STATE OF NEW JERSEY
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

FINANCIAL STATEMENTS AND SCHEDULES
June 30, 2012 and 2011
(With Independent Auditor’s Report Thereon)

CliftonLarsonAllen LLP
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Independent Auditor's Report

The Council
Supplemental Annuity Collective
Trust of New Jersey

We have audited the accompanying statements of fiduciary net assets of the State of New Jersey Supplemental Annuity Collective Trust (the Trust) as of June 30, 2012 and 2011, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of New Jersey Supplemental Annuity Collective Trust as of June 30, 2012 and 2011, and changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Mt. Laurel, New Jersey
November 5, 2012

STATE OF NEW JERSEY
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

Management's Discussion and Analysis

June 30, 2012 and 2011

Our discussion and analysis of the financial performance of the Supplemental Annuity Collective Trust (the Trust) provides an overview of the Trust's financial activities for the fiscal years ended June 30, 2012 and 2011. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

Financial Highlights

2012 – 2011

- Fiduciary net assets decreased by $5,602,091 as a result of fiscal year 2012's operations from $158,478,459 to $152,876,368.
- Additions for the year are $12,288,247, which are comprised of member contributions of $6,346,823 and investment income of $5,941,424.
- Deductions for the year are $17,890,338, which are comprised entirely of benefit payments.

2011 – 2010

- Fiduciary net assets increased by $22,293,104 as a result of fiscal year 2011's operations from $136,185,355 to $158,478,459.
- Additions for the year are $40,605,592, which are comprised of member contributions of $5,882,012 and investment income of $34,723,580.
- Deductions for the year are $18,312,488, which are comprised entirely of benefit payments.

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

This annual report consists of two financial statements: *The Statements of Fiduciary Net Assets* and *The Statements of Changes in Fiduciary Net Assets*. These financial statements report information about the Trust and about its activities to help you assess whether the Trust, as a whole, has 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 Statements of Fiduciary Net Assets show the balances in all of the assets and liabilities of the Trust at the end of the fiscal year. The difference between assets and liabilities represents the Trust's fiduciary net assets. Over time, increases or decreases in the Trust's fiduciary net assets provide one indication of whether the financial health of the Trust is improving or declining. *The Statements of Changes in Fiduciary Net Assets* show the results of financial operations for the year. The statements provide an explanation for the change in the Trust's fiduciary net assets since the prior year. These two financial statements should be reviewed along with the information contained in the financial statement footnotes, to determine whether the Trust is becoming financially stronger or weaker.

Financial Analysis

Summary of Fiduciary Net Assets

2012 – 2011

		2012	2011	Decrease
Assets	$	155,647,322	161,845,058	(6,197,736)
Liabilities		2,770,954	3,366,599	(595,645)
Net assets	$	152,876,368	158,478,459	(5,602,091)

Total assets decreased by $6.2 million or 3.8% between fiscal years 2011 and 2012 due to a decrease in the investment holdings of $6.6 million that were utilized to pay the benefits of the trust and a net increase in receivables and cash of $0.4 million.

Total liabilities decreased by $0.6 million or 17.7% primarily due to a decrease in the retirement benefits payable.

Net assets decreased by $5.6 million or 3.5%.

Summary of Fiduciary Net Assets

2011 – 2010

		2011	2010	Increase
Assets	$	161,845,058	136,868,341	24,976,717
Liabilities		3,366,599	682,986	2,683,613
Net assets	$	158,478,459	136,185,355	22,293,104

Total assets increased by $25.0 million or 18.2% between fiscal years 2010 and 2011 due to an increase in the fair value of investments of $24.8 million and an increase in receivables and cash of $0.2 million.

Total liabilities increased by $2.7 million or 392.9% primarily due to an increase in the retirement benefits payable.

Net assets increased by $22.3 million or 16.4%.

Summary of Changes to Fiduciary Net Assets

2012 – 2011

	2012	2011	Increase (decrease)
Additions:			
Member contributions	$ 6,346,823	5,882,012	464,811
Investment income	5,941,424	34,723,580	(28,782,156)
Total additions	12,288,247	40,605,592	(28,317,345)
Deductions:			
Benefits	17,890,338	18,312,488	(422,150)
Total deductions	17,890,338	18,312,488	(422,150)
Change in net assets	$ (5,602,091)	22,293,104	(27,895,195)

Additions consist of member contributions and earnings from investment activities. Member contributions increased slightly by $464 thousand or 7.9%.

The total investment return for the Trust is estimated to be a 4.34% gain compared to a 25.88% gain in the prior year. As a result, net investment income decreased by $28.8 million or 82.9% due to the lower investment return in fiscal year 2012 as compared to fiscal year 2011.

Deductions consist entirely of retirement and withdrawal payments made during the year. Total deductions decreased by $0.4 million or 2.3% between fiscal year 2011 and 2012 due to reduced withdrawals from the fund.

Summary of Changes to Fiduciary Net Assets

2011 – 2010

	2011	2010	Increase (decrease)
Additions:			
Member contributions	$ 5,882,012	7,119,188	(1,237,176)
Investment income	34,723,580	16,061,568	18,662,012
Total additions	40,605,592	23,180,756	17,424,836
Deductions:			
Benefits	18,312,488	9,955,917	8,356,571
Total deductions	18,312,488	9,955,917	8,356,571
Change in net assets	$ 22,293,104	13,224,839	9,068,265

Additions consist of member contributions and earnings from investment activities. Total additions increased by $17.4 million or 75.2% between fiscal years 2010 and 2011 primarily due to the appreciation in investments from 2010 to 2011.

The total investment return for the Trust is estimated to be a 25.88% gain compared to a 12.5% gain in the prior year.

Deductions consist entirely of retirement and withdrawal payments made during the year. Total deductions increased by $8.4 million or 83.9% between fiscal year 2010 and 2011 due to increased withdrawals from the fund.

The change in net assets of $9.1 million was primarily a result of the appreciation in investments from 2010 to 2011.

Contacting System Financial Management

The financial report is designed to provide our members, beneficiaries, investors and other interested parties with a general overview of the Trust's finances and to show the Trust's 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
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

Statements of Fiduciary Net Assets

June 30, 2012 and 2011

		2012	2011
Assets:			
Cash	$	721,528	148,057
Investments, at fair value:			
Cash Management Fund		2,125,512	11,979,054
Common stocks		152,251,163	148,997,525
Total investments		154,376,675	160,976,579
Receivables:			
Member contributions		269,583	425,711
Accrued dividends		279,536	278,910
Other		—	15,801
Total assets		155,647,322	161,845,058
Liabilities:			
Accounts payable and accrued expenses		242,138	164,584
Retirement benefits payable		2,528,816	3,202,015
Total liabilities		2,770,954	3,366,599
Net Assets:			
Held in trust for benefits	$	152,876,368	158,478,459

See accompanying notes to financial statements.

STATE OF NEW JERSEY
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2012 and 2011

		2012	2011
Additions:			
Contributions:			
Members	$	6,346,823	5,882,012
Investment income:			
Net appreciation in fair value of investments		2,432,656	31,638,476
Interest		6,637	45,266
Dividends		3,502,131	3,039,838
Total investment income		5,941,424	34,723,580
Total additions		12,288,247	40,605,592
Deductions:			
Benefits		17,890,338	18,312,488
Change in net assets		(5,602,091)	22,293,104
Net assets – beginning of year		158,478,459	136,185,355
Net assets – end of year	$	152,876,368	158,478,459

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Supplemental Annuity Collective Trust of New Jersey (the Trust) have been prepared using the accrual basis of accounting and conform to the provisions of Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

Investments

The Division of Investment, Department of the Treasury, State of New Jersey manages and invests certain assets of various divisions, agencies and employees of the State of New Jersey in various groups of funds, which includes the Trust.

Investments are reported at fair value as follows:

- Common stocks – closing prices as reported on the primary market or exchange on which they trade.
- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.

Investment transactions are accounted for on a trade date basis. Interest and dividend income and any related receivables are recorded on the accrual basis, with dividends accruing on the ex-dividend date.

Administrative Expenses

The Trust is administered by the State of New Jersey Division of Pensions and Benefits. Administrative expenses are paid by the State of New Jersey, who is responsible for such costs.

Unit Valuation

Participants' net asset value per unit is determined on a monthly basis. Net asset value per unit is computed on the total value at the end of the month of the Trust's net assets divided by the total outstanding units of the Trust.

(2) Description of The Trust

The following description of the Trust provides only general information. Participants should refer to the Trust's pamphlet, "Supplemental Annuities and Tax Sheltered Annuities for New Jersey Public Employees," for a more complete description of the Trust's provisions.

Organization

The Trust, a single-employer defined contribution plan, was established by Chapter 123, P.L. 1963 and amended by Chapter 90, P.L. 1965 and is available to active members of several state-administered retirement systems to provide specific benefits to supplement the guaranteed benefits that are provided by their basic retirement systems. Membership totaled 3,558 and 3,806 as of June 30, 2012 and 2011, respectively. Of that total, members receiving a monthly annuity benefit from the Trust were 454 and 478 as of June 30, 2012 and 2011, respectively. The Trust is administered by the State of New Jersey Division of Pensions and Benefits. The Trust is included along with other state-administered pension trust and agency funds in the financial statements of the State of New Jersey. There are two active plans within the Supplemental Annuity System; the Regular Supplemental Annuity Plan that applies to all eligible employees and does not reduce the participant's taxable compensation, and the Tax Sheltered Supplemental Annuity Plan that pertains to eligible employees of public education institutions and reduces the participant's taxable income.

Benefits

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

Contributions

Participants contribute through payroll deductions and may contribute from 1% to 100% of their base salary, as defined. Contributions are voluntary and may be suspended at the beginning of any quarter. Contributions under the Tax Sheltered Supplemental Annuity Plan are subject to Federal law limitations and qualify for tax-sheltered treatment permitted under Section 403(b) of the Internal Revenue Code. Participants are always fully vested for the accumulated units in their accounts.

Actuarial Valuation

The act governing the Trust provides for an actuarial review of the Trust at least once in every three-year period. As of July 1, 2009, the date of the most recent actuarial valuation, there was a surplus of $3,544,120 in the Variable Benefit Account to which annuity payments are charged. The change is attributable to mortality experience gains during the three-year period since the prior valuation.

Significant assumptions underlying the actuarial computation include: (a) assumed rate of return on investments of 4%; (b) assets valued at market; and (c) mortality, vesting, retirement age, and retirement estimates based on tables furnished by the actuary.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

(3) Summary of Custodial and Credit

The Trust's investments as of June 30, 2012 and 2011 consist of domestic equity securities and an interest in the Cash Management Fund. The Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by the Trust, and is unrated. The Cash Management Fund is a short-term cash fund, managed by the Division of Investment, Department of the Treasury, State of New Jersey, and open to state and certain non-state participants.

Not more than 10% of the market value of the Trust can be invested in the common stock and convertible securities of any one corporation. The total amount of stock purchased or acquired of any one corporation shall not exceed 5% of the common stock, or any other class of stock which entitles the holder thereof to vote at all the elections of directors of such corporation. The Trust can only invest in common stocks and securities which are convertible into common stocks which are listed on a securities exchange in the United States.

Custodial credit risk, as it relates to investments, is the risk that in the event of the failure of the custodian, the Trust will not be able to recover the value of investments that are in the possession of the third party. The Trust's investment securities are not exposed to custodial credit risk as they are held in a segregated trust account in the name of the Trust with the custodian.

(4) Income Tax Status

The Trust is a qualified plan as described in Section 401(a) of the Internal Revenue Code.