New Jersey
DIVISION OF PENSIONS AND BENEFITS
PO Box 295 • Trenton, NJ 08625-0295

TO THE HONORABLE
JON S. CORZINE
GOVERNOR of the STATE OF NEW JERSEY

Dear Governor Corzine:

As Secretary of the New Jersey State Health Benefits Commission and Director of the Division of Pensions and Benefits, I am pleased to present the fiscal year 2007 State Health Benefits Program Annual Report in accordance with the provisions of N.J.S.A. 52:14-17.27.

We have had a year that has seen many positive changes to our health programs as we continue to implement new, innovative, and cost effective benefit designs. In fiscal year 2007:

- The State Health Benefits Commission issued a Request For Proposal for a Preferred Provider Organization (PPO) and Health Maintenance Organization (HMO) medical plan for State, Local Government and Local Education employees and retirees participating in the New Jersey State Health Benefits Program. The new plans are to be effective April 1, 2008.
- The new plans are a result of labor agreements between the State and represented bargaining groups and the passage of Chapter 103, P.L. 2007. Chapter 103 provided for a PPO to replace the Traditional Plan and NJ PLUS. In addition, Chapter 103 created the School Employees' Health Benefits Program (SEHBP) which will be administered by the School Employees Health Benefits Commission and commence on or before July 1, 2008. The SEHBP will cover employees and retirees of local education employers.
- Effective July 1, 2007, State employees were required to contribute 1.5% of their annual base salary towards the cost of medical and/or prescription drug coverage. Certain retirees are required to contribute 1.5% of their retirement allowance for health coverage in retirement. Retirees are exempt from the contribution if they participate in the Retiree Wellness Program.
- Participated in a groundbreaking pilot program focusing on Program members with diabetes. The pilot has produced empirical data demonstrating the effectiveness of the Patient Centered Medical Home, a concept of care that facilitates partnerships between individual patients and their personal physicians and - when appropriate - the patient's family. There has been a significant increase in compliance in participating members' HbA1c blood test from 43% to 91%. Other metrics also demonstrate the effectiveness of the interventions.

It is the goal of the Division of Pensions and Benefits to continue to pursue new and innovative health care programs and concepts that will enhance the care to our members while continuing to contain health costs for all concerned.

Respectfully submitted,

FREDERICK J. BEAVER
Secretary

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NEW JERSEY STATE HEALTH BENEFITS PROGRAM

Mission and Vision

Mission

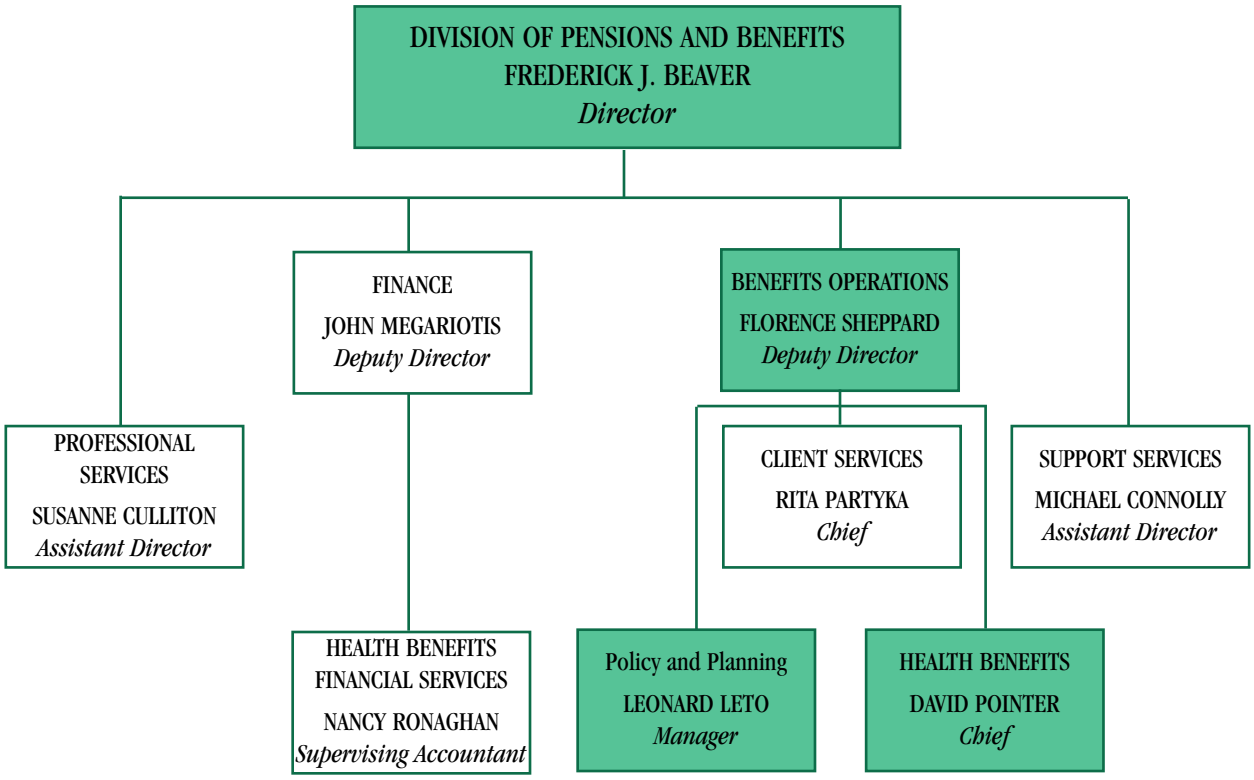
The State Health Benefits Program is committed to a standard of excellence that delivers quality health care in an efficient and cost effective manner.

Vision

To be proactive in establishing the standard for top quality benefits by focusing on innovative approaches and a commitment to member satisfaction.

STATE HEALTH BENEFITS PROGRAM AND RELATED SERVICES

Organization Chart as of June 30, 2007



NEW JERSEY STATE HEALTH BENEFITS PROGRAM

Overview

The State Health Benefits Program (SHBP) offers a variety of health plans for the more than 780,000 active and retired New Jersey public sector employees and their dependents. The SHBP consists of two distinct groups - the State Group and the Local Employer Group that includes entities such as boards of education, municipalities, counties, etc. The education and local municipality groups are rated separately since their overall experience differs.

The responsibility for the operations of the SHBP resides with the Director of the Division of Pensions and Benefits. The Division is part of the State's Department of the Treasury. The policy-making body of the SHBP is the State Health Benefits Commission (SHBC). The SHBC includes the State Treasurer as the chairperson, the Commissioner of the Department of Banking and Insurance, the Commissioner of the Department of Personnel, a State employee representative chosen by the Public Employees' Committee of the AFL-CIO, and a representative chosen by the New Jersey Education Association (NJEA), or their designated representatives. The Director of the Division of Pensions and Benefits is the Secretary to the SHBC. All decisions made by the Commission are a matter of public record.

The Division of Pensions and Benefits, specifically the Health Benefits Bureau and the Bureau of Policy and Planning, is responsible for the daily administrative activities of the SHBP under the direction of a Deputy Director.

Bureau of Health Benefits

The Health Benefits Bureau is responsible for all SHBP enrollment activities encompassing 7 medical plans, 12 dental plans, and a prescription drug plan. In addition, the Bureau is responsible for the administration of benefits under the federal COBRA law.

Bureau of Policy and Planning

The Bureau of Policy and Planning analyzes and makes recommendations concerning all current and proposed health benefits programs. The Bureau is also responsible for contract renewals, requests for proposals, State Health Benefits Commission business, and plan vendor compliance.

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

History

The State Health Benefits Program was established by Chapter 49, P.L. 1961 to provide traditional indemnity benefits for State employees and their dependents. Chapter 125, P.L. 1964 extended the program to include employees of local government at the option of each public employer.

Chapter 337 of the Public Laws of 1973 (C.26:2J-2) authorized the establishment of Health Maintenance Organizations to be offered to both State and local employers. The first HMO enrollment took place in 1976.

In 1989, the State Health Benefits Commission introduced a point-of-service plan known as NJ PLUS.

A carved-out Prescription Drug Program was initiated as a result of union negotiations for certain State employees effective December 1, 1974. The passage of Chapter 41, P.L. 1976 extended this coverage to all eligible State employees. The State Health Benefits Commission offered the program to local employers that participated in the SHBP on July 1, 1993.

The State Dental Program was established February 1, 1978 for State employees only. Initially only one plan was offered: a traditional indemnity plan known as the New Jersey State Dental Expense Benefits Program. The Program expanded in June 1984 to include Dental Provider Organizations (DPOs). In 2005, all eligible employees of the State and participating local government employers who adopted a resolution to provide dental benefits under the SHBP may enroll for dental coverage. The Retiree Dental Expense Plan was established January 1, 2005 as a retiree pay-all plan.

The Traditional Plan, NJ PLUS and the Employee Prescription Drug Program, as well as all HMOs, are self-insured. The dental indemnity plan is also self-insured, with administrative services provided by Aetna. All participating Dental Provider Organizations offered are on an insured basis.

The Statutes governing the SHBP can be found in the New Jersey Statutes Annotated, Title 52, Chapter 14, Article 3D. Rules governing the operation and administration of the program may be found in Title 17, Chapter 9 of the New Jersey Administrative Code.

Health Plans Offered

NJ PLUS

A point-of-service plan that utilizes a gatekeeper approach, offers in-network services and the health promotion features of managed care plans. The plan also offers out-of-network services with a full choice of physicians and services, subject to deductibles, coinsurance and reasonable and customary allowances similar to an indemnity plan.

Traditional Plan

An indemnity plan that allows free choice of medical providers and facilities. Reimbursement is subject to reasonable and customary allowances, deductibles and coinsurance. The plan does not provide coverage for wellness services such as routine checkups and screening tests, except where specifically directed by legislation.

Health Maintenance Organizations (HMOs)

Choices of multiple programs offering comprehensive coverage where employees choose a primary care physician from a closed network of participating providers to manage all care provided. Most HMOs cover the entire State and adjacent counties in neighboring states where licensed. For Medicare eligible retirees, all State participating HMOs coordinate their benefits with Medicare. Several HMOs now offer coverage in the following states: Pennsylvania, Connecticut, Delaware, Arizona, New Hampshire, New Mexico, Rhode Island, Vermont, and Washington, D.C.; parts of California, New York, Florida, Illinois, Indiana, Maryland, Massachusetts, Nevada, Alabama, Arkansas, Colorado, Idaho, Kansas, Kentucky, Louisiana, Maryland, Oklahoma, Oregon, South Carolina, Tennessee, Utah, Wisconsin, Mississippi, North Carolina, Ohio, Texas, Virginia, Georgia, and West Virginia.

Dental Program

State employees and employees of participating employers may choose a traditional indemnity plan called the Dental Expense Plan or prepaid dental HMOs, called Dental Provider Organizations. Dental coverage is optional. State employees who opt for coverage pay 50% of the overall cost through payroll deductions, local participating employees pay up to 50% of the overall cost. In 2005, Dental coverage was made available to State retirees and local retirees. Retirees pay 100% of the overall dental cost.

Prescription Drug Program

Employee Prescription Drug Plan

The Employee Prescription Drug Plan is offered to active State employees and their eligible dependents as a separate drug plan. Local employers may also elect to provide the SHBP Employee Prescription Drug Plan to their employees as a separate prescription drug benefit.

The Employee Prescription Drug Plan is currently administered by Caremark through Horizon Blue Cross Blue Shield of New Jersey (Horizon BCBSNJ).

A mail order program is also available.

Retiree Prescription Drug Plan

Effective 2002, all prescription drug plans available to retirees became three-tiered prescription drug plans. Mail order service was also included in all retiree prescription drug plans.

Plan Changes

Administrative Change

There were no administrative changes during Fiscal Year 2007.

HIPAA Requirements

The State Health Benefits Commission has filed for exemption from the HIPAA mental health parity requirement with the federal Health Care Financing Administration for calendar year 2007. As a result, the maximum annual and lifetime dollar limits for mental health benefits under the Traditional Plan and NJ PLUS have not changed.

2007 Significant Legislation

Chapter 103, P.L. 2007

Implements changes to the SHBP and the transfer of education employees to the School Employees' Health Benefits Program and establishes the SEHBC

The sections of this law and the various changes they impose are as follows:

This law amends the State Health Benefits Program (SHBP) statutes to reflect changes to the program to be implemented as the result of binding collective negotiations agreements between the Executive branch and collective bargaining units representing State employees. There are two basic changes: (1) the creation and grant of authority to the State Health Benefits Commission to contract for the administration of preferred provider organizations (PPOs), and (2) the establishment of a State employee contribution of 1.5% of the employee's base salary toward the cost of whatever type of SHBP coverage the employee has chosen. The law also establishes a School Employees' Health Benefits Program (SEHBP) through the School Employees' Health Benefits Act. The SEHBP will provide health care benefits for active and retired education employees through PPOs and HMOs overseen by a new School Employees' Health Benefits Commission.

Section 22: Implements a health contribution of 1.5% of base salary for State employees per ratified agreements and for all non-aligned State employees, as well as the contribution arrangements for retirees. For State retirees who attain 25 or more years of service, and who retire on or after July 1, 2007, the contribution will not be effective until the New Jersey Retirees' Wellness Program is open for enrollment. Thereafter, the contribution will be waived for a retiree who participates in the wellness program. The section also provides that an employee or retiree may terminate the withholding of the health contribution for SHBP benefits if the participant waives SHBP coverage and certifies other health benefits coverage.

Section 23: Codifies in law the services and benefits to be included in contracts for the new PPOs and provides for coordination between the State Health Benefits Commission and the new School Employees' Health Benefits Commission in effectuating provisions of the School Employees' Health Benefits Program Act, contained within this law, which creates the new SEHBP to cover active and retired educators.

Effective Date: This act shall take effect immediately (June 28, 2007), except that sections 27 through 29, inclusive, shall take effect July 1, 2008, and sections 31 through 41, inclusive, shall take effect immediately and shall be implemented as soon as practicable as determined by the School Employees' Health Benefits Commission so that the School Employees' Health Benefits Program shall be operational as of July 1, 2008.

2007 Significant Legislation, Continued

Chapter 92, P.L. 2007

This law implements certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform. The sections of this law and the various changes they impose are as follows:

Amends the SHBP laws to exclude service credit earned in the defined contribution retirement program from service required for employer-paid health care benefits in retirement.

Section 31: Requires the State Health Benefits Commission to ensure that every contract purchased by the commission to provide benefits under the State managed care plans includes disease and chronic care management for specified conditions meeting nationally recognized accreditation standards.

Extends to all local public employers the current authorization to provide financial incentives to employees who waive coverage under the SHBP if the employee is eligible for other health care coverage. Under previous law, this option was available to municipalities since 1995, to municipal authorities since 2001, and to county colleges since 2003. The incentive amount is currently limited to no more than 50 percent of the amount saved by the employer through the employee's waiver of coverage.

Effective Date: This act takes effect on the 30th day after the date of enactment (June 8, 2007), except that sections 1 through 19 will take effect on the July 1, 2007 and section 20 will take effect January 1, 2008, but the State may take such anticipatory administrative action in advance thereof as shall be necessary for the implementation of this act.

Chapter 62, P.L. 2007

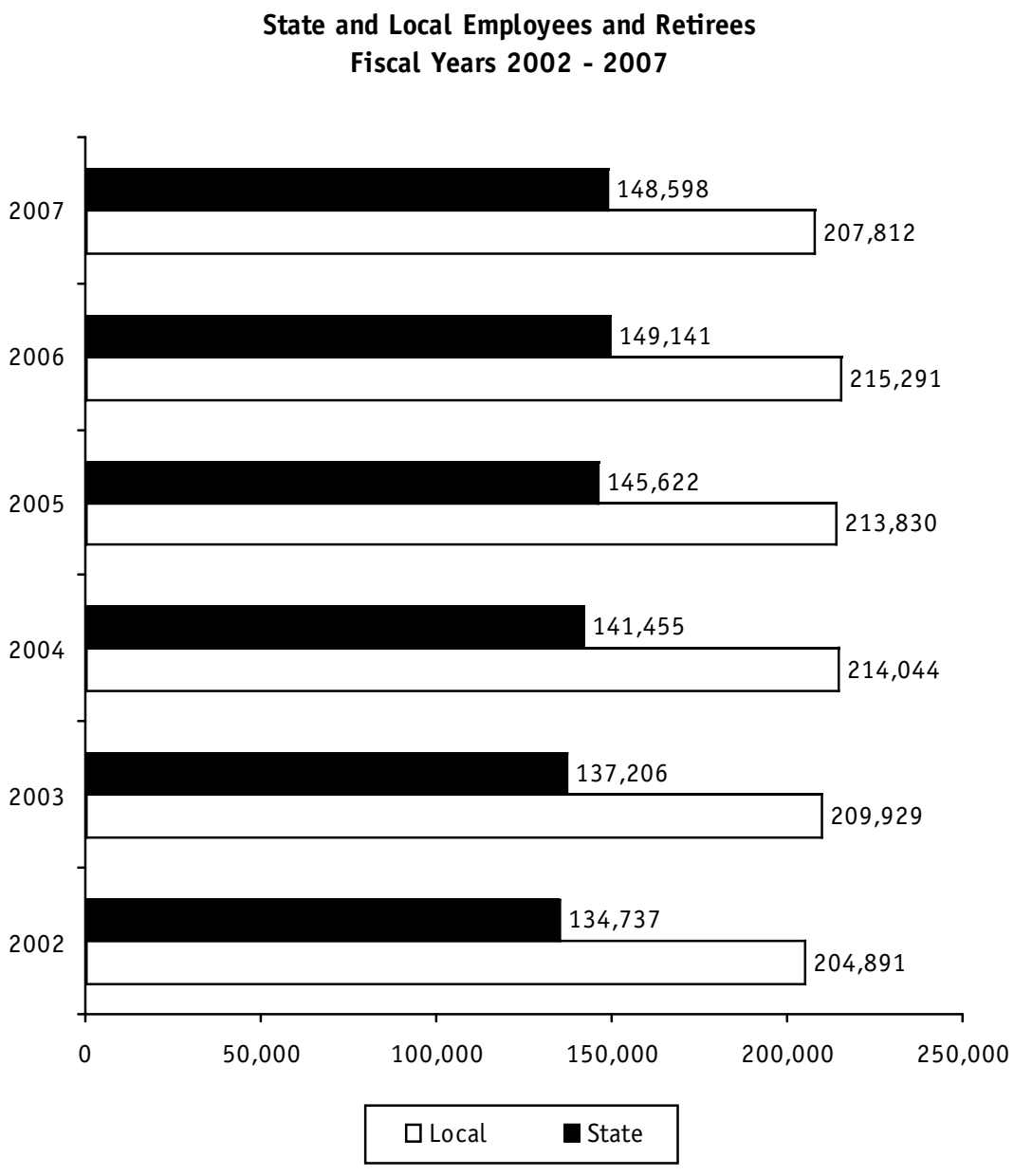
While most of the provisions of this law deal with establishing the property tax credit and the four percent local employer budget cap, the following sections deal specifically with pensions and/or the State Health Benefits Program (SHBP):

The law provides school districts with a limited exception for employee health care costs to exceed the four percent budget cap that is otherwise established by this law. The allowable increase in health care costs is equal to that portion of the actual increase in total health care costs for the budget year, less any withdrawals from the current expense emergency reserve account for increases in total health care costs, that exceeds four percent of the total health care costs in the pre-budget year, but that is not in excess of the product of the total health care costs in the pre-budget year multiplied by the average percentage increase of the SHBP, as determined annually by the Division of Pensions and Benefits. This provision is effective for budget years beginning on or after July 1, 2007, and shall not be applicable to budget years beginning after June 30, 2012.

Similar to the provision applicable to school districts, the law allows a local unit to exceed the four percent budget cap that is otherwise established by this law for employee health benefit costs. The increase is limited the actual increase in total health care costs for the budget year that is in excess of four percent of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the SHBP, as determined annually by the Division of Pensions and Benefits. This provision is effective for budget years beginning on or after July 1, 2007, and shall not be applicable to budget years beginning after June 30, 2012.

Sections 42 through 45: Allows local employers that participate in the SHBP to pay the premium charges for active employee health benefits coverage based on a binding collectively negotiated agreement. Also allows local employers to establish a Section 125 cafeteria plan. This provision is effective immediately.

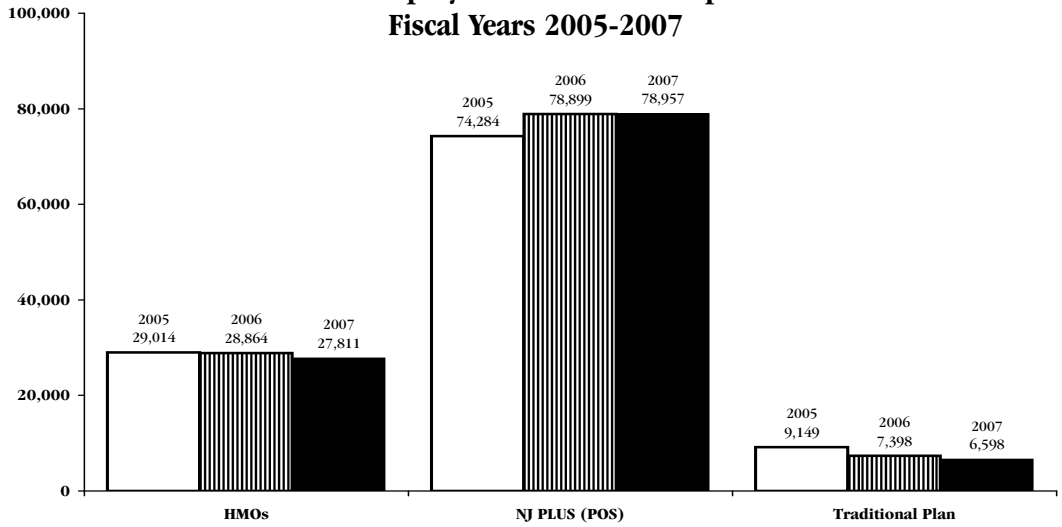
SHBP Membership



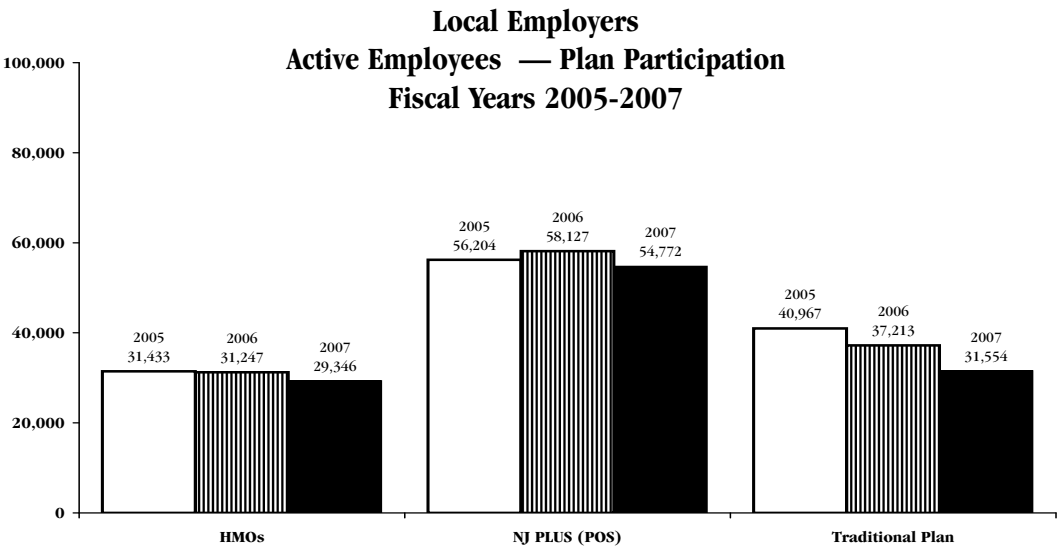
Data as of the fiscal year ended June 30th.

Data reflects employee, retiree, and COBRA contracts.

SHBP Membership

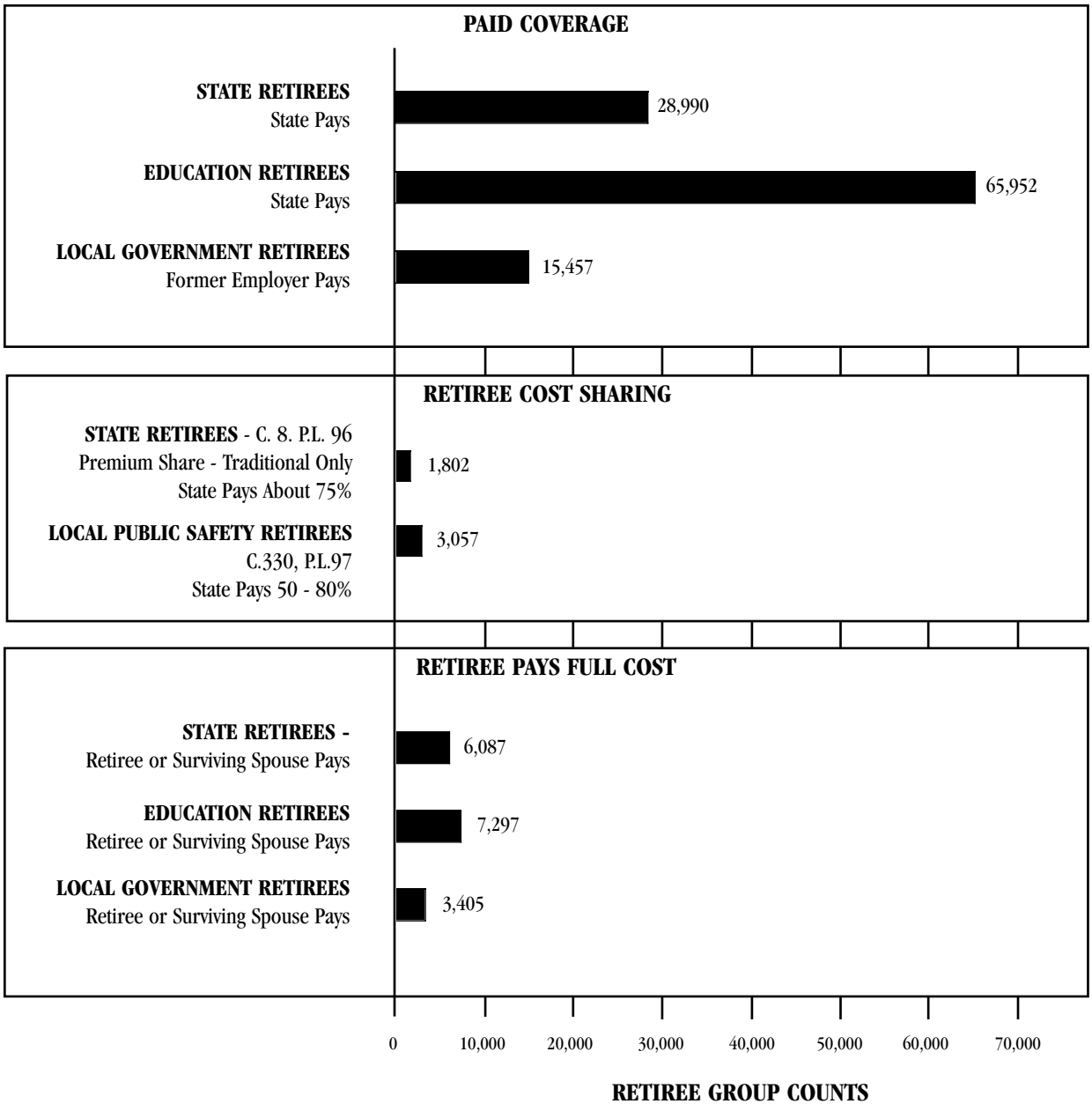


Data as of the fiscal year ended June 30th.



Data as of the fiscal year ended June 30th.

SHBP Retirees - Who pays for Health Benefits Coverage?



Data as of the fiscal year ended June 30th.

SHBP Enrollment — State Employer Group

As of June 30, 2007

EMPLOYEES

PLAN NAME	EMPLOYEES	AS A % OF EMPLOYEE ENROLLMENT	DEPENDENTS OF EMPLOYEES	EMPLOYEES AND DEPENDENTS
NJ PLUS	78,957	69.65%	114,515	193,472
Traditional	6,598	5.82%	5,726	12,324
Aetna, Inc.	19,924	17.57%	32,079	52,003
Cigna	2,517	2.22%	3,778	6,295
Oxford	2,083	1.84%	3,382	5,465
Amerihealth	1,419	1.25%	2,261	3,680
Healthnet	1,868	1.65%	2,793	4,661
TOTAL	**113,366**	**100.00%**	**164,534**	**277,900**

RETIREES

PLAN NAME	RETIREES	AS A % OF RETIREE ENROLLMENT	DEPENDENTS OF RETIREES	RETIREES AND DEPENDENTS
NJ PLUS	10,439	29.63%	8,439	18,878
Traditional	17,525	49.74%	9,260	26,785
Aetna, Inc.	5,310	15.07%	4,399	9,709
Cigna	1,001	2.84%	869	1,870
Oxford	312	0.89%	218	530
Amerihealth	296	0.84%	245	541
Healthnet	349	0.99%	255	604
TOTAL	**35,232**	**100.00%**	**23,685**	**58,917**

BOTH EMPLOYEES AND RETIREES

PLAN NAME	EMPLOYEES AND RETIREES	DEPENDENTS OF EMPLOYEES AND RETIREES	TOTAL	AS A % OF ALL STATE ENROLLMENT (TOTAL LIVES)
NJ PLUS	89,396	122,954	212,350	63.05%
Traditional	24,123	14,986	39,109	11.61%
Aetna, Inc.	25,234	36,478	61,712	18.32%
Cigna	3,518	4,647	8,165	2.43%
Oxford	2,395	3,600	5,995	1.78%
Amerihealth	1,715	2,506	4,221	1.25%
Healthnet	2,217	3,048	5,265	1.56%
TOTAL	**148,598**	**188,219**	**336,817**	**100.00%**

SHBP Enrollment — Local Employer Group — Education

As of June 30, 2007

EMPLOYEES

PLAN NAME	EMPLOYEES	AS A % OF EMPLOYEE ENROLLMENT	DEPENDENTS OF EMPLOYEES	EMPLOYEES AND DEPENDENTS
NJ PLUS	32,265	45.60%	49,085	81,350
Traditional	21,706	30.68%	25,757	47,463
Aetna, Inc.	9,646	13.63%	14,747	24,393
Cigna	1,994	2.82%	3,282	5,276
Oxford	2,400	3.39%	4,046	6,446
Amerihealth	1,012	1.43%	1,644	2,656
Healthnet	1,737	2.45%	2,859	4,596
TOTAL	**70,760**	**100.00%**	**101,420**	**172,180**

RETIREES

PLAN NAME	RETIREES	AS A % OF RETIREE ENROLLMENT	DEPENDENTS OF RETIREES	RETIREES AND DEPENDENTS
NJ PLUS	11,390	15.54%	8,926	20,316
Traditional	55,347	75.53%	33,310	88,657
Aetna, Inc.	4,612	6.30%	3,416	8,028
Cigna	961	1.31%	830	1,791
Oxford	209	0.29%	107	316
Amerihealth	559	0.76%	490	1,049
Healthnet	197	0.27%	134	331
TOTAL	**73,275**	**100.00%**	**47,213**	**120,488**

BOTH EMPLOYEES AND RETIREES

PLAN NAME	EMPLOYEES AND RETIREES	DEPENDENTS OF EMPLOYEES AND RETIREES	TOTAL	AS A % OF ALL ENROLLMENT (TOTAL LIVES)
NJ PLUS	43,655	58,011	101,666	34.74%
Traditional	77,053	59,067	136,120	46.51%
Aetna, Inc.	14,258	18,163	32,421	11.08%
Cigna	2,955	4,112	7,067	2.41%
Oxford	2,609	4,153	6,762	2.31%
Amerihealth	1,571	2,134	3,705	1.27%
Healthnet	1,934	2,993	4,927	1.68%
TOTAL	**144,035**	**148,633**	**292,668**	**100.00%**

SHBP Enrollment — Local Employer Group — Government Employers

As of June 30, 2007

EMPLOYEES

PLAN NAME	EMPLOYEES	AS A % OF EMPLOYEE ENROLLMENT	DEPENDENTS OF EMPLOYEES	EMPLOYEES AND DEPENDENTS
NJ PLUS	22,507	50.10%	36,846	59,353
Traditional	9,848	21.93%	13,211	23,059
Aetna, Inc.	7,562	16.84%	12,888	20,450
Cigna	1,356	3.02%	2,637	3,993
Oxford	1,033	2.30%	2,091	3,124
Amerihealth	928	2.07%	1,622	2,550
Healthnet	1,678	3.74%	3,033	4,711
TOTAL	**44,912**	**100.00%**	**72,328**	**117,240**

RETIREES

PLAN NAME	RETIREES	AS A % OF RETIREE ENROLLMENT	DEPENDENTS OF RETIREES	RETIREES AND DEPENDENTS
NJ PLUS	3,860	20.46%	3,464	7,324
Traditional	11,647	61.74%	7,247	18,894
Aetna, Inc.	2,111	11.19%	2,440	4,551
Cigna	480	2.54%	579	1,059
Oxford	337	1.79%	392	729
Amerihealth	194	1.03%	203	397
Healthnet	236	1.25%	262	498
TOTAL	**18,865**	**100.00%**	**14,587**	**33,452**

BOTH EMPLOYEES AND RETIREES

PLAN NAME	EMPLOYEES AND RETIREES	DEPENDENTS OF EMPLOYEES AND RETIREES	TOTAL	AS A % OF ALL ENROLLMENT (TOTAL LIVES)
NJ PLUS	26,367	40,310	66,677	44.24%
Traditional	21,495	20,458	41,953	27.84%
Aetna, Inc.	9,673	15,328	25,001	16.59%
Cigna	1,836	3,216	5,052	3.35%
Oxford	1,370	2,483	3,853	2.56%
Amerihealth	1,122	1,825	2,947	1.96%
Healthnet	1,914	3,295	5,209	3.46%
TOTAL	**63,777**	**86,915**	**150,692**	**100.00%**

SHBP Enrollment by State and Local Employer Groups

As of June 30, 2007

EMPLOYEES

PLAN NAME	EMPLOYEES	AS A % OF EMPLOYEE ENROLLMENT	DEPENDENTS OF EMPLOYEES	EMPLOYEES AND DEPENDENTS
NJ PLUS	133,729	58.39%	200,446	334,175
Traditional	38,152	16.66%	44,694	82,846
Aetna, Inc.	37,132	16.21%	59,714	96,846
Cigna	5,867	2.56%	9,697	15,564
Oxford	5,516	2.40%	9,519	15,035
Amerihealth	3,359	1.47%	5,527	8,886
Healthnet	5,283	2.31%	8,685	13,968
TOTAL	**229,038**	**100.00%**	**338,282**	**567,320**

RETIREES

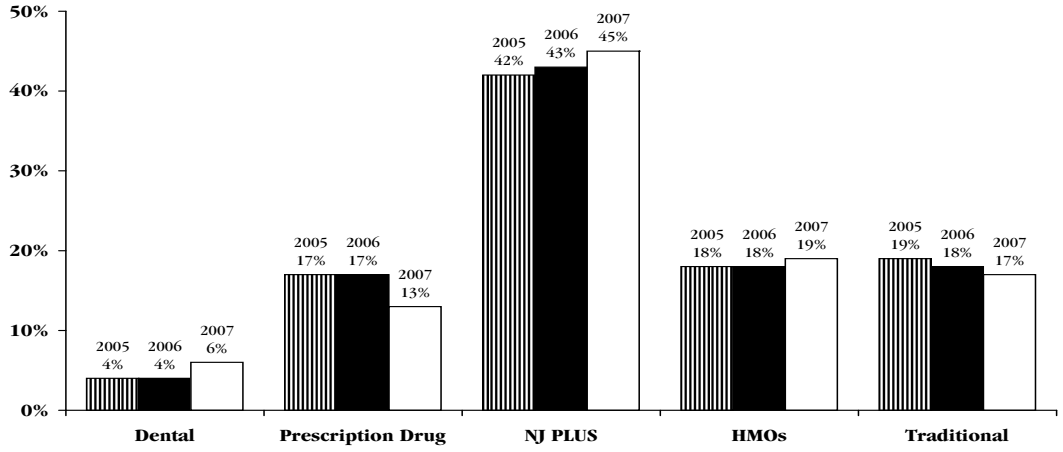
PLAN NAME	RETIREES	AS A % OF RETIREE ENROLLMENT	DEPENDENTS OF RETIREES	RETIREES AND DEPENDENTS
NJ PLUS	25,689	20.17%	20,829	46,518
Traditional	84,519	66.36%	49,817	134,336
Aetna, Inc.	12,033	9.45%	10,255	22,288
Cigna	2,442	1.92%	2,278	4,720
Oxford	858	0.67%	717	1,575
Amerihealth	1,049	0.82%	938	1,987
Healthnet	782	0.61%	651	1,433
TOTAL	**127,372**	**100.00%**	**85,485**	**212,857**

BOTH EMPLOYEES AND RETIREES

PLAN NAME	EMPLOYEES AND RETIREES	DEPENDENTS OF EMPLOYEES AND RETIREES	TOTAL	AS A % OF ALL SHBP ENROLLMENT (TOTAL LIVES)
NJ PLUS	159,418	221,275	380,693	48.80%
Traditional	122,671	94,511	217,182	27.84%
Aetna, Inc.	49,165	69,969	119,134	15.27%
Cigna	8,309	11,975	20,284	2.60%
Oxford	6,374	10,236	16,610	2.13%
Amerihealth	4,408	6,465	10,873	1.39%
Healthnet	6,065	9,336	15,401	1.97%
TOTAL	**356,410**	**423,767**	**780,177**	**100.00%**

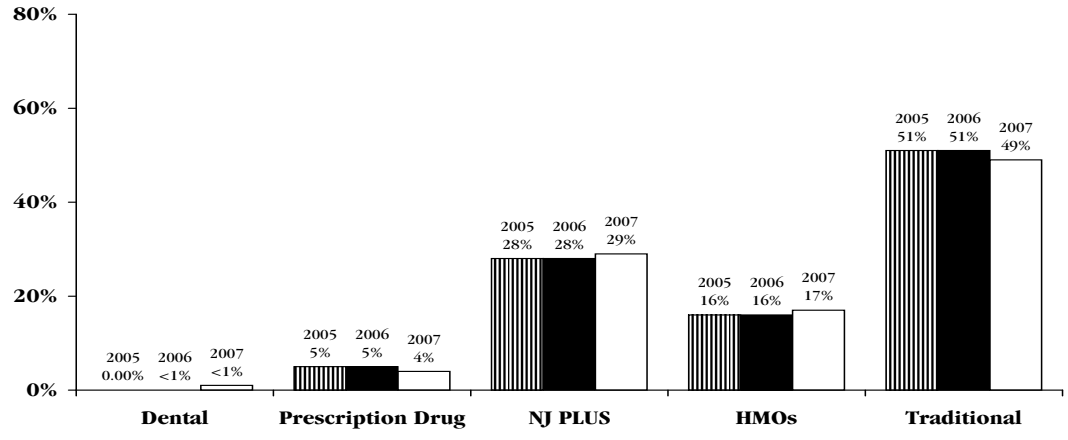
Percentage of Health Care Premium Dollars Required for State Employer Group and Local Employer Group Plan Coverages

State Active and Retired Group
Fiscal Years 2005-2007



Data as of the fiscal year ended June 30th.

Local Active and Retired Group
Fiscal Years 2005-2007



Data as of the fiscal year ended June 30th.

SHBP Local Employer Participation 1996 - 2007

	COUNTIES	SCHOOL DISTRICTS	MUNICI-PALITIES	OTHERS*	CHARTER SCHOOLS**	SUB TOTAL	SUB GROUPS***	TOTAL	LOCAL EMPLOYEES RETIREES
JUL 1996	4	256	243	248		751	19	770	168,312
JUL 1997	3	218	224	250		695	21	716	134,374
JUL 1998	3	236	228	250	9	726	20	746	149,620
JUL 1999	4	280	230	253	9	776	23	799	162,910
JUL 2000	4	293	246	254	22	819	29	848	176,127
JUL 2001	4	307	267	268	23	869	37	906	190,999
JUL 2002	5	312	293	274	23	907	37	944	204,891
JUL 2003	5	311	308	274	22	920	33	953	209,929
JUL 2004	5	302	311	286	23	927	49	976	214,044
JUL 2005	5	290	311	292	23	921	47	968	213,830
JUL 2006	5	269	310	297	23	904	47	951	215,291
JUL 2007	5	222	296	295	22	840	46	886	207,812

* Others category includes agencies such as authorities, commissions, state autonomous agencies, etc.

** A charter school is a public school open to all students, on a space-available basis, that operates independently of the district board of education under a charter granted by the Commissioner of Education.

*** Subgroups may be a county, a municipality, or a school district and each one is linked to another SHBP employer. Subgroups are developed when an employer has a need to particularize a group of employees for billing purposes.

SHBP Participation by Dental Plans as of June 30, 2007

PLAN NAME	ESTIMATED STATE EMPLOYEE CONTRACTS	ESTIMATED LOCAL EMPLOYEE CONTRACTS	TOTAL CONTRACTS	AS A % OF EMPLOYEE ENROLLMENT
DENTAL PROVIDER ORGANIZATIONS				
International HealthCare	3,989	5	3,994	3.81%
Atlantic Southern	6,067	44	6,111	5.83%
Assurant	2,609	8	2,617	2.50%
Flagship Health	2,414	10	2,424	2.31%
Community Dental	1,744	6	1,750	1.67%
Horizon Healthcare Dental	6,301	45	6,346	6.05%
Aetna DMO	13,956	151	14,107	13.46%
Group Dental	321	2	323	0.31%
Dental Group of New Jersey	114	1	115	0.11%
Cigna Dental Health	7,335	26	7,361	7.02%
DPO Plans Total	**44,850**	**298**	**45,148**	**43.06%**
Dental Expense Plan	**58,889**	**805**	**59,694**	**56.94%**
Total Active Contracts	**103,739**	**1,103**	**104,842**	**100.00%**
Retiree Dental Expense Plan	**9,948**	**26,805**	**36,753**	
Total Active/Retired Contracts			**141,595**	

Columns may not total 100% due to rounding.

Distribution of Prescription Drug (Rx) Coverage within Local Employer Group Active Employee Population

ALL LOCAL SHBP EMPLOYERS				
	Employers	Employees Covered	As a % of all Local Employers	As a % of all Local Employees
Employers with SHBP Employee RX Plan	334	30,394	38%	27%
Employers Providing Rx thru SHBP Medical Plans*	415	30,483	47%	27%
Employers with Private Rx Plan	133	50,710	15%	46%
Total	882	111,587	100%	100%

The SHBP provides Rx coverage in some form to 85% of its local SHBP employers; however, these employers provide coverage to only 55% of the SHBP local active employee population. The remainder have other (private) Rx card plans provided by the public employer.

LOCAL GOVERNMENT SHBP EMPLOYERS				
	Government Employers	Employees Covered	As a % of all Gov. Employers	As a % of all Gov. Employees
Employers with SHBP Employee RX Plan	253	16,834	41%	38%
Employers Providing Rx thru SHBP Medical Plans*	286	11,354	46%	26%
Employers with Private Rx Plan	81	16,062	13%	36%
Total	620	44,250	100%	100%

LOCAL EDUCATION SHBP EMPLOYERS				
	Education Employers	Employees Covered	As a % of all Ed. Employers	As a % of all Ed. Employees
Employers with SHBP Employee RX Plan	81	13,560	31%	20%
Employers Providing Rx thru SHBP Medical Plans*	129	19,129	49%	28%
Employers with Private Rx Plan	52	34,648	20%	52%
Total	262	67,337	100%	100%

*Rx coverage is provided through each SHBP medical plan if the employer does not provide separate Rx plan; the employer is charged a higher medical plan rate as a result of this additional coverage.

Note: Local Education Employers represent only 30% of the SHBP participating local employer population; however, their employees represent 60% of all SHBP local active employees.

Certain columns may not equal 100% due to rounding.

All data as of June 2007.

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

Independent Auditors' Report

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

We have audited the accompanying statement of fiduciary net assets of the State of New Jersey Health Benefit Program Funds (the Funds) as of and for the year ended June 30, 2007, and the related statement of changes in fiduciary net assets for the year then ended. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of New Jersey Health Benefit Program Funds as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

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

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

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

KPMG LLP

February 29, 2008

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Management's Discussion and Analysis

June 30, 2007

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

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

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

Financial Highlights

2007 – 2006

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

The Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets

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

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

Financial Analysis

Summary of Net Assets

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

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

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

Net assets increased by $130.0 million or 30.9%.

Summary of Additions to Net Assets

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

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

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

Summary of Deductions from Net Assets

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

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

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

Overall Financial Condition of the Funds

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

Contacting System Financial Management

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

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Statement of Fiduciary Net Assets

June 30, 2007

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

See schedule of funding progress on pages 33-34.

See accompanying notes to financial statements.

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2007

	Health Benefit Program Fund State	Health Benefit Program Fund Local
Additions:		
Contributions:		
Members	$ 79,768,468	81,345,032
Employers	1,289,772,833	2,096,734,820
Total contributions	1,369,541,301	2,178,079,852
Investment income:		
Net appreciation in fair value of investments	538,358	410,427
Interest	14,442,105	34,817,066
Total investment income	14,980,463	35,227,493
Total additions	1,384,521,764	2,213,307,345
Deductions:		
Benefits	1,597,684,686	2,003,412,136
Administrative expenses	3,126,203	4,227,306
Total deductions	1,600,810,889	2,007,639,442
Net increase (decrease)	(216,289,125)	205,667,903
Net assets (deficit) held in trust for health benefits:		
Beginning of year	186,002,469	375,849,853
End of year	$ (30,286,656)	581,517,756

See accompanying notes to financial statements.

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Notes to Financial Statements

June 30, 2007

(1) Description of the Funds

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

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

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

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

(2) Summary of Significant Accounting Policies

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

Reporting Entity

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

Measurement Focus and Basis of Accounting

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

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of the Funds. Under this method, revenues are recorded in the accounting period in which they are earned, and deductions are recorded at the time the liabilities are incurred. The financial statements of the Funds conform to the provisions of GASB Statement No. 43.

Membership

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

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

* Active and retired participants

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

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

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

Valuation of Investments

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

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

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

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

Investments

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

Significant New Legislation

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

Administrative Expenses

Administrative expenses are paid by the funds to the State of New Jersey, Department of the Treasury and are included in the accompanying statements of changes in net assets and fund balances.

Funded Status and Funding Progress

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

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

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

(3) Contributions

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

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

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

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

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

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

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

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

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

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

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

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

(4) Vesting and Benefits

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

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

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

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

(5) Funds

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

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

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

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

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

Schedule 1

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Required Supplementary Information

Schedule of Funding Progress

(Unaudited)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (overfunded) actuarial accrued liability (b – a)	Funded ratio (a / b)	Covered payroll * (c)	Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll * ((b – a) / c)
			Health Benefit Program-State			
June 30, 2006	$ —	21,587,100,000	21,587,100,000	—	N/A	N/A
			Health Benefit Program-Education-State			
June 30, 2006	—	36,471,900,000	36,471,900,000	—	N/A	N/A
Total State	—	58,059,000,000	58,059,000,000	—	N/A	N/A
			Health Benefit Program -Local			
June 30, 2006	—	10,774,600,000	10,774,600,000	—	N/A	N/A

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

Schedule 1

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Required Supplementary Information

Schedule of Funding Progress – Additional Actuarial Information

(Unaudited)

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

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

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

Schedule 2

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Required Supplementary Information

Schedule of Employer Contributions

(Unaudited)

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

Notes to schedule:

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

Schedule 3

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Combining Schedule of Fiduciary Net Assets Information - State

June 30, 2007

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

Schedule 4

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Combining Schedule of Changes In Fiduciary Net Assets Information - State

Year ended June 30, 2007

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

Schedule 5

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Combining Schedule of Fiduciary Net Assets Information - Local

June 30, 2007

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

Schedule 6

STATE OF NEW JERSEY
HEALTH BENEFIT PROGRAM FUNDS

Combining Schedule of Changes In Fiduciary Net Assets Information - Local

Year ended June 30, 2007

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

APPENDIX A

New Jersey State Health Benefits Program

Related State Legislation

The State Health Benefits Program was established by state statute, cited as N.J.S.A. 52:14-17.25 et. seq. A brief description of the key laws modifying this section of the statute is provided below.

Chapter 49, P.L. 1961 established the State Health Benefits Program. The State Health Benefits Commission was authorized to solicit and award contracts for hospitalization, medical-surgical, and major medical insurance benefits with the cost to be paid by the State for employee coverage. Optional coverage for dependents was to be provided at the employee's expense.

Chapter 125, P.L. 1964 permitted State Health Benefits Program coverage for local public employees at the option of each public employer. This law also allowed continuation of coverage from the Active Group into the Retired Group.

Chapter 75, P.L. 1972 provided for state payment of retired health benefits coverage of all enrolled retired state employees and their dependents, retired after July 1, 1972, whose pensions are based on 25 years of credited service (except those who elected a deferred retirement) or a disability retirement based on fewer years credited service. It also provided for state reimbursement of Part B Medicare premiums for eligible retired State employees and their dependents.

Chapter 111, P.L. 1973 allowed local employers to elect to pay for health benefits coverage and reimburse Part B Medicare premiums of certain eligible retired employees and their dependents. Eligible employees include those who had retired on or after July 1, 1972, and receive a retirement benefit from a state- or locally-administered retirement system based on 25 years of credited service (excluding those who elected a deferred retirement) or retired on a disability pension based on fewer years service.

Chapter 337, P.L. 1973 allowed an employee to elect to enroll in a Health Maintenance Organization. The employee is permitted to elect HMO participation at least once a year.

Chapter 88, P.L. 1974 allowed local employers who had adopted the provisions of Chapter 111, P.L. 1973, to extend coverage to eligible enrolled retirees who retired between July 1, 1964, and June 30,1972.

Chapter 136, P.L. 1977 amended Chapter 75, P.L. 1972 to extend the eligibility for State-paid coverage to those otherwise eligible retirees who retired between July 1, 1964, and June 30, 1972, and were enrolled for Retired Group coverage.

Chapter 54, P.L. 1979 allowed local employers who had adopted the provisions of Chapter 88, P.L. 1974 to extend benefits to those eligible retirees who had retired between July 1, 1964, and the date the employer joined the State Health Benefits Program.

Chapter 436, P.L. 1981 allowed employers who adopted the provisions of Chapter 88, P.L. 1974, to also include surviving spouses of eligible retirees. The law also gave employers who had adopted Chapter 88, P.L. 1974, the option of including otherwise eligible employees who retired after the employer joined the State Health Benefits Program but who had not continued coverage into retirement because they had to pay for it.

Chapter 384, P.L. 1987, although designed to bring benefits for retired teachers in line with those for state retirees, affected many other retirees also. The law permitted the Teachers' Pension and Annuity Fund (TPAF) to pay for the State Health Benefits Program coverage of members receiving retirement allowances based upon 25 or more years of credited service or a disability retirement (regardless of years of service). In addition to paying for the cost of coverage, the pension fund reimburses eligible retirees and/or covered spouses for the cost of Part B (medical insurance) of the federal Medicare program. The TPAF began paying for coverage as of June 1, 1988. Those eligible retirees not already enrolled were given an opportunity through May 31, 1988, to enroll in the program. One of the most important features of this law is that it applies to all eligible TPAF members (except those who elected a deferred retirement - adjusted by Chapter 126, P.L. 1992), not just those who belong to the State Health Benefits Program while actively employed. Beginning June 1, 1988, a new TPAF retiree qualifying for TPAF-paid coverage was offered the opportunity to join this program.

Another important feature of Chapter 384 was the elimination of the July 1, 1964, restrictions. Previously only those who retired on or after that date could enroll in the State Program. This allowed TPAF members who were eligible for TPAF-paid

coverage to join the program regardless of their retirement date. Further, the law amended Chapter 136, P.L. 1977, to permit the State to pay for the coverage of eligible state individuals who retired prior to July 1, 1964; those eligible former state employees who had retired prior to July 1, 1964, even those who had not been teachers, were given an opportunity to enroll as of June 1, 1988. Finally, the law amended Chapter 54, P.L. 1979, to permit local employers who have adopted the provisions of Chapter 88, P.L. 1974, as amended by Chapter 436, P.L. 1981, to also agree to include all former employees who retired before the location joined the State Plan. Originally, Chapter 54 only applied to those who retired on or after July 1, 1964.

Chapter 386, P.L. 1987 required that, as of June 1, 1988, all boards of education in New Jersey must give their retirees an opportunity to join the employer's current health insurance plan. For a one-year period (from June 1, 1988, through May 31, 1989) former employees who were not eligible under another plan (for instance, those eligible under Chapter 384 would not be eligible under Chapter 386) must have been given the opportunity to enroll under the employer's group contract. The retiree would pay the cost of such coverage. If the employer belonged to the State Health Benefits Program, the retiree had the chance to enroll under the State Program regardless of the retirement date.

Chapter 6, P.L. 1989 redefined the qualifications of the carriers or providers of the health benefits with whom the State Health Benefits Commission may contract in order to provide such benefits to participants in the State Health Benefits Program. This law eliminated the former requirements that basically forced the State Health Benefits Program to use two specific carriers.

Chapter 48, P.L. 1989 established the same major medical benefits limit for retired employees in the State Health Benefits Program as is provided to active employees. The lifetime maximum available to retirees was previously significantly less than that provided Active Group employees.

Chapter 127, P.L. 1989 permits school employees who have been employed under a permanent appointment for at least three years to continue State Health Benefits Program coverage when they are on an approved leave of absence with or without pay up to a maximum of two years. The employer may pay the premiums for such coverage in these instances.

Chapter 271, P.L. 1989 provides that the State shall pay the State Health Benefits Program (State Health Benefits Program) costs for the surviving spouse and dependent children of members of the Police and Firemen's Retirement System (PFRS) and the State Police Retirement System (SPRS) who die as a result of an accident met in the actual performance of their duties. Such surviving spouses and dependent children can enroll in the State Health Benefits Program or, if enrolled in a local employer's plan, can obtain reimbursement of required premiums from the State. This law was approved on January 8, 1990, and applies to all present surviving spouses and dependent children of members for whom an accidental death benefit was payable.

Chapter 6, P.L. 1990 provides, in addition to other matters, that the premiums or periodic charges which the State is required to pay for the post-retirement health care benefits under the State Health Benefits Program to retired state employees of PERS and their dependents shall be paid by the retirement system and shall be funded in a manner similar to that provided for the funding of employer obligations for retirement benefits. This law was effective March 8, 1990.

Chapter 126, P.L. 1992 provides that members of the Public Employees' Retirement System (PERS) and the Alternate Benefits Program (ABP) who retired from a school board of education or a county college with a benefit based upon 25 or more years of service or on a disability pension based upon fewer years of service credit and receive a retirement allowance from that system are eligible for state-paid health coverage regardless of employers' participation in the State Health Benefits Program

Members of PERS, TPAF, and ABP who retire from a school board of education or county college and elect deferred retirement based upon 25 or more years of service credit and receive a retirement allowance from that system will be eligible to enroll in the State Health Benefits Program This law also provides for the State to reimburse Part B Medicare premiums for the retirees' extended benefits under its provisions.

Chapter 8, P.L. 1993 provides that members of PERS, TPAF, and PFRS who retire from a school board of education, vocational/technical school, or a special service commission may be eligible to join the State Health Benefits Program providing they meet the following requirements: the member is currently participating in the health benefit plan of the employer for whom (s)he was previously employed, and (s)he is eligible for the full Medicare Parts A and B.

This law also imposes a surcharge on insurance carriers (including hospital service corporations, medical service corporations, health service corporations, and health maintenance organizations) that provide health coverage to local boards of education that do not participate in the State Health Benefits Program.

Chapter 275, P.L. 1994 makes special provisions for retirement coverage and Medicare reimbursement for a select group of county judicial employees from seven counties who became state employees under the terms of the State Judicial Unification Act. This law was enacted to fulfill the mandate of a 1993 constitutional referendum moving control of county courts to the State. The purpose of the law was to authorize the continuation of certain contractual benefits.

Chapter 259, P.L. 1995 authorizes municipalities which participate in the State Health Benefits Program or another group health benefits plan to allow an employee who is enrolled for health care coverage as a dependent of his/her spouse to waive coverage to which (s)he is entitled as an employee of the municipality. It permits a municipality to pay an employee an amount not to exceed 50% of the amount saved by the municipality because of the waiver. Any municipal employee waiving coverage under the State Health Benefits Program must file such waiver with the Division. Further, an employee who waives coverage shall be able to immediately resume coverage under the State Health Benefits Program if the employee ceases to be covered by the spouse for any reason by filing a declaration with the Division that the waiver is revoked.

Chapter 8, P.L. 1996 applies to state employees in the executive, legislative, and judicial branches of government as well as employees of the state universities and colleges and independent commissions and agencies participating in the State Health Benefits Program. The law applies to local employers only with regards to provisions affecting Medicare reimbursement for active employees and the HMO coverage restrictions. Chapter 8, P.L. 1996 ends Medicare reimbursement for active employees and their spouses; prohibits dual coverage by any individual in two State Health Benefits Program HMO contracts; allows active employee premium sharing resulting from labor contract agreements; allows retiree premium sharing resulting from labor contract agreements; allows adjustments to retiree Medicare reimbursement resulting from labor contract agreements; authorizes the State Health Benefits Commission to establish rules governing active employee and retiree premium sharing and retiree Medicare reimbursement for employees not represented by labor unions, that is, for nonaligned employees; and grandfathers retired health coverage and retiree Medicare reimbursement for employees who retire prior to July 1, 1997, and employees who have 25 years of credited pension service before July 1, 1997, regardless of when they retire (except for deferred retirements).

Chapter 94, P.L. 1997 requires the State Health Benefits Program to provide coverage for a minimum of 72 hours of inpatient care following a modified radical mastectomy and a minimum of 48 hours of inpatient care following a simple mastectomy. The law also provides that a carrier under the program shall not require a health care provider to obtain authorization from the carrier for prescribing 72 or 48 hours, as appropriate, of inpatient care. The law shall not be construed to require a patient to receive inpatient care for 72 or 48 hours, as appropriate, if the patient in consultation with the patient's physician determines that a shorter length of stay is medically appropriate or relieve a patient or physician from any insurer notification requirements.

Chapter 330, P.L. 1997 provides health benefits to qualified retirees and their dependents (but not survivors), from the Police and Firemen's Retirement System (PFRS), the Consolidated Police and Firemen's Pension Fund (CPFPF), or the Public Employees' Retirement System (PERS) if the service was as a law enforcement officer or in a position eligible for participation in the PFRS. A qualified retiree is one who:

1. retires with 25 or more years of service or on a disability retirement;
2. retires from an employer who does not currently provide any payment or compensation toward the cost of health benefits to the retiree for any period of time;
3. was eligible to receive health benefits coverage at the expense of the employer immediately preceding retirement; and
4. has no other employer group coverage as an "employee" as a result of employment while retired.

The State pays 80% of the cost of coverage for the least expensive plan covering all 21 counties in the State. The retiree pays the rest. Qualified retirees are eligible regardless of whether the retiree's employer participated in the State Health Benefits Program.

Chapter 335, P.L. 1997 provides State paid health benefits to a retired State employee and any dependents (not including survivors), to employees who retire under the State Police Retirement System (SPRS) prior to January 12, 1998 with more than

20 but less than 25 years of service credit in the SPRS; were subsequently employed by the State in another position(s) not covered by the SPRS; and have in the aggregate, at least 30 years of full-time employment with the State. To be eligible the employee must be covered by the State Health Benefits Program at the time of terminating full-time employment with the State.

Chapter 338, P.L. 1997 requires hospital, medical and health service corporations, individual, small employer and large group insurers, health maintenance organizations and the New Jersey State Health Benefits Program (State Health Benefits Program) to provide coverage for the therapeutic treatment of inherited metabolic diseases, including the purchase of medical foods and low protein modified food products, when diagnosed and determined to be medically necessary by the covered person's physician. An "inherited metabolic disease" is defined as a disease caused by an inherited abnormality of body chemistry such as phenylketonuria (PKU). A "Low protein modified food product" is a food product that is specially formulated to have less than one gram of protein per serving and is intended to be used under the direction of a physician for the dietary treatment of an inherited metabolic disease, but does not include a natural food that is naturally low in protein; and "medical food" is a food that is intended for the dietary treatment of a disease or condition for which nutritional requirements are established by medical evaluation and is formulated to be consumed under direction of a physician.

Chapter 44, P.L. 1998 abolishes the Department of Commerce and Economic Development and creates the New Jersey Commerce and Economic Growth Commission. Section 7 of the bill states that employees of the commission shall be enrolled in the Public Employees' Retirement System and shall be eligible to participate in the State Health Benefits Program. The Commission can, however, elect to provide health benefits for its employees through private insurance policies, hospital and medical service corporations, HMOs, or any other manner available for the provision of health benefits, provided that the types of benefits do not provide less coverage than those benefits provided to other State employees.

Chapter 48, P.L. 1999 changes the way local employers participating in the State Health Benefits Program (State Health Benefits Program) can provide post-retirement health benefit coverage to its retired employees. The law makes the age and service eligibility requirements for employer payment of State Health Benefits Program health benefits coverage for retired employees the same as the requirements of N.J.S.40A:10-23 currently applicable to local government employers that do not participate in State Health Benefits Program. The employer may, by filing a resolution with the Division of Pensions and Benefits, assume the cost of post retirement medical coverage for employees (and their dependents) who:

1. retired on a disability pension; or
2. retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement, such period as established by the employer; or
3. retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement, such period as established by the employer; or
4. retired and reached age 62 with at least 15 years of service with the employer.

Further, the law provides that the employer payment obligations for retiree coverage may be determined by means of a collective negotiations agreement. With respect to employees for whom there is no majority representative for collective negotiations purposes, the employer may, in its sole discretion, determine the payment obligations for the employer and the employees, except that if there are collective negotiations agreements binding upon the employer for employees who are within the same community of interest as employees in a collective negotiations unit, the payment obligations shall be determined in a manner consistent with the terms of any collective negotiations agreement applicable to the collective negotiations unit. This provision applies to all local employers except an independent State authority, board, commission, corporation, agency or organization covered by Chapter 8, P. L. 1996, and school boards.

This law includes a grandfather provision which provides that the payment obligations of an employee for State Health Benefits Program coverage in retirement shall be the payment obligations applicable to the employee on the date the employee retires on a disability pension or the date the employee meets the age and service requirements for employer payment for the coverage, as the case may be.

Chapter 390, P.L. of 1999 impacts the insured managed care plans that participate in the State Health Benefits Program. This law requires carriers which offer managed care plans, including health maintenance organizations and preferred provider

organizations and selective contracting arrangements offered by health insurance companies in the State, to provide for the continuation of treatment by a physician, under certain circumstances, in the event that the physician is no longer employed by the carrier.

Specifically, the law permits a covered person who is receiving post-operative follow-up care, oncological treatment, psychiatric treatment or obstetrical care by a physician who is employed by or under contract with a carrier at the time the treatment is initiated, to continue to be treated by that physician for the duration of the treatment in the event that the physician is no longer employed by or under contract with the carrier as follows:

(1) for a period not to exceed six months in the case of post-operative follow-up care;

(2) for a period not to exceed one year in the case of oncological treatment and psychiatric treatment; and

(3) through the duration of a pregnancy and up to six weeks after delivery in the case of obstetrical care.

The continuation of treatment by a particular physician shall be at the option of the covered person.

The law also provides that a carrier which offers a managed care plan shall provide in that plan for continued coverage of other health care services by a physician who was employed by or under contract with the carrier at the time the treatment was initiated, but is no longer employed by or under contract with the carrier, for up to 120 calendar days in cases where it is medically necessary for the covered person to continue treatment with that physician.

Health care benefits or services, as applicable, shall be provided by the health benefits plan for treatment of the specified conditions and any medically necessary treatment to the same extent as such benefits or services were provided while the physician was employed by or under contract with the carrier. Reimbursement for the health care services shall be pursuant to the same fee schedule used to reimburse for the services when the physician was employed by or under contract with the carrier.

The law provides that a carrier shall not be liable for any inappropriate treatment provided to the covered person by a physician who is no longer employed by or under contract with the carrier. Also, the provisions of the law shall not apply to health care services provided by a physician who is the subject of disciplinary action by the State Board of Medical Examiners.

This law was approved on January 18, 2000.

Chapter 441, Public Law of 1999 requires that the State Health Benefits Commission provide the same coverage for biologically-based mental illness to persons covered under the State Health Benefits Program as that required for other health insurers and health maintenance organizations under P.L.1999, c.106.

Specifically, this law:

- requires that coverage be provided for biologically-based mental illness under the same terms and conditions as provided for any other sickness under the contract;
- defines "biologically-based mental illness" as a mental or nervous condition that is caused by a biological disorder of the brain and results in a clinically significant or psychological syndrome or pattern that substantially limits the functioning of the person with the illness, including but not limited to, schizophrenia, schizoaffective disorder, major depressive disorder, bipolar disorder, paranoia and other psychotic disorders, obsessive-compulsive disorder, panic disorder and pervasive developmental disorder or autism;
- defines "same terms and conditions" to mean that a health insurance carrier cannot apply different copayments, deductibles or benefit limits to biologically-based mental health benefits than those applied to other medical or surgical benefits;
- stipulates that its provisions shall not be construed to change the manner in which a health insurance carrier determines:
  a. whether a mental health care service meets the medical necessity standard as established by the carrier; or
  b. which health care providers shall be entitled to reimbursement for providing services for mental illness under the contract; and
- requires the State Health Benefits Commission to provide notice to employees regarding the coverage required by this bill in accordance with the provisions of the bill and regulations adopted by the Commissioner of Health and Senior Services.

The law clarifies that its provisions are an exception to the provisions in N.J.S.A.52:14-17.29, which provides for annual and lifetime caps on eligible expenses incurred because of mental illness or functional nervous disorders (a category which is broader than the biologically-based mental illnesses addressed in this law) that are lower than for major medical expense benefits.

This law was approved on January 18, 2000.

Chapter 126, P. L. of 2000 revises certain mandates, requirements and procedures that are burdensome on counties, municipalities and school districts. It also resolves certain administrative ambiguities and encourages more business-like practices on the part of local units in order to effectuate cost savings that will benefit property taxpayers. It is an omnibus piece of legislation, much of which is not related to pension or health benefit coverage.

Sections of the law impacting health benefits coverage are as follows:

Section 24: Amends N.J.S.A. 40A:10-6 to permit certain local units to establish health benefits funds for the provision of contributory or non-contributory self-funded or partially self-funded health benefits for employees or their dependents, or both. Boards of education, venture commissions, educational service commissions, county special services school districts, county vocational-technical schools, and county colleges are not included in the provision. Previously, the law only permitted local units to enter into contracts for health insurance and was not clear whether local units could be self insured for health insurance without specific statutory authority. This provision validates local unit health benefits funds operating prior to the effective date of this law.

Section 25: Amends section 37 of P.L.1995, c.259 (N.J.S.A. 40A:10-17.1) to permit a county employee who receives health benefits as the dependent of his or her spouse, to waive health coverage under the county plan. Such persons could, at the discretion of the county, receive annually a payment from the county that does not exceed 50% of the county's savings because of the employee's waiver of coverage. Municipal employees received this right to waive coverage as a result of the enactment of P.L.1995, c.259.

This law was approved on September 21, 2000 and was effective immediately.

CHAPTER 189, P.L. 2001 extends to municipal authorities health benefit waiver provisions similar to those applicable to municipal employers under Chapter 259, P.L. 1995. Unlike Chapter 259, which applied to municipalities that participated in either the State Health Benefits Program or another group health plan, Chapter 189 only applies to municipal authorities that participate in the State Health Benefits Program.

The law pertains to any municipal authority created by a municipality under either the municipal sewerage authorities law, N.J.S.A.40:14A-1 et seq., or the municipal and county utilities authority law, N.J.S.A.40:14B-1 et seq. A municipal authority that participates in the State Health Benefits Program, may allow any employee who is eligible for coverage as a dependent of the employee's spouse under that program or under another health benefits plan offered by the spouse's employer, whether a public or private employer, to waive the State Health Benefits Program coverage to which the employee is entitled by virtue of employment with the municipal authority. In consideration of filing such a waiver, a municipal authority may pay to the employee annually an amount, to be established in the sole discretion of the authority, which shall not exceed 50% of the amount saved by the authority because of the employee's waiver of coverage. Under this law, an employee who waives coverage will be permitted to immediately resume coverage if the employee ceases to be covered through the employee's spouse for any reason, including, but not limited to, the retirement or death of the spouse or divorce. An employee who resumes coverage will repay, on a pro rata basis, any amount received from the municipal authority which represents an advance payment for a period of time during which coverage is resumed.

The law also provides that the decision of a municipal authority to allow its employees to waive State Health Benefits Program coverage and the amount of consideration to be paid therefor will not be subject to the collective bargaining process.

This law was approved on July 31, 2001 and was effective immediately.

Chapter 200, P.L. 2001 requires providers of most health benefits plans that include prescription drug coverage to issue to their insured members an identification card containing standardized pharmacy information.

The law applies to any health insurance carrier, multiple employer welfare arrangement or other health benefits plan provider, its agents (including any pharmacy benefits manager or third party administrator for a self-insured health benefits plan), that provides, administers or manages coverage for prescription drugs provided on an outpatient basis. The law

explicitly does not apply to providers of Medicaid fee for service, Medicare supplemental insurance, disability income and long-term care plans, hospital indemnity insurance, and various other plans offering restricted health benefit coverage.

The law stipulates that the card shall comply with the standards set forth in the National Council for Prescription Drug Programs Pharmacy ID Card Implementation Guide in effect at the time of card issuance or, at a minimum, contain the following information:

(1) the insured's identification number;

(2) the insured's name or, if the card is issued for another person included under the primary insured's coverage, that person's name;

(3) if required for proper claims adjudication,

- the name or identification number of the health benefits plan,
- the American National Standards Institute International Identification Number assigned to the plan's administrator or pharmacy benefits manager,
- the processor control number, and
- the insured's group number;

(4) the telephone number that providers may call for pharmacy benefits assistance; and

(5) any other information needed for proper claims adjudication, except for information required to be provided on the prescription.

The law directs a plan provider to issue each primary insured a new pharmacy identification card within 180 days after a change in the insured's coverage that changes the information required to be included on the card. The plan provider does not, however, have to issue a new card more than once in a calendar year.

The law provides that a plan provider need not issue a special pharmacy identification card to an insured who has already been issued a general plan member identification card containing the information required under the law. Also, it allows providers to use data elements that are required by State or federal regulations adopted under the federal "Health Insurance Portability and Accountability Act of 1996" ("HIPAA") in place of the information required under the law.

This law was approved August 8, 2001 and was effective on September 1, 2002.

Chapter 209, P.L. 2001 amends the statutes governing a retiree's eligibility for paid coverage under the State Health Benefits Program.

This law provides that instead of having to meet the 25-year service credit requirement for paid post-retirement medical coverage in a single State or locally-administered retirement system, a public employee under the State Health Benefits Program may receive this benefit if the 25 years of service credit is in one or more State or locally-administered retirement systems.

This law was approved August 15, 2001 and was effective immediately.

Chapter 227, P.L. 2001 clarifies the requirements of Chapter 415, P.L.1995, which requires health insurers that cover groups of 51 or more persons and HMOs to provide benefits for Pap smears. This law stipulates that the required health insurance coverage shall include coverage for any confirmatory test, when medically necessary and as ordered by the woman's physician, and all laboratory costs associated with the initial Pap smear and any such confirmatory test.

This law also requires the State Health Benefits Commission to provide these same benefits to each person covered under the State Health Benefits Program.

This law was approved August 27, 2001 and was effective immediately.

Chapter 284, P.L. 2001 requires the State Health Benefits Program to ensure that any person covered under the program who is enrolled in a health maintenance organization or the NJ PLUS, will be provided with 90-days notice if that person's primary care physician will be terminated from the provider network by the plan. If 90-days notice cannot be provided because the termination will occur prior to the end of the 90-day period, the health maintenance organization or NJ PLUS must notify the member as soon as the health maintenance organization or NJ PLUS has knowledge of the termination. Upon receiving such notification, the covered person shall be permitted to change coverage to another health benefits plan, even though the

physician's termination may occur outside of the annual open enrollment period.

This law was approved on December 27, 2001 and was effective immediately.

Chapter 367, P.L. 2001 applies to health care carriers which offer a managed care plan that provides for both in-network and out-of-network benefits. It requires a carrier to reimburse a health care facility for the services provided by the facility at the carrier's full contracted rate without any penalty for the patient's selection of an out-of-network health care provider, in accordance with the in-network policies and in-network copayment, coinsurance or deductible requirements of the managed care plan. This is so even if:

- a covered person is admitted by an out-of-network provider to an in-network health care facility for medically necessary health care services, or
- the covered person receives covered, medically necessary health care services from an out-of-network provider while the covered person is a patient at an in-network health care facility and was admitted to the health care facility by an in-network provider.

The law also amends the "Health Care Quality Act," N.J.S.A.26:2S-1 et seq., to require carriers which offer a managed care plan to disclose to subscribers, at the time of enrollment and annually thereafter, the carrier's preauthorization and review requirements of the health benefits plan regarding the determination of medical necessity that apply to a covered person who is admitted to an in-network health care facility, and the financial responsibility of the patient for the cost of services provided by an out-of-network admitting or attending health care practitioner.

The law applies to all policies and contracts issued or renewed on or after the date of enactment of the law.

Any contract purchased or renewed by the State Health Benefits Commission on or after the effective date of this Act, which provides hospital or medical expense benefits through a managed care plan, must meet the requirements of this law.

This law was approved on January 8, 2002 and was effective February 1, 2002..

The law also provides that the decision of a municipal authority to allow its employees to waive State Health Benefits Program coverage and the amount of consideration to be paid therefor will not be subject to the collective bargaining process.

This law was approved on January 8, 2002 and was effective February 1, 2002.

Chapter 23, P.L. 2002 Provides additional retirement benefits to eligible State employees and employees of State autonomous authorities who meet specified age and service requirements and who retire within a specified time period. State employees must retire on or after February 1, 2002, but no later than July 1, 2002. Employees of State autonomous authorities must retire on or after July 1, 2002, but no later than September 1, 2002 if the authority fiscal year ends on or before June 30, 2002. If the fiscal year ends after June 30, 2002, employees shall retire no earlier than two months before and not later than the first day of the calendar month after the close of the fiscal year. The offering of the additional retirement benefits is optional for the authorities.

The eligibility requirements and the additional benefits are as follows:

- Employees who are at least 50 years of age with at least 25 years of service credit under the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) will receive three additional years of service credit. Such members of the Alternate Benefit Program (ABP), federal Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) will receive an amount equal to 60% of base annual salary. The amounts payable to members of the ABP and the federal systems will be paid in two separate installments.
- Employees who are at least 60 years of age with at least 20, but less than 25, years of service credit in PERS, TPAF or ABP, will receive payment by the retirement system or the State of retiree health care benefits on the same basis that the State currently pays for the coverage of retirees with 25 or more years of service credit. Authority employees already eligible for authority-paid health care benefits will receive $500 per month for 24 months, as will employees of authorities which do not offer employer-paid retiree health care coverage.
- Employees who are at least 60 years of age with at least 10, but not more than 20, years of service credit in PERS, TPAF or ABP, will receive an additional pension or payment of $500 a month for 24 months following the date of retirement.
- Employees who are at least 55 years of age with 25 or more years of service credit in PERS or TPAF and who retire on

a veteran's retirement will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement allowance is based.

Amounts payable to members of the ABP will be made to the employee's retirement annuity contract, up to the amount allowed by Section 415 of the Internal Revenue Code, and then to a contract on behalf of the employee that meets the requirements of Section 403(b) of the Code. Any amount in excess of the cumulative maximum contributions allowed under these Code provisions will be payable directly to the employee.

When the needs of State government, a college or university, or a State autonomous authority so require, an employee electing to retire under the law may continue in employment for up to one year with the approval of the employer and the agreement of the employee. If the employee dies during the period of continued employment, the retirement will become effective on the first day of the month after the date of death.

A State autonomous authority may elect to provide the benefits of this law by filing a resolution with the Division. A State autonomous authority which elects to offer the benefits provided by this law to its employees who are in PERS and which also has employees under other retirement systems or pension plans would be required to provide comparable benefits to those eligible employees.

The additional PERS and TPAF pension liabilities incurred by the State and electing State autonomous authorities will be added to their accrued liability and funded pursuant current pension laws governing unfunded accrued liabilities. Cash payments to ABP members will be made by the State colleges and universities.

The Director of the Division of Pensions and Benefits is required to report annually for five years to the Joint Budget Oversight Committee on the aggregate costs and savings resulting from the enactment of this substitute.

This law was effective on May 30, 2002.

Chapter 3, P.L. 2003 This law amends the statutes that allow a county, municipality, or contracting unit, as defined in the "Local Public Contracts Law" P.L. 1971 c. 198 (C. 40A:11-1 et seq.) that participates in the State Health Benefits Program or another group health benefits plan to allow an employee who is eligible for other health care coverage to waive coverage to which the employee is entitled as an employee of the county, municipality, or contracting unit.

The new law amends these statutes in two ways:

1. The ability to waiver is no longer limited to employees who have other coverage as a dependent of a spouse. It extends the waiver of coverage provisions to apply to any situation in which an employee is eligible for other health care coverage, and
2. The waiver provisions are extended to county colleges in the State Health Benefits Program or another group health benefits plan.

This law was effective January 27, 2003.

Chapter 27, P.L. 2003 This law requires:

- an employer that provides a health benefits plan to its employees or their dependents to provide 30 days' prior written notice to its employees if the plan is terminated, and
- a health insurer that increases premium rates upon the renewal of a health benefits plan to provide 60 days' prior written notice of the amount of a proposed increase to the employer that purchased the plans.

The provisions of this law apply to health benefits plans impacted by P.L. 1997, c. 192, otherwise known as the "Health Care Quality Act" (N.J.S.A. 26:2S-1 et seq.).

Although there is a question whether this law impacts the SHBP, the SHBP already meets or exceeds the notification provisions of this law.

This law was effective May 9, 2003.

Chapter 71, P.L. 2003 This law provides for the addition of two members to the membership of the State Health Benefits Commission. The current members are the State Treasurer who serves as the Chairman, the Commissioner of Banking and Insurance and the Commissioner of Personnel.

One of the additional members will be a State employees' representative chosen by the Public Employees' Committee of the AFL-CIO; the other will be a representative chosen by the New Jersey Education Association.

This law was effective May 5, 2003.

Chapter 119, P.L. 2003 This law modifies the benefits of State employees under the New Jersey State Health Benefits Program (SHBP) and the New Jersey Employer-Employee Relations Act. The law provides that a State employee enrolled in SHBP on or after July 1, 2003 may not be eligible for coverage in the traditional plan pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

This law was effective July 1, 2003.

Chapter 127, P.L. 2003 This law provides additional retirement benefits to certain employees of a public agency or instrumentality, other than State agencies or instrumentalities, that elects to provide the benefits, who retire under the Public Employees' Retirement System (PERS). The governing body of the employer will have one year after the enactment of this law to adopt a resolution. Once a resolution is adopted and effective, employees will have three months to retire. These employers are authorities, boards, commissions, corporations and other agencies and instrumentalities participating in the PERS.

Employees who are at least 50 years of age and have at least 25 years of service credit as of the effective date of retirement will receive an additional three years of service credit. If the member is under age 55 at the time of retirement, the member's retirement allowance will not be reduced. Employees who satisfy age and service requirements and who retire on special veteran's retirement will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement allowance is based.

Employees of employers that offer retirees paid health care benefits coverage who are at least 60 years of age with between 20 and 25 years of service as of the effective date of retirement will receive employer-paid post-retirement health care benefits coverage. Employees of employers that do not offer retirees paid health care benefits coverage who are at least 60 years of age and have at least 20 years of service as of the effective date of retirement will not be eligible for paid health care benefits coverage, but will receive an additional pension payment of $500 per month for the first 24 months after retirement. Employees who are at least 60 years of age with at least 10 but not more than 20 years of service credit as of the effective date of retirement will receive an additional pension of $500 per month for the first 24 months after retirement.

When the needs of an employer require the services of an employee who elects to retire and receive a benefit under this law, the employer, with the approval of the governing body and the consent of the employee, may delay the effective retirement date of the employee for up to one year. The delay authorized under the law does not extend the dates for qualification for benefits.

The cost of the enhanced PERS pension benefits will be funded by employer contributions to the retirement system and paid by the public agency or instrumentality that elects to participate. The additional pension liability shall be paid by each electing entity over a period of 15 years.

An employer may elect to provide these benefits by the adoption of a resolution by its governing body and the filing of a certified copy with the Director of the Division of Pensions and Benefits within three business days. The effective date of the resolution must fall within one year of enactment of this law. An employer may offer these benefits only once. An employer covered by this law must meet with the employee union representatives, whether or not the employer adopts a resolution, within a year of the enactment of this law.

The provisions of this law do not apply to employees of a public agency or organization that were eligible to participate in the State early retirement incentive program offered in 2002 pursuant to P.L. 2002, c.23.

This law also provides for the following:

- Partial purchase of pension service credit to qualify.
- The employer shall pay the cost of the actuarial work to determine the additional liability of the retirement systems for the benefits under this act, which shall be included in the initial contribution required from the employer.
- The promulgation of rules and regulations by the Division of Pensions and Benefits deemed necessary for the effective implementation of this act.

- Authorizes public agencies and instrumentalities to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for early retirement incentive benefits granted by the law.

This law was effective July 14, 2003.

Chapter 128, P.L. 2003 This law provides additional retirement benefits to certain employees of a county, a county college or a municipality that elect to provide the benefits, who retire under the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF) or the Alternate Benefit Program (ABP). The governing body of the employer will have one year after the enactment of this law to adopt a resolution electing to participate in this program. Once a resolution is adopted and effective, employees will have three months to retire. Employers participating in several locally administered county, municipal and school district pension systems may also adopt the provisions of this law.

Employees who are at least 50 years of age and have at least 25 years of service credit as of the effective date of retirement will receive an additional three years of service credit. If a member of PERS or TPAF is under age 55 at the time of retirement, the member's retirement allowance will not be reduced. Employees who satisfy age and service requirements and who retire on a special veteran's retirement will receive an additional pension in the amount of 3/55 of the compensation on which the retirement allowance is based. Participants in ABP will receive an amount equal to 100% of base annual salary at the time of retirement.

Employees who are at least 60 years of age with between 20 and 25 years of service as of the effective date of retirement will receive employer-paid coverage in the New Jersey State Health Benefits Program. The retired employees and their dependents will be eligible for coverage in the program even if the employer does not participate in the program or otherwise provide health care benefits coverage in retirement upon the normal retirement of such employees. Employees who are at least 60 years of age with between 10 and 20 years of service as of the effective date of retirement will receive an additional pension payment of $500 per month for the first 24 months after retirement.

When the needs of an employer require the services of an employee who elects to retire and receive a benefit under this law, the employer, with the approval of the governing body and the consent of the employee, may delay the effective retirement date of the employee for up to one year. The delay authorized under the law does not extend the dates for qualification for benefits.

The cost of the enhanced PERS and TPAF pension benefits will be funded by employer contributions to the retirement systems and paid by the county, county college or municipality who elect to participate. The additional pension liability shall be paid by each electing entity over a period of 15 years. Payments to ABP members shall be made by employers first to the members' annuity contract under the ABP, then to a member's section 403(b) contract, up to the limits allowed by the Internal Revenue Code. Payments in excess of any limits shall be paid directly to the member. The SHBP health care benefits payments for eligible retirees and their dependents will be paid by the employer on a current cost basis. Additionally, an electing county college employer shall be required to pay the SHBP health care premiums for three years following retirement for each employee who retires under this program with 25 or more years of pension service credit and who would otherwise be qualified for State-paid health benefits after retirement.

An employer may elect to provide these benefits by the adoption of a resolution by its governing body and the filing of a certified copy with the Director of the Division of Pensions and Benefits within three business days. The effective date of the resolution must fall within one year of enactment of this law. An employer may offer these benefits only once. An employer covered by this law must meet with the employee union representatives, whether or not the employer adopts a resolution, within a year of the enactment of this law.

The provisions of this law do not apply to employees of a public agency or organization, nor does it apply to members of the Prosecutors Part of PERS.

This law also provides for the following:

- Partial purchase of pension service credit to qualify.
- The employer shall pay the cost of the actuarial work to determine the additional liability of the retirement systems for the benefits under this act, which shall be included in the initial contribution required from the employer.
- The promulgation of rules and regulations by the Division of Pensions and Benefits deemed necessary for the effective implementation of this act.

- The enrollment in the SHBP of those retiring under this act at age 60 with between 20 and 25 years of service within 60 days of retirement.
- Authorizes counties and municipalities to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for early retirement incentive benefits granted by the law.

This law was effective July 14, 2003.

Chapter 129, P.L. 2003 This law provides additional retirement benefits to certain employees of a local school board, educational services commission or jointure commission that elect to provide the benefits, who retire under the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF). The governing body of the employer will have one year after the enactment of this law to adopt a resolution electing to participate in this program. Once a resolution is adopted and effective, employees will have two months to retire.

An employee who is at least 50 years of age and has at least 25 years of service credit under PERS or TPAF as of the effective date of retirement will receive an additional three years of service credit. If a member of PERS or TPAF is under age 55 at the time of retirement, the member's retirement allowance will not be reduced. An employee veteran who meets the age and service credit requirements and retires on a special veteran's retirement under PERS or TPAF will receive an additional pension in the amount of 3/55 of the compensation on which the retirement allowance is based.

An employee who is at least 60 years of age and has at least 20, but less than 25, years of service as of the effective date of retirement will receive full payment of premiums for coverage under the State Health Benefits Program (SHBP) for the retired employee and dependents, but not including survivors, whether or not the employer participates in SHBP with respect to its active employees. An employee who is at least 60 years of age with at least 10, but less than 20, years of service credit will receive an additional pension of $500 per month for the 24 months following retirement.

When the needs of an employer require the services of an employee who elects to receive a benefit under this law, the employer may delay, with the consent of the employee, the effective retirement date of the employee for up to one year. The authorization for a delay in the effective retirement date does not extend the dates for qualification for benefits.

The cost of the enhanced pension benefits will be funded by employer contributions to the retirement systems and paid by the school boards, educational services commissions or jointure commissions who elect to participate. The additional pension liability shall be paid by each electing entity in level payments over a period of 15 years. The SHBP health care benefits payments for eligible retirees and their dependents will be paid by the employer on a current cost basis. Additionally, an electing employer shall be required to pay the SHBP health care premiums for each employee who retires under this program with 25 or mores years of pension service credit for three years following retirement.

An employer may elect to provide these benefits by the adoption of a resolution by its governing body, which is to be effective July 1, and the filing of a certified copy with the Director of the Division of Pensions and Benefits within three business days after its adoption. The effective date of the resolution must fall within 15 months of enactment of this law. An employer may offer these benefits only once. An employer covered by this law must meet with the employee union representatives, whether or not the employer adopts a resolution, within a year of the enactment of this law.

Any employee that was eligible, or could have been if the employer elected, to participate in the State early retirement incentive program offered in 2002 pursuant to P.L. 2002, c.23, is not eligible for the early retirement incentive benefits granted under this law.

This law also provides for the following:

- Partial purchase of pension service credit to qualify.
- The employer shall pay the cost of the actuarial work to determine the additional liability of the retirement systems for the benefits under this act which shall be included in the initial contribution required from the employer.
- The promulgation of rules and regulations by the Division of Pensions and Benefits deemed necessary for the effective implementation of this act.
- Authorizes boards of education to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for early retirement incentive benefits granted by the law.

This law was effective July 14, 2003.

Chapter 130, P.L. 2003 This law provides for additional retirement benefits for employees of an employer other than the State, that elects to offer the benefits, who retire under the Police and Firemen's Retirement System (PFRS). The governing body of the employer will have one year after the enactment of this law to adopt a resolution to offer the benefits. Once a resolution is adopted and effective, employees will have three months to retire.

Employees who have at least 25 years of service credit as of the effective date of retirement will receive an additional three years of service credit.

Employees who are at least 55 years of age with between 20 and 25 years of service as of the effective date of retirement will receive employer-paid coverage in the New Jersey State Health Benefits Program (SHBP). The retired employees, their dependents and survivors will be eligible for coverage in the program even if the employer does not participate in the SHBP or otherwise provide health care benefits coverage in retirement upon the normal retirement of such employees.

Employees who are at least 55 years of age with between 10 and 20 years of service as of the effective date of retirement will receive an additional pension payment of $500 per month for the first 24 months after retirement.

When the needs of an employer require the services of an employee who elects to retire and receive a benefit under this law, the employer, with the approval of the governing body and the consent of the employee, may delay the effective retirement date of the employee for up to one year. The delay authorized under the law does not extend the dates for qualification for benefits.

The cost of the enhanced PFRS pension benefits will be funded by employer contributions to the retirement systems and paid by the employers who elect to participate. The additional pension liability shall be paid by each electing entity over a period of 15 years. The SHBP health care benefits payments for eligible retirees and their dependents will be paid by the employer on a current cost basis.

An employer may elect to provide these benefits by the adoption of a resolution by its governing body and the filing of a certified copy with the Director of the Division of Pensions and Benefits within three business days. The effective date of the resolution must fall within one year of enactment of this law. An employer may offer these benefits only once. An employer covered by this law must meet with the employee union representatives, whether or not the employer adopts a resolution, within a year of the enactment of this law.

This law also provides for the following:

- Partial purchase of pension service credit to qualify.
- The employer shall pay the cost of the actuarial work to determine the additional liability of the retirement systems for the benefits under this act, which shall be included in the initial contribution required from the employer.
- The promulgation of rules and regulations by the Division of Pensions and Benefits deemed necessary for the effective implementation of this act.
- The enrollment in the SHBP of those retiring under this act at age 55 with between 20 and 25 years of service within 60 days of retirement.
- Authorizes counties and municipalities to issue refunding bonds to retire the present value of the unfunded accrued pension liabilities for early retirement incentive benefits granted by the law.

This law was effective July 14, 2003.

Chapter 142, P.L. 2003 Provides health care benefits coverage through the State Health Benefits Program to members of the New Jersey National Guard, and their dependents, during the period when the member is called to State active duty by the Governor for at least 30 days within a 35 consecutive day period.

Benefits under the law are provided through enrollment in the State Health Benefits Program's NJ PLUS plan. The coverage would begin on the first day of active duty and end on the last day of such duty. It is available only if the member:

1. Is not a compensated, full-time appointed or elected public officer or employee of the State or any political subdivision thereof when called to active duty;
2. Had employer-provided health care benefits coverage that was canceled due to the member's military service or does not have employer-provided health care benefits coverage; and

3. Is not covered for health care benefits under a program, plan or policy as a dependent of the member's spouse when called to active duty.

The cost of coverage will be paid in full by the State.

Health care benefits coverage will be provided only if such coverage by the SHBP does not violate applicable federal statutes in a manner that would change the nature, governance, or status of the program.

This law was effective August 1, 2003

Chapter 172, P.L. 2003 Provides that a part-time State employee or a part-time faculty member, including part-time lecturers and adjunct faculty members, at a public institution of higher education in this State, who is enrolled in a State-administered retirement system, will be entitled to participate in the State Health Benefits Program and may purchase health benefits coverage in the State managed care plan under the State Health Benefits Program for the employee or faculty member, and the dependents of the employee or faculty member. If such an employee or faculty member elects to enroll and purchase coverage, the employee or faculty member will pay the full cost of the coverage. The employer will not be responsible for any costs in connection with the purchase of the coverage, unless the employer is obligated to pay all or a portion of such costs in accordance with the provisions of a binding collective negotiations agreement.

This law includes the following provisions:

- Part-time State employees and part-time faculty members will not qualify for employer or State-paid post-retirement health care benefits under the State Health Benefits Program, but that upon retirement, such employees and faculty members will be permitted to enroll in the State Health Benefits Program managed care plan they were enrolled in prior to retirement through the retired group at their own expense.
- The State Health Benefits Commission must advise eligible employees, and the public institutions of higher education must advise eligible faculty members, that they may enroll in the State Health Benefits Program and about any benefits to which they are entitled upon the termination of their employment.
- The State Health Benefits Commission may establish such rules and regulations necessary to enroll the persons covered by the law and to adopt procedures for the remittance to the program of the cost of coverage.
- A faculty member may enroll in the State Health Benefits Program only if the public institution of higher education that employs the faculty member participates in the program.

This law was effective on January 1, 2004.

Chapter 181, P.L. 2003 Provides that the eligibility of a surviving spouse to receive an accidental death benefit under the Police and Firemen's Retirement System (PFRS) or the State Police Retirement System (SPRS) shall not terminate upon remarriage.

Under the PFRS, when a member of the system dies in active service as a result of an accident met in the actual performance of duty, the surviving spouse is eligible to receive a survivorship benefit consisting of (i) a pension equal to 70% of the compensation upon which contributions by the member were based in the last year of creditable service, and (ii) State-paid coverage under the member's employer-sponsored health insurance plan. Under the SPRS, the corresponding accidental death benefit to the surviving spouse is a pension of 70% of the final compensation received by the member in the last 12 months of creditable service prior to death, plus the health benefit coverage.

Prior to the enactment of this law, under both the PFRS and SPRS, the surviving spouse ceased to be eligible for the accidental death benefit if he or she remarried. This law allows these surviving spouses to remarry without losing the benefit.

This law was effective on September 12, 2003.

Chapter 193, P.L. 2003 Establishes a Mandated Health Benefits Advisory Commission to study the social, financial, and medical impact of proposed mandated health benefits. Mandated health benefits are defined in this law as benefits or coverage that are required by law to be provided by a carrier and includes: coverage for specific health care services, treatments or practices; or direct reimbursement to specific health care providers.

This law was effective on November 21, 2003.

Chapter 308, P.L. 2003 Provides that if a member of the Legislature elects health benefits coverage on the basis of service in the Legislature, the member will not enroll as the primary insured for health benefits for which the member is eligible through

any other public entity, and will not accept any amount of money in consideration for filing a waiver of coverage.

This law was effective on January 14, 2004.

Chapter 86, P.L. 2004 This law requires health insurers, including health, hospital and medical service corporations, commercial individual, small employer and group health insurers, health maintenance organizations and the State Health Benefits Program (SHBP), to provide health benefits coverage for expenses incurred in conducting a mammogram for women under 40 years of age who have a family history of breast cancer or other breast cancer risk factors, at such age and intervals as deemed medically necessary by the woman's health care provider.

The law also codifies in statute that the SHBP shall provide coverage for one baseline mammogram examination for women who are at least 35 but less than 40 years of age and a mammogram every year for women age 40 and over.

This law was effective October 5, 2004.

Chapter 135, P.L. 2005, provides that an affiliate of a majority representative of State employees for collective negotiation purposes, which affiliate represents State employees, may obtain coverage in the State Health Benefits Program (SHBP) for its elected officers and employees and their dependents. As used in the law, the phrase "an affiliate of a majority representative of State employees" means a local union affiliate that has some employees who are engaged in the day-to-day representation of State employees, and does not mean a local union affiliate's parent or international union.

Each affiliate electing to participate in SHBP will remit the premium rates or periodic charges to the program, as such rates or charges are determined for local government employees and applicable to the coverage provided.

This law requires that on its effective date the Division of Pensions and Benefits in the Department of the Treasury must seek a determination letter from the federal Department of Labor confirming the status of the State Health Benefits Program as a qualified and exempt governmental plan under Title I of the federal Employee Retirement Income Security Act of 1974 (ERISA). In the event the division receives a determination letter from the federal Department of Labor stating that the law as embodied in this law changes the status of the State Health Benefits Program so that it is no longer a qualified and exempt governmental plan under Title I of ERISA, the law would be void and expire immediately and no employees of an affiliate of a majority representative of State employees for collective negotiation purposes would be permitted to newly enroll or continue to participate in the State Health Benefits Program.

This law was effective July 7, 2005, with union SHBP participation to begin 120 days hence.

Chapter 375, P.L. 2005, requires health insurers to provide for an election of continued coverage by certain dependents, following the termination of dependent coverage at the time the dependents "age-out" of coverage, until their 30th birthday, under health benefits plans issued by health insurers, including hospital service corporations, medical service corporations, health service corporations, commercial insurers, health maintenance organizations and health benefits plans issued pursuant to the New Jersey Small Employer Health Benefits Program, and the New Jersey State Health Benefits Program. Nothing within the provisions of this law would require an employer to pay all or part of the cost of coverage for any election of this continued coverage.

In order to qualify as a "dependent" for purposes of electing coverage pursuant to this law, the individual must be: (1) less than 30 years of age; (2) unmarried; (3) without a dependent of his own; (4) a resident of this State or enrolled as a full-time student at an accredited institution of higher education; and (5) not actually provided coverage as a named subscriber, insured, enrollee, or covered person under any other group or individual health benefits plan, group health plan, church plan or health benefits plan, or entitled to benefits under Title XVIII of the Social Security Act, Pub.L.89-97 (42 U.S.C. s.1395 et seq.). The intent of the phrase "actually provided coverage" concerning a dependent's coverage under another plan as the named subscriber, insured, enrollee, or covered person, is to only remove a dependent from coverage as provided under the law once the individual can receive immediate services under another plan, and not when merely eligible to obtain coverage under another plan.

A dependent may elect coverage within 30 days prior to "aging- out" of plan coverage so that coverage immediately continues beyond the specific age set forth in the applicable plan. Alternatively, a dependent who previously "aged-out" of a plan and does not receive coverage may, so long as the dependent meets the law's requirements for dependent status, subsequently elect coverage under that plan, notwithstanding the gap in coverage, during specified time periods as provided in the law.

In addition, a dependent previously provided continuation coverage under a plan pursuant to the law, whose coverage subsequently terminates prior to the dependent's 30th birthday, may again elect coverage under that plan until the dependent's 30th birthday. As such, a health insurer is prohibited from refusing a written election for coverage based only upon the fact that the dependent previously elected and lost coverage under the applicable plan.

Any coverage provided to a dependent pursuant to an election of coverage under the law must consist of coverage which is identical to the coverage provided to that dependent prior to the dependent "aging- out" of the plan. This coverage cannot be conditioned upon, or discriminate on the basis of, lack of evidence of insurability.

The applicable plan covering the dependent may require payment of a premium by either the named insured or the dependent for any period of elected coverage. This premium cannot exceed 102% of "the applicable portion" of the premium previously paid for that dependent's coverage under the plan prior to the dependent aging out of the contract. The formula to determine this applicable portion will be established by regulation, and, similar to dependent continuation coverage premiums calculated pursuant to federal COBRA, based upon the difference between the plan's rating tiers for adult and dependent coverage or family coverage, as appropriate, and single coverage; or the formula may be based upon some other formulation or dependent rating tier which provides a substantially similar result.

Any period of elected coverage by a dependent will terminate upon: 1) the dependent no longer meeting the law's requirements for dependent status; 2) the failure to make a timely payment for any applicable premium; or 3) the plan's named insured losing coverage under the contract.

Finally, with respect to the State Health Benefits Program, the State Health Benefits Commission must ensure that, on or after the effective date of the law, every contract purchased by the commission that provides dependent coverage does not terminate such coverage by reason of age before the dependent's 23th birthday, and otherwise complies with the provisions of the law for elections of coverage until the dependent's 30th birthday. Public employees must reimburse the cost of the coverage provided pursuant to the law to the New Jersey State Health Benefits Program, in accordance with a rate to be determined by the commission.

This act shall take effect on the 120th day after enactment (May 12, 2006), and shall apply to all contracts, policies, or plans that are delivered, issued, executed or renewed, or approved for issuance or renewal in this State on or after the effective date.

Chapter 341, P.L. 2005, amends N.J.S.A. 52:14-17.28 to provide that all law enforcement officers employed by the State for whom there is a majority representative for collective negotiations purposes may not be eligible for coverage under the traditional plan within the State Health Benefits Program (SHBP). Coverage under the SHBP traditional indemnity health insurance plan may be limited or discontinued pursuant to a binding collective negotiations agreement or pursuant to the application by the State Health Benefits Commission, in its sole discretion, of the terms of any collective negotiations agreement binding on the State to non-aligned State employees.

In addition, it amends N.J.S.A. 52:14-17.32 to require that, for law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes and for nonaligned sworn members of the Division of the State police who retire after July 1, 2005, the coverage options available to such employees in retirement will be limited to those options that were available to the employee on the employee's last day of employment.

This law was effective January 12, 2006

Chapter 103, P.L. 2007, provides for the following:

1. Changes PERS, TPAF and DCRP contribution rates and new employees' compensation base and retirement age;
2. Implements changes to the SHBP and the transfer of education employees to School Employees' Health Benefits Program; and
3. Modifies the State Investment Council.

Health Care Benefits Provisions

This law amends the State Health Benefits Program (SHBP) statutes to reflect changes to the program to be implemented as the result of binding collective negotiations agreements between the Executive branch and collective bargaining units representing State employees. There are two basic changes: (1) the creation and grant of authority to the State Health Benefits

Commission to contract for the administration of preferred provider organizations (PPOs), and (2) the establishment of an employee contribution of 1.5% of the employee's base salary toward the cost of whatever type of SHBP coverage the employee has chosen. Reflecting discussions with the New Jersey Education Association, the law also establishes a School Employees' Health Benefits Program (SEHBP) through the School Employees' Health Benefits Act. The SEHBP will provide health care benefits for active and retired education employees through PPOs and HMOs overseen by a new School Employees' Health Benefits Commission.

Section 19: Adds a new definition of a "successor plan" to identify a PPO plan that replaces the traditional plan. The definitions of "employee" and "dependents" are updated to reflect coverage of intermittent employees and partners of a civil union.

Section 20: Provides that, upon the creation of the SEHBP, the member of the State Health Benefits Commission representing the New Jersey Education Association will be replaced by a local employees' representative.

Section 21: Requires any contract entered into after June 30, 2007 by the State Health Benefits Commission to include the successor plan to the Traditional Plan, one or more HMO's and a State managed care plan substantially equivalent to the NJ PLUS. Describes the availability of the successor plan and the State managed care plan into retirement. The section also recognizes that the State Health Benefits Commission may have issued a request for proposals for the administration of new plans not including the traditional plan.

Section 22: Implements the 1.5% of base salary active employee contribution to the cost of SHBP benefits for State employees per ratified agreements and for all non-aligned State employees, as well as the contribution arrangements for retirees. For State retirees who attain 25 or more years of service, and who retire on or after July 1, 2007, the contribution will not be effective until the New Jersey Retirees' Wellness Program is open for enrollment. Thereafter, the contribution will be waived for a retiree who participates in the wellness program. The Division of Pensions and Benefits will issue a report on this pilot program. The report will include, but need not be limited to, the claims experience with regard to retirees in the program, and the costs and savings realized. The report will be issued at the end of the third year after the program's implementation or by December 30, 2010, whichever is earlier. The report will be submitted to the Governor, the Legislature, and the State Treasurer. The section also provides that an employee or retiree may terminate the withholding of the contribution for SHBP benefits if the participant withdraws from SHBP coverage and certifies current coverage by other health benefits.

Section 23: Codifies in law the services and benefits to be included in contracts for the new PPOs and provides for coordination between the State Health Benefits Commission and the new School Employees' Health Benefits Commission in effectuating provisions of the School Employees' Health Benefits Program Act, contained within this law, which creates the new SEHBP to cover active and retired educators.

Sections 24 to 26: Replaces references to the traditional plan or NJ PLUS with the more general references in statutes related to notification of termination of a physician contract, SHBP coverage if both husband and wife are eligible for SHBP benefits, and SHBP benefits for certain members of the National Guard.

Sections 27 to 30: Amends SHBP statutes to delete references to school board participation and coverage of education employees once their health care benefits are under the SEHBP.

Section 31: Provides that Sections 31 through 41 will be known and cited as the School Employees' Health Benefits Program Act.

Section 32: Defines terms used for the School Employees' Health Benefits Program (SEHBP), which is anticipated to be operational July 1, 2008, including employers able to participate in SEHBP.

Sections 33 to 35: Creates and describes the responsibilities and powers of the School Employees' Health Benefits Commission, administered in the Department of the Treasury. The commission will have nine members: the State Treasurer, the Commissioner of the Department of Banking and Insurance, an appointee of the Governor, a person appointed by the Governor from New Jersey School Board Association nominations, three persons appointed by the Governor from New Jersey Education Association nominations, a person appointed by the Governor from New Jersey State AFL-CIO nominations, and a chairperson appointed by the Governor from nominations jointly submitted by at least six of the other eight members of the commission. The Director of the Division of Pensions and Benefits will serve as secretary.

Sections 36 to 39: Describe the benefits, services and payment obligations of the SEHBP. Prescription drug benefits will be provided through the School Employee Prescription Drug Plan or a free-standing employer prescription drug plan or the prescription drug part of a SEHBP plan. Prescription drug benefits for retirees will be provided through the School Retiree Prescription Drug Plan.

Section 40: Requires of the School Employees' Health Benefits Commission certain annual reports, periodic audits and review of program costs.

Section 41: Provides that the provisions of the SHBP statutes will continue to be applicable to SEHBP, except as expressly stated to the contrary in the School Employees' Health Benefits Program Act.

Sections 42 to 49: Amends and supplements existing law to reflect implementation of the School Employees' Health Benefits Program. Sections 43 and 44 amend the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. Sections 48 and 49 create separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees.

This law was effective February 19, 2007.

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

STATE MONTHLY ACTIVE GROUP

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	STATE CONTRIBUTION	MAXIMUM EMPLOYEE CONTRIBUTION*	TOTAL
NJ PLUS-#101	Single	$346.63	-------	$346.63
	Member & Spouse/Domestic Partner	$755.55	-------	$755.55
	Family	$899.29	-------	$899.29
	Parent & Child	$521.48	-------	$521.48
TRADITIONAL-#102	Single	$523.62	$174.53	$698.15
	Member & Spouse/Domestic Partner	$1,120.69	$373.56	$1,494.25
	Family	$1,333.80	$444.60	$1,778.40
	Parent & Child	$773.40	$257.80	$1,031.20
AETNA, INC.-#119	Single	$354.44	$18.65	$373.09
	Member & Spouse/Domestic Partner	$782.80	$41.19	$823.99
	Family	$910.46	$47.91	$958.37
	Parent & Child	$523.39	$27.54	$550.93
CIGNA HEALTHCARE-#120	Single	$404.86	$21.30	$426.16
	Member & Spouse/Domestic Partner	$883.12	$46.48	$929.60
	Family	$1,053.28	$55.43	$1,108.71
	Parent & Child	$607.74	$31.98	$639.72
OXFORD-#128	Single	$339.37	$17.86	$357.23
	Member & Spouse/Domestic Partner	$746.53	$39.29	$785.82
	Family	$882.26	$46.43	$928.69
	Parent & Child	$509.07	$26.79	$535.86
AMERIHEALTH-#133	Single	$390.91	$20.57	$411.48
	Member & Spouse/Domestic Partner	$869.78	$45.77	$915.55
	Family	$1,012.92	$53.31	$1,066.23
	Parent & Child	$577.09	$30.37	$607.46
HEALTH NET-#134	Single	$376.70	$19.82	$396.52
	Member & Spouse/Domestic Partner	$820.58	$43.18	$863.76
	Family	$996.12	$52.42	$1,048.54
	Parent & Child	$577.87	$30.41	$608.28
PRESCRIPTION DRUG PROGRAM-#202	Single	$111.09	-------	$111.09
	Member & Spouse/Domestic Partner	$253.90	-------	$253.90
	Family	$266.69	-------	$266.69
	Parent & Child	$148.26	-------	$148.26

* Employee contribution: Traditional = 25%; HMOs = 5%.

** Traditional Plan deductible $250, NJ PLUS and HMO office visit copay $10

(FOR EMPLOYERS **WITHOUT** A PRESCRIPTION DRUG PLAN)

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

LOCAL MONTHLY ACTIVE GROUP - EDUCATION EMPLOYERS

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	EMPLOYER SINGLE COST	DEPENDENT COST	TOTAL
NJ PLUS-#001	Single	$363.33	-------	$363.33
	Member & Spouse/Domestic Partner	$364.57	$444.07	$808.64
	Family	$365.02	$575.84	$940.86
	Parent & Child	$363.87	$172.62	$536.49
TRADITIONAL-#002	Single	$607.43	-------	$607.43
	Member & Spouse/Domestic Partner	$608.67	$709.93	$1,318.60
	Family	$609.12	$933.93	$1,543.05
	Parent & Child	$607.97	$275.81	$883.78
AETNA, INC.-#019	Single	$463.25	-------	$463.25
	Member & Spouse/Domestic Partner	$464.49	$537.58	$1,002.07
	Family	$464.94	$662.51	$1,127.45
	Parent & Child	$463.79	$171.20	$634.99
CIGNA HEALTHCARE-#020	Single	$536.66	-------	$536.66
	Member & Spouse/Domestic Partner	$537.90	$614.69	$1,152.59
	Family	$538.35	$789.73	$1,328.08
	Parent & Child	$537.20	$215.04	$752.24
OXFORD-#028	Single	$432.26	-------	$432.26
	Member & Spouse/Domestic Partner	$433.50	$517.35	$950.85
	Family	$433.95	$689.79	$1,123.74
	Parent & Child	$432.80	$215.56	$648.36
AMERIHEALTH-#033	Single	$509.13	-------	$509.13
	Member & Spouse/Domestic Partner	$510.37	$622.48	$1,132.85
	Family	$510.82	$808.43	$1,319.25
	Parent & Child	$509.67	$241.92	$751.59
HEALTH NET-#034	Single	$499.91	-------	$499.91
	Member & Spouse/Domestic Partner	$501.15	$587.88	$1,089.03
	Family	$501.60	$820.41	$1,322.01
	Parent & Child	$500.45	$266.49	$766.94

(FOR EMPLOYERS **WITH** A PRESCRIPTION DRUG PLAN)

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

LOCAL MONTHLY ACTIVE GROUP - EDUCATION EMPLOYERS

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	EMPLOYER SINGLE COST	DEPENDENT COST	TOTAL
NJ PLUS-#001	Single	$325.54	-------	$325.54
	Member & Spouse/Domestic Partner	$326.78	$397.73	$724.51
	Family	$327.23	$515.76	$842.99
	Parent & Child	$326.08	$154.61	$480.69
TRADITIONAL-#002	Single	$508.24	-------	$508.24
	Member & Spouse/Domestic Partner	$509.48	$598.96	$1,108.44
	Family	$509.93	$785.74	$1,295.67
	Parent & Child	$508.78	$232.67	$741.45
AETNA, INC.-#019	Single	$338.57	-------	$338.57
	Member & Spouse/Domestic Partner	$339.81	$407.92	$747.73
	Family	$340.26	$529.41	$869.67
	Parent & Child	$339.11	$160.82	$499.93
CIGNA HEALTHCARE-#020	Single	$409.12	-------	$409.12
	Member & Spouse/Domestic Partner	$410.36	$482.05	$892.41
	Family	$410.81	$653.54	$1,064.35
	Parent & Child	$409.66	$204.46	$614.12
OXFORD-#028	Single	$358.73	-------	$358.73
	Member & Spouse/Domestic Partner	$359.97	$429.15	$789.12
	Family	$360.42	$572.17	$932.59
	Parent & Child	$359.27	$178.84	$538.11
AMERIHEALTH-#033	Single	$394.60	-------	$394.60
	Member & Spouse/Domestic Partner	$395.84	$482.17	$878.01
	Family	$396.29	$626.22	$1,022.51
	Parent & Child	$395.14	$187.40	$582.54
HEALTH NET-#034	Single	$382.08	-------	$382.08
	Member & Spouse/Domestic Partner	$383.32	$448.99	$832.31
	Family	$383.77	$626.60	$1,010.37
	Parent & Child	$382.62	$203.50	$586.12
PRESCRIPTION DRUG PROGRAM-#201	Single	$120.88	-------	$120.88
	Member & Spouse/Domestic Partner	$120.88	$155.45	$276.33
	Family	$120.88	$169.66	$290.54
	Parent & Child	$120.88	$40.51	$161.39

(FOR EMPLOYERS **WITHOUT** A PRESCRIPTION DRUG PLAN)

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

LOCAL MONTHLY ACTIVE GROUP - LOCAL GOVERNMENT EMPLOYERS

(EXCLUDES EDUCATION EMPLOYERS)

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	EMPLOYER SINGLE COST	DEPENDENT COST	TOTAL
NJ PLUS-#001	Single	$424.50	-------	$424.50
	Member & Spouse/Domestic Partner	$425.74	$519.02	$944.76
	Family	$426.19	$673.06	$1,099.25
	Parent & Child	$425.04	$201.78	$626.82
TRADITIONAL-#002	Single	$668.37	-------	$668.37
	Member & Spouse/Domestic Partner	$669.61	$781.35	$1,450.96
	Family	$670.06	$1,027.91	$1,697.97
	Parent & Child	$668.91	$303.53	$972.44
AETNA, INC.-#019	Single	$463.25	-------	$463.25
	Member & Spouse/Domestic Partner	$464.49	$537.58	$1,002.07
	Family	$464.94	$662.51	$1,127.45
	Parent & Child	$463.79	$171.20	$634.99
CIGNA HEALTHCARE-#020	Single	$536.66	-------	$536.66
	Member & Spouse/Domestic Partner	$537.90	$614.69	$1,152.59
	Family	$538.35	$789.73	$1,328.08
	Parent & Child	$537.20	$215.04	$752.24
OXFORD-#028	Single	$432.26	-------	$432.26
	Member & Spouse/Domestic Partner	$433.50	$517.35	$950.85
	Family	$433.95	$689.79	$1,123.74
	Parent & Child	$432.80	$215.56	$648.36
AMERIHEALTH-#033	Single	$509.13	-------	$509.13
	Member & Spouse/Domestic Partner	$510.37	$622.48	$1,132.85
	Family	$510.82	$808.43	$1,319.25
	Parent & Child	$509.67	$241.92	$751.59
HEALTH NET-#034	Single	$499.91	-------	$499.91
	Member & Spouse/Domestic Partner	$501.15	$587.88	$1,089.03
	Family	$501.60	$820.41	$1,322.01
	Parent & Child	$500.45	$266.49	$766.94

(FOR EMPLOYERS **WITH** A PRESCRIPTION DRUG PLAN)

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

LOCAL MONTHLY ACTIVE GROUP - LOCAL GOVERNMENT EMPLOYERS
(EXCLUDES EDUCATION EMPLOYERS)

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	EMPLOYER SINGLE COST	DEPENDENT COST	TOTAL
NJ PLUS-#001	Single	$377.06	-------	$377.06
	Member & Spouse/Domestic Partner	$378.30	$460.94	$839.24
	Family	$378.75	$597.71	$976.46
	Parent & Child	$377.60	$179.18	$556.78
TRADITIONAL-#002	Single	$571.97	-------	$571.97
	Member & Spouse/Domestic Partner	$573.21	$674.29	$1,247.50
	Family	$573.66	$884.57	$1,458.23
	Parent & Child	$572.51	$261.99	$834.50
AETNA, INC.-#019	Single	$338.57	-------	$338.57
	Member & Spouse/Domestic Partner	$339.81	$407.92	$747.73
	Family	$340.26	$529.41	$869.67
	Parent & Child	$339.11	$160.82	$499.93
CIGNA HEALTHCARE-#020	Single	$409.12	-------	$409.12
	Member & Spouse/Domestic Partner	$410.36	$482.05	$892.41
	Family	$410.81	$653.54	$1,064.35
	Parent & Child	$409.66	$204.46	$614.12
OXFORD-#028	Single	$358.73	-------	$358.73
	Member & Spouse/Domestic Partner	$359.97	$429.15	$789.12
	Family	$360.42	$572.17	$932.59
	Parent & Child	$359.27	$178.84	$538.11
AMERIHEALTH-#033	Single	$394.60	-------	$394.60
	Member & Spouse/Domestic Partner	$395.84	$482.17	$878.01
	Family	$396.29	$626.22	$1,022.51
	Parent & Child	$395.14	$187.40	$582.54
HEALTH NET-#034	Single	$382.08	-------	$382.08
	Member & Spouse/Domestic Partner	$383.32	$448.99	$832.31
	Family	$383.77	$626.60	$1,010.37
	Parent & Child	$382.62	$203.50	$586.12
PRESCRIPTION DRUG PROGRAM-#201	Single	$120.88	-------	$120.88
	Member & Spouse/Domestic Partner	$120.88	$155.45	$276.33
	Family	$120.88	$169.66	$290.54
	Parent & Child	$120.88	$40.51	$161.39

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

DENTAL PROGRAM
STATE MONTHLY ACTIVE GROUP

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	STATE CONTRIBUTION	EMPLOYEE CONTRIBUTION	TOTAL
DENTAL EXPENSE PLAN - #399	SINGLE	$20.67	$20.67	$41.34
	MEMBER & SPOUSE/DOMESTIC PARTNER	$35.91	$35.92	$71.83
	FAMILY	$58.76	$58.77	$117.53
	PARENT & CHILD	$43.53	$43.53	$87.06
DENTAL PROVIDER ORGANIZATIONS (DPO)				
HEALTHPLEX (DPO #307) Assurant (DPO #308) FLAGSHIP HEALTH SYSTEMS, INC. (DPO #312)				
	SINGLE	$10.34	$10.33	$20.67
	MEMBER & SPOUSE/DOMESTIC PARTNER	$17.84	$18.07	$35.91
	FAMILY	$29.31	$29.44	$58.75
	PARENT & CHILD	$21.87	$21.65	$43.52
BENECARE (DPO #301)	SINGLE	$14.00	$10.33	$24.33
	MEMBER & SPOUSE/DOMESTIC PARTNER	$24.19	$18.07	$42.26
	FAMILY	$39.72	$29.44	$69.16
	PARENT & CHILD	$29.58	$21.65	$51.23
COMMUNITY DENTAL (DPO #302)	SINGLE	$12.88	$10.33	$23.21
	MEMBER & SPOUSE/DOMESTIC PARTNER	$22.29	$18.07	$40.36
	FAMILY	$36.57	$29.44	$66.01
	PARENT & CHILD	$27.24	$21.65	$48.89
CIGNA (DPO #305)	SINGLE	$10.84	$10.33	$21.17
	MEMBER & SPOUSE/DOMESTIC PARTNER	$18.74	$18.07	$36.81
	FAMILY	$30.77	$29.44	$60.21
	PARENT & CHILD	$22.97	$21.65	$44.62
GROUP DENTAL HEALTH ADMINISTRATORS (DPO #306)	SINGLE	$10.73	$10.33	$21.06
	MEMBER & SPOUSE/DOMESTIC PARTNER	$18.52	$18.07	$36.59
	FAMILY	$30.44	$29.44	$59.88
	PARENT & CHILD	$22.71	$21.65	$44.36
DENTAL GROUP OF NEW JERSEY, INC. (DPO#314)	SINGLE	$8.98	$10.33	$19.31
	MEMBER & SPOUSE/DOMESTIC PARTNER	$15.52	$18.07	$33.59
	FAMILY	$25.49	$29.44	$54.93
	PARENT & CHILD	$19.05	$21.65	$40.70
HORIZON DENTAL CHOICE (DPO #319)	SINGLE	$9.24	$10.33	$19.57
	MEMBER & SPOUSE/DOMESTIC PARTNER	$15.93	$18.07	$34.00
	FAMILY	$26.19	$29.44	$55.63
	PARENT & CHILD	$19.56	$21.65	$41.21
AETNA DMO (DPO #319)	SINGLE	$10.31	$10.33	$20.64
	MEMBER & SPOUSE/DOMESTIC PARTNER	$17.84	$18.07	$35.91
	FAMILY	$29.30	$29.44	$58.74
	PARENT & CHILD	$21.88	$21.65	$43.53

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

DENTAL PROGRAM

LOCAL MONTHLY ACTIVE GROUP - LOCAL GOVERNMENT AND EDUCATION EMPLOYERS

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	TOTAL*
DENTAL EXPENSE PLAN - #399	SINGLE	$41.34
	MEMBER & SPOUSE/DOMESTIC PARTNER	$71.83
	FAMILY	$117.53
	PARENT & CHILD	$87.06
DENTAL PROVIDER ORGANIZATIONS (DPO)		
HEALTHPLEX (DPO #307)		
ASSURANT (DPO #308)		
FLAGSHIP HEALTH SYSTEMS, INC. (DPO #312)		
	SINGLE	$20.67
	MEMBER & SPOUSE/DOMESTIC PARTNER	$35.91
	FAMILY	$58.75
	PARENT & CHILD	$43.52
BENECARE (DPO #301)	SINGLE	$24.33
	MEMBER & SPOUSE/DOMESTIC PARTNER	$42.26
	FAMILY	$69.16
	PARENT & CHILD	$51.23
COMMUNITY DENTAL (DPO #302)	SINGLE	$23.21
	MEMBER & SPOUSE/DOMESTIC PARTNER	$40.36
	FAMILY	$66.01
	PARENT & CHILD	$48.89
CIGNA (DPO #305)	SINGLE	$21.17
	MEMBER & SPOUSE/DOMESTIC PARTNER	$36.81
	FAMILY	$60.21
	PARENT & CHILD	$44.62
GROUP DENTAL HEALTH ADMINISTRATORS (DPO #306)	SINGLE	$21.06
	MEMBER & SPOUSE/DOMESTIC PARTNER	$36.59
	FAMILY	$59.88
	PARENT & CHILD	$44.36
DENTAL GROUP OF NEW JERSEY, INC. (DPO#314)	SINGLE	$19.31
	MEMBER & SPOUSE/DOMESTIC PARTNER	$33.59
	FAMILY	$54.93
	PARENT & CHILD	$40.70
Horizon Dental Choice (DPO #319)	SINGLE	$19.57
	MEMBER & SPOUSE/DOMESTIC PARTNER	$34.00
	FAMILY	$55.63
	PARENT & CHILD	$41.21
AETNA DMO (DPO #319)	SINGLE	$20.64
	MEMBER & SPOUSE/DOMESTIC PARTNER	$35.91
	FAMILY	$58.74
	PARENT & CHILD	$43.53

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

STATE RETIRED GROUP

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

Description	NJ PLUS (001)	Traditional (002)	Aetna, Inc. (019)	Cigna Healthcare (020)	Oxford (028)	Amerihealth (033)	Health Net (034)
Single — No Medicare	$637.76	$791.62	$523.47	$573.33	$441.45	$601.64	$532.09
Single — On Medicare	$433.01	$391.69	$429.73	$416.68	$399.97	$437.40	$377.25
Member & Spouse/Partner — No Medicare	$1,390.10	$1,694.39	$1,132.33	$1,231.37	$971.09	$1,338.69	$1,159.12
Member & Spouse/Partner — One on Medicare	$1,070.77	$1,183.31	$953.20	$990.01	$841.42	$1,039.04	$909.34
Member & Spouse/Partner — Both on Medicare	$865.93	$783.42	$859.50	$833.40	$799.96	$874.83	$754.53
Family — No Medicare	$1,654.61	$2,016.64	$1,274.01	$1,418.85	$1,147.66	$1,558.97	$1,407.10
Family — One on Medicare	$1,335.28	$1,505.56	$1,094.88	$1,177.49	$1,017.99	$1,259.32	$1,157.32
Family — Both on Medicare	$1,130.44	$1,055.56	$1,015.46	$1,021.20	$1,029.78	$1,109.39	$984.60
Parent & Child — No Medicare	$959.47	$1,169.33	$717.52	$803.66	$662.16	$888.16	$816.31
Parent & Child — Retiree on Medicare	$754.72	$753.97	$623.78	$664.56	$620.68	$688.27	$661.47

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

LOCAL RETIRED GROUP - EDUCATION EMPLOYERS

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

Description	NJ PLUS (001)	Traditional (002)	Aetna, Inc. (019)	Cigna Healthcare (020)	Oxford (028)	Amerihealth (033)	Health Net (034)
Single — No Medicare	$566.66	$722.15	$463.25	$536.66	$432.26	$509.13	$499.91
Single — On Medicare	$362.52	$361.72	$392.72	$411.11	$376.87	$411.36	$364.27
Member & Spouse/Partner — No Medicare	$1,261.32	$1,572.86	$1,002.07	$1,152.59	$950.85	$1,132.85	$1,089.03
Member & Spouse/Partner — One on Medicare	$929.18	$1,083.87	$855.97	$947.77	$809.13	$920.49	$864.18
Member & Spouse/Partner — Both on Medicare	$725.07	$723.47	$785.47	$822.26	$753.76	$822.75	$728.56
Family — No Medicare	$1,467.51	$1,839.15	$1,127.45	$1,328.08	$1,123.74	$1,319.25	$1,322.01
Family — One on Medicare	$1,135.37	$1,350.16	$981.35	$1,123.26	$982.02	$1,106.89	$1,097.16
Family — Both on Medicare	$931.26	$942.48	$928.00	$1,007.55	$970.29	$1,043.34	$950.70
Parent & Child — No Medicare	$836.76	$1,052.72	$634.99	$752.24	$648.36	$751.59	$766.94
Parent & Child — Retiree on Medicare	$632.62	$656.66	$564.46	$626.69	$592.97	$653.82	$631.30

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

LOCAL RETIRED GROUP - LOCAL GOVERNMENT EMPLOYERS (EXCLUDES EDUCATION)

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

Description	NJ PLUS (001)	Traditional (002)	Aetna, Inc. (019)	Cigna Healthcare (020)	Oxford (028)	Amerihealth (033)	Health Net (034)
Single — No Medicare	$569.62	$832.84	$463.25	$536.66	$432.26	$509.13	$499.91
Single — On Medicare	$366.41	$384.08	$392.72	$411.11	$376.87	$411.36	$364.27
Member & Spouse/Partner — No Medicare	$1,267.92	$1,814.05	$1,002.07	$1,152.59	$950.85	$1,132.85	$1,089.03
Member & Spouse/Partner — One on Medicare	$936.03	$1,216.92	$855.97	$947.77	$809.13	$920.49	$864.18
Member & Spouse/Partner — Both on Medicare	$732.82	$768.05	$785.47	$822.26	$753.76	$822.75	$728.56
Family — No Medicare	$1,475.19	$2,121.19	$1,127.45	$1,328.08	$1,123.74	$1,319.25	$1,322.01
Family — One on Medicare	$1,143.30	$1,524.06	$981.35	$1,123.26	$982.02	$1,106.89	$1,097.16
Family — Both on Medicare	$940.09	$1,022.12	$928.00	$1,007.55	$970.29	$1,043.34	$950.70
Parent & Child — No Medicare	$841.13	$1,214.17	$634.99	$752.24	$648.36	$751.59	$766.94
Parent & Child — Retiree on Medicare	$637.92	$717.49	$564.46	$626.69	$592.97	$653.82	$631.30

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

DENTAL PROGRAM
STATE RETIREE GROUP

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	MONTHLY RETIREE RATE
RETIREE DENTAL EXPENSE PLAN - #398	SINGLE	$41.57
	MEMBER & SPOUSE/DOMESTIC PARTNER	$82.02
	FAMILY	$106.87
	PARENT & CHILD	$61.81

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

DENTAL PROGRAM
RETIREE GROUP - LOCAL GOVERNMENT

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	MONTHLY RETIREE RATE
RETIREE DENTAL EXPENSE PLAN - #398	SINGLE	$41.57
	MEMBER & SPOUSE/DOMESTIC PARTNER	$82.02
	FAMILY	$106.87
	PARENT & CHILD	$61.81

NEW JERSEY STATE HEALTH BENEFITS PROGRAM

DENTAL PROGRAM
RETIREE GROUP - LOCAL EDUCATION

RATES EFFECTIVE 1/1/2007 TO 12/31/2007

PROGRAM	DESCRIPTION OF COVERAGE	MONTHLY RETIREE RATE
RETIREE DENTAL EXPENSE PLAN - #398	SINGLE	$41.57
	MEMBER & SPOUSE/DOMESTIC PARTNER	$82.02
	FAMILY	$106.87
	PARENT & CHILD	$61.81

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