STATE OF NEW JERSEY

PENSION TRUST FUNDS

Financial Statements and Schedule

June 30, 2002

(With Independent Auditors' Report Thereon)

KPMG
New Jersey Headquarters
150 John F. Kennedy Parkway
Short Hills, NJ 07078

Independent Auditors' Report

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

We have audited the accompanying statement of fiduciary net assets of the State of New Jersey Pension Trust Funds (the Funds) as of June 30, 2002 and the related statement of changes in fiduciary net assets for the year then ended. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Funds and are not intended to present fairly the financial position and results of operations of the State of New Jersey Division of Pensions and Benefits or the State of New Jersey.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of New Jersey Pension Trust Funds as of June 30, 2002, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the Funds adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* as amended by No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus,* as of July 1, 2000.

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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of fiduciary net assets and schedule of changes in fiduciary net assets are presented for purposes of additional analysis and are not a required part of the financial statements of the Funds. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

September 6, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS
Pension Trust Funds

June 30, 2002 and 2001

Our discussion and analysis of the Pension Trust Funds (the Funds)' financial performance provides an overview of the Funds' financial activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the basic financial statements and financial statement footnotes which follow this discussion.

FINANCIAL HIGHLIGHTS

- Fiduciary net assets decreased by $9 billion as a result of this year's operations from $76 billion to $67 billion.
- Additions for the year were ($4.6) billion, which are comprised of member and employer pension contributions of $1.4 billion and investment losses of ($6) billion.
- Deductions for the year were $4.34 billion, which are comprised of benefit and refund payments of $4.3 billion and administrative expenses of $34.6 million.
- The Funds utilized net assets (excess assets above the required funding level) to meet this year's normal pension contribution requirements.
- Net assets held in trust for post-retirement medical benefits were used this year to pay premiums and other periodic charges for health care benefits for qualified retirees and their dependents in the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF).

THE STATEMENT OF FIDUCIARY NET ASSETS AND THE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

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

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

FINANCIAL ANALYSIS

STATEMENT OF FIDUCIARY NET ASSETS

Assets mainly consist of cash, investments and contributions due from members and participating employers. Between fiscal year 2001 and 2002, total assets decreased by $8.9 billion or 11.6% from $76.4 billion to $67.5 billion. The reduction in total assets is mainly attributable to a reduction in the value of the Funds' investment holdings, which is due to the poor stock market conditions. In addition, benefit payments have increased over the prior year.

Liabilities consist of pension and death benefit payments owed to members and beneficiaries, outstanding insurance premium payments, and other payables. Total liabilities increased by $98.9 million or 32.2% over last year from $306.8 million to $405.7 million. This is mainly due to an increase in retirement and insurance benefit payments. In addition, accruals for insurance benefit payments include three months of premium charges and increased by $25.7 million.

Fiduciary net assets decreased by $8.9 billion or 11.7% primarily due to the loss in the value of the Funds' equity holdings.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

	2002	2001	Increase(Decrease)
Member Contributions	$ 1,057,608,080	$ 1,048,701,142	$ 8,906,938
Employer Contributions	295,410,822	266,962,209	28,448,613
Investment & Other	(5,947,996,665)	(7,925,593,158)	1,977,596,493
Totals	$ (4,594,977,763)	$ (6,609,929,807)	$ 2,014,952,044

Additions primarily consist of member and employer contributions and earnings from investment activities. There was only a slight increase of 0.85% in total member contributions due to a reduction in the member contribution rate in the TPAF. The contribution rate was reduced from 4.5% to 3% effective 1/01/02, which resulted in a 10.9% reduction in member contributions in the TPAF. In all other pension trust funds, member contributions increased between 2001 and 2002. The increases ranged from 4.94% in the Police and Firemen's Retirement System to 27.8% in the Judicial Retirement System. Employer contributions increased by 10.7% mainly due to a significant increase in the contributions recognized by the Police and Firemen's Retirement System over the prior year.

For the pension benefit programs, net assets (excess assets above the required funding level) have been utilized to fund, in full or in part, the contribution requirements of the State and local participating employers. Net assets have been available mainly due to Pension Security legislation passed in 1997. This legislation authorized the New Jersey Economic Development Authority to issue bonds and to use the proceeds from the bond sale to eliminate the State's portion of the unfunded accrued liabilities of the retirement systems. The Funds' received bond proceeds of $2.75 billion in 1997. This influx of funds, coupled with investment returns in the late 1990s, has produced excess net assets which have been utilized to partially or fully cover the normal employer contributions due from the State and local participating employers since 1997.

For the second consecutive year, the pension funds had an investment loss. In fiscal years 2002 and 2001, the total investment loss for all pension funds was 9.0% and 10.4%, respectively.

DEDUCTIONS FROM FIDUCIARY NET ASSETS

	2002	2001	Increase(Decrease)
Benefits	$ 4,201,860,059	$ 3,682,185,454	$ 519,674,605
Refunds & Adjustments	99,592,876	255,022,959	(155,430.083)
Administrative Expenses	34,602,649	28,006,914	6,595,735
Totals	$ 4,336,055,584	$ 3,965,215,327	$ 370,840,257

Deductions are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members, and administrative costs incurred by the The Funds. The increase in benefit payments is mainly due to a 9.09% increase in the retirement benefits payable to retirees and beneficiaries in the PERS and TPAF as a result of benefit enhancement legislation passed in 2001 (Chapter 353, P.L. 2001 and Chapter 133, P.L. 2001). The benefit increases were effective with the November 1, 2001 retirement checks. The number of refunds processed has decreased compared to last year due to fewer terminations. Administrative expenses have increased mainly due to contractual increases in salaries and higher fringe benefit costs.

RETIREMENT SYSTEMS AS A WHOLE

For the pension benefit funds, the combined funded ratio of 109.2% indicates that these funds have assets sufficient to meet their benefit obligations now and in the future.

For the State Employees' Deferred Compensation Fund and the Supplemental Annuity Collective Trust, members are 100% vested in the present value of their contributions and the funds have sufficient assets to meet future benefit obligations.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

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

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Statement of Fiduciary Net Assets

June 30, 2002

	PENSION FUNDS	POST-RETIREMENT MEDICAL FUNDS	TOTAL
Assets:			
Cash	$ 344,606	—	344,606
Investments, at fair value:			
Cash Management Fund	2,130,111,819	3,298,467	2,133,410,286
Bonds	633,228,683	1,138,034	634,366,717
Common Pension Fund A	28,865,400,740	50,291,890	28,915,692,630
Common Pension Fund B	18,197,480,946	33,102,094	18,230,583,040
Common Pension Fund D	11,072,183,267	19,124,999	11,091,308,266
Common and Preferred Stocks	785,657,548	—	785,657,548
Mortgages	3,002,173,074	3,492,725	3,005,665,799
Total investments	64,686,236,077	110,448,209	64,796,684,286
Receivables:			
Contributions:			
Members	161,128,134	—	161,128,134
Employers	940,510,702	—	940,510,702
Accrued interest and dividends	397,003,285	—	397,003,285
Members' loans	1,209,950,086	—	1,209,950,086
Other	21,808,516	—	21,808,516
Total receivables	2,730,400,723	—	2,730,400,723
Total assets	67,416,981,406	110,448,209	67,527,429,615
Liabilities:			
Accounts payable and accrued expenses	44,226,248	—	44,226,248
Retirement benefits payable	327,307,524	—	327,307,524
NCGI premiums payable	29,993,247	—	29,993,247
Cash overdraft	4,232,597	—	4,232,597
Total liabilities	405,759,616	—	405,759,616
Net Assets:			
Held in trust for pension benefits	$ 67,011,221,790	110,448,209	67,121,669,999

See schedule of funding progress on page 22 and 23.
See accompanying notes to financial statements.

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2002

	PENSION FUNDS	POST-RETIREMENT MEDICAL FUNDS	TOTAL
Additions:			
Contributions:			
Members	$ 1,057,608,080	—	1,057,608,080
Employers	295,410,822	—	295,410,822
Other	13,582,036	—	13,582,036
Total contributions	1,366,600,938	—	1,366,600,938
Investment income:			
Net depreciation in fair value of investments	(8,114,425,273)	(44,447,686)	(8,158,872,959)
Interest	1,754,080,952	—	1,754,080,952
Dividends	453,039,382	—	453,039,382
	(5,907,304,939)	(44,447,686)	(5,951,752,625)
Less investment expense	9,826,076	—	9,826,076
Net investment income	(5,917,131,015)	(44,447,686)	(5,961,578,701)
Total additions	(4,550,530,077)	(44,447,686)	(4,594,977,763)
Deductions:			
Benefits	3,862,892,779	338,967,280	4,201,860,059
Refunds of contributions	99,592,876	—	99,592,876
Administrative expenses	34,602,649	—	34,602,649
Total deductions	3,997,088,304	338,967,280	4,336,055,584
Change in net assets	(8,547,618,381)	(383,414,966)	(8,931,033,347)
Net assets - Beginning of year	75,558,840,171	493,863,175	76,052,703,346
Net assets - End of year	$ 67,011,221,790	110,448,209	67,121,669,999

See accompanying notes to financial statements.

(1) DESCRIPTION OF THE FUNDS

The State of New Jersey sponsors and administers the following Pension Trust Funds (the Funds) which have been included in the financial statements of the State of New Jersey Division of Pensions and Benefits (the Division):

- Consolidated Police and Firemen's Pension Fund (CPFPF)
- Judicial Retirement System (JRS)
- Police and Firemen's Retirement System (PFRS)
- Prison Officers' Pension Fund (POPF)
- Public Employees' Retirement System (PERS)
- State Police Retirement System (SPRS)
- Teachers' Pension and Annuity Fund (TPAF)
- Supplemental Annuity Collective Trust (SACT)
- Central Pension Fund (CPF)
- New Jersey State Employees' Deferred Compensation Plan (NJSEDCP)
- Alternate Benefit Long-Term Disability Fund (ABPLTD)

Individual financial reports have been prepared for the above funds. These financial reports, which can be obtained from the Division, provide a description of the nature and purpose of each individual fund. A description of the benefit provisions and contribution requirements for each fund is provided in notes 1 and 3.

The pension trust funds are single-employer defined benefit pension plans, except for the PERS and PFRS, which are cost-sharing multiple-employer defined benefit plans, the TPAF and CPFPF, which are cost-sharing defined benefit plans with a special funding situation, and the SACT and NJSEDCP and ABPLTD, which are single-employer defined contribution plans.

The financial statements of the Funds have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Division's accounting policies are described below:

Reporting Entity:

The Funds are administered by the Division. Operating controls over the Funds are with the individual funds and trusts governing boards and/or the State of New Jersey. The financial statements of the Funds are included in the financial statement of the State of New Jersey as Pension Trust Funds.

Fund Accounting:

The accounts of the Division are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that the resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. All funds are classified as fiduciary.

(1) DESCRIPTION OF THE FUNDS, Continued

Fiduciary Funds:

Pension trust funds - The trust funds are used to account for assets held by the Division on behalf of outside parties, including plan participants and the State of New Jersey.

Vesting and Benefit Provisions - JRS

The vesting and benefit provisions are set by N.J.S.A. 43:6A and amended and supplemented by Chapter 470, P.L. 1981. The System provides retirement benefits as well as death and disability benefits. Retirement benefits for age and years of service are as follows:

AGE	YEARS OF JUDICIAL SERVICE	BENEFIT AS A PERCENTAGE OF FINAL SALARY
70	10	75%
65	15	75
60	20	75

JUDICIAL AGE	YEARS OF JUDICIAL SERVICE	YEARS OF PUBLIC AND JUDICIAL SERVICE	BENEFIT AS A PERCENTAGE OF FINAL SALARY
65	5	15	50%
60	5	20	50

Retirement benefits are also available at age 60 with five years of judicial service and 15 years in the aggregate of public service, or at age 60 while serving as a judge with the benefit determined to be 2% of final salary, as defined, for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years. Deferred and early retirement benefits are also available.

Vesting and Benefit Provisions - CPFPF

The vesting and benefit provisions are set by N.J.S.A. 43:16. The Fund provides retirement as well as death and disability benefits to any active member after 25 years of service. A member may retire at age 60 after 25 years of service. Retirement is mandatory at age 65, except for chiefs of police, who may retire at age 70. Benefits are generally determined to be 60% of final salary, as defined, plus 1% for each creditable year of service, as defined, in excess of 25 years, but not to exceed 30 years. Members are always fully vested in their own contributions.

Legislation passed last year (Chapter 4, P.L. 2001) provides increased benefits to certain members who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5% of the retiree's final compensation. For those with 30 or more years or service, the total pension increased from 65% to 70% of final compensation.

Vesting and Benefit Provisions - PFRS

The vesting and benefit provisions are set by N.J.S.A. 43:16A and 43:3B. The System provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined,

(1) DESCRIPTION OF THE FUNDS, Continued

up to 30 years plus 1% for each year of service in excess of 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service. The annual benefit under special retirement is 65% of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70 percent of final compensation.

Widow/widowers of members retired since December 18, 1967 receive 50% of the retiree's final compensation. The minimum annual widow/widower's benefits of an accidental disability retiree prior to December 18, 1967 and of all retirees since December 18, 1967 is $4,500.

Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions providing no survivor pension benefits are payable.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The cost-of-living increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state-related employer contributions.

Legislation passed last year (Chapter 4, P.L. 2001) provides increased benefits to certain members who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5% of the retiree's final compensation. For those with 30 or more years or service, the total pension increased from 65% to 70% of final compensation.

Vesting and Benefit Provisions - POPF

The vesting and benefit provisions are set by N.J.S.A. 43:7. The Fund provides retirement, as well as death and disability benefits. Retirement benefits are available after 25 years of service or at age 55 with 20 years of service. The benefit is in the form of a life annuity equal to the greater of: (a) 2% of average final compensation up to 30 years of service, plus 1% of average final compensation for each year of service above 30 and prior to age 65; (b) 50% of final pay; or (c) for members with 25 or more years of service, 2% of average final compensation for each year of service up to 30 years, plus 1% for each year in excess of 30 years. Average final compensation equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions - PERS

The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The System provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the System. Retirement benefits for age and service are available at age 60 and

(1) DESCRIPTION OF THE FUNDS, Continued

are generally determined to be 1/55 of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for earnings on their contributions at 2% per annum. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement.

Legislation was passed during the current fiscal year (Chapter 353, P.L. 2001) that provides an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the member's compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which are effective October 2001.

Chapter 23, Public Law of 2002 provides early retirement incentive benefits to State employees who meet specified age and service requirements and who retire within a specified time period that generally extends from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with at least 20, but less than 25, years of service credit; and an additional monthly benefit of $500 per month for 24 months following the date of retirement to employees who are at least 60 years of age with at least 10, but not more than 20, years of service credit. For those eligible for veteran's retirement benefit, the incentive is an additional pension of 3/55 of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit.

Chapter 259, Public Law of 2001 amends the PERS statutes and creates special retirement benefits for members employed as workers compensation judges. PERS members entitled to the new benefits are 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. Those in eligible titles would receive retirement benefits comparable to those provided to members of the Judicial Retirement System. The effective date of this legislation was December 6, 2001.

Chapter 366, P.L. 2001 provides enhanced pension benefits to selected individuals with County Prosecutor Offices and in the Division of Criminal Justice.

(1) DESCRIPTION OF THE FUNDS, Continued

Legislation passed in fiscal year 2001 (Chapter 133, P.L. 2001) increased the retirement benefits under service, deferred and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduces the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Vesting and Benefit Provisions - SPRS

The vesting and benefit provisions are set by N.J.S.A. 53:5A. The System provides retirement as well as death and disability benefits. All benefits vest after ten years of service (as defined). Retirement benefits are available after 20 years of service (as defined) at any age with mandatory retirement at age 55. The retirement benefit is based upon final compensation, which is defined as salary (as defined) plus maintenance allowance (as defined) during the last 12 months prior to retirement, and is a life annuity equal to the greater of the following: (a) 50% of final compensation; (b) for members retiring due to mandatory retirement, 50% of final compensation, plus 2% for each year of service in excess of 20 years to a maximum of 60% of final compensation; or (c) for members retiring with 25 or more years of service, 65% of final compensation, plus 1% for each year of service in excess of 25 years, to a maximum of 70% of final compensation. Members may elect deferred retirement after ten years of service in which case benefits in the form of life annuity would begin at age 55 equal to 2% of final compensation for each year of service up to 20 years.

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions - TPAF

The vesting and benefit provisions are set by N.J.S.A. 18A:66. The Fund provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the Fund. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

(1) DESCRIPTION OF THE FUNDS, Continued

Legislation was passed during the current fiscal year (Chapter 353, P.L. 2001) that provides an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the member's compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which are effective October 2001.

Chapter 23, Public Law of 2002 provides early retirement incentive benefits to State employees who meet specified age and service requirements and who retire within a specified time period that generally extends from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with at least 20, but less than 25, years of service credit; and an additional monthly benefit of $500 per month for 24 months following the date of retirement to employees who are at least 60 years of age with at least 10, but not more than 20, years of service credit. For those eligible for veteran's retirement benefit, the incentive is an additional pension of 3/55 of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit.

Legislation passed in fiscal year 2001 (Chapter 133, P.L. 2001) increased the retirement benefits under service, deferred and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduces the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Vesting and Benefit Provisions - SACT

Upon retirement, a participant is paid a single cash payment or may elect various forms of monthly annuities or reduced 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.

Benefit Provisions - CPF

Benefits are payable under various State of New Jersey acts in an amount equal to one-half of the compensation received by the participant for his/her service. In the case of Disabled Veterans' Pensions and Surviving Spouses, the amount is $62.50 per month.

Vesting and Benefit Provisions - NJSEDCP

Assets in the Plan are held in trust for the exclusive benefit of Plan members and their beneficiaries as required in Government Accounting Standards Board Statement No. 32. Plan members are fully vested for the current valuation of their account from the date of enrollment in the Plan. Benefits are payable upon separation from service with the State of New Jersey.

(1) DESCRIPTION OF THE FUNDS, Continued

Benefit Provisions - ABPLTD

Members who are totally disabled due to an occupational or non-occupational condition are eligible to receive a regular monthly benefit equal to 60% of the base salary earned over the 12 month period preceding the onset of the disability. The long-term disability benefits continue until such time as the member retires or attains the age of 70, whichever comes first.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All the pension trust funds are accounted for using an economic resources measurement focus. Funds that focus on total economic resources employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs.

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of pension trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and deductions are recorded at the time the liabilities are incurred. The financial statements of the pension trust funds conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contributions Plans" and No. 26, "Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans." Plan assets are recorded at fair value. Employer contributions are recognized when payable to the Funds. Benefits and refunds are recognized when payable in accordance with the terms of the Funds.

New Accounting Standards Adopted:

Effective July 1, 2000, the Division adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34 Basic *Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*

Statement No. 37 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

Statement No. 34 (as amended by Statement No. 37) requires as required supplementary information Management's Discussion and Analysis which includes an analytical overview of the Funds' financial activities.

Capital Assets:

Capital assets utilized by the Division include equipment which is owned by the State of New Jersey.

Investment Valuation:

Investments, including short-term investments (State of New Jersey Cash Management Funds) are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair values.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The State of New Jersey Division of Investment administers three common pension funds which are utilized by the Funds. A brief description of each common pension fund is as follows:

Common Pension Fund A - The operations of Common Pension Fund A are governed by the provisions of Article 62 of the State of New Jersey Investment Council regulations for the purpose of investing in corporate common stocks, securities convertible into corporate common stocks or covered call options.

Common Pension Fund B - The operations of Common Pension Fund B are governed by the provisions of Article 63 of the State of New Jersey Investment Council regulations for the purpose of investing in fixed income and debt securities.

Common Pension Fund D - The operations of Common Pension Fund D are governed by the provisions of Article 67 of the State of New Jersey Investment Council regulations for the purpose of investing in international debt and equity securities, currencies, currency futures, and options.

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

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

In 2001, the Board of Trustees approved that the Post-Retirement Medical Fund earn a rate of return consistent with the System. In prior years, the Post-Retirement Medical Fund earned a statutorily determined fixed rate of return of 8.75%.

GASB Statement No. 3 requires disclosure of the level of custodial risk assumed by the Funds. Category 1 includes investments that are insured or registered or for which the securities are held by the Funds or its agent in the Funds' name. As of June 30, 2001, all investments held by the Funds (other than mortgages and the State of New Jersey Cash Management Funds which are not categorized) are classified as Category 1.

Federal securities are maintained at Federal Reserve Banks in Philadelphia and New York through the custodian banks in trust for the Funds. A significant portion of corporate equity and debt securities are maintained by the Depository Trust Company (DTC) through the custodian banks in trust for the Funds. The custodian banks as agents for the Funds maintain internal accounting records identifying the securities maintained by the Federal Reserve Banks and the DTC as securities owned by or pledged to the Funds.

Securities not maintained by the Federal Reserve Banks or DTC are in the name of a designated nominee representing the securities of the Funds, which establishes the Funds' unconditional right to the securities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Membership and Contributing Employers:

Membership and contributing employers of the Pension Trust Funds consisted of the following at 6/30/01, the date of the most recent actuarial valuations (6/30/02 for SACT, CPF, NJSEDCP, and ABPLTD):

	JRS	PFRS	PERS	SPRS	TPAF	POPF	CPFPF	SACT	CPF
Retiree members:									
Retirees and beneficiaries receiving benefits currently	368	24,319	104,925	1,906	53,892	249	1,364	697	359
Terminated employees entitled to benefits but not yet receiving them	2	60	2,057	-	1,217	-	-	-	-
Total retiree members	370	24,379	106,982	1,906	55,109	249	1,364	697	359
Active members:									
Vested	209	25,961	140,604	1,889	77,293	-	-	4,424	-
Non-vested	209	17,058	140,224	786	58,557	-	-	-	-
Total active members	418	43,019	280,828	2,675	135,850	-	-	4,424	-
Total	788	67,398	387,810	4,581	190,959	249	1,364	5,121	359
Contributing Employers	1	585	1,672	1	120	1	1	-	1

	NJSEDCP	ABPLTD
Retiree members:		
Retirees and beneficiaries receiving benefits currently	2,700	-
Terminated employees entitled to benefits but not yet receiving them	-	-
Total retiree members	2,700	-
Active members:		
Vested	30,351	106
Non-vested	-	-
Total active members	30,351	106
Total	33,051	106
Contributing Employers	-	1

Members' Loans:

Members of JRS, PFRS, SPRS, PERS and TPAF who have at least three years of service in the Funds may borrow up to 50% of their accumulated member contributions. Repayment of loan balances is deducted from payroll checks and bears an interest rate of 4%. Members who retire with an outstanding loan have the option of paying the loan in full prior to receiving any benefits or continuing their monthly loan payment schedule into retirement.

Administrative Expenses:

Administrative expenses are paid by the Funds to the State of New Jersey, Department of the Treasury and are included in the accompanying statements of changes in fiduciary net assets, except for administrative expenses of the CPF which are expensed by the State of New Jersey, who is responsible for such costs.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status:

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the Funds are qualified plans as described in Section 401(a) of the Internal Revenue Code.

Cash and Cash Equivalents:

GASB Statement No. 3 also requires that deposits held in financial institutions be categorized to indicate the level of risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 consists of deposits which are uninsured and uncollateralized.

Based upon aggregate collateral levels maintained for all state bank accounts as a whole, all cash balances maintained in financial institutions as of June 30, 2002, which include funding for the July 1, 2002 retirement payroll, are designated Category 3.

The categorization of cash and cash equivalents for all state funds, including the pension trust funds, can be found in the notes to the general purpose financial statements of the State of New Jersey.

(3) CONTRIBUTIONS

Contribution Requirements - JRS

The contribution policy is set by N.J.S.A. 43:6A and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Members enrolled on January 1, 1996 or after contribute at 3% on their entire base salary. Contributions by active members enrolled prior to January 1, 1996 are based on 3% of the difference between their current salary and the salary of the position on January 18, 1982. The State of New Jersey is required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

Contribution Requirements - CPFPF

The contribution policy is set by N.J.S.A. 43:16 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Contributions by active members are based on 7% of their salary. Employers are required to contribute at an actuarially determined rate.

Contribution Requirements - PFRS

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Members contribute at a uniform rate of 8.5% of base salary.

Chapter 115, P.L. 1997 provides for the use of excess valuation assets to fund required normal contributions. Through fiscal year 2002, excess valuation assets may be used to the extent possible to offset normal employer contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation.

(3) CONTRIBUTIONS, Continued

In 2002 and 2001, excess valuation assets were utilized to fund required State contributions of $107,098,598 and $99,607,041, respectively.

In 2002, actuarially determined excess valuation assets also covered required local employer contributions of $268,105,237. In accordance with legislation passed in 2001 (Chapter 44, P.L. 2001), excess valuation assets were recognized to reduce 2001 local employer contributions by $150 million to approximately $76 million. This legislation required that the savings realized by counties and municipalities as a result of this reduction be used for property tax relief.

Contribution Requirements - POPF

The contribution policy is set by N.J.S.A. 43:7 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Contributions by active members are based on 6% of their salary. Employers are required to contribute at an actuarially determined rate.

Contribution Requirements - PERS

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate is 5% of base salary. However, as a result of special legislation (Chapter 415, P.L. 1999), the employee rate was reduced to 3% of base salary effective January 1, 2000. The rate will remain at 3% for as long as actuarially determined excess valuation assets are available in the fund. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial reserve basis. Beginning in 1996, the State has made an additional contribution to the Post-Retirement Medical Reserve Fund to ensure an increase in the fund balance of 1/2 of 1% of the salary of active state employees.

The State and local employers were not required to make a normal contribution to the System in 2002 and 2001. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions of the State of New Jersey and the local participating employers. Through FY 2002, excess valuation assets may be used to the extent possible to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation.

The State also made no post-retirement medical (PRM) contribution in FY 2002. Legislation passed in 2002 (Chapter 11, P.L. 2002) allows the State to use net assets in PRM Fund to cover required pay-as-you-go medical premiums. This legislation also suspends in fiscal years 2002 and 2003 the additional PRM contribution to increase the fund balance by 1/2 of 1% of active member salaries for the valuation period. The additional PRM contribution will resume in fiscal year 2004 and will be computed to provide an increase in the reserve fund of 3/5 of 1% of active member salaries for the valuation period.

The State made a contribution of $85,441,000 in 2001 for post-retirement medical benefits.

(3) CONTRIBUTIONS, Continued

To fund the benefit increases provided by Chapter 133, referred to in Note 1, the legislation provides for the use of excess assets. A special benefit enhancement fund was established from which the required normal contributions for the increased benefits will be charged. To fund the accrued liabilities incurred by the System, the actuarial value of assets for the valuation period ending June 30, 1999 was adjusted to reflect the full market value of assets.

The benefit enhancement fund will also provide funding for the benefit increases under Chapter 353, P.L. 2001. Actuarially determined excess valuation assets will cover the additional accrued liability incurred by the retirement system.

Contribution Requirements - SPRS

The contribution policy is set by N.J.S.A. 53:5A-34 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate of 7.5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

Contribution Requirements - TPAF

The contribution policy is set by N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. In accordance with legislation passed in 2001 (Chapter 133, P.L. 2001), the employee contribution rate was lowered to 3% effective January 1, 2002. Prior to this date, employees had been contributing at a rate of 4.5%. The rate will remain at 3% for as long as surplus assets are available in the fund. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial reserve basis. Beginning 1996, the State has made an additional contribution to the Post-Retirement Medical Reserve Fund to ensure an increase in the fund balance of 1/2 of 1% of the salary of active state employees.

The State and local employers were not required to make a normal contribution to the System in 2002 and 2001. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by actuarially determined excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions of the State of New Jersey and the local participating employers. Through FY 2002, excess valuation assets may be used to the extent possible to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation.

The State also made no post-retirement medical (PRM) contribution in FY 2002. Legislation passed in 2002 (Chapter 11, P.L. 2002) allows the State to use net assets in PRM Fund to cover required pay-as-you-go medical premiums. This legislation also suspends in fiscal years 2002 and 2003 the additional PRM contribution to increase the fund balance by 1/2 of 1% of active member salaries for the valuation period. The additional PRM contribution will resume in fiscal year 2004 and will be computed to provide an increase in the reserve fund of 3/5 of 1% of active member salaries for the valuation period.

(3) **CONTRIBUTIONS,** Continued

The State made a contribution of $175,558,000 in 2001 for post-retirement medical benefits.

To fund the benefit increases provided by Chapter 133, referred to in Note 1, the legislation provides for the use of excess assets. A special benefit enhancement fund was established from which the required normal contributions for the increased benefits will be charged. To fund the accrued liabilities incurred by the System, the actuarial value of assets for the valuation period ending June 30, 1999 was adjusted to reflect the full market value of assets.

The benefit enhancement fund will also provide funding for the benefit increases under Chapter 353, P.L. 2001. Actuarially determined excess valuation assets will cover the additional accrued liability incurred by the retirement fund.

Contribution Requirements - SACT

Participants contribute through payroll deductions and may contribute from 1% to 10% 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.

Contribution Requirements - CPF

The State of New Jersey makes an annual appropriation payment to the Fund to pay current year benefits. The contribution requirements were established by the aforementioned statutes and are not actuarially determined. An actuarial valuation is not performed to determine the actuarial implications of the contribution requirements.

The contribution amount required and paid by the State of New Jersey for the fiscal year ended June 30, 2002 was $397,840.

Contribution Requirements - NJSEDCP

Members may defer between 2% and 25% of their salary or $11,000 annually, whichever is less. Under the limited "catch-up" provision, a participant may be eligible to defer up to a maximum of $22,000 annually in the three years immediately preceding retirement. The employer does not make contributions to the Plan.

Contribution Requirements - ABPLTD

The State of New Jersey makes an annual contribution to the ABPLTD, as required, toward the cost of long-term disability benefits which extend beyond the calendar year following the year in which the disability benefits commence for those with a benefit commencement date on or after October 1, 1986.

(4) **FUNDS**

The Funds maintain the following legally required funds as follows:

Members' Annuity Savings Fund - JRS ($19,977,330); TPAF ($5,782,201,078); PERS ($6,124,856,638); PFRS ($1,993,220,376); SPRS ($129,072,531)

The Members' Annuity Savings Fund is credited with all contributions made by active members of the Funds.

(4) FUNDS, Continued

Contingent Reserve Fund - JRS ($162,101,405); TPAF ($5,073,217,056); PERS ($3,991,477,386); SPRS ($999,617,201)

The Contingent Reserve Fund is credited with the contributions of contributing employers other than post-retirement medical contributions. Interest earnings, after crediting the Accumulated Interest Fund, Retirement Reserve Fund, and Special Reserve Fund, as required, are credited to this account. Additionally, payments for life insurance premiums are made from this Fund.

Retirement Reserve Fund - JRS ($123,697,305); TPAF ($15,565,429,321); PERS ($10,629,869,683); PFRS ($7,126,434,642); SPRS ($436,611,517)

The Retirement Reserve Fund is the account from which retirement benefits other than life insurance premiums, contributory group insurance premiums, and post-retirement medical premiums, including cost-of-living benefits, are paid. Upon retirement of a member, accumulated contributions together with accumulated interest are transferred to the Retirement Reserve Fund from the Members' Annuity Savings Fund. Any reserves needed to fund the balance of the retirement benefit are transferred from the Contingent Reserve Fund or Pension Accumulation Fund. Annually, interest as determined by the State Treasurer (8.75% for 2001) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund - POPF ($17,908,452)

The Retirement Reserve Fund is credited with active member and State of New Jersey contributions and investment income. In addition, all benefits are paid from this account.

Special Reserve Fund - TPAF ($0); PERS ($0); PFRS ($0)

The Special Reserve Fund is a fund to which any excess interest earnings and gains from sales and maturities of investments are transferred and against which any losses from the sales of securities are charged. The maximum limit on the accumulation of this account is 1% of the market value of the investments allocated to the System, excluding Cash Management Fund investments and bonds allocated to the Contributory Group Insurance Premium Fund. Amounts in excess of 1% are credited to the Contingent Reserve Fund.

Contributory Group Insurance Premium Fund - TPAF ($93,020,974); PERS ($167,182,773)

The Contributory Group Insurance Premium Fund represents the accumulation of member group insurance contributions in excess of premiums disbursed to the insurance carrier since the inception of the contributory death benefit program plus reserves held by the insurance carriers. Members are required by statute to participate in the contributory group insurance plan in the first year of membership and may cancel the contributory coverage thereafter. The current contribution rate for active members is 0.4 of 1% of salary for TPAF and 0.5 of 1% of salary for PERS, as defined.

Pension Accumulation Fund - PFRS ($6,085,389,342)

The Pension Accumulation Fund is credited with the contributions of the State of New Jersey and other employers. Interest earnings, after crediting the ASF and the Retirement Reserve Fund, as required, are credited to this account. Additionally, payments for life insurance premiums are made from this Fund.

Pension Reserve Fund - CPFPF ($24,544,842)

The Pension Fund is credited with all active member and State of New Jersey contributions and investment income.

(4) FUNDS, Continued

Reserve Fund - Alternate Benefit - Long Term Disability ($3,311,331)

The fund balance of the ABPLTD is available for future payments to participants.

Post-Retirement Medical Fund - TPAF ($43,933,778); PERS ($66,514,431)

The Post-Retirement Medical Fund is credited with employer contributions for post-retirement medical benefits, interest earnings on post-retirement medical reserves, and from which post-retirement medical premiums are paid.

Benefit Enhancement Reserve Fund - TPAF ($700,332,634); PERS ($572,346,105)

The Benefit Enhancement Reserve Fund is a special reserve fund from which required normal contributions to provide benefit increases under Chapter 353, P.L. 2001 and Chapter 133, P.L. 2001 will be charged. The fund was established in 2002 and credited with excess assets equivalent to member contributions for fiscal years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the Benefit Enhancement Fund. Additional transfers will be made, as required, to maintain a fund balance equal to the present value of expected additional normal contributions due to the increased benefits. The State will be required to make contributions to the Benefit Enhancement Fund on behalf of State and local members if excess valuation assets are not available.

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information

Schedule of Funding Progress

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL ((b - a) / c)
			JUDICIAL RETIREMENT SYSTEM (JRS)			
June 30, 1996	$283,199,734	$283,199,734	$ —	100.0%	$47,587,950	0.0%
June 30, 1997	317,289,094	295,150,638	(22,138,456)	107.5%	46,912,950	(47.2%)
June 30, 1998	333,437,794	305,779,217	(27,658,577)	109.0%	48,196,350	(57.4%)
June 30, 1999	352,858,160	313,873,659	(38,984,501)	112.4%	48,886,350	(79.7%)
June 30, 2000	374,486,433	350,920,345	(23,566,088)	106.7%	55,514,214	(42.5%)
June 30, 2001	379,592,346	372,760,069	(6,832,277)	101.8%	57,800,334	(11.8%)
			CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND (CPFPF)			
June 30, 1996	$78,769,717	$73,694,514	$(5,075,203)	106.9%	N/A	N/A
June 30, 1997	70,420,937	66,004,245	(4,416,692)	106.7%	N/A	N/A
June 30, 1998	62,205,001	59,272,789	(2,932,212)	104.9%	N/A	N/A
June 30, 1999	54,018,660	52,226,208	(1,792,452)	103.4%	N/A	N/A
June 30, 2000	46,078,644	46,544,429	465,785	99.0%	N/A	N/A
June 30, 2001	38,656,261	41,658,355	3,002,094	92.8%	N/A	N/A
			POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)			
June 30, 1996	$10,959,178,731	$12,076,365,067	$ 1,117,186,336	90.7%	$ 1,967,863,025	56.8%
State						
June 30, 1997	1,183,747,522	1,234,959,165	51,211,643	95.9%	315,690,310	16.2%
June 30, 1998	1,559,131,933	1,377,734,455	(181,397,478)	113.2%	346,079,078	(52.4%)
June 30, 1999	1,717,248,151	1,534,470,501	(182,777,650)	111.9%	362,949,950	(50.4%)
June 30, 2000	1,884,870,936	1,666,842,906	(218,028,030)	113.1%	363,360,250	(60.0%)
June 30, 2001	1,991,299,968	1,866,140,391	(125,159,577)	106.7%	398,118,379	(31.4%)
Local						
June 30, 1997	10,854,173,290	11,746,169,752	891,996,462	92.4%	1,767,762,346	50.4%
June 30, 1998	13,169,957,658	12,881,842,367	(288,115,291)	102.2%	1,870,322,787	(15.4%)
June 30, 1999	14,536,570,357	13,894,951,617	(641,618,740)	104.6%	1,971,087,124	(32.6%)
June 30, 2000	15,644,750,281	14,924,699,712	(720,050,569)	104.8%	2,055,781,766	(35.0%)
June 30, 2001	16,083,153,842	16,056,446,646	(26,707,196)	100.2%	2,163,590,060	(1.2%)
			PRISON OFFICER'S PENSION FUND (POPF)			
June 30, 1996	$18,654,334	$18,654,334	$ -	100.0%	N/A	N/A
June 30, 1997	20,977,035	17,479,545	(3,497,490)	120.0%	N/A	N/A
June 30, 1998	20,096,072	16,430,313	(3,665,759)	122.3%	N/A	N/A
June 30, 1999	19,137,919	15,292,629	(3,845,290)	125.1%	N/A	N/A
June 30, 2000	18,268,489	14,216,588	(4,051,901)	128.5%	N/A	N/A
June 30, 2001	18,269,899	12,994,567	(5,275,332)	140.6%	N/A	N/A

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information

Schedule of Funding Progress

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (b)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a)	FUNDED RATIO (a / b)	COVERED PAYROLL (c)	UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL ((b - a) / c)
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)						
State						
March 31, 1996	$6,565,471,539	$6,225,818,232	$(339,653,307)	105.5%	$2,762,479,385	(12.3%)
March 31, 1997	6,987,217,172	6,606,707,924	(380,509,248)	105.8%	2,714,991,457	(14.0%)
March 31, 1998	7,600,621,930	7,155,035,122	(445,586,808)	106.2%	2,805,791,909	(15.9%)
June 30, 1999	8,879,920,323	7,823,576,056	(1,056,344,267)	113.5%	2,928,470,790	(36.1%)
June 30, 2000	9,743,727,383	8,538,685,222	(1,205,042,161)	114.1%	3,094,280,664	(38.9%)
June 30, 2001	11,123,818,861	9,886,463,368	(1,237,355,493)	112.5%	3,288,383,788	(37.6%)
Local						
March 31, 1996	9,919,779,257	8,960,275,181	(959,504,076)	110.7%	4,301,404,278	(22.3%)
March 31, 1997	10,523,061,499	9,599,816,842	(923,244,657)	109.6%	4,407,751,955	(20.9%)
March 31, 1998	11,486,495,310	10,286,532,879	(1,199,962,431)	111.7%	4,513,357,772	(26.6%)
June 30, 1999	13,171,311,650	11,163,283,877	(2,008,027,773)	118.0%	4,655,241,261	(43.1%)
June 30, 2000	14,380,511,913	12,007,160,806	(2,373,351,107)	119.8%	4,910,962,708	(48.3%)
June 30, 2001	16,625,288,260	13,819,038,491	(2,806,249,769)	120.3%	5,240,338,738	(53.6%)
STATE POLICE RETIREMENT SYSTEM (SPRS)						
June 30, 1996	$1,219,615,207	$1,187,387,033	$(32,228,174)	102.7%	$142,390,519	(22.6%)
June 30, 1997	1,322,406,703	1,272,242,451	(50,164,252)	103.9%	142,636,260	(35.2%)
June 30, 1998	1,458,600,992	1,369,277,968	(89,323,024)	106.5%	167,145,161	(53.4%)
June 30, 1999	1,600,165,104	1,469,144,146	(131,020,958)	108.9%	178,203,420	(73.5%)
June 30, 2000	1,752,423,441	1,512,909,805	(239,513,636)	115.8%	188,466,237	(127.1%)
June 30, 2001	1,829,414,353	1,626,631,656	(202,782,697)	112.5%	199,727,203	(101.5%)
TEACHERS' PENSION AND ANNUITY FUND (TPAF)						
March 31, 1996	$20,843,247,418	$19,828,428,735	$(1,014,818,683)	105.1%	$5,594,150,132	(18.1%)
March 31, 1997	22,045,481,579	21,224,484,588	(820,996,991)	103.9%	5,771,763,164	(14.2%)
March 31, 1998	24,478,860,383	23,484,403,450	(994,456,933)	104.2%	5,989,748,156	(16.6%)
June 30, 1999	27,457,451,678	25,546,083,289	(1,911,368,389)	107.5%	6,254,198,406	(30.6%)
June 30, 2000	30,203,205,322	27,404,618,051	(2,798,587,271)	110.2%	6,571,641,181	(42.6%)
June 30, 2001	35,351,379,511	32,745,357,185	(2,606,022,326)	108.0%	6,948,381,383	(37.5%)

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information, Continued

Schedule of Funding Progress - Additional Actuarial Information

Significant actuarial methods and assumptions used in the most recent 2001 actuarial valuations include the following:

	JRS	**CPFPF**
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	31 years	1 year
Actuarial assumptions:		
Interest rate	8.75%	8.75%
Salary range	5.95%	—
Cost-of-living adjustments	2.40%	—
Valuation date	June 30, 2001	June 30, 2001

	PFRS	**POPF**
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	Market value
Amortization method	Level percent, closed	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.75%	5.00%
Salary range	5.95%	—
Cost-of-living adjustments	2.40%	—
Valuation date	June 30, 2001	June 30, 2001

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information, Continued

Schedule of Funding Progress - Additional Actuarial Information

	PERS	SPRS
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level percent, closed	Level dollar, closed
Payroll growth rate for amortization	5.00%	-
Remaining amortization period	40 years for UAAL balance	31 years
	10 years for asset method change	
Actuarial assumptions:		
Interest rate	8.75%	8.75%
Salary range	5.95%	5.95%
Cost-of-living adjustments	2.40%	2.40%
Valuation date	June 30, 2001	June 30, 2001

	TPAF
Actuarial cost method	Projected unit credit
Asset valuation method	5 year average of market value
Amortization method	Level percent, closed
Payroll growth rate for amortization	5.00%
Remaining amortization period	40 years for UAAL balance
	10 years for asset method change
Actuarial assumptions:	
Interest rate	8.75%
Salary range	5.95%
Cost-of-living adjustments	2.40%
Valuation date	June 30, 2001

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information, Continued

Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS	PERCENTAGE CONTRIBUTED
	JUDICIAL RETIREMENT SYSTEM		
1997	$18,406,865	$110,483,753	600.2%
1998	14,658,095	13,478,708	92.0%
1999	13,416,851	—	0.0%
2000	13,407,153	—	0.0%
2001	12,816,557	—	0.0%
2002	15,575,602	—	0.0%
	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND		
1997	$10,580,991	$43,995,746	415.8%
1998	—	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	550,864	506,541	92.0%
	POLICE AND FIREMEN'S RETIREMENT SYSTEM		
State			
1997	$111,775,028	$715,344,385	640.0%
1998	84,167,834	73,587,848	87.4%
1999	93,920,617	23,730,087	25.3%
2000	98,974,449	60,521,749	61.1%
2001	95,883,272	—	0.0%
2002	103,580,989	—	0.0%
Local			
1997	250,220,580	234,963,865	93.9%
1998	238,002,765	223,491,008	93.9%
1999	273,210,113	256,551,862	93.9%
2000	275,790,739	214,164,848	77.7%
2001	249,746,232	75,670,018	30.3%
2002	248,754,078	185,415	0.1%
	PRISON OFFICERS' PENSION FUND		
1997	$2,949,604	$21,688,219	735.3%
1998	—	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	—	—	N/A

STATE OF NEW JERSEY
PENSION TRUST FUNDS
Required Supplementary Information, Continued
Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS	PERCENTAGE CONTRIBUTED
	PUBLIC EMPLOYEES' RETIREMENT SYSTEM		
State			
1997	$134,878,582	$241,106,642	178.8%
1998	78,833,287	—	0.0%
1999	86,945,810	—	0.0%
2000	103,033,425	—	0.0%
2001	85,078,620	—	0.0%
2002	88,911,187	—	0.0%
Local			
1997	142,672,255	67,476,771	47.3%
1998	84,639,988	19,034,673	22.5%
1999	111,886,040	19,599,153	17.5%
2000	112,800,127	20,541,177	18.2%
2001	88,717,727	21,670,774	24.4%
2002	77,254,063	16,174,534	20.9%
	STATE POLICE RETIREMENT SYSTEM		
1997	$44,384,679	$120,308,862	271.1%
1998	33,317,314	—	0.0%
1999	33,116,255	—	0.0%
2000	33,598,843	—	0.0%
2001	35,341,259	—	0.0%
2002	24,990,652	—	0.0%
	TEACHERS' PENSION AND ANNUITY FUND		
1997	$372,060,546	$1,601,688,633	430.5%
1998	297,219,462	—	0.0%
1999	314,671,482	258,816,649	82.2%
2000	368,904,564	—	0.0%
2001	—	—	N/A
2002	—	—	N/A

Notes to schedule:

For the year ended June 30, 1997, the employer contributions exceeded the annual required contributions as a result of legislation that was enacted (Chapter 114, P.L. 1997), authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.

In accordance with Chapter 115, P.L. 1997, available excess valuation assets were used to fund, in full or in part, required employer contributions.

The local employer contribution to the PERS from 1998 to 2002 represents required contributions under the early retirement incentive programs.

STATE OF NEW JERSEY
PENSION TRUST FUNDS
Combining Statement of Fiduciary Net Assets
June 30, 2002

	ALTERNATE BENEFIT LONG TERM DISABILITTY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	DEFERRED COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS PENSION FUND
Assets:							
Cash	$ —	37,576	156,979	69,837	17,102	—	42,332
Investments, at fair value:							
Cash Management Fund	4,765,493	11,276	14,607,768	224,394,713	8,337,177	318,445,673	5,352,431
Bonds	—	—	4,324,304	187,420,617	—	18,198,484	7,629,700
Common Pension Fund A	—	—	—	—	134,746,225	6,459,001,400	—
Common Pension Fund B	—	—	—	—	77,935,219	3,554,435,308	—
Common Pension Fund D	—	—	—	—	62,466,728	2,376,552,698	—
Common and Preferred Stocks	—	—	—	647,377,231	—	—	—
Mortgages	—	—	3,668,821	—	22,236,513	1,410,456,805	4,844,551
Total investments	4,765,493	11,276	22,600,893	1,059,192,561	305,721,862	14,137,090,368	17,826,682
Receivables:							
Contributions:							
Members	—	—	—	86,358	64,740	44,799,031	—
Employers	—	—	—	—	—	532,733,506	—
Accrued interest and dividends	—	13	98,773	3,335,632	1,766,016	86,991,470	—
Members' loans	—	—	—	—	584,810	468,079,428	—
Other	—	2,458	3,419,654	—	—	14,274,587	294,520
Total receivables	—	2,471	3,518,427	3,421,990	2,415,566	1,146,878,022	294,520
Total assets	4,765,493	51,323	26,276,299	1,062,684,388	308,154,530	15,283,968,390	18,163,534
Liabilities:							
Accounts payable and accrued expenses	1,454,162	16,877	41,882	718,044	326,955	1,764,845	1,445
Retirement benefits payable	—	34,446	1,689,575	13,378,878	2,051,535	70,611,067	253,637
NCGI premiums payable	—	—	—	—	—	4,958,494	—
Cash overdraft	—	—	—	—	—	1,589,624	—
Total liabilities	1,454,162	51,323	1,731,457	14,096,922	2,378,490	78,924,030	255,082
Net assets held in trust for pension and post-retirement medical benefits	$ 3,311,331	—	24,544,842	1,048,587,466	305,776,040	15,205,044,360	17,908,452

STATE OF NEW JERSEY
PENSION TRUST FUNDS
Combining Statement of Fiduciary Net Assets
June 30, 2002

	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PERS POST-RETIREMENT MEDICAL FUND	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS' PENSION AND ANNUITY FUND	TPAF POST-RETIREMENT MEDICAL FUND	TOTAL
Assets:							
Cash	—	—	20,780	—	—	—	344,606
Investments, at fair value:							
Cash Management Fund	547,458,853	1,751,724	64,877,660	2,517,369	939,343,406	1,546,743	2,133,410,286
Bonds	292,062,291	934,523	—	—	123,593,287	203,511	634,366,717
Common Pension Fund A	9,469,749,791	30,300,709	661,178,664	—	12,140,724,660	19,991,181	28,915,692,630
Common Pension Fund B	6,362,426,820	20,358,092	463,199,968	—	7,739,483,631	12,744,002	18,230,583,040
Common Pension Fund D	3,471,196,393	11,106,915	292,552,745	—	4,869,414,703	8,018,084	11,091,308,266
Common and Preferred Stocks	—	—	—	138,280,317	—	—	785,657,548
Mortgages	644,574,127	2,062,468	47,791,337	—	868,600,920	1,430,257	3,005,665,799
Total investments	20,787,468,275	66,514,431	1,529,600,374	140,797,686	26,681,160,607	43,933,778	64,796,684,286
Receivables:							
Contributions:							
Members	51,994,449	—	934,009	484,252	62,765,295	—	161,128,134
Employers	203,751,526	—	—	—	204,025,670	—	940,510,702
Accrued interest and dividends	132,790,054	—	9,411,143	169,757	162,440,427	—	397,003,285
Members' loans	453,087,166	—	32,160,087	—	256,038,595	—	1,209,950,086
Other	3,254,149	—	30,203	506,966	25,979	—	21,808,516
Total receivables	844,877,344	—	42,535,442	1,160,975	685,295,966	—	2,730,400,723
Total assets	21,632,345,619	66,514,431	1,572,156,596	141,958,661	27,366,456,573	43,933,778	67,527,429,615
Liabilities:							
Accounts payable and accrued expenses	23,790,049	—	494,880	236,374	15,380,735	—	44,226,248
Retirement benefits payable	103,272,186	—	6,360,467	450,025	129,205,708	—	327,307,524
NCGI premiums payable	18,486,585	—	—	—	6,548,168	—	29,993,247
Cash overdraft	1,064,214	—	—	457,860	1,120,899	—	4,232,597
Total liabilities	146,613,034	—	6,855,347	1,144,259	152,255,510	—	405,759,616
Net assets held in trust for pension and post-retirement medical benefits	21,485,732,585	66,514,431	1,565,301,249	140,814,402	27,214,201,063	43,933,778	67,121,669,999

STATE OF NEW JERSEY
PENSION TRUST FUNDS
Combining Statement of Changes in Fiduciary Net Assets
June 30, 2002

	ALTERNATE BENEFIT LONG TERM DISABILITTY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	DEFERRED COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS PENSION FUND
Additions:							
Contributions:							
Members	$ —	—	—	121,675,078	2,323,835	240,012,580	—
Employers	1,250,000	397,840	563,793	—	579,630	286,887,105	—
Other	—	27,897	12,199,213	—	—	—	1,348,993
Total contributions	1,250,000	425,737	12,763,006	121,675,078	2,903,465	526,899,685	1,348,993
Investment income:							
Net appreciation (depreciation) in fair value of investments	10,955	—	211,560	(131,290,133)	(38,868,925)	(1,758,360,537)	354,049
Interest	130,569	1,784	781,895	15,589,670	8,070,739	402,532,105	940,850
Dividends	—	—	—	9,331,525	2,070,705	98,248,724	—
	141,524	1,784	993,455	(106,368,938)	(28,727,481)	(1,257,579,708)	1,294,899
Less investment expense	—	—	12,660	154,807	27,132	1,390,890	2,298
Net investment income	141,524	1,784	980,795	(106,523,745)	(28,754,613)	(1,258,970,598)	1,292,601
Total additions	1,391,524	427,521	13,743,801	15,151,333	(25,851,148)	(732,070,913)	2,641,594
Deductions:							
Benefits	1,454,162	410,656	20,721,198	67,273,610	24,586,223	842,051,581	2,990,730
Refunds of contributions	—	16,865	—	—	35,979	6,271,845	—
Administrative expenses	—	—	62,094	704,423	40,964	3,889,898	12,311
Total deductions	1,454,162	427,521	20,783,292	67,978,033	24,663,166	852,213,324	3,003,041
Net decrease	(62,638)	—	(7,039,491)	(52,826,700)	(50,514,314)	(1,584,284,237)	(361,447)
Net assets held in trust for pension and post-retirement medical benefits:							
Beginning of year	3,373,969	—	31,584,333	1,101,414,166	356,290,354	16,789,328,597	18,269,899
End of year	$ 3,311,331	—	24,544,842	1,048,587,466	305,776,040	15,205,044,360	17,908,452

STATE OF NEW JERSEY
PENSION TRUST FUNDS
Combining Statement of Changes in Fiduciary Net Assets
June 30, 2002

	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PERS POST-RETIREMENT MEDICAL FUND	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS' PENSION AND ANNUITY FUND	TPAF POST-RETIREMENT MEDICAL FUND	TOTAL
Additions:							
Contributions:							
Members	340,363,504	—	13,758,972	8,413,708	331,060,403	—	1,057,608,080
Employers	1,208,577	—	389,092	—	4,134,785	—	295,410,822
Other	4,673	—	88	—	1,172	—	13,582,036
Total contributions	341,576,754	—	14,148,152	8,413,708	335,196,360	—	1,366,600,938
Investment income:							
Net appreciation (depreciation) in fair value of investments	(2,598,973,862)	(15,087,606)	(186,296,642)	(37,313,819)	(3,363,897,919)	(29,360,080)	(8,158,872,959)
Interest	583,563,248	—	41,029,466	112,138	701,328,488	—	1,754,080,952
Dividends	145,434,993	—	10,084,248	2,315,495	185,553,692	—	453,039,382
	(1,869,975,621)	(15,087,606)	(135,182,928)	(34,886,186)	(2,477,015,739)	(29,360,080)	(5,951,752,625)
Less investment expense	4,754,571	—	135,654	—	3,348,064	—	9,826,076
Net investment income	(1,874,730,192)	(15,087,606)	(135,318,582)	(34,886,186)	(2,480,363,803)	(29,360,080)	(5,961,578,701)
Total additions	(1,533,153,438)	(15,087,606)	(121,170,430)	(26,472,478)	(2,145,167,443)	(29,360,080)	(4,594,977,763)
Deductions:							
Benefits	1,272,122,263	86,038,027	74,808,612	17,886,559	1,538,587,185	252,929,253	4,201,860,059
Refunds of contributions	70,520,434	—	123,338	—	22,624,415	—	99,592,876
Administrative expenses	19,990,570	—	253,999	—	9,648,390	—	34,602,649
Total deductions	1,362,633,267	86,038,027	75,185,949	17,886,559	1,570,859,990	252,929,253	4,336,055,584
Net decrease	(2,895,786,705)	(101,125,633)	(196,356,379)	(44,359,037)	(3,716,027,433)	(282,289,333)	(8,931,033,347)
Net assets held in trust for pension and post-retirement medical benefits:							
Beginning of year	24,381,519,290	167,640,064	1,761,657,628	185,173,439	30,930,228,496	326,223,111	76,052,703,346
End of year	21,485,732,585	66,514,431	1,565,301,249	140,814,402	27,214,201,063	43,933,778	67,121,669,999