

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

— a component unit of the State of New Jersey

47th COMPREHENSIVE ANNUAL FINANCIAL REPORT *For the Fiscal Year Ended June 30, 2002*

James E. McGreevey
Governor

John E. McCormac, CPA
State Treasurer

Frederick J. Beaver
Director



STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
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Programs administered by the

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PERS Public Employees' Retirement System

TPAF Teachers' Pension and Annuity Fund

PFRS Police and Firemen's Retirement System

SPRS State Police Retirement System

JRS Judicial Retirement System

ABP Alternate Benefit Program

POPF Prison Officers' Pension Fund

CPFPF Consolidated Police and Firemen's Pension Fund

NJSEDCP NJ State Employees Deferred Compensation Plan

SACT Supplemental Annuity Collective Trust

CPF Central Pension Fund

PAF Pension Adjustment Fund

UCTDSE Unemployment Compensation and Temporary Disability for State Employees

SHBP State Health Benefits Program

PDP Prescription Drug Plan

SEDP State Employee Dental Program

INDEPENDENT AUDITOR

KPMG LLP

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ACTUARIAL REPORTS

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Jersey Division of Pensions & Benefits

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting



William Patrick Vate
President

Jeffrey L. Essler
Executive acting director



James E. McGreevey
Governor



John E. McCormac, CPA
State Treasurer



Frederick J. Beaver
Director, Division of
Pensions and Benefits



State of New Jersey
Department of the Treasury
Division of Pensions and Benefits
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Mailing Address:
PO Box 295
Trenton, NJ 08625-0295

Location:
50 West State Street
Trenton, New Jersey

Letter of Transmittal

February 2003

To the Honorable

James E. McGreevey, Governor
John E. McCormac, CPA, State Treasurer
Members of the State Legislature
Members of the Boards of Trustees

On behalf of the Division of Pensions and Benefits, I am pleased to submit the 47th Comprehensive Annual Financial Report of the New Jersey state-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2002. The management of the Division of Pensions and Benefits (the Division) is responsible for the accuracy of the data and the completeness and fairness of the presentation. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner to present fairly the financial position and results of the Division operations.

STRUCTURE OF THE REPORT

This comprehensive annual financial report (CAFR) is divided into the following five sections:

- The Introductory Section, which contains this letter of transmittal, the organization of the Division and Boards of Trustees, an overview of new legislation, and general information regarding the operations of the Division.
- The Financial Section, which contains the report of the Independent Auditors and the financial statements, schedules and supplementary financial information regarding the funds that are administered by the Division.
- The Investment Section, which contains general information pertaining to the management of the investment of the Pension Trust Funds.
- The Actuarial Section, which contains the funds' Actuary Certification letters and information regarding the actuarial assumptions and



LETTER OF TRANSMITTAL

methods used to determine the contribution requirements of the retirement Pension Trust Funds.

- The Statistical Section, which contains general statistical information regarding the programs administered by the Division.

THE REPORTING ENTITY

The Division was established in 1955 as the Division of Pensions to provide all administration of the state pension funds except investment. The Division changed its name to the Division of Pensions and Benefits in 1992 to more accurately reflect its roles and responsibilities beyond the realm of pensions. Currently, the Division administers the second largest non-federal public benefits program in the nation consisting of nine separate retirement systems, three supplemental retirement savings programs, a health benefits program for employees, retirees, and family members, and several other employee benefits programs. Over 700,000 members enjoy the benefits of the various pension systems administered by the Division and over 761,000 lives are covered in the State Health Benefits Program (SHBP). In addition to the state, 1,698 local governmental employers participate in the retirement systems and 939 local governmental employers participate in the SHBP.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance and Accounting Organization (GFAO) recognized the Division's CAFR of last year for Excellence in Financial Reporting. A copy of the Certificate of Achievement is included in this report.

MAJOR INITIATIVES

Changes to Pension Systems - There were several major changes to the pension systems last year that enhanced benefits for members and created significant challenges to the Division's work force. These new laws required changes to computer systems, recalculation of retiree benefits, contact with several hundred thousand affected retirees and employees to explain the new benefits and, where applicable, to offer choices made available to them in the laws. Benefit formulas were increased by over nine percent in both the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) in Chapters 133 and 353. Additional joint and survivor options were implemented for the PERS and TPAF through Chapter 120. Approximately 1400 members of the Police and Firemen's Retirement System (PFRS) had their hybrid PERS and PFRS accounts consolidated into pure PFRS benefits through Chapter 201. New benefits within the PERS were established for Workers' Compensation Judges and Prosecutors in Chapters 259 and 366, respectively. In addition, many other smaller changes were made, including modifications to PFRS purchase rules, State Police survivor benefits, and PERS and TPAF return to work rules.

State Early Retirement Incentive Program - A State early retirement incentive program (ERI) was enacted late in the fiscal year with a very narrow retirement window. Chapter 401 offered State employees, over age 60 with between 10 and 20 years of service and state employees over age 55 with 25 or more years of service, incentives to retire on July 1, 2002. Approximately 18,000 employees were eligible and over 5800 employees took the incentive offer. What is normally a very busy period due to teacher retirements became a whirl. In a three month period, the Division developed program literature for employers and employees, created a special ERI Web site, distributed approximately 18,000 ERI packets, conducted 246 workshops for 6,177 employees, held 2,873 individual counseling sessions, provided 24,000 retirement estimates, processed 2,900 purchase applications, audited 1,600 member accounts, handled 7,400 tax withholding requests, and added 7,948 retirees to payroll for the month of July. The ERI was also extended to 24 independent state authorities; thirteen of which opted to participate.



LETTER OF TRANSMITTAL

Developments in the State Health Benefits Program (SHBP) - The SHBP awarded contracts to Horizon Blue Cross Blue Shield of New Jersey to administer the Traditional Plan, New Jersey PLUS, and the State Prescription Drug Program. The contracts extend for four years, beginning January 1, 2002, with the possibility of extensions for another two years. Horizon changed the Pharmacy Benefits Manager (PBM) for all prescription drug services effective July 1, 2002 to AdvancePCS. Advance is the largest PBM in the nation. Horizon HMO Blue was dropped from the program as it essentially duplicated, at a higher cost, the services already provided through NJ PLUS. There were a few legislatively mandated services that were added to the program this year and Chapter 209 allowed employees to use non-concurrent service from more than one New Jersey public pension fund to meet the requirements for employer-paid post-retirement medical benefits.

Implementation of the Long Term Care Program - The Division developed and began marketing a Long Term Care program for employees and retirees of the State and State colleges and universities and their family members. Prudential Insurance Company, the winner of a contract awarded through the competitive bid process, will administer the program. Prudential assisted with the plan design and the preparation of all program materials. We conducted a special open enrollment for state employees and retirees in the Spring for coverage effective on July 1, 2002.

FINANCIAL INFORMATION

The Financial reports of the Governmental Funds, Proprietary Funds, and the Fiduciary Funds of the State of New Jersey Division of Pensions and Benefits have been prepared in conformity with generally accepted accounting principals as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The specific accounting policies can be found in the Notes to the Financial Statements found in the Financial Section.

- The Governmental Funds include the three separate State programs for Health Benefits, Prescription Drug, and Dental Expense.
- The Proprietary Funds include the two separate Local Group programs for Health Benefits and Prescription Drug.
- The Fiduciary Funds include eleven separate pension funds and two agency funds, the Alternate Benefit Program Fund and the Pension Adjustment Fund.

A summary of the condition of the funds administered by the Division of Pensions and Benefits is located in the "Management Discussion and Analysis" that begins on page 42 of this report.

Management is responsible for establishing and maintaining the accounting systems complete with internal controls so that the data presented is complete and fairly presents the financial position of the State of New Jersey, Division of Pensions and Benefits as of June 30, 2002. The funds have been independently audited by KPMG LLP.

INVESTMENTS

The Division of Investment, Department of the Treasury has the responsibility for investing the assets of the programs administered by the Division of Pensions and Benefits. This is done under the jurisdiction of the State Investment Council. Investments are guided by the "prudent person rule". During FY 2002, investment returns on pension funds were -9.0 percent. When combined with the returns for previous years, the annualized returns over the past three, five, and ten-year periods were -3.0 percent, 5.4 percent, and 9.4 percent, respectively.



LETTER OF TRANSMITTAL

FUNDING

Funding is the keystone of a good benefits system. A fully funded system that has assets sufficient to meet the disability and retirement benefits schedules of all its members is one that instills confidence and trust. I'm pleased to report that our benefits systems are still in excellent financial condition despite the disappointing market returns over the past several years. The liabilities of the actuarially based pension systems are 109.2 percent funded. Members and retirees can feel confident that the public retirement systems in New Jersey will meet their obligations now and in the future.

PROFESSIONAL SERVICES

The Division contracts with several professional organizations for advice and assistance in administering the programs for which it is responsible. The list of these organizations is found on page 88. The Office of the Attorney General provides all legal services required by the Division of Pensions and Benefits and the retirement system Boards of Trustees.

ACKNOWLEDGMENTS

The preparation of this report required the combined efforts of many employees from different areas of the Division staff. It is intended to provide extensive and reliable information for making management decisions, determining compliance with legal requirements, and determining responsible stewardship for the assets contributed by the systems' members, participating employers, and the taxpayers of the State.

I would like to take this opportunity to express my gratitude to the Governor, the Legislature, the Treasurer, the Boards of Trustees, the individuals providing professional services, participating employer benefits administrators and to the outstanding employees of this Division for all their efforts and support. This has resulted in making this New Jersey benefits system one of the largest and best public benefits systems in the nation.

Respectfully submitted,



Frederick J. Beaver
Director



All in a year's work. . .

- There are **638,849 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,698 PARTICIPATING EMPLOYERS** in the combined retirement systems; 10 new employers began participating this year.
- There are **511,915 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **63,611 MEMBER ACCOUNTS** were audited internally.
- A total of **193,439 RETIREES AND BENEFICIARIES RECEIVED MONTHLY PENSIONS** totaling in excess of **\$4.1 BILLION ANNUALLY**.
- **OVER 8,210 BENEFICIARY CLAIMS** were processed. Premiums in excess of \$173.8 million were paid to the insurance carrier on behalf of active and retired members.
- Over **1.55 MILLION TELEPHONE CALLS** were received in Client Services. Counselors handled over 315,761 calls; over 1.45 million calls were handled by our automated telephone systems.
- Over **18,163 PERSONAL INTERVIEWS** were conducted by pensions counselors.
- **844 RETIREMENT SEMINARS** were conducted for over 22,452 members.
- **16,106 SERVICE PURCHASE REQUESTS** were processed.
- Over **74,222 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- **There were 7,636 WITHDRAWALS** from the retirement systems.
- **13,695 MEMBERS RETIRED**.
- Over **118,538 PENSION LOANS** totalling **\$443,005,760** were processed.
- State and local membership in the State Health Benefits Program was **339,700 MEMBERS** with **761,800 LIVES COVERED**.
- A total of over **\$1.9 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers. 269 local employers elected to participate in the SHBP this year.

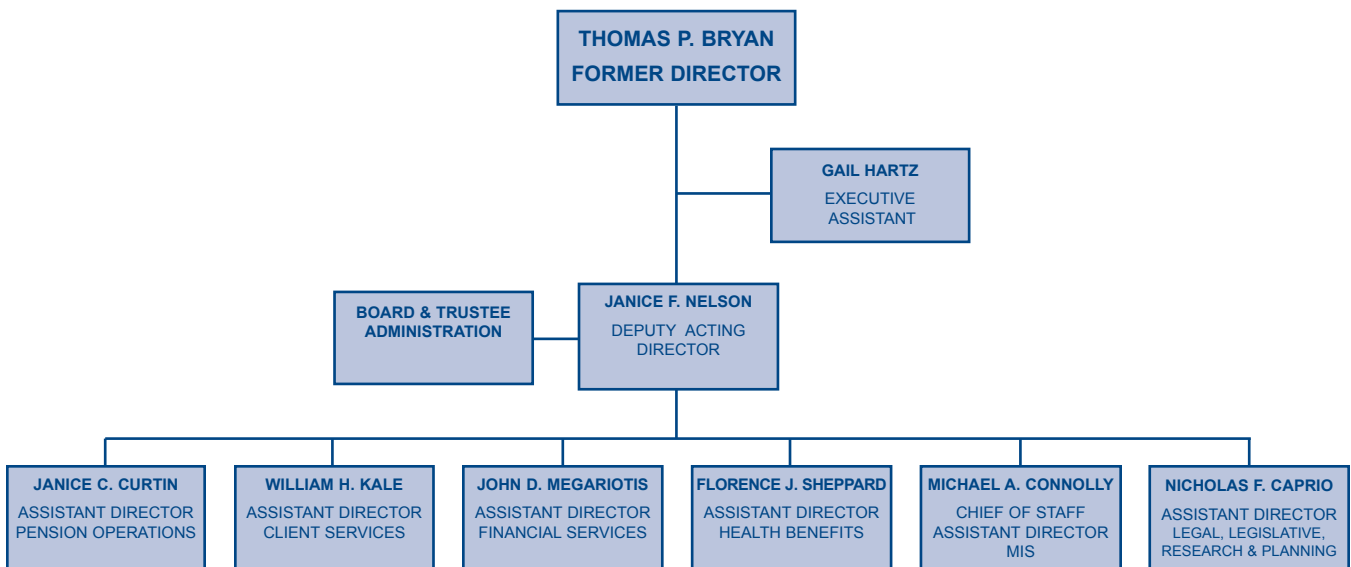
ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

Seated (*left to right*): Janice F. Nelson, Deputy Director, Division of Pensions and Benefits
Florence J. Sheppard, Assistant Director, Health Benefits
Gail Hartz, Executive Assistant
Janice C. Curtin, Assistant Director, Pension Operations

Standing (*left to right*): John D. Megariotis, Assistant Director, Financial Services
Nicholas F. Caprio, Assistant Director, Legal, Legislative, Research and Planning
Thomas P. Bryan, Former Director, Division of Pensions and Benefits
Michael A. Connolly, Chief of Staff and Assistant Director, MIS
William H. Kale, Assistant Director, Client Services



ORGANIZATION



CHIEFS AND MANAGERS

Seated (left to right): Mary Ellen Conway - Financial, Janice Vasil - Operations, Rita Partyka - Client Services, Sandra Horan - Enrollments and Purchases

Standing (left to right): Wendy Jamison - Boards of Trustees, David Pointer - Retirements, Charles Armenti - Financial, Leonard Leto - Health Benefits Policy and Planning, John Prunetti - MIS, Virginia Martucci - Claims, Frank Corliss - MIS

DIRECTOR

The Director is responsible for the coordination of the functions of the Division, the development of the Division budget and communication with other branches of State government, local government and the public. The Director serves as the Secretary to the Supplemental Annuity Collective Trust Council, the State Health Benefits Commission and the State House Commission in its capacity as the Board of Trustees for the Judicial Retirement System. The Director is also responsible for legal and legislative matters and Board of Trustees administration. In addition, the Treasurer has delegated the responsibility of maintaining the Federal-State Agreement for Social Security to the Director of the Division of Pensions and Benefits.

The Division of Pensions and Benefits falls under the jurisdiction of the New Jersey Department of the Treasury. The Director of the Division of Pensions and Benefits reports directly to the State Treasurer.

OFFICE OF OPERATIONS

The work of this office, overseen by an Assistant

Director, is divided among three bureaus: Enrollment and Purchase, Claims, and Retirement.

The Enrollment and Purchase Bureau processes all enrollments, transfers and purchases of service credit for all of the State retirement systems. The Claims Bureau processes all death claims, withdrawals, and loan requests. In addition, this bureau oversees beneficiary designations filed by active and retired members and issues group life insurance policies, riders and special endorsements. The Retirement Bureau prepares retirement estimates and processes retirement applications for all of the State retirement systems.

OFFICE OF HEALTH BENEFITS

This office, overseen by an Assistant Director, consists of two elements: the Health Benefits Bureau and the Office of Policy and Planning. The Health Benefits Bureau processes all enrollments, changes and terminations for active and retired members of the State Health Benefits Program. In addition, this bureau is responsible for the administration of benefits under the federal COBRA law, and enrollments, changes and ter-



ORGANIZATION

minations for members of the Prescription Drug Plan and State Employee Dental Program. The Office of Policy and Planning analyzes and makes recommendations concerning current and proposed health benefits programs to provide the highest quality programs at the least possible cost. It manages contract renewals and requests for proposals. Policy and Planning is responsible for health benefit program review and development. This office also provides administrative support to the State Health Benefits Commission.

OFFICE OF FINANCIAL SERVICES

The work of this office, overseen by an Assistant Director, is divided among nine sections: the Chief Accountant's Office, Audit/Billing, Defined Contribution Plans, Accounting Services, Cash Receipts/Disbursements, Ledgers/Financial Statements, Account Reconciliations, Health Benefits/Financial, and External Audit.

The Office of Financial Services is charged with the custodianship of pension and health benefits assets. These assets are in excess of \$63 billion and include over 700,000 individual member accounts. These combined systems place the Division of Pensions and Benefits second among the top public pensions and benefits administrators in the nation. This office is responsible for the accounting functions necessary for the successful operations of the various pension funds, health benefits and agency funds, as well as the administration of the Pension Adjustment Program, the Supplemental Annuity Collective Trust, and Deferred Compensation Plan.

OFFICE OF CLIENT SERVICES

This office, overseen by an Assistant Director, consists of three units: Telecommunications; Counseling, Education and Support; and Publications. Client Services disseminates pension, life insurance and health benefits information to employees, retirees and employers covered by the various New Jersey State-administered retirement systems and benefit programs. The Telecommunications Unit counsels employees, retirees and employers via the telephone by providing information about pension, life insurance, health benefits and general procedures. The Counseling, Education, and Support Unit responds to written

requests for information, conducts personal interviews with employees and retirees who visit the Division of Pensions and Benefits, and provides seminars, employer group meetings, employer instructions and various presentations concerning pension, life insurance and health benefits to employees, employers and retirees. This unit is also responsible for providing receptionist services for the entire Division. The Publications Unit exercises overall responsibility for creating, editing, updating and printing of written materials disseminated by the Division, including manuals, reports, forms, benefit statements and booklets. This unit also manages the Division's internet site.

OFFICE OF MANAGEMENT INFORMATION AND SUPPORT SERVICES

The work of this office, overseen by an Assistant Director, is responsible for the development and maintenance of all processing and management information systems for the Division. This office also has the responsibility for the training, usage and maintenance of all automated office and telephone equipment.

This office consists of five sections: Image Processing and Records Management, Data Entry, Computer Scheduling and Production Control, Systems Development, and Support Services.

The Support Services section has the responsibility for the building and equipment, mail room, warehouse operations and forms inventory.

OFFICE OF LEGAL, LEGISLATIVE, RESEARCH AND PLANNING

The Office of Legal, Legislative, Planning, And Research is located within the Director's Office and operates under the direction of an Assistant Director. It is responsible for providing a structured and consistent planning function for the Division, analyzing proposed legislation for its fiscal and policy impacts, maintaining the regulatory documentation for Division programs, managing the development of contracts with external service providers, and conducting research in support of Division activities. The focal point of this office is the development, implementation, and maintenance of a multi-year strategic business plan for the Division that will



ORGANIZATION

establish priorities on a short- and long-term basis, assist in the allocation of resources, and provide benchmarks for measuring and evaluating the Division's performance.

OFFICE OF BOARD OF TRUSTEES ADMINISTRATION

The Office of Board of Trustees Administration, under the direction of the Deputy Director, provides administrative services for the various defined benefit plans Boards and Commissions.

The Boards and Commissions have the general responsibility for the proper operation of their respective employee benefits program. The Boards adopt rules in compliance with statute and advice of the Attorney General. The Boards may grant hearings in disputes concerning issues of law or fact. Hearings are held by the Office of Administrative Law.

The Boards maintain a record of all proceedings and hold regular meetings and special meetings when necessary.

ACTUARIAL ADVISORS

The actuaries establish actuarial tables for the opera-

tion of the retirement systems, determine the annual appropriation required of participating employers and conduct annual examinations of the systems' actuarial position.

Contracts for actuarial services for the retirement systems are awarded at specified intervals through the regulations governing the procurement of goods and services for the State of New Jersey and its constituent departments and agencies.

LEGAL ADVISOR

The State Attorney General is the legal advisor for all pension funds and other employee benefit programs.

MEDICAL ADVISORS

All pension funds are served by a medical board consisting of three physicians who review claims for disability as submitted by the Disability Review Section of the Retirement Bureau for the Division of Pensions and Benefits.



ORGANIZATION — BOARDS OF TRUSTEES



PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Seated (l to r): Wayne Lodge
George B. Babula
Gary A. Saage, *Chairperson*
Martin M. McElroy

Standing (l to r): Jackie Bussanich, *Support Staff*
Roderick Lewis
Suzanna Buriani-DeSantis
Thomas P. Bryan
Treasurer's Representative
Wendy Jamison, *Board Secretary*
Edward Thomson, III
Susanne Culliton
Deputy Attorney General



TEACHERS' PENSION AND ANNUITY FUND

Seated (l to r): John Keeler
James Clemente
Harry Baldwin, *Chairperson*
Thomas P. Bryan
Treasurer's Representative

Standing (l to r): Marie Flynn
Deborah Rivoso
Grace Haislip
Wendy Jamison, *Board Secretary*
Jackie Bussanich, *Support Staff*
Susanne Culliton
Deputy Attorney General



POLICE AND FIREMEN'S RETIREMENT SYSTEM

Seated (l to r): Susanne Culliton
Deputy Attorney General
John Sandella
Wendy Jamison, *Board Secretary*
Jackie Bussanich, *Support Staff*

Standing (l to r): Joseph Boucher
Mark Kandrac
Marty Barrett
Kathleen P. Sweeney
Frank Casey
Thomas P. Bryan
Treasurer's Representative

Absent: Alan C. Levine



ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Standing (l to r): Anthony Bartolotta, *Chairperson*
Wendy Jamieson, *Board Secretary*
Jackie Bussanich, *Support Staff*
Major Richard C. Wilson

Seated (l to r): Captain Robert G. Rich
Peter Gorman
Treasurer's Representative

CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

Spencer H. Smith, Jr., *Chairperson*
Louis C. Fiocca, Jr.
Nancy Naughton
Louis J. Risacher
Peter Gorman, *Treasurer's Representative*

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

John E. McCormac, *State Treasurer*
Holly C. Baker, *Commissioner of Banking & Insurance*
Charlene Holzbaur, *Director & State Comptroller, Office of Management and Budget,*
Department of the Treasury

STATE HEALTH BENEFITS COMMISSION

John E. McCormac, *State Treasurer*
Holly C. Baker, *Commissioner of Banking & Insurance*
Ida L. Castro, *Commissioner of Personnel*

DEFERRED COMPENSATION BOARD

John E. McCormac, *State Treasurer*
Holly C. Baker, *Commissioner of Banking & Insurance*
Charlene Holzbaur, *Director & State Comptroller,*
Office of Management & Budget, Department of the Treasury



CHAPTER 189, P.L. 2001

This law extends similar health benefit waiver provisions applicable to municipal employers under Chapter 259, P.L. 1995 to municipal authorities. Unlike Chapter 259, which applied to municipalities that participated in either the SHBP or another group health plan, this law only applies to municipal authorities that participate in the SHBP.

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 (SHBP), 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 SHBP 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. Current law permits any municipality participating in SHBP to offer such a waiver incentive.

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 SHBP 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.

tive immediately.

CHAPTER 200, P.L. 2001

This law 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 would apply to any health insurance carrier, multiple employer welfare arrangement or other health benefits plan provider, or 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 would not apply to providers of Medicaid fee for service, Medicare supplemental insurance, disability income and long-term care plans, hospitality 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



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adjudication, except for information required to be provided on the prescription.

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.

The law directs a plan provider to issue to 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, if necessary for proper claims adjudication. The plan provider would not, however, have to issue a new card more than once in a calendar year.

The Commissioner of Banking and Insurance shall adopt rules and regulations to administer this act.

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

CHAPTER 201, P.L. 2001

This law allows police and firefighters who transferred to the Police and Firemen's Retirement System (PFRS) under P.L.1993, c.247 to receive full benefits under PFRS for public safety service rendered prior to the transfer without having to pay the increased cost to the system of providing those benefits. This law applies to both active and retired PFRS members.

P.L.1993, c.247 (C.43:16A-3.8 et seq.) provided for the optional transfer from the Public Employees' Retirement System (PERS) to the PFRS of all municipal police officers and firefighters, plus certain other law enforcement officers, who were not already in PFRS. Chapter 247 provided that a transferring member would receive pro-rated PFRS/PERS benefits upon retirement, unless (1) the member paid to PFRS the full cost (i.e., both the employee's and employer's share) of the accrued liability for the purchased credit, or (2) the voters of the municipality or fire district in which the transferred officer was employed approved a local ref-

erendum to adopt PFRS and assume the employer's share of any accrued liability for such transfers.

The new law provides that a PERS member who transferred to PFRS under the 1993 law will automatically receive credit toward full benefits under PFRS for the transferred PERS service. In addition, the law provides that a transferred member who paid the cost for the establishment of full PFRS credit will be reimbursed for that payment.

The additional pension liability created by this law shall be funded by recognizing additional market surplus assets as of June 30, 1999.

This law was approved August 8, 2001 and was effective November 6, 2001.

CHAPTER 209, P.L. 2001

This law amends the statutes governing a retiree's eligibility for paid coverage under the State Health Benefits Program (SHBP).

Previously, the law provided that to qualify for such coverage, a State employee or an employee of a board of education or county college (other than one retiring on a disability pension) must have accrued 25 years of service credit in a single State-administered retirement system. A local government unit in SHBP may choose to provide post-retirement medical coverage to its retirees, but with certain exceptions, a local government retiree must have accrued 25 years of creditable service in a single State or locally-administered retirement system to qualify.

This law provides that instead of having to meet the 25-year service credit requirement in a single State or locally-administered retirement system, a public employee under SHBP 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

This law clarifies the requirements of P.L.1995, c.415, which requires health insurers that cover groups of 51 or more persons and health maintenance organizations



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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. The purpose of the law is to assist those patients who have found that their health insurance benefits for Pap smears, as mandated by State law, did not fully cover all of the costs addressed by this law.

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 228, P.L. 2001

This law permits a member of the Police and Firemen's Retirement System (PFRS) who is laid off from employment as a firefighter and subsequently rehired as a firefighter in a position covered by PFRS to purchase up to three years of service credit for the time between layoff and rehire. The cost of the purchase is to be paid fully by the member. It is based on the member's salary for the last 12 months of creditable service immediately preceding the involuntary separation from service and the member's age at the time the request for purchase is made.

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

CHAPTER 253, P.L. 2001

This law allows a retired member of the Public Employees' Retirement System (PERS) to accept employment with an institution of higher education in a teaching position covered by the retirement system, without being subject to the cancellation of retirement benefits and re-enrollment in the system. Under current law, a retired PERS member may already accept such employment if the compensation does not exceed \$15,000 per year. Neither the individual nor the employer would be required to contribute to the retirement system with respect to the new employment. The law defines public institutions of higher education to

include the University of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, Rutgers - The State University, any State or county college, and any other college or university that may be established at some future time.

The law was approved on November 15, 2001 and was effectively immediately.

CHAPTER 259, P.L. 2001

This law amends the Public Employees Retirement System (PERS) statutes and creates special retirement benefits for members employed as Workers' Compensation Judges. PERS members entitled to the new benefits would be the Chief Judge, the administrative supervisory judges, the supervisory judges, and the judges of compensation of the Division of Workers' Compensation of the Department of Labor.

The eligibility criteria and benefits provided under the Workers' Compensation Judges Part of the PERS statutes are similar to provisions for members of the Judicial Retirement System (JRS), while retaining some current PERS provisions in areas of:

- options upon retirement,
- disability retirement, and
- contributory life insurance coverage.

Under current law (N.J.S.A.34:15-94j.), the Commissioner of Labor, with the authorization of and appropriation by the Legislature, transfers the amount necessary for the cost of the administration of the Division of Workers' Compensation, including the employer pension contributions of the State, from the Second Injury Fund.

This law was approved on December 6, 2001 and was effective immediately.

CHAPTER 278, P.L. 2001

This law increases from \$10,000 to \$15,000 the maximum annual aggregate compensation a Public Employees' Retirement System (PERS) retiree may receive from employment in a PERS-covered position with a public employer without being subject to cancellation of retirement benefits and reenrollment in the retirement system.



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The law also specifies that \$15,000 is the aggregate annual compensation that a retiree may receive from all public employers in all PERS-covered positions. Previously, a retiree was exempt from reenrollment if the compensation from each employer did not exceed the annual maximum of \$10,000, regardless of the number of employers or aggregate compensation.

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

CHAPTER 279, P.L. 2001

On February 25, 1997, the Attorney General advised the Department of Personnel and the Division of Pensions and Benefits that the age restrictions for hiring firefighters and for their enrollment in the Police and Firemen's Retirement System (PFRS) were once again in effect as a result of the repeal of a section of the federal Age Discrimination in Employment Act dealing with firefighters and law enforcement officers. This reimposition of hiring restrictions caused problems for individuals who successfully passed civil service examinations prior to the reimposition and were appointed after the reimposition but who were not allowed to join PFRS because of the over age 35 eligibility restriction.

This law provides for membership in the PFRS for an individual over 35 years of age appointed to a uniformed firefighting position of a paid fire department or force if that person was placed on a civil service eligibility list prior to February 25, 1997 and was appointed by a municipal authority prior to June 30, 1998.

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

CHAPTER 284, P.L. 2001

This law 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 mem-

ber 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 293, P.L. 2001

This law makes changes to the mortgage loan program available to members of the Police and Firemen's Retirement System (PFRS). They are eligible for mortgage loans from the retirement system on their principal residences (either new mortgages or the refinancing of existing mortgages). This program was begun in 1992 and is administered by the New Jersey Housing and Mortgage Finance Agency.

Previously, the interest rate was set at two percent above the weekly average yield of one-year United States Treasury securities, which are no longer issued. This law sets the interest rate at one percent above the weekly average yield of ten-year United States Treasury securities.

The law also provides that if the issuance of ten-year United States Treasury securities is discontinued, the subsequent index will be determined by the State Treasurer with the advice of the New Jersey Housing and Mortgage Finance Agency.

This law was approved on December 28, 2001 and was effective immediately.

CHAPTER 316, P.L. 2001

This law extends State-paid post-retirement medical benefits upon mandatory retirement at age 55 to all State Police officers in the State Police Retirement System (SPRS) with more than 20 but less than 25 years of service.

Previously, only members of the SPRS as of the effective date of Chapter 175, P.L. 1985, which instituted the mandatory retirement age of 55, were eligible for State-paid post retirement medical benefits if a member was retired because of age prior to attaining 25 years of pension service credit.



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This law was approved on January 3, 2002 and was effective immediately.

CHAPTER 318, P.L. 2001

This law extends the active death benefits provided in N.J.S.A.43:16A-9, as increased under P.L.1999, c.428, to a widow or widower, child or parent, of a member of the Police and Firemen's Retirement System (PFRS) with ten or more years of PFRS service who died in active service on or after June 1, 1995 and before January 1, 1998 and whose widow or widower had, on May 1, 2001, an appeal of a denial of a benefit related to death in the line of duty pending before the PFRS board of trustees. The law requires that the appeal before the board of trustees have been withdrawn or denied, and that an eligible beneficiary apply for the increased benefits within 90 days after the law's enactment, and that the eligible beneficiary return to PFRS the member's aggregate contributions received. The benefits provided under the law will be prospective only, and not retroactive to the date of death of the member. The State will be liable for all costs to the retirement system attributable to this law.

This law was approved on January 3, 2002 and was effective immediately.

CHAPTER 341, P.L. 2001

P.L.2001, c.6 provided that a member of the Public Employees' Retirement System (PERS) or a member of the Teachers' Pension and Annuity Fund (TPAF) could transfer service credit between the two retirement systems even though there was a two year period of dual membership (concurrent membership in both retirement systems). This law increases the permissible time period of dual membership from two to three years when transferring service credit between the two retirement systems.

This law was approved on January 3, 2002 and was effective immediately.

CHAPTER 350, P.L. 2001

This law increases the compensation base of the State Police Retirement System (SPRS) accidental death benefit for surviving spouses and children.

Previously, the law provided a pension of 70% of final

compensation (average compensation received in the last 12 months of service preceding death) for the use of the spouse and children of a SPRS member who died in active service as a result of an accident met in the actual performance of duty. If there was no surviving spouse or in case the spouse died or remarried, 20% of final compensation was payable to one surviving child, 35% of final compensation to two surviving children in equal shares, and if there are three or more children, 50% of final compensation was payable to such children in equal shares. A cost-of-living adjustment was made to such payments annually.

Under this law, SPRS accidental death survivors' benefit for spouses and children are to be based upon "adjusted final compensation" defined as the amount of final compensation or final compensation as adjusted. That is, increased by the same percentage increase which is applied in any adjustments of the compensation schedule of active members after the member's death. Adjustments to final compensation or adjusted final compensation shall take effect at the same time as any adjustments in the compensation schedule of active members. Adjustments will cease on the date on which the deceased member of the retirement system would have accrued 25 years of service under an assumption of continuous service, at which time that amount will become fixed and then eligible for annual cost-of-living adjustments.

Adjustments to SPRS accidental death survivors' benefits will apply to benefit entitlements granted prior to enactment of this law, but only for benefit payments on or after the date of enactment.

This law was approved on January 6, 2002 and was effective immediately, but the adjustment provided for in this act shall not begin until the first benefit payment following the ninetieth day after enactment.

CHAPTER 353, P.L. 2001

This law provides for an increase in the special veterans retirement allowance and the ordinary and accidental disability retirement allowances for members of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS). The percentage increase is comparable to the increase provid-



ed in the service retirement formulas of those retirement systems under P.L.2001, c.133. That law increased the TPAF and PERS service retirement formulas and the veterans retirement formula for those veterans with 35 or more years of service, both of which are computed on the basis of the number of years of the retiree's service, by approximately nine percent.

PERS and TPAF Veterans and Disability Benefit Formula Changes

This law provides that the TPAF and PERS special veterans retirement allowance will increase from 50 percent to 54.5 percent of the member's compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance will increase from 40 percent to 43.6 percent of "final compensation" (average compensation during the three last or highest-paid years of service), and the accidental disability retirement allowance will increase from 66.66 percent to 72.7 percent of the actual annual compensation at the time of the accident. Existing retirees, or their beneficiaries, will also receive these percentage increases in their retirement allowances.

PERS Veterans Benefit Eligibility Changes

The law also: (1) reduces from 62 to 60 the age at which a PERS veteran member with 20 years of aggregate service credit may retire on the special veterans retirement allowance; and (2) provides that a PERS veteran member who is 55 years of age with 25 years of aggregate service credit may retire on the special veterans retirement allowance. These changes establish parity between eligibility qualifications for veterans retirement under PERS and those enjoyed by TPAF veterans since 1984.

PERS-Law Enforcement Officers (LEO) Service Retirement Benefit Formula Change

The law applies the new N/55 accrual rate to non-law enforcement officer service.

Miscellaneous

The law removes an inoperative provision of the former law that had placed a cap on both ordinary and accidental disability retirement allowances. This provision had been preempted by the federal Older Workers Benefit Protection Act.

Funding

The additional annual employer normal contributions to TPAF and PERS associated with this law will be paid from the benefit enhancement funds established by P.L.2001, c.133. If the assets in these funds are insufficient to pay the normal contribution, the State will pay the normal contribution not covered by the assets. Excess valuation assets will cover the unfunded liability created in TPAF and PERS. The State will be liable for any increased cost to local government employers participating in PERS as a result of these changes.

This law was approved January 6, 2002, and was effective immediately, retroactive to October 1, 2001.

CHAPTER 355, P.L. 2001

This law provides an exemption from the re-enrollment after retirement provisions to the following:

1. A retiree of the Teachers' Pension and Annuity Fund (TPAF) who is a certificated superintendent or a certificated administrator and who becomes employed by the New Jersey Department of Education in a position of critical need as determined by the Commissioner of Education, or becomes employed by a board of education as a certificated superintendent or certificated administrator on a contractual basis for a term of not more than one year; and
2. A retiree of the Public Employees' Retirement System (PERS) who becomes employed by the New Jersey Department of Education in a position of critical need as determined by the Commissioner of Education, or becomes employed by a board of education in a position of critical need as determined by the superintendent of the district on a contractual basis for a term of not more than one year.

A retiree employed by a board of education will be able to renew the employment contract for one additional year; however, the retiree's total period of employment with any individual board of education may not exceed a two-year period. The law also provides that the current pension re-enrollment provisions will apply if a retiree accepts employment with the same employer from which he retired within 120 days of retirement.



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This law was approved January 6, 2002 and was effective immediately.

CHAPTER 366, P.L. 2001

This law establishes within the Public Employees' Retirement System (PERS) a special Prosecutors Part for any county prosecutor, first assistant county prosecutor or assistant county prosecutor; the Director of the Division of Criminal Justice in the Department of Law and Public Safety; any assistant director, deputy director, assistant attorney general or deputy attorney general employed by that department and assigned to that division; and any criminal investigator in the Division of Criminal Justice ineligible for enrollment in the Police and Firemen's Retirement System (PFRS). These positions are defined as prosecutors for the purposes of this law. The prosecutor must have been serving on or after the effective date of the law to be eligible for the benefits of this law.

This law was approved on January 7, 2002 and was effective immediately.

CHAPTER 367, P.L. 2001

This law 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.26:25-1 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.

CHAPTER 11, P.L. 2002

This law revises the funding of State-paid post-retirement medical (PRM) benefits for qualified retirees and their dependents under the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS).

It provides that the State's contribution to the PRM funds for each pension system to increase the fund balance by 1/2 of 1% of the salary of the active members for the valuation period will not be made by the State in fiscal years 2002 and 2003. Beginning with the actuarial valuation period ending June 30, 2002, applicable to fiscal year 2004, the contribution will be computed to provide that the balance in the PRM fund will be increased by 3/5 of 1% of the salary of the active members for the valuation period.

The law also provides that:

1. any monies in the PRM funds may be used in fiscal year 2002 to pay for the premiums or periodic charges for the benefits for qualified retirees and their dependents; and
2. the provisions of the law will not alter health care benefits for qualified retirees and their dependents or relieve the State from its obligation to fund the benefits.



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This law was approved on March 26, 2002 and was effective immediately.

CHAPTER 23, P.L. 2002

This law established an early retirement incentive for 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) and who retire on a service or early retirement 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 one and thirteen months after 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.
- 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.

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 or a college or university 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. When the needs of a State autonomous authority so require, an employee electing to retire under the law may continue in employment for up to one year, but no longer than until September 1, 2003, 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



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will be added to their accrued liability and funded pursuant to 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 approved on May 30, 2002 and was effective immediately.



SCOPE OF OPERATIONS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

This system was established by Chapter 84, P.L. 1954, after the repeal of the law creating the former State Employees' Retirement System. The retirement benefits of this system are coordinated, but not integrated with, Social Security. This system is maintained on an actuarial reserve basis. Under the terms of Chapter 71, P.L. 1966, most public employees in New Jersey not required to become members of another contributory retirement program are required to enroll.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 15A. Rules governing the operation and administration of the fund may be found in Title 17, Chapter 2 of the New Jersey Administrative Code.

TEACHERS' PENSION AND ANNUITY FUND (TPAF)

This fund was reorganized by Chapter 37, P.L. 1955. The retirement benefits of this system are coordinated, but not integrated with, Social Security. This fund is maintained on an actuarial reserve basis. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Statutes can be found in the New Jersey Statutes Annotated, Title 18A, Chapter 66. Rules governing the operation and administration of the system may be found in Title 17, Chapter 3 of the New Jersey Administrative Code.

POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)

This system was established by Chapter 255, P.L. 1944. All policemen and firemen, appointed after June 1944, in municipalities where local police and firemen pension funds existed or where this system was adopted by referendum or resolution are required to become members of this system. Certain State and county employees are also covered. Employer obligations are paid by the local employers and the State. This system is maintained on an actuarial reserve basis.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 16A. Rules governing the

operation and administration of the system may be found in Title 17, Chapter 4 of the New Jersey Administrative Code.

STATE POLICE RETIREMENT SYSTEM (SPRS)

This system was created by Chapter 89, P.L. 1965 as a successor to the State Police Retirement and Benevolent Fund. All uniformed officers and troopers of the Division of State Police in the New Jersey Department of Law and Public Safety are required to enroll. This system is maintained on an actuarial reserve basis.

Statutes can be found in the New Jersey Statutes Annotated, Title 53, Chapter 5A. Rules governing the operation and administration of the system may be found in Title 17, Chapter 5 of the New Jersey Administrative Code.

JUDICIAL RETIREMENT SYSTEM (JRS)

This system was established by Chapter 140, P.L. 1973 after the repeal of the laws providing pension benefits to members of the State judiciary and their eligible survivors. All members of the State judiciary are required to enroll. This system is maintained on an actuarial reserve basis.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 6A. Rules governing the operation and administration of the system may be found in Title 17, Chapter 10 of the New Jersey Administrative Code.

ALTERNATE BENEFIT PROGRAM (ABP)

This program was established by several pieces of legislation between 1965 and 1968 for full-time faculty members of public institutions of higher education. It was later expanded to include certain administrative and professional titles.

Chapter 385, P.L. 1993 increased the number of investment carriers to six. The investment carriers underwriting annuities are as follows: ING Aetna Financial Services, The Travelers Insurance Company (represented by CitiStreet), Lincoln Financial Group, Metropolitan Life Insurance Co., Teachers' Insurance and Annuity Association/College Retirement Equities



SCOPE OF OPERATIONS

Fund (TIAA/CREF) and Variable Annuity Life Insurance Co. (VALIC). The ABP is a “defined contribution” plan as distinguished from “defined benefits” payable by the other State retirement systems. Immediate vesting after the first year’s participation offers the mobility of pension credit among the private and public institutions of higher education in the United States and Canada. Group life insurance and long-term disability insurance are underwritten by the Prudential Insurance Company of America, Inc.

Statutes can be found in the New Jersey Statutes Annotated, Title 18A, Chapter 66. Rules governing the operation and administration of this program may be found in Title 17, Chapter 7 of the New Jersey Administrative Code.

PRISON OFFICERS’ PENSION FUND (POPF)

This fund was established under Chapter 220, P.L. 1941. It was closed to new employees as of January 1960. New employees are enrolled in the Police and Firemen’s Retirement System. This system is not maintained on an actuarial reserve basis.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 7.

CONSOLIDATED POLICE AND FIREMEN’S PENSION FUND (CPFPF)

This fund was established by Chapter 358, P.L. 1952, to place 212 local police and firemen pension funds on an actuarial reserve basis. The membership consists of police and firemen appointed prior to July 1, 1944. The liabilities of these local funds were shared: two-thirds by the participating municipalities and one-third by the State.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 16. Rules governing the operation and administration of this fund may be found in Title 17, Chapter 6 of the New Jersey Administrative Code.

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN (NJSEDCP)

This plan was established by Chapter 39, P.L. 1978 and is available to any State employee who is a member of

a State-administered retirement system. This plan is a voluntary investment program that provides retirement income separate from and in addition to the basic pension benefit.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 18A.

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

This trust was established by Chapter 123, P.L. 1963. This program includes active members of several State-administered retirement systems. Members make voluntary additional contributions through their pension funds to purchase variable retirement annuities in order to supplement the benefits provided by their basic system. Some employers agree to purchase tax-sheltered annuities for the same purpose for certain eligible employees.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 18A. Rules governing the operation and administration of the trust may be found in Title 17, Chapter 8 of the New Jersey Administrative Code.

CENTRAL PENSION FUND (CPF)

This fund consists of the administration of a series of noncontributory pension acts. No reserves are established for the payment of retirement benefits. These benefits are administered by the Division in accordance with the governing statute and the rules and regulations of the State House Commission.

PENSION ADJUSTMENT FUND (PAF)

This fund was established pursuant to Chapter 143, P.L. 1958 and covers all eligible pensions of State-administered retirement systems. It was altered by Chapter 169, P.L. 1969, which provided a cost-of-living adjustment and by Chapter 139, P.L. 1971 which extended its provisions to eligible survivors.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 18A. Rules governing the operation and administration of the fund may be found in Title 17, Chapter 1 of the New Jersey Administrative Code.



SCOPE OF OPERATIONS

UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE FOR STATE EMPLOYEES (UC/TDI)

The Division of Pensions and Benefits coordinates the work related to the payment of the charges involving unemployment compensation and temporary disability insurance benefits for State employees eligible for coverage under federal law. It is responsible for contracting with a service agency to review all questionable claims for unemployment compensation.

STATE HEALTH BENEFITS PROGRAM (SHBP)

The program provides medical coverage to employees, retirees, and their dependents. It includes a basic indemnity type plan (Traditional Plan), a point-of-service plan (NJ PLUS), and several HMOs. Chapter 125, P.L. 1964 extended the program to include employees of local government.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 14, Article 17.25 et. seq. Rules governing the operation and administration of the program may be found in Title 17, Chapter 9 of the New Jersey Administrative Code.

PRESCRIPTION DRUG PLAN (PDP)

This plan was initiated by the State effective December 1, 1974. The passage of Chapter 41, P.L. 1976 extended coverage to all eligible State employ-

ees. The State Health Benefits Commission offered the plan to local employers on July 1, 1993. Employees and their eligible dependents are covered by the plan in the same manner as the State Health Benefits Program. The Division of Pensions and Benefits became responsible for its administration in November 1976.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 14, Section 17.29(F). Rules governing the operation and administration of the program are found in Title 17, Chapter 9, of the New Jersey Administrative Code.

STATE EMPLOYEE DENTAL PROGRAM (SEDP)

The program was initially established February 1, 1978 and further expanded in June 1984. All eligible State employees may enroll for themselves and their eligible dependents by paying the premium calculated to meet half of the cost of the plan. The New Jersey State Dental Expense Benefits Program is a traditional indemnity plan. The State of New Jersey Dental Plan Organization Program consists of ten separate Dental Plan Organizations.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 14, Section 17.29(F). Rules governing the operation and administration of the program may be found in Title 17, Chapter 9, of the New Jersey Administrative Code.



MEMBERSHIP

ACTIVE MEMBERSHIP	RETIREMENT SYSTEM	2001	2002
	Public Employees' Retirement System	287,699*	296,895*
	Teachers' Pension & Annuity Fund	139,631*	145,762*
	Police & Firemen's Retirement System	43,938*	44,479*
	State Police Retirement System	2,690	2,838
	Judicial Retirement System	415	436
	Alternate Benefit Program	17,038	17,081
	Prison Officers' Pension Fund	0	0
	Consolidated Police & Firemen's Pension Fund	0	0
	Central Pension Fund	NA	NA
	TOTAL	491,411	507,491
<p><i>*Both the 2001 and 2002 figures represent the total number of Active and Inactive accounts.</i></p> <p><i>The 2002 Inactive (noncontributing) accounts are as follows:</i></p> <p><i>PERS Inactive — 41,494, TPAF Inactive — 13,018, PFRS Inactive — 1,943, SPRS Inactive — 63.</i></p>			
RETIRED MEMBERSHIP AND BENEFICIARIES	RETIREMENT SYSTEM	2001	2002
	Public Employees' Retirement System	105,016	107,671
	Teachers' Pension & Annuity Fund	53,784	56,102
	Police & Firemen's Retirement System	24,378	25,517
	State Police Retirement System	1,908	1,987
	Judicial Retirement System	366	379
	Alternate Benefit Program	NA	NA
	Prison Officers' Pension Fund	247	230
	Consolidated Police & Firemen's Pension Fund	1,361	1,194
	Central Pension Fund	367	359
	Supplemental Annuity Collective Trust	720	697
	TOTAL	188,147	194,136
<p><i>*The number of retirees varies slightly from those reported in the Notes to the Financial Statements due to differences in the effective dates of said tabulations.</i></p>			
PARTICIPATION IN HEALTH BENEFITS PROGRAM	HEALTH PROGRAM	2001	2002
	State Health Benefits Program	322,594	339,716
	Prescription Drug Plan	124,258	133,424
	State Employee Dental Expense Plan	92,012	94,836



MEMBERSHIP

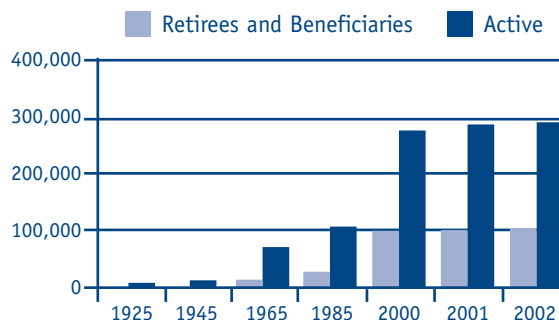
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

As of June 30, 2002, the active membership of the system totaled 296,895. There were 107,671 retirees and beneficiaries receiving annual pensions totaling \$1,183,490,252*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$88,632,011.

The system's assets totaled \$21,698,860,050 at the close of the fiscal year 2002.

**Includes cost-of-living adjustments paid under the provisions of the Pension Adjustment Act*



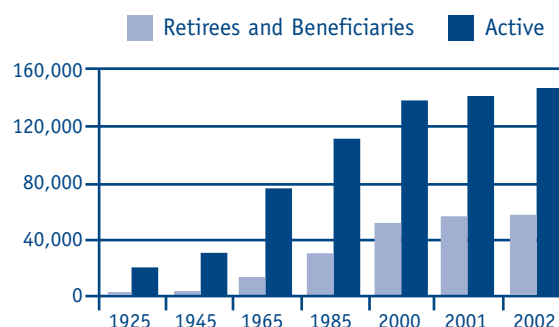
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2002, the active membership of the system totaled 145,762. There were 56,102 retirees and beneficiaries receiving annual pensions totaling \$484,867,590*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$53,719,595.

The system's assets totaled \$27,440,390,351 at the close of the fiscal year 2002.

**Includes cost-of-living adjustments paid under the provisions of the Pension Adjustment Act.*



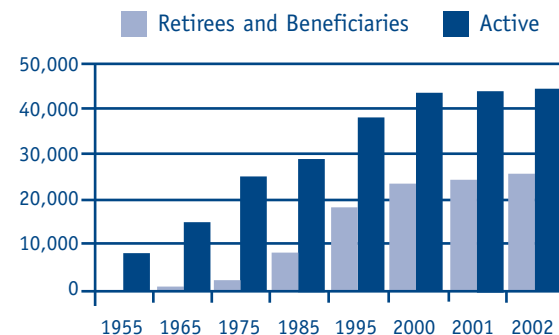
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2002, the active membership of the system totaled 44,479. There were 25,517 retirees and beneficiaries receiving annual pensions totaling \$823,657,277*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$18,394,304.

The system's assets totaled \$15,283,968,390 at the close of the fiscal year 2002.

**Includes cost-of-living adjustments paid under the provisions of the Pension Adjustment Act.*



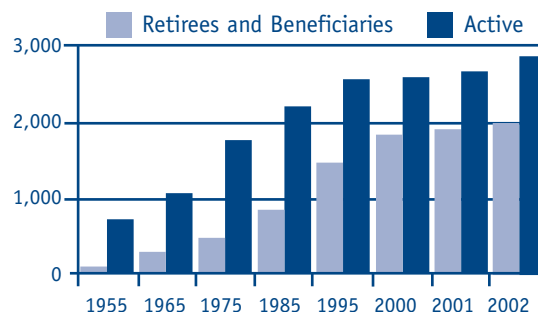
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2002, the active membership of the system totaled 2,838. There were 1,987 retirees and beneficiaries receiving annual pensions totaling \$73,387,921*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$1,420,692.

The system's assets totaled \$1,572,156,596 at the close of the fiscal year 2002.

**Includes cost-of-living adjustments paid under the provisions of the Pension Adjustment Act.*

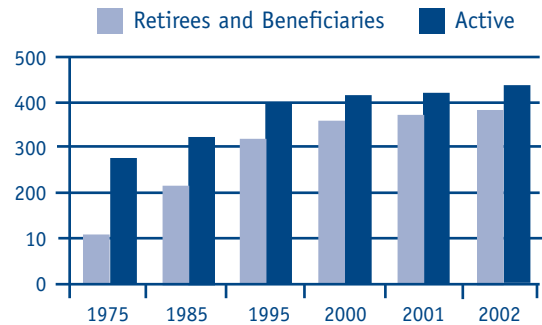


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2002, the active membership of the system totaled 436. There were 379 retirees and beneficiaries receiving annual pensions totaling \$23,778,160.

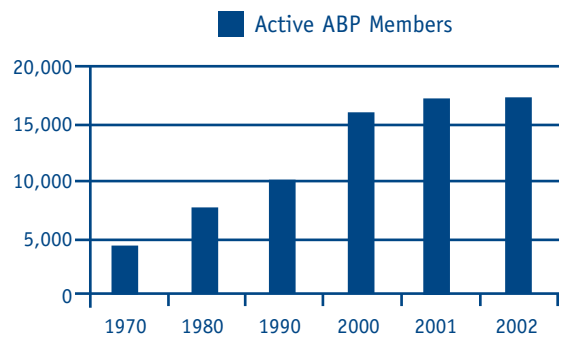
The system's assets totaled \$308,154,530 at the close of the fiscal year 2002.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2002, the State paid \$95,311,265 on behalf of 17,081 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$10,859,410 in lump sum death benefits.



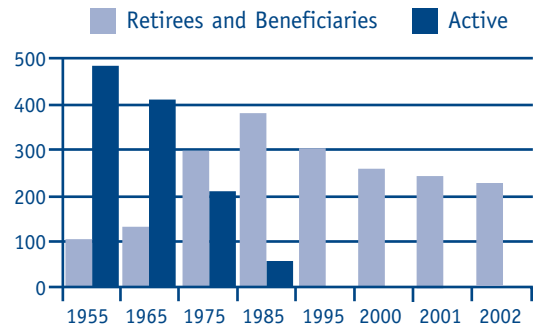
PRISON OFFICERS' PENSION FUND

The activity shown to the right is consistent with a closed pension fund.

This fund was closed to new membership in January 1960.

As of June 30, 2002, the active membership of the fund totaled zero. There were 230 retirees and beneficiaries receiving annual pensions totaling \$1,641,736.

The Fund's assets totaled \$18,163,535 at the close of the fiscal year 2002.

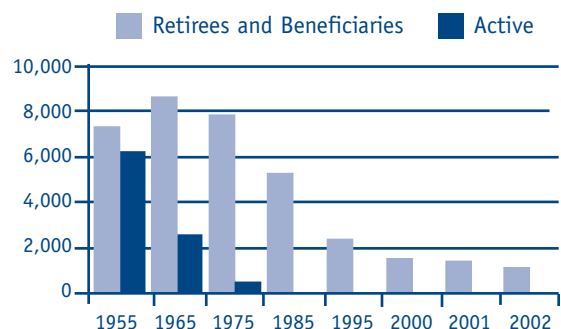


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

The activity shown to the right is consistent with a closed pension fund.

As of June 30, 2002, the active membership of the fund totaled zero. There were 1,194 retirees and beneficiaries receiving annual pensions totaling \$20,721,198.

The fund's assets totaled \$26,276,299 at the close of the fiscal year 2002.



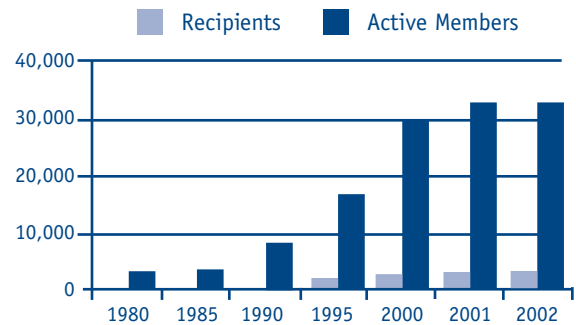
MEMBERSHIP

NJ STATE EMPLOYEES DEFERRED COMPENSATION PLAN

Fiscal year 2002 continues to show a marked increase in active participation due to membership campaigns conducted by the Division of Pensions and Benefits.

As of June 30, 2002, the membership of the New Jersey State Employees Deferred Compensation Plan totaled 33,051. There were 2,700 members receiving monthly installment payments.

The plan's net assets (participant's balances) were \$1,048,587,466 at the close of the fiscal year 2002.

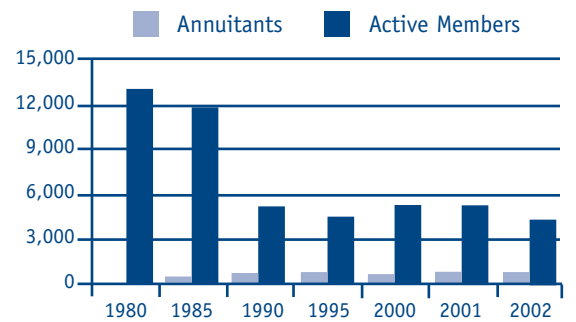


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2002, the active membership of the system totaled 4,424. The unit value was \$5.5204, a decrease of \$14.9957 from the June 30, 2001 value of \$65.5161.

There were 697 annuitants.

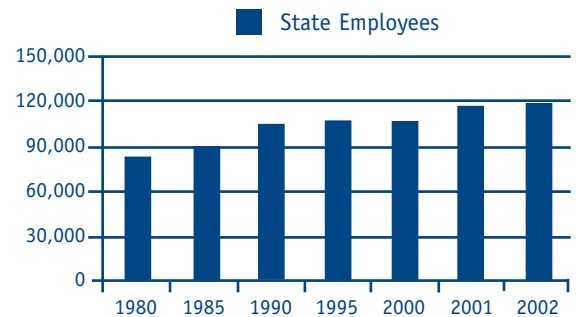
The Trust's assets totaled \$141,958,661 at the close of the fiscal year 2002.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

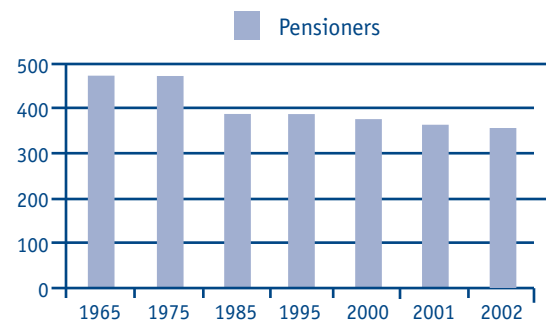
As of June 30, 2002, the Unemployment Compensation Program for State employees covered as many as 116,956 persons and the Division remitted \$8,486,808 on behalf of the State. There were 5,085 requests for unemployment benefits filed and \$10,365,043 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 120,213 employees and the Division remitted \$19,145,343 on behalf of the State. Claims paid totaled \$23,786,068.



CENTRAL PENSION FUND

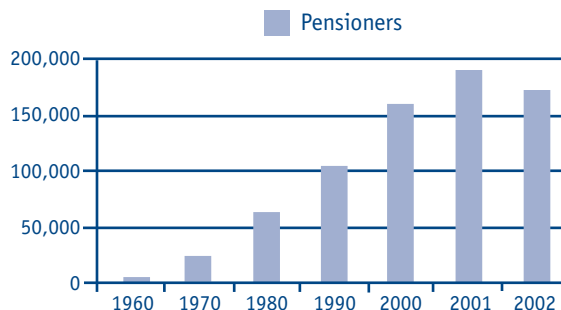
As of June 30, 2002, there were 359 beneficiaries receiving annual pensions totaling \$410,656.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

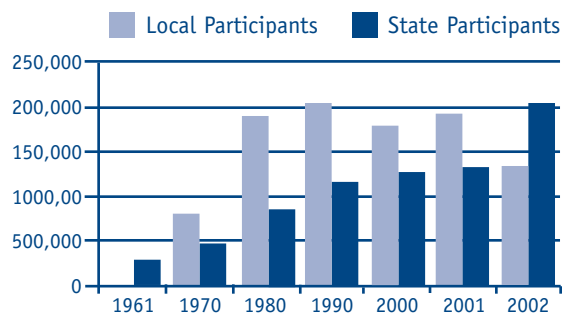
There were 170,841 pensioners who were paid \$458,823,804 during fiscal year 2002.



STATE HEALTH BENEFITS PROGRAM

As of June 30, 2002, there were 339,716 covered participants (active and retired) consisting of 135,011 State participants and 204,705 participants of 939 local participating employers.

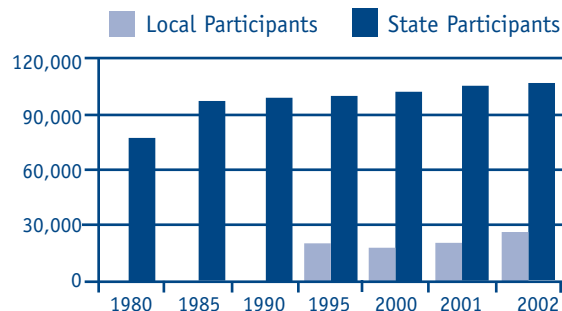
The State and state employee contributions were \$655,082,112 while payment made by local employers and employees was \$1,117,996,801.



PRESCRIPTION DRUG PLAN

The Prescription Drug Plan covered as many as 106,793 State employees and 26,631 local employees during fiscal year 2002.

The State's contribution was \$162,096,000 while payment made by local employers was \$42,716,765.



STATE EMPLOYEE DENTAL PROGRAM

The State Employee Dental Program covered as many as 94,836 eligible State employees during fiscal year 2002. The State of New Jersey as the employer, expended \$28,413,806 on their behalf during that period.

