STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Financial Statements and Schedules

June 30, 2008

(With Independent Auditors' Report Thereon)

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

June 30, 2008

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KPMG LLP
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Independent Auditors' Report

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

We have audited the accompanying financial statements of the State of New Jersey Division of Pensions and Benefits (the Division) as of and for the year ended June 30, 2008, which collectively comprise the Division's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in note 1, the financial statements of the Division are intended to present the financial position and the changes in financial position of the State that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2008 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State of New Jersey Division of Pensions and Benefits as of June 30, 2008, and the changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures* in 2008.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 3 through 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

April 29, 2009

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Management's Discussion and Analysis

June 30, 2008

Our discussion and analysis of the financial performance of the fiduciary funds (the Funds) administered by the Division of Pensions and Benefits (the Division) provides an overview of the Funds' financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

Financial Highlights

Fiduciary Funds-Pension Trust and Health Benefit Program Funds

- Fiduciary net assets decreased by $3.9 billion as a result of this year's operations from $89.7 billion to $85.8 billion.
- Additions for the year are $6.3 billion, which are comprised of member and employer pension contributions of $8.0 billion and an investment loss of $1.7 billion.
- Deductions for the year are $10.2 billion, which are comprised of benefit and refund payments of $10.1 billion and administrative expenses of $51.8 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: 1) fiduciary fund financial statements and 2) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Division uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fiduciary Funds

Fiduciary funds are used to account for the assets that the Division holds on behalf of others as their agent. Fiduciary funds are custodial in nature and do not involve measurement of results of operations.

The Division administers sixteen fiduciary funds: eleven pension trust funds, two health benefit program funds, and three agency funds. The basic fiduciary fund financial statements consist of the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements and includes a description of the fiduciary funds.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes information regarding the funding status of the pension trust and health benefit program funds.

Financial Analysis

Summary of Fiduciary Net Assets

		2008	2007	Decrease
Pension trust and health benefit program funds:				
Assets	$	99,696,264,152	108,900,714,379	(9,204,450,227)
Liabilities		13,859,494,281	19,155,290,318	(5,295,796,037)
Net assets	$	85,836,769,871	89,745,424,061	(3,908,654,190)

Assets of the pension trust and health benefit program funds consist primarily of investments (see notes to financial statements for further detail), securities lending collateral (see notes to financial statements for further detail), contributions due from members and participating employers, accrued interest on investments, member loans and other receivables. Between fiscal years 2007 and 2008, total assets decreased by $9.2 billion or 8.5%. This is due to a decrease in the fair value of investments of $4.0 billion, a decrease in the securities lending collateral of $5.7 billion, and an increase in receivables of $411.6 million.

Liabilities of the pension trust and health benefit program funds consist primarily of retirement benefits payable to retirees and beneficiaries, contributory and non-contributory group insurance premiums payable to the Funds' insurance provider, securities lending collateral and rebates payable and, classified under accounts payable and accrued expenses, outstanding medical claims payable to the medical providers under the State Health Benefits Program. Also included with accounts payable and accrued expense are liabilities of the pension trust funds for unclaimed member accounts and checks issued to members that have not been negotiated by the members but remain due and payable. Total liabilities decreased by $5.3 billion or 27.6%. This is due to a decrease in the securities lending collateral and rebates payable of $5.7 billion and an increase of $395.1 million in retirement benefits payable due to full accrual of the July 1, 2008 payroll.

Net assets of the pension trust and health benefit program funds decreased by $3.9 billion or 4.4%.

Summary of Fiduciary Net Assets

		2008	2007	Increase
Agency funds:				
Assets	$	71,337,297	57,415,161	13,922,136
Liabilities		71,337,297	57,415,161	13,922,136
Net assets	$	—	—	—

Assets of the agency funds consist of cash and cash equivalents, investments and contributions due from the State and local employers. Between fiscal years 2007 and 2008, total assets increased by $13.9 million or 24.2%. This is mainly attributable to the increased amount invested in the Cash Management Fund (CMF) of $10.7 million and the increase in other contribution receivables of $3.3 million.

(Continued)

Liabilities of the agency funds consist of pension reimbursements owed by the State of New Jersey to the state and county colleges in the ABP, outstanding life insurance premiums payable on behalf of ABP participants to Prudential Insurance Company, the State's insurance provider for non-contributory group life, claims payable to the providers under the DEP and liabilities for cost-of-living increases payable to certain retirees funded through the PAF. Between fiscal years 2007 and 2008, total liabilities increased by $13.9 million or 24.2%. This is mainly attributable to an increase in the State's reimbursement liability to the state and county colleges for the employer share of the required pension contribution in the ABP of $6.9 million and an increase of $6.7 million of DEP claims payable. These liabilities are classified on the balance sheet as accounts payable and accrued expenses.

Summary of Additions to Fiduciary Net Assets

		2008	2007	Increase (decrease)
Pension and health benefit program trust funds:				
Member contributions	$	2,014,920,419	1,848,119,957	166,800,462
Employer contributions and other		5,940,148,684	5,635,989,538	304,159,146
Net investment income (loss)		(1,676,098,523)	12,139,822,671	(13,815,921,194)
Totals	$	6,278,970,580	19,623,932,166	(13,344,961,586)

Additions of the pension trust and health benefit program funds consist of member and employer contributions and earnings from investment activities. There is an increase by $166.8 million or 9.0% in total member contributions. In all pension trust funds, member contributions increased between 2007 and 2008 due to normal salary increases and/or increased membership.

State and local employer pension contributions increased by $187.1 million from $2,073.7 million to $2,260.8 million or 9.0% over the last fiscal year. The increase is attributable in part to an increase in the State's contribution to the defined benefit pension trust funds. Between fiscal year 2007 and 2008, the State's appropriation payment to the pension funds increased by $23.9 million from $1,022.2 million to $1,046.1 million. Specifically, the contributions by the state were $664.4 million for the Teachers Pension and Annuity Fund (TPAF), $206.3 million for the Public Employees Retirement System (PERS), $128.0 million for the Police and Firemen's Retirement System (PFRS), $34.9 million for the State Police Retirement System (SPRS), $12.0 million for the Judicial Retirement System (JRS), and $0.5 million for the Consolidated Police and Firemen's Pension Fund (CPFPF).

The annual local employer appropriation billings increased due to the salaries of employees, the rate of contribution as determined by the actuary, and the increased phase-in contribution amount as set forth in Chapter 108, P.L. 2003. For PERS the amount accrued in fiscal year 2007 and due April 1, 2008 was $382.8 million and in fiscal year 2008 $500.0 million was accrued and is due April 1, 2009 for an increase of $117.2 million. For PFRS the amount accrued in fiscal year 2007 and due April 1, 2009 was $668.7 million and in fiscal year 2008 $714.7 million was accrued and is due April 1, 2010 for an increase of $46.0 million.

The Health Benefit Program Fund-State employer contributions increased by $137.9 million. This increase is due in part to a reduction in fund balance usage to cover required medical premiums. Health Benefit Program Fund-Local employer contributions decreased by $45.1 million due to favorable rate action. In addition, the number of local active participants decreased between fiscal year 2007 and fiscal year 2008, which also contributed to the reduction in local employer contributions.

Non-Contributory Group Life Insurance-State contributions for 2008 were as follows: $31.5 million for TPAF, $27.7 million for PERS, $5.5 million for PFRS, $1.0 million for JRS, and $1.5 million for SPRS. Between fiscal year 2007 and fiscal year 2008, the State's contribution toward non-contributory group life insurance coverage increased by $9.0 million due to higher claims activity. Non-contributory insurance benefits are funded on a pay-as-you-go basis. The local contribution for Non-Contributory Group Life Insurance is included in the annual billings to local employers.

Net investment income decreased by $13.8 billion or 113.8% due to a decrease in the net appreciation of the fair value of investments.

The total investment return for all pension funds was estimated to be 2.66% loss compared to 17.1% gain in the prior year.

Summary of Deductions from Fiduciary Net Assets

	2008	2007	Increase
Pension trust and health benefit program funds:			
Benefits	$ 9,993,959,447	9,528,663,826	465,295,621
Refunds of contributions	141,829,202	120,147,063	21,682,139
Administrative expenses	51,836,121	46,402,187	5,433,934
Totals	$ 10,187,624,770	9,695,213,076	492,411,694

Deductions of the pension trust and health benefit program funds are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members, and administrative costs incurred by the Funds. Also included are claim charges for the self-insured health, prescription drug, and premium charges for the insured health programs as a result of GASB Statement No. 43. Between fiscal years 2007 and 2008 benefit payments increased by $465.3 million or 4.9% due to an increase in the number of retirees receiving retirement and other benefits. The number of refunds processed increased by $21.7 million or 18.0% compared to last year. Administrative expenses increased by $5.4 million or 11.7% due to salary and fringe benefit increases.

Overall Financial Condition of the Funds

For the defined benefit pension trust funds, the combined funded ratio is 76.0% for fiscal year 2008 with an unfunded actuarial accrued liability of $28.4 billion on an actuarial basis per GASB 25; 77.5% for fiscal year 2007 with an unfunded actuarial accrued liability of $24.8 billion.

For the State Health Benefits Program Funds, the replacement of the Traditional Plan and the NJ Plus Plan with the NJ Direct Plans resulted in favorable rate actions for calendar year 2008, which reduced required premium amounts for the State, local employers, and participants. On the State side, revenues collected exceeded incurred claim charges reducing the year-end deficit. On the local side, reserve balances increased as a result of favorable claims experience. As of June 30, 2008, the total surplus for the local employer group of $642.4 million represents approximately 4 months of claims. The overall favorable rate actions were based on a favorable experience for the prior year, decreased benchmark medical and drug trends, an increase in co-pays, and the new PPO plans replacing NJ PLUS and Traditional Plan.

For the health benefit program funds, the unfunded actuarial accrued liability for other postemployment benefits (OPEB under GASB Statement No. 43) for fiscal year 2008 is $50.6 billion for the State and $9.1 billion for the Local participating employers in the State Health Benefit Program Fund. The unfunded actuarial accrued liability for the OPEB for fiscal year 2007 was $58.1 billion for the State and $10.8 billion for the Local participating employers. The Dental Expense Program received contributions to meet this year's benefit obligations.

During the year, the Alternate Benefits Program Fund and the Pension Adjustment Fund received sufficient funding to meet their benefit obligations.

For the State Employees Deferred Compensation Plan 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

This financial report is designed to provide our members, beneficiaries, 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
DIVISION OF PENSIONS AND BENEFITS

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

		Pension Trust and Health Benefit Program Funds	Agency Funds
Assets:			
Cash and cash equivalents	$	8,406,882	1,019,620
Securities lending collateral		12,832,412,674	—
Investments, at fair value:			
Cash Management Fund		4,915,108,506	37,340,054
Bonds		62,477,112	—
Common Pension Fund A		24,279,753,734	—
Common Pension Fund B		20,943,480,578	—
Common Pension Fund D		17,913,335,593	—
Common Pension Fund E		10,122,858,651	—
Common and preferred stocks		148,360,200	—
Mortgages		1,453,484,081	—
U.S. Government obligations		587,719,678	—
Domestic equities		1,108,910,500	—
International equities		161,165,096	—
Other fixed income securities		21,789,935	—
Total investments		81,718,443,664	37,340,054
Receivables:			
Contributions:			
Members		211,090,442	—
Employers		3,120,303,583	1,374,460
Accrued interest and dividends		780,901,373	—
Members' loans		993,049,417	—
Other		31,656,117	31,603,163
Total receivables		5,137,000,932	32,977,623
Total assets	$	99,696,264,152	71,337,297
Liabilities:			
Accounts payable and accrued expenses	$	478,873,517	61,974,743
Retirement benefits payable		532,856,157	—
Non-contributory group insurance premiums payable		14,692,004	—
Cash overdraft		659,929	407,618
Assets held for local contributing employers		—	3,427,362
Pension adjustment payroll payable		—	591,835
Due to State of New Jersey		—	4,071,269
Due to other funds		—	864,470
Securities lending collateral and rebates payable		12,832,412,674	—
Total liabilities		13,859,494,281	71,337,297
Net assets:			
Held in trust for pension and health benefits	$	85,836,769,871	—

See schedule of funding progress on page 46-50.

See accompanying notes to financial statements.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

		Pension Trust and Health Benefit Program Funds
Additions:		
Contributions:		
Members	$	2,014,920,419
Employers		5,932,504,351
Other		7,644,333
Total contributions		7,955,069,103
Investment income:		
Net depreciation in fair value of investments		(4,748,503,272)
Interest		2,333,182,520
Dividends		750,162,211
		(1,665,158,541)
Less: investment expense		10,939,982
Net investment loss		(1,676,098,523)
Total additions		6,278,970,580
Deductions:		
Benefits		9,993,959,447
Refunds of contributions		141,829,202
Administrative and miscellaneous expenses		51,836,121
Total deductions		10,187,624,770
Change in net assets		(3,908,654,190)
Net assets – Beginning of year		89,745,424,061
Net assets – End of year	$	85,836,769,871

See accompanying notes to financial statements.

(1) Description of the Funds

The State of New Jersey sponsors and administers the following benefit funds which have been included in the basic financial statements of the State of New Jersey Division of Pensions and Benefits (the Division), collectively referred to as the Funds, Systems, and Trust:

Fiduciary Funds

Pension Trust and Health Benefit Program Funds

Judicial Retirement System (JRS)
Consolidated Police and Firemen's Pension Fund (CPFPF)
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)
State Health Benefits Program Fund (SHBP) - State
State Health Benefits Program Fund (SHBP) - Local

Agency Funds

Pension Adjustment Fund (PAF)
Alternate Benefit Program Fund (ABP)
Dental Expense Program Fund (DEP)

Stand alone financial reports which include the above funds have been prepared. These financial reports, which can be obtained from the Division of Pensions and Benefits, provide a description of the nature and purpose of each individual fund. A description of the contribution requirements and benefit provisions for each fund is provided in notes 5 and 6.

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

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

Also, as a result of the implementation of GASB Statement No. 43, DEP is combined with ABP and PAF and reported as agency funds.

In 2008, the Division adopted the provisions of GASB Statement No. 50, "*Pension Disclosures.*"

(2) Summary of Significant Accounting Policies

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

Reporting Entity

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

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.

Fiduciary Funds

Pension trust and health benefit program funds – Account for monies received for, expenses incurred by and the net assets available for plan benefits of the various public employee retirement systems.

Agency funds – Agency funds are used to account for the assets that the Division holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

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

The accrual basis of accounting is used for measuring financial position and changes in net assets of the pension trust and health benefit program 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 GASB Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contributions Plans." The financial statements of the health benefit program funds conform to the provisions of the GASB Statement No. 43. Employer contributions are recognized when payable to the Funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the Funds.

Capital Assets

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

Significant Legislation

Chapter 103, P.L. 2007, certain parts effective July 1, 2007, provided for the following: changed contribution rates of most state employees of TPAF, PERS, and Defined Contribution Retirement Program (DCRP) to 5.5% of annual compensation; imposed an annual maximum wage contribution base for members hired on or after July 1, 2007; amended the early retirement reduction formula for the new members. If a person became a member on or after July 1, 2007, that person must be at least 60 years of age in order to retire without a reduction in their retirement allowance. Also, the legislation implemented changes to State Health Benefits Program (SHBP) and established an employee contribution of 1.5% of the employee's base salary; eliminated the funding for the postretirement medical benefits through TPAF and PERS.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform: established a DCRP for elected and certain appointed officials, effective July 1, 2007; closed the Workers' Compensation Judges Part of PERS to new members, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an $8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Chapter 108, P.L. 2003, effective July 1, 2003, provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008.

Chapter 21, P.L. 2008, effective June 24, 2008, provided early retirement incentive program to eligible State employees in the Executive Branch of State government and eligible Judiciary employees in the Judicial Branch of State government who apply to retire on or after March 1, 2008 but by July 15, 2008 and retire by August 1, 2008.

Membership and Contributing Employers

Membership and contributing employers of the pension trust and health benefit program funds consisted of the following at June 30, 2007, the date of the most recent actuarial valuations (June 30, 2008 for SACT, CPF, NJSEDCP, and ABPLTD):

	JRS	CPFPF	PFRS	POPF	PERS	SPRS
Retiree members:						
Retirees and beneficiaries receiving benefits currently	451	620	31,778	176	129,093	2,426
Terminated employees entitled to benefits but not yet receiving them	3	—	59	—	1,593	—
Total retiree members	454	620	31,837	176	130,686	2,426
Active members:						
Vested	215	—	28,668	—	140,400	1,795
Nonvested	206	—	16,463	—	178,853	1,204
Total active members	421	—	45,131	—	319,253	2,999
Total	875	620	76,968	176	449,939	5,425
Contributing employers	1	96	583	1	1,691	1

	TPAF	SACT	CPF	NJSEDCP	ABPLTD	SHBP*
Retiree members:						
Retirees and beneficiaries receiving benefits currently	71,997	546	303	3,411	—	115,581
Terminated employees entitled to benefits but not yet receiving them	751	—	—	—	—	—
Total retiree members	72,748	546	303	3,411	—	115,581
Active members:						
Vested	75,235	2,385	—	38,790	148	412,834
Nonvested	79,861	1,389	—	—	—	—
Total active members	155,096	3,774	—	38,790	148	412,834
Total	227,844	4,320	303	42,201	148	528,415
Contributing employers	38	—	1	—	1	456

* The health benefit programs (including PDP) had a total of 456 state and local participating employers and contributing entities for fiscal year 2008 based on the OPEB.

Membership in the agency funds administered by the Division consisted of the following as of June 30, 2008:

	State	Local	Total
Dental Expense Program Fund**	114,502	34,723	149,225
Alternate Benefit Program Fund***	13,592	2,954	16,546
Pension Adjustment Fund	108,033	107,487	215,520

** active and retired participants
*** including those receiving long-term disability benefits

Investments

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of seven of the defined benefit plans (PERS, TPAF, JRS, PFRS, CPFPF, SPRS and POPF) and two defined contribution plans (SACT and NJSEDCP). The Division of Investment separately reports the assets, liabilities and net assets of the underlying investment portfolio of the seven defined benefit plans in its Pension Fund report and a SACT report. The Division of Investment accounts included in the Pension Fund report are: Common Fund A, Common Fund B, Common Fund D, Common Fund E, Police and Firemen's Mortgage Program accounts and other investments owned directly by the seven defined benefit pension plans. Common Fund A invests primarily in domestic equity securities. Common Fund B invests primarily in domestic fixed income securities. Common Fund D invests primarily in foreign equity and fixed income securities. Common Fund E invests primarily in alternative investments which includes private equity, real assets and absolute return strategy investments. The Police and Firemen's Retirement System includes a mortgage loan program administered by the New Jersey Housing and Mortgage Finance Agency that provides participants with mortgages from the program at rates which are fixed by formula. The law establishing the program provides that the Fund may not sell the mortgages, and no independent market exists for them.

Prudential Retirement was selected as the NJSEDCP's third-party administrator following a competitive bidding process with a contract awarded on August 26, 2005. As of January 1, 2006, the four state-managed investment options (DCP Money Market, DCP Equity, DCP Bond and DCP Small Cap Equity) were closed to new investment and 23 new investment options were opened. Participant recordkeeping operations were transferred to Prudential Retirement on January 2, 2006. Assets held in the four state-managed investment options were transferred to Prudential separate accounts on February 1, 2006. The custodian of Plan assets was PNC Bank through January 31, 2006, with State Street Bank acting as custodian, through an agreement with Prudential Retirement, from February 1, 2006 to present. The Division of Investment retains its fiduciary functions over the Plan's assets and the Division of Pensions and Benefits maintains its administrative oversight functions.

Investments are reported at fair value as follows:

- U.S. Government and Agency, Foreign and Corporate obligations – prices quoted by a major dealer in such securities.

- Common Stock and Equity Funds, Foreign Equity Securities, Forward Foreign Exchange Contracts – closing prices as reported on the primary market or exchange on which they trade.
- Money Market Instruments – amortized cost which approximates fair value.
- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.
- Alternative investments (private equity, real estate, commodity, and absolute return strategy funds) – estimated fair value provided by the general partner and/or investment manager and reviewed by management. The inputs into the determinations of fair value (particularly for private equity and real estate) require significant management judgment or estimation. Because by their very nature, alternative investments are not always readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the value that would be used if a ready market for such investments existed. The development of fair value is further complicated by (1) the current lack of liquidity in the financial system and (2) the extreme levels of volatility in the market for public equity in general and for debt securities linked to these asset classes. For these reasons, the realized value received upon the sale of these investments in the open market might be different from the fair value reported in the financial statements.

Investment transactions are accounted for on a trade or investment date basis. Gains and losses from investment transactions are determined by the average cost method. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date.

The net asset value of Common Funds A, B, D and E (Common Funds) is determined as of the close of the last day of business of each month. Purchases and redemptions of participants' units are transacted each month within fifteen days subsequent to that time and at such net asset value.

Dividends and interest earned per unit are calculated monthly and distributed quarterly for Common Fund A and B. Dividends and interest earned per unit are calculated monthly for Common Fund D, and the income earned on Common Fund D units is reinvested. Income earned per unit is calculated monthly for Common Fund E, and the income earned on Common Fund E units is reinvested.

Securities Lending

The State Investment Council policies permit Common Funds A, B and D and several of the direct pension plan portfolios to participate in securities lending programs, whereby securities are loaned to brokers or other borrowers and, in return, the pension funds have rights to the collateral received. All of the securities held in Common Funds A, B and D, and certain securities held directly by the pension plans, are eligible for the securities lending program. Collateral received may consist of cash, letters of credit, or government securities having a market value equal to or exceeding 102% (U.S. dollar denominated) or 105% (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. For Common Funds A and B, in the event that the market value of the collateral falls below 101% of the market value of all the outstanding loaned securities to an individual borrower, additional collateral shall be transferred by the borrower to the respective funds no later than the close of the next business day so that the market value of such additional collateral, when added to the market value of the other collateral, shall equal 102% of the market value of the loaned securities. For Common Fund D, in the event that the market value of the collateral falls below the collateral requirement of either 102% or 105% (depending on whether the securities are denominated in U.S. dollars or a foreign currency, respectively) of the market value of the outstanding loaned securities to an individual borrower, additional collateral shall be transferred in an amount that will increase the aggregate of the borrower's collateral to meet the collateral requirements. The securities lending contracts do not allow the Common Funds to pledge or sell any collateral securities unless the borrower defaults. As of June 30, 2008, the Common Funds have no aggregate credit risk exposure to borrowers because the collateral amount held by the Common Funds exceeded the market value of the securities on loan.

The contracts with the Common Funds' securities lending agent require them to indemnify the Common Funds if the brokers or other borrowers fail to return the securities or fail to pay the Common Funds for income distributions on the securities while they are on loan. The Common Fund D securities lending agent also indemnifies the Common Funds for any loss of principal or interest on the invested collateral. For any losses on the investment collateral in Common Funds A or B or other pension plan portfolios, the lending fee paid to the lending agent shall be reduced by 25% of the amount of such loss, up to an amount not to exceed 75% of the previous six months' securities lending fees. The securities loans can be terminated by notification by either the borrower or the Common Funds. The term to maturity of the securities loans is generally matched with the term to maturity of the investment (or, in the case of floating rate notes, to the next interest rate reset date) of the cash collateral.

Derivatives

The Division of Investment, from time to time, utilizes forward foreign currency contracts, a derivative security, as a means to hedge against the currency risk in the Common Funds' foreign stock and fixed income portfolios. A derivative security is an investment whose payoff depends upon the value of other assets such as bond and stock prices, a market index, or commodity prices. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in market prices or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

Forward foreign currency contracts are agreements to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed upon price. Forward foreign currency contracts are used to hedge against the currency risk in the Common Funds' foreign stock and fixed income portfolios.

The fair value of foreign forward currency contracts held directly by the Common Funds as of June 30, 2008 was as follows:

Forward currency receivable	$	1,353,214,830
Forward currency payable		1,358,471,309
Net unrealized loss		5,256,479

The Common Funds utilize covered call and put options in an effort to add value to or reduce the risk level in the portfolio. Options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call option) or to sell (in the case of a put option) a specific amount of an asset for a specific price (called the strike price) on or before a specified expiration date. The Common Funds enter into covered calls when they write (or sell) call options on underlying stocks held by the Common Funds or stock indices. The Common Funds enter into covered put options when they purchase put options on underlying stocks held by the Common Funds or stock indices. The purchaser of put options pays a premium at the outset of the agreement and stands to gain from an unfavorable change (i.e., a decrease) in the price of the instrument underlying the option. The writer of call options receives a premium at the outset of the agreement and bears the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option. The Common Funds had written call options on 5,661,100 shares with a fair value of $895,504 at June 30, 2008. The Common Funds owned 880,000 put option contracts on the S&P 500 index with a fair value of $72,334,000 at June 30, 2008.

Certain alternative investment funds and partnerships may use derivative instruments to hedge against market risk and to enhance investment returns. At any point during the year, the Common Funds may have additional exposure to derivatives primarily through limited liability vehicles such as limited partnerships and commingled investment funds.

The Common Funds recognize the fair value of all derivative instruments as either an asset or liability on the financial statements with the offsetting gains or losses recognized in earnings.

Members' Loans

Members of JRS, PFRS, SPRS, PERS and TPAF who have at least three years of service in these 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.

Under the Internal Revenue Service regulations effective January 1, 2004, the Division changed its pension loan repayment policy: Members who take multiple loans must repay the outstanding balance of the original loan, and all subsequent loans taken before the original loan is completely paid off, within a period not to exceed 5 years from the issuance of the first loan taken after January 1, 2004. Failure to repay the loan within the five-year period will result in the unpaid balance being declared a taxable distribution.

Chapter 92, P.L. 2007 eliminated the 4% fixed rate of interest for loans from the defined benefit plans and provided that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code and permitted that an administrative processing fee may be charged for such loans. As such, effective January 1, 2008, the new pension loan interest rate became 4.69% per year, and an $8.00 processing fee per loan was charged.

Administrative Expenses

Administrative expenses are paid by the Funds, Systems, and Trust to the State of New Jersey, Department of the Treasury and are included in the accompanying financial statements, except for administrative expenses of CPF which are paid by the State of New Jersey, who is responsible for such costs.

In certain funds (PFRS, PERS, SPRS and TPAF) miscellaneous expenses and reimbursements from the fund that comprise various adjustments to member and employer accounts are incorporated into the administrative expense amounts included in the accompanying financial statements. These miscellaneous items are not part of the supplementary information included in the Schedule of Administrative Expenses (Schedule 3). Additionally, State Health Benefits Program – State and Local administrative expenses are included in administrative expenses in the accompanying financial statements but are not included in the supplementary information in Schedule 3.

Income Tax Status

Based on a May 2007 declaration of an outside tax council retained by the Attorney General of the State of New Jersey, the five pension funds/systems (TPAF, PERS, PFRS, JRS, and SPRS) comply with the qualification requirements of Section 401(a) of the Internal Revenue Code.

The ABPLTD is a qualified plan as described in Section 403(b), and the NJSEDCP is an eligible plan as described in Section 457 of the Internal Revenue Code.

Commitments

The Common Funds are obligated, under certain private equity, real estate and absolute return strategy alternative investment agreements to make additional capital contributions up to contractual levels over the investment period specified for each investment. As of June 30, 2008, the Common Funds had unfunded commitments totaling approximately $9.2 billion.

Use of Estimates

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

Funded Status and Funding Progress

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

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

(Continued)

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

Actuarial Methods and Assumptions

In the June 30, 2007 actuarial valuation, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 8.25% for investment rate of return for all the retirement systems except POPF (5%) and CPFPF (2%) and (b) 5.45% for projected salary increases for all the retirement systems that have active members except TPAF (5.74%) and PFRS (7.2%).

OPEB used the projected unit credit as actuarial cost method and the market value as asset valuation method. The actuarial assumptions for OPEB included 4.50% for investment rate of return.

A summary of the significant actuarial methods and assumptions used by the Funds and Systems as of the most recent actuarial date of June 30, 2007 are as follows:

	JRS	CPFPF	PFRS - State	PFRS - Local	POPF
Actuarial valuation date	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2007
Actuarial value of assets	$ 379,364,939	$ 19,336,247	$ 2,215,697,407	19,500,229,156	$ 13,499,361
Actuarial accrued liability	524,970,330	21,090,186	3,426,631,813	24,562,195,443	7,378,386
Unfunded (overfunded) actuarial accrued liability	145,605,391	1,753,939	1,210,934,406	5,061,966,287	(6,120,975)
Funded ratio	72.3%	91.7%	64.7%	79.4%	183.0%
Covered payroll	$ 63,144,685	N/A	$ 527,556,519	2,932,283,180	N/A
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	230.6%	N/A	229.5%	172.6%	N/A
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value	5 year average of market value	5 year average of market value	Market value
Amortization method	Level percent, open	Level dollar, closed	Level percent, open	Level percent, open	Level dollar, closed
Payroll growth rate for amortization	4.00%	—	4.00%	4.00%	—
Remaining amortization period	30 years	1 year	30 years	30 years	1 year
Actuarial assumptions:					
Interest rate	8.25%	2.00%	8.25%	8.25%	5.00%
Salary range	5.45%	N/A	7.20%	7.20%	N/A
Cost-of-living adjustments	1.80%	N/A	1.80%	1.80%	N/A

(Continued)

	PERS - State	PERS - Local	SPRS	TPAF	SHBP-State	SHBP-Local
Actuarial valuation date	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2007
Actuarial value of assets	$ 11,024,255,608	17,690,520,507	$ 2,066,754,160	$ 36,714,578,745	$ —	$ —
Actuarial accrued liability	16,028,875,601	21,764,214,593	2,485,649,230	49,161,247,363	50,649,500,000	9,096,600,000
Unfunded (overfunded) actuarial accrued liability	5,004,619,993	4,073,694,086	418,895,070	12,446,668,618	50,649,500,000	9,096,600,000
Funded ratio	68.8%	81.3%	83.1%	74.7%	—	—
Covered payroll	$ 4,434,933,181	6,983,534,635	$ 275,301,995	$ 9,077,628,813	$ N/A	$ N/A
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	112.8%	58.3%	152.2%	137.1%	N/A	N/A
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value	5 year average of market value	5 year average of market value	Market value	Market value
Amortization method	Level percent, open	Level percent, open	Level percent, open	Level percent, open	Level percent, open	Level percent, open
Payroll growth rate for amortization	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Remaining amortization period	30 years	30 years	30 years	30 years	30 years	30 years
Actuarial assumptions:						
Interest rate	8.25%	8.25%	8.25%	8.25%	4.50% (assuming no prefunding)	4.50% (assuming no prefunding)
Salary range	5.45%	5.45%	5.45%	5.74%	N/A	N/A
Cost-of-living adjustments	1.80%	1.80%	1.80%	1.80%	N/A	N/A

For medical benefits, the healthcare cost trend rate assumption initially is at 9.5% or 10.5% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after eleven years. For prescription drug benefits, the initial healthcare cost trend rate assumption is 11.5%, decreasing to a 5.0% long-term trend rate after fourteen years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 6.5% for two years, with a long-term trend rate of 5.0% thereafter.

(3) Investments

Pension funds' investments as of June 30, 2008 are as follows:

Cash management funds	$ 4,952,448,560
Domestic equities	25,106,793,738
International equities	14,889,912,348
Domestic fixed income	20,276,259,245
International fixed income	2,913,035,116
Commodity funds	975,518,400
Police and Fireman's mortgages	1,288,049,378
Private equity	2,850,167,142
Real estate	1,916,228,663
Absolute return strategy funds	3,739,013,571
U.S. government and agency obligations	650,196,787
Other fixed income securities	21,789,935
Other	2,176,370,835
	$ 81,755,783,718

New Jersey state statute provides for a State Investment Council (Council) and a Director. Investment authority is vested in the Director of the Division of Investment and the role of the Council is to formulate investment policies. The Council issues regulations which establish guidelines for permissible investments which include domestic and international equities and exchange traded funds, covered call and put options, equity futures contracts, obligations of the U.S. Treasury, government agencies, corporations, finance companies and banks, obligations of international corporations, governments and agencies, interest rate swap transactions, fixed income exchange traded funds, U.S. Treasury futures contracts, New Jersey State and Municipal general obligations, public authority revenue obligations, collateralized notes and mortgages, commercial paper, certificates of deposit, repurchase agreements, bankers acceptances, guaranteed income contracts, funding agreements, money market funds, private equity, real estate, other real assets and absolute return strategy funds and the State of New Jersey Cash Management Fund (CMF). The CMF is a short-term cash fund and is open to state and certain non-state participants.

The pension funds' investment in the Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by the pension funds.

The Division's investments are subject to various risks. Among these risks are custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Each one of these risks is discussed in more detail below.

Custodial credit risk, as it relates to investments, is the risk that in the event of the failure of the counterparty to a transaction, the pension funds will not be able to recover the value of investment or collateral securities that are in the possession of the third party. The pension funds' investment securities are not exposed to custodial credit risk as they are held in segregated trust accounts in the name of the pension funds with the custodians.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is evaluated by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corporation (S&P), and Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in United States treasury and government agency obligations. Council regulations require minimum credit ratings for certain categories of fixed income obligations held directly by the pension funds and limit the amount that can be invested in any one issuer or issue.

(Continued)

These limits were as follows:

Category	Minimum rating[1] Moody's	S&P	Fitch	Limitation of issuer's outstanding debt	Limitation of issue	Other limitations
Corporate obligations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in one corporation
U.S. finance company debt and bank debentures	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in one corporation
International corporate obligations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in any one issuer with maturities exceeding 12 months; not more than 10% of fund assets can be invested in this category
International government and agency obligations	Aa3	AA-	AA-	25%	Greater of 25% or $10 million	Not more than 1% of fund assets can be invested in any one issuer
Collateralized notes and mortgages	Baa3	BBB-	BBB-	—	25%	Not more than 5% of fund assets can be invested in any one issue; not more than 10% of fund assets (or 20% of Fund B assets) can be invested in this category
Commercial paper	P-1	A-1	F1	—	—	—
Certificates of deposit and Banker's acceptances:						Certificates of deposit and banker's acceptances cannot exceed 10% of issuer's primary capital
Domestic	A3/P-1	A-/A-1	A-/F1	—	—	
International	Aa3/P-1	AA-/A-1	AA-/F1	—	—	
Guaranteed income contracts and funding agreements	A3	A-	A-	—	—	—
Money market funds	—	—	—	—	—	Not more than 10% of fund assets can be invested in money market funds; limited to 5% of shares or units outstanding

(1) Short term ratings (e.g. P-1, A-1, F-1) are used for commercial paper and certificates of deposit.

Category	Minimum rating[1] Moody's	S&P	Fitch	Limitation of issuer's outstanding debt	Limitation of issue	Other limitations
Interest rate swap transactions	A3	A-	A-	—	—	Notional value of net exposure to any one counterparty shall not exceed 10% of fund assets
Repurchase agreements	Aa3	AA-	AA-	—	—	—
NJ state & municipal obligations	A3	A-	A-	10%	10%	Not more than 10% of fund assets can be invested in debt of any one political entity maturing more than 12 months from purchase
Public authority revenue obligations	A3	A-	A-	—	10%	Not more than 2% of fund assets can be invested in any one public authority
Mortgage backed pass-through securities	A3	A-	A-	—	—	Not more than 5% of fund assets can be invested in any one issue
Mortgage backed senior debt securities	—	—	—	—	25%	Not more than 5% of fund assets can be invested in any one issue

(1) Short term ratings (e.g. P-1, A-1, F-1) are used for commercial paper and certificates of deposit.

Effective August 20, 2007, up to 5% of the market value of the combined assets of the pension and annuity funds may be invested in corporate obligations, finance company debt, bank debentures, international corporate obligations, collateralized notes and mortgages and mortgage backed pass-through securities that do not meet the minimum credit rating requirements set forth above; prior to that, the limitation was 5% of the market value of Common Fund B.

For securities in the fixed income portfolio, the following table discloses aggregate market value, by major credit quality rating category at June 30, 2008:

(In thousands)	Moody's rating Aaa	Aa	A	Baa	Ba	B	Caa	P-1
United States Treasury TIPS	$ 3,573,893	—	—	—	—	—	—	—
United States Treasury Bonds	4,069,460	—	—	—	—	—	—	—
United States Treasury Strips	622,327	—	—	—	—	—	—	—
Title XI Merchant Marine Notes	2,646	—	—	—	—	—	—	—
United States Government Agency	155,151	64	—	—	—	—	—	—
Federal Home Loan Bank Notes and Bonds	120,820	—	—	—	—	—	—	—
Federal Home Loan Discounted Bonds	6,670	—	—	—	—	—	—	—
Floating Rate Notes	28,070	—	—	—	—	—	—	—
Tennessee Valley Authority Strips	166,919	—	—	—	—	—	—	—
Domestic Corporate Obligations	665,754	695,161	3,071,511	2,681,620	91,431	41,970	84,813	—
Domestic Corporate Discounted Obligations	105,177	—	4,879	—	—	—	—	—
International Corporate Obligations	—	—	205,817	193,352	—	—	—	—
Real Estate Investment Trust Obligations	—	—	—	19,391	—	—	—	—
Finance Company Debt	385,235	476,076	744,296	268,772	—	86,584	64,347	—
Foreign Government Obligations	1,077,186	150,700	—	—	—	—	—	—
Foreign Government Discount Obligations	879,287	—	—	—	—	—	—	—
Adjustable Rate Municipal Bonds	31,000	135,665	135,000	—	—	—	—	—
International Bonds and Notes	298,755	20,274	67,775	19,889	—	—	—	—
Remic/FHLMC	546,377	—	—	—	—	—	—	—
Remic/FNMA	50,343	—	—	—	—	—	—	—
SBA Pass-through Certificates	100,373	—	—	—	—	—	—	—
GNMA Mortgage Backed Certificates	148,306	—	—	—	—	—	—	—
FHLM Mortgage Backed Certificates	440,058	—	—	—	—	—	—	—
FNMA Mortgage Backed Certificates	448,589	—	—	—	—	—	—	—
Asset Backed Obligations	63,791	119,057	—	139,267	—	—	—	—
Private Export Obligations	85,742	—	—	—	—	—	—	—
Exchange Traded Securities	—	—	131,820	—	—	4,700	—	—
Commercial Paper	—	—	—	—	—	—	—	1,304
Other	12,642	3,676	1,859	(329)	111	—	—	1,126
	$ 14,084,571	1,600,673	4,362,957	3,321,962	91,542	133,254	149,160	2,430

The 2008 table does not include certain exchange traded funds (ETFs) totaling $39,805,000 which invest in an underlying portfolio of fixed income securities and do not have a Moody's rating. The table also does not include other fixed income securities totaling $12,450,000, Police and Firemen's Mortgages totaling $1,288,049,378 and the Cash Management fund totaling $4,952,448,560 which are not rated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Commercial paper must mature within 270 days. Certificates of deposits and bankers acceptances are limited to a term of one year or less. The maturity requirement for repurchase agreements is 30 days effective September 5, 2006. The investment in guaranteed income contracts and funding agreements is limited to a term of 10 years or less.

The following table summarizes the maturities (or, in the case of Remics, Police and Firemen's Mortgages and mortgage-backed securities, the expected average life) of the fixed income portfolio at June 30, 2008:

(In thousands)

Fixed income investment type	Total market value	Maturities in years: Less than 1	1-5	6-10	More than 10	Unknown
United States Treasury TIPS	$ 3,573,893	—	—	369,231	3,204,662	—
United States Treasury Bonds	4,069,460	5,048	111,079	9,823	3,943,510	—
United States Treasury Strips	622,327	—	—	—	622,327	—
Title XI Merchant Marine Notes	2,646	—	—	—	2,646	—
United States Government Agency	156,305	3,218	57,691	7,637	87,759	—
Federal Home Loan Bank Notes and Bonds	120,820	—	—	38,492	82,328	—
Federal Home Loan Discounted Bonds	6,670	—	—	—	6,670	—
Floating Rate Notes	28,071	—	18,071	10,000	—	—
Tennessee Valley Authority Strips	166,919	—	—	—	166,919	—
Domestic Corporate Obligations	7,343,345	20,061	868,875	1,829,739	4,624,642	28
Domestic Corporate Discounted Obligations	110,056	—	8,234	—	101,822	—
International Corporate Obligations	399,169	—	—	69,560	329,609	—
Real Estate Investment Trust Obligations	19,391	—	19,391	—	—	—
Finance Company Debt	2,025,311	154,379	183,305	989,819	697,808	—
Foreign Government Obligations	1,227,887	70,477	230,400	45,001	882,009	—
Foreign Government Discount Obligations	879,287	879,287	—	—	—	—
Adjustable Rate Municipal Bonds	301,665	—	—	—	301,665	—
International Bonds and Notes	406,693	—	25,795	196,102	184,796	—
Remic/FHLMC	546,377	—	—	19,647	526,730	—
Remic/FNMA	50,343	—	—	—	50,343	—
SBA Pass-through Certificates	100,373	—	—	100,373	—	—
Police and Firemen's Mortgages	1,288,049	—	—	—	1,288,049	—
GNMA Mortgage Backed Certificates	148,306	—	—	—	148,306	—
FHLM Mortgage Backed Certificates	440,058	6	181	1,820	438,051	—
FNMA Mortgage Backed Certificates	448,589	339	2,146	11,959	434,145	—
Asset Backed Obligations	322,115	—	31,144	14,594	276,377	—
Private Export Obligations	85,743	12,547	21,219	51,977	—	—
Commercial Paper	1,335	1,335	—	—	—	—
Other	19,326	7,656	(1,679)	5,755	4,613	2,981
	$ 24,910,529	1,154,353	1,575,852	3,771,529	18,405,786	3,009

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The pension funds invest in global markets. Effective August 20, 2007, the market value of international preferred and common stocks and issues convertible into common stocks, when combined with the market value of international government and agency obligations, cannot exceed 30% of the market value of the pensions funds; previously, this limitation was 22%. Effective September 5, 2006, the market value of emerging market securities cannot exceed more than 1.5 times the percentage derived by dividing the total market capitalization of companies included in the Morgan Stanley Capital International (MSCI) Emerging Market Index by the total market capitalization of the companies included in the MSCI All-Country World Ex-United States Index of the total market value of the assets held by Common Fund D. Prior to September 5, 2006, not more than 5% of the value of the assets held by Common Fund D can be invested in companies incorporated in emerging market countries. Not more than 10% of the market value of the emerging market securities can be invested in the common and preferred stock of any one corporation; the total amount of stock purchased of any one corporation cannot exceed 5% of its stock classes eligible to vote. Council regulations permit the pension funds to enter into foreign exchange contracts for the purpose of hedging the international portfolio. The pension funds held forward contracts totaling approximately $1.4 billion (with a $5.3 million net exposure) at June 30, 2008. The pension funds had the following foreign currency exposure (expressed in U.S. dollars and in thousands):

Currency		Total market value	Equities	Foreign government obligations	Alternative investments
Australian dollar	$	618,264	460,515	157,749	—
Brazilian Real		121,149	121,149	—	—
Canadian dollar		552,494	552,494	—	—
Chilean peso		1,286	1,286	—	—
Czech koruna		6,625	6,625	—	—
Danish krone		207,470	207,470	—	—
Euro		7,036,599	5,883,062	1,005,136	148,401
Egyptian pound		20,462	20,462	—	—
Hong Kong dollar		264,960	264,960	—	—
Hungarian forint		8,249	8,249	—	—
Indonesian rupiah		23,035	23,035	—	—
Israeli shekel		14,922	14,922	—	—
Japanese yen		2,842,201	1,962,914	879,287	—
Malaysian ringgit		18,596	18,596	—	—
Mexican peso		22,484	22,484	—	—
New Zealand dollar		18,221	18,221	—	—
Norwegian krone		454,745	454,745	—	—
Omani rial		1,991	1,991	—	—
Pakistan rupee		2,698	2,698	—	—
Philippines peso		1,106	1,106	—	—
Polish peso		11,356	11,356	—	—
Qatar rial		4,497	4,497	—	—
Singapore dollar		135,832	135,832	—	—
South African rand		71,193	71,193	—	—
South Korean won		112,115	112,115	—	—
Swedish krona		523,481	523,481	—	—
Swiss franc		1,472,524	1,472,524	—	—
New Taiwan dollar		15,173	15,173	—	—
Thailand baht		17,414	17,414	—	—
Turkish lira		28,502	28,502	—	—
British pound sterling		1,986,278	1,932,504	—	53,774
Other		24,002	24,002	—	—
	$	16,639,924	14,395,577	2,042,172	202,175

The pension funds' interests in alternative investments may contain elements of credit, currency and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition. Effective September 5, 2006, Council regulations require that not more than 18% of the market value of the pension funds can be invested in alternative investments, with the individual categories of real estate, real assets, private equity and absolute return strategy investments limited to 7%. On August 18, 2008 the overall limitation was revised to 28%. Not more than 5% of the market value of Common Fund E, plus outstanding commitments, may be committed to any one partnership or investment, without the prior written approval of the Council. The investments in Common Fund E cannot comprise more than 20% of any one investment manager's total assets.

(4) Securities Lending Collateral

The securities lending collateral is subject to various risks. Among these risks are credit risk, concentration of credit risk, and interest rate risk. Agreements with the lending agents require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue. These limits are consistent with Council regulations and internal policies for funds managed by the Division of Investment.

These limits were as follows:

Category	Minimum rating: Moody's	Minimum rating: S&P	Minimum rating: Fitch	Limitation of issuer's outstanding debt	Limitation of issue	Other limitations
Corporate obligations	Baa3	BBB-	BBB-	10%	25%	—
U.S. finance company debt and bank debentures	Baa3	BBB-	BBB-	10%	25%	—
Collateralized notes and mortgages	Baa3	BBB-	BBB-	—	25%	Limited to not more than 10% of the assets of the collateral portfolio
Commercial paper	P-1	A-1	F1	—	—	Dollar limits by issuer
Certificates of deposit/ Banker's acceptances:						Certificates of deposit and banker's acceptances' cannot exceed 10% of issuer's primary capital; dollar limits by issuer
Domestic	A3/P-1	A-/A-1	A-/F1	—	—	
International	Aa3/P-1	AA-/A-1	AA-/F1	—	—	
Guaranteed income contracts and funding agreements	A3	A-	A-	—	—	Limited to 5% of the assets of the collateral portfolio
Money market funds	—	—	—	—	—	Limited to 10% of the assets of the collateral portfolio; limited to approved money market funds

All investments in the collateral portfolio must mature or are to be redeemed within one year, except that up to 25% of the portfolio may be invested in eligible securities which mature within 25 months; provided, however, that the average maturity of all investments shall not exceed one year.

Maturities of corporate obligations, U.S. finance company debt, bank debentures, collateralized notes and mortgages, guaranteed income contracts, and funding agreements must be less than 25 months. Commercial paper maturities cannot exceed 270 days. Repurchase agreement maturities cannot exceed 30 days. Certificates of deposit and banker's acceptances must mature in one year or less.

The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies, collateralized notes and mortgages and corporate obligations meeting certain minimum rating criteria.

Total exposure to any individual issuer is limited, except for U.S. Treasury and Government agency obligations. For money market funds, the total amount of shares or units purchased or acquired of any money market fund shall not exceed 5% of the shares or units outstanding of said money market fund. For Collateralized notes and mortgages, not more than 2% and 5% of the assets of the collateral portfolio shall be invested in the obligations of any one issuer and issue, respectively. For Guaranteed income contracts and funding agreements, the total investment in any one issuer shall be limited to 2.5% of the collateral portfolio. The Division sets individual issuer limits for Commercial paper and Certificate of deposits. For Corporate obligations, U.S. finance company debt, Bank debentures and Bankers acceptances, exposure to any one issuer shall be limited to the following percentages of the collateral portfolio in accordance with the issuer's rating from Moody's: Aaa (4%), Aa (3%), A (2%), and Baa (1%).

For securities exposed to credit risk in the collateral portfolio, the following table discloses aggregate market value, by major credit quality rating category at June 30, 2008. In those cases where an issuer and/or security have both a long-term and short-term rating, the short-term rating is presented.

		Rating									
(In thousands)		Aaa/AAA	Aaa/AA	Aa/AAA	Aa/AA	Aa/A	A/A	AA/A	A/Baa	Baa/BBB	Not rated
Corporate obligations	$	711,148	269,317	224,455	2,835,773	570,502	1,796,638	9,988	142,151	139,676	—
Commercial paper		—	—	—	—	200,000	—	—	—	—	—
Certificates of deposit		—	—	—	608,740	753,645	—	—	—	—	—
Repurchase agreements		—	—	—	—	35,000	—	—	—	—	3,110,553
Asset backed securities		431,457	—	—	104,024	—	—	—	—	—	—
Money market funds		510,879	—	—	—	—	—	—	—	—	377,993
Cash		—	—	—	—	—	—	—	—	—	474
	$	1,653,484	269,317	224,455	3,548,537	1,559,147	1,796,638	9,988	142,151	139,676	3,489,020

The following table summarizes the maturities of the collateral portfolio at June 30, 2008.

(In thousands)		Total market value	Maturities: Less than one year	One year to 25 months
Corporate obligations	$	6,699,648	5,115,159	1,584,489
Commercial paper		200,000	200,000	—
Certificates of deposit		1,362,385	1,362,385	—
Repurchase agreements		3,145,553	3,145,553	—
Money market funds		888,872	888,872	—
Asset backed securities		535,481	535,481	—
	$	12,831,939	11,247,450	1,584,489

As of June 30, 2008, the pension funds had outstanding loaned investment securities with an aggregate market value of $12,580,839,859 and received cash collateral with an aggregate fair value of $12,793,553,099 and non-cash collateral of $70,403,098. In accordance with GASB accounting standards, the non-cash collateral is not reflected in the accompanying financial statements. There were no material violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries or prior-period losses during the year.

(5) 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 contributions include funding for basic retirement allowances, cost-of-living adjustments and non-contributory death benefits.

The State made a contribution of $11.96 million, excluding the State's contribution of non-contributory group insurance (NCGI) of $0.95 million, in fiscal year 2008. The amount contributed in fiscal year 2008 is equal to 44.68% of the actuarially determined amount.

Contribution Requirements – CPFPF

There are no active members in the CPFPF.

The State made a contribution of $0.52 million to satisfy the actuarially accrued liability in fiscal year 2008 based upon the July 1, 2006 actuarial valuation. The amount contributed in fiscal year 2008 is equal to 21.86% of the actuarially determined amount. The local contribution of $0.03 million represents the administrative fees billed to various locations in fiscal year 2008.

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 contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits. Members contribute at a uniform rate of 8.5% of base salary.

The State made a contribution of $128.03 million, excluding the State's contribution of NCGI of $5.48 million and others of $0.48 million, for fiscal year 2008. The amount contributed in fiscal year 2008 is equal to 50.64% of the actuarially determined amount.

Beginning with the July 1, 2007 valuation, Chapter 92, P.L. 2007 removed language from existing law that permits the State Treasurer to reduce the employer normal contributions and employee contributions needed to fund the PFRS when excess assets are available.

Contribution Requirements – POPF

There are no active members in the POPF. Accordingly, based on actuarial valuation, there is no normal cost or accrued liability contribution required by employers for fiscal year 2008.

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 became 5.5% of annual compensation, effective July 1, 2007 for most PERS state employees and effective July 1, 2008 for PERS local employees, based on Chapter 103, P.L. 2007. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) is 7.5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits.

Chapter 103, P.L. 2007 also provided that for members hired on or after July 1, 2007, the amount of compensation used for employer and member contributions and benefits under the PERS cannot exceed the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act.

Chapter 108, P.L. 2003 provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by the PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008.

The State made a contribution of $206.31 million, excluding the State's contribution of NCGI of $27.73 million, early retirement incentives (ERI) of $41.88 million, and others of $3.97 million, for fiscal year 2008. The amount contributed in fiscal year 2008 is equal to 38.89% of the actuarially determined amount.

Beginning with the July 1, 2007 valuation, Chapter 92, P.L. 2007 removed language from existing law that permits the State Treasurer to reduce the employer normal contributions and employee contributions needed to fund the PERS when excess assets are available.

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 contributions include funding for basic retirement allowances, cost-of-living adjustments and non-contributory death benefits.

The State made a contribution of $34.92 million, excluding the State's contribution of NCGI of $1.53 million and others of $0.06 million, for fiscal year 2008. The amount contributed in fiscal year 2008 is equal to 45.04% of the actuarially determined amount.

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. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007 based on Chapter 103, P.L. 2007. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits.

Chapter 103, P.L. 2007 also provided that for members hired on or after July 1, 2007, the amount of compensation used for employer and member contributions and benefits under the TPAF cannot exceed the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act.

The State made a contribution of $664.40 million, excluding the State's contribution of NCGI of $31.48 million, ERI of $0.99 million, and others of $4.71 million, for fiscal year 2008. The amount contributed in fiscal year 2008 is equal to 42.85% of the actuarially determined amount.

Beginning with the July 1, 2007 valuation, Chapter 92, P.L. 2007 removed language from existing law that permits the State Treasurer to reduce the employer normal contributions and employee contributions needed to fund the TPAF when excess assets are available.

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 CPF 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, 2008 was $403 thousand.

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

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

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

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

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

The State made a contribution of $1.43 billion, including administrative revenue of $3.22 million, for fiscal year 2008.

Chapter 103, P.L. 2007 implemented changes to SHBP and established an employee contribution of 1.5% of the employee's base salary for State employees, effective July 1, 2007.

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

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

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

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

Local employers made a contribution of $2.05 billion, including administrative revenue of $4.34 million, for fiscal year 2008.

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

Contribution Requirements – NJSEDCP

Participants may defer between 1% and 100% of their salary and less any 414(h) reductions or $15.5 thousand annually. Under the limited "catch-up" provision, a participant may be eligible to defer up to a maximum of twice the annual maximum in the three years immediately preceding the retirement age at which no reduction in benefits would be applicable. 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.

The State made a contribution of $2.0 million for fiscal year 2008.

Contribution Requirements – ABP

Members contribute a mandatory 5% of base or contractual salary that is tax deferred under the 414(h) provisions of the Internal Revenue code. Members are also permitted to make voluntary federal tax-deferred contributions under Internal Revenue Code Section 403(b). The State of New Jersey pays the employer contribution for all State and county employees participating in the plan. The employer contribution is based on 8% of base or contractual salary. The State of New Jersey is also responsible for the cost of non-contributory life insurance coverage and disability coverage for its plan members.

The State made a contribution of $136.82 million, excluding NCGI of $14.02 million and short-term disability of $4.62 million, for fiscal year 2008.

Contribution Requirements – PAF

The contribution requirements were established by N.J.S.A. 43:3B-4. The State of New Jersey is required to make an annual appropriation payment to fund the cost-of-living increases payable to retirees and beneficiaries of retired members in the CPFPF, POPF and CPF. Funding is on a pay-as-you-go basis.

The State made a contribution of $1.49 million for fiscal year 2008.

Contribution Requirements – DEP – State and Local

Contributions to pay for the premiums of participating employees in the Dental Expense Program Fund are collected from the State of New Jersey, local governmental and educational employers, active employees, and former and retired members who have elected to participate under the rules of COBRA. The cost of the premiums is shared by the State of New Jersey and active State employees. Former and retired employees who have chosen to participate under the rules of COBRA pay the full cost of the premium. The employers are billed for the full cost of coverage. The State of New Jersey provides contributions through State appropriations. These appropriations are distributed to the DEP on a biweekly and monthly basis. The active member share of the cost of premiums, which is included in the billing to the employers, is paid to the State on a biweekly and monthly basis. Members participating under COBRA remit their payments on a monthly basis. Retirees pay 100% of the overall dental cost.

The State made a contribution of $38.16 million, excluding administrative revenue of $0.01 million, for fiscal year 2008. The local contribution was $1.35 million for fiscal year 2008.

(6) Vesting and Benefits

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 JRS 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%

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 plus 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 CPFPF 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.

Chapter 4, P.L. 2001 provided 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 was 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension benefit would increase 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 PFRS 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, 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% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70% 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 death 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.

Chapter 130, P.L. 2003 provided early retirement incentive benefits to local employees.

Chapter 4, P.L. 2001 provided 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 was 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension benefit would increase 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 POPF 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 the 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 PERS provides retirement, death and disability benefits. 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 PERS. 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 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.

Chapter 353, P.L. 2001 provided 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 members' 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 was effective October 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 reduced 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.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1 percent for every year under age 60 to age 55 plus 3 percent for every year under age 55.

Vesting and Benefit Provisions – SPRS

The vesting and benefit provisions are set by N.J.S.A. 53:5A. The SPRS 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 TPAF provides retirement, death and disability benefits. 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 TPAF. 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.

Chapter 353, P.L. 2001 provided 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 members' 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 was effective October 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 reduced 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.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1 percent for every year under age 60 to age 55 plus 3 percent for every year under age 55.

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.

(Continued)

Vesting and Benefit Provisions – NJSEDCP

Assets in the Plan are held in trust for the exclusive benefit of Plan members and their beneficiaries in accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." 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.

Benefit Provisions – ABPLTD

Members who are totally disabled due to an occupational or nonoccupational 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.

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

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

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

The Program provides free coverage to members of PERS, TPAF and ABP who retire from a board of education or county college with 25 years of service or on a disability retirement. Partially funded benefits are also provided to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Also, local employees are eligible for the PDP coverage after 60 days of employment.

Vesting and Benefit Provisions – ABP

ABP provides retirement benefits, disability benefits, and group life insurance benefits to eligible participants. Retirement benefits are payable upon separation from service with no age or service requirements. However, distributions under age 55 are limited to employee contributions and accumulations. The remaining employer's contributions and earnings are available for distribution upon attaining age 55. Participants are immediately vested if the participant has an existing retirement account containing employer and employee contributions based on employment in public education, or is an active or vested member of a federal or state retirement system.

(Continued)

Benefit Provisions – PAF

The Pension Adjustment Program covers eligible retirees and survivors of CPFPF, POPF and CPF. Eligible retirees and/or survivors are those who have been retired at least 24 months.

Those eligible for 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 after 24 months of retirement.

Chapter 4, P.L. 2001 provided increased benefits to certain members of the Consolidated Police and Firemen’s Pension Fund who retired prior to December 29, 1989 with at least 25 years of creditable service. The benefit increase is effective November 1, 2001. The maximum amount of the increase was 5% of the retiree’s final compensation. For those with 30 or more years of service, the total pension benefit would increase from 65% to 70% of final compensation.

As a result of this legislation, cost-of-living benefits payable to eligible retirees also increased. The State, not the local municipalities, is responsible for these costs.

Benefit Provisions – DEP – State and Local

The Program provides coverage to employees and their eligible dependents for dental services performed by a qualified dentist. Employees are eligible for coverage after 60 days of employment.

(7) Funds

The Funds maintain the following legally required funds as follows (amounts indicated in parenthesis represent net assets held in trust for the respective fund as indicated):

Members’ Annuity Savings Fund – JRS ($35,055,427); TPAF ($7,986,454,125); PERS ($9,192,154,747); PFRS ($2,819,646,914); SPRS ($169,942,630)

The Members’ Annuity Savings Fund is credited with all contributions made by active members of the Funds. Member withdrawals are paid out of this Fund.

Contingent Reserve Fund – JRS ($158,142,736); TPAF ($-3,211,185,452); PERS ($-1,567,146,929); SPRS ($1,220,150,489)

The Contingent Reserve Fund is credited with the contributions of contributing employers. Interest earnings, after crediting the Accumulative Interest Fund, Retirement Reserve Fund, and Special Reserve Fund, as required, are credited to this account. Additionally, payments for life insurance premiums and administrative expenses are made from this Fund.

Retirement Reserve Fund – JRS ($156,797,627); TPAF ($27,416,178,909); PERS ($18,937,443,630); PFRS ($15,081,732,218); SPRS ($577,704,871)

The Retirement Reserve Fund is the account from which retirement benefits including cost-of-living adjustments 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 additional 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 (8.25% for fiscal year 2008) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund – POPF ($12,890,441)

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 earnings and gains from sales and maturities of investments are transferred and against which any losses from the sales of securities are applied. The maximum limit on the accumulation of this account is 1% of the market value of the investments allocated to the Funds, 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 ($124,036,495); PERS ($283,850,009)

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.

Non-Contributory Group Insurance Premium Fund – PERS – Local ($-32,892,997); PFRS – Local ($13,701,494)

The Non-Contributory Group Insurance Premium Fund represents the accumulation of employer group insurance contributions in excess of premiums disbursed to the insurance carrier since the inception of the non-contributory death benefit program plus reserves held by the insurance carrier. Members are eligible by statute for the non-contributory group insurance plan in the first year of membership. PERS-Local maintained a negative balance of $32,892,997 which represents a restricted asset.

Pension Accumulation Fund – PFRS ($3,146,137,229)

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

Pension Reserve Fund – CPFPF ($13,182,383)

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

Reserve Fund – Alternate Benefit – Long Term Disability ($1,487,907)

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

Benefit Enhancement Reserve Fund – TPAF ($0); PERS ($423,547,343)

The Benefit Enhancement Reserve Fund is a special reserve fund from which the 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.

Reserve Fund – SHBP – State (including PDP – State) ($17,387,040)

The State as the employer is attempting to deal with the rising cost of healthcare by implementing changes to cost sharing between employees and employers, by conversion of an indemnity plan to a managed care plan, and through the establishment of rates that are projected to recover anticipated claims and result in a positive balance.

Reserve Fund – SHBP – Local (including PDP – Local) ($683,804,112)

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

Various Reserve Fund net asset balances as of June 30, 2008 as described previously:

		Pension Trust Funds	Health Benefit Program Funds
Members’ Annuity Savings Fund	$	20,203,253,843	—
Contingent Reserve Fund		(3,400,039,156)	—
Retirement Reserve Fund		62,182,747,696	—
Special Reserve Fund		—	—
Contributory Group Insurance Premium Fund		407,886,504	—
Non-Contributory Group Insurance Premium Fund		(19,191,503)	—
Pension Accumulation Fund		3,146,137,229	—
Pension Reserve Fund		13,182,383	—
Reserve Fund		1,487,907	701,191,152
Benefit Enhancement Reserve Fund		423,547,343	—
Variable Accumulation Reserve Account (SACT/DCP)		2,147,564,630	—
Variable Benefits Reserve Account (SACT)		29,001,843	—
	$	85,135,578,719	701,191,152

(Continued)

(8) Subsequent Events

Significant Legislation

Chapter 89, P.L. 2008, effective November 1, 2008, increased TPAF and PERS retirement age. If a person becomes a member on or after November 1, 2008, that person must be at least 62 years of age in order to retire without a reduction in their retirement allowance.

Chapter 19, P.L. 2009, effective March 17, 2009 gives local PERS and PFRS employers the option to defer 50% of their contributions in fiscal year 2009 the normal and accrued liability and pay 50 percent of the certified amount as determined by the actuary or pay the full 100% certified amounts.

Investment Performance

Subsequent to the June 30, 2008 fiscal year end, global financial markets suffered significant declines in value attributable to significant strains on many of the world's largest financial institutions. These difficulties, which were caused by a combination of liquidity constraints and continued write downs of mortgage-related assets, have resulted in a global economic downturn that has negatively impacted the value of most financial assets.

The investment assets of the pension funds have also incurred a considerable decline in value since June 30, 2008 due to these unfavorable market conditions. As of December 31, 2008 the fair value of the portfolio declined by approximately 17.9% due to these factors. Readers of this financial statement should check the New Jersey Division of Investment's website for more current information about the market value of the pension funds' portfolio.

Schedule 1

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Funding Progress

(Unaudited - See accompanying independent auditors' report)

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, 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)
June 30, 2002		373,231,198	388,950,803	15,719,605	96.0		61,873,500	25.4
June 30, 2003		372,835,265	431,450,218	58,614,953	86.4		61,600,500	95.2
June 30, 2004		371,730,163	445,922,358	74,192,195	83.4		61,576,750	120.5
June 30, 2005		369,491,366	466,145,912	96,654,546	79.3		60,506,750	159.7
June 30, 2006		369,493,799	493,778,007	124,284,208	74.8		62,492,250	198.9
June 30, 2007		379,364,939	524,970,330	145,605,391	72.3		63,144,685	230.6
Consolidated Police and Firemen's Pension Fund (CPFPF)								
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
June 30, 2002		31,842,796	36,350,384	4,507,588	87.6		N/A	N/A
June 30, 2003		27,623,585	41,396,376	13,772,791	66.7		N/A	N/A
June 30, 2004		21,735,396	35,052,202	13,316,806	62.0		N/A	N/A
June 30, 2005		21,886,445	30,031,591	8,145,146	72.9		N/A	N/A
June 30, 2006		22,453,828	24,749,667	2,295,839	90.7		N/A	N/A
June 30, 2007		19,336,247	21,090,186	1,753,939	91.7		N/A	N/A
Police and Firemen's Retirement System (PFRS)								
State:								
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)
June 30, 2002		2,032,977,241	2,046,820,189	13,842,948	99.3		418,849,259	3.3
June 30, 2003		1,907,752,767	2,330,909,918	423,157,151	81.8		447,470,022	94.6
June 30, 2004		1,940,936,459	2,509,192,584	568,256,125	77.4		450,406,301	126.2
June 30, 2005		2,005,752,079	2,815,620,221	809,868,142	71.2		482,460,402	167.9
June 30, 2006		2,082,930,162	3,082,176,677	999,246,515	67.6		506,084,434	197.4
June 30, 2007		2,215,697,407	3,426,631,813	1,210,934,406	64.7		527,556,519	229.5
Local:								
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)
June 30, 2002		16,392,195,411	17,181,142,310	788,946,899	95.4		2,275,130,620	34.7
June 30, 2003		16,447,380,691	18,422,073,072	1,974,692,381	89.3		2,393,467,444	82.5
June 30, 2004		16,762,453,668	19,769,046,766	3,006,593,098	84.8		2,524,859,162	119.1
June 30, 2005		17,372,138,294	21,388,972,326	4,016,834,032	81.2		2,619,347,468	153.4
June 30, 2006		18,281,315,556	22,907,522,660	4,626,207,104	79.8		2,772,915,465	166.8
June 30, 2007		19,500,229,156	24,562,195,443	5,061,966,287	79.4		2,932,283,180	172.6

(Continued)

Schedule 1

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

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(Unaudited - See accompanying independent auditors' report)

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)
Prison Officers' Pension Fund (POPF)						
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
June 30, 2002	17,908,452	11,781,734	(6,126,718)	152.0	N/A	N/A
June 30, 2003	17,277,953	10,727,647	(6,550,306)	161.1	N/A	N/A
June 30, 2004	15,884,428	10,060,710	(5,823,718)	157.9	N/A	N/A
June 30, 2005	14,783,465	9,077,157	(5,706,308)	162.9	N/A	N/A
June 30, 2006	14,014,718	8,236,295	(5,778,423)	170.2	N/A	N/A
June 30, 2007	13,499,361	7,378,386	(6,120,975)	183.0	N/A	N/A
Public Employees' Retirement System (PERS)						
State:						
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)
June 30, 2002	11,073,156,965	10,760,557,483	(312,599,482)	102.9	3,511,151,199	(8.9)
June 30, 2003	10,829,953,189	11,942,299,170	1,112,345,981	90.7	3,576,118,300	31.1
June 30, 2004	10,693,508,592	12,620,379,435	1,926,870,843	84.7	3,751,765,096	51.4
June 30, 2005	10,631,348,826	13,432,528,883	2,801,180,057	79.1	4,028,028,170	69.5
June 30, 2006	10,668,645,162	14,797,684,446	4,129,039,284	72.1	4,253,564,219	97.1
June 30, 2007	11,024,255,608	16,028,875,601	5,004,619,993	68.8	4,434,933,181	112.8
Local:						
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)
June 30, 2002	16,503,081,054	14,929,334,103	(1,573,746,951)	110.5	5,534,322,805	(28.4)
June 30, 2003	16,406,284,200	15,887,012,746	(519,271,454)	103.3	5,811,726,702	(8.9)
June 30, 2004	16,414,022,003	17,077,938,057	663,916,054	96.1	6,140,413,756	10.8
June 30, 2005	16,482,040,944	18,341,857,304	1,859,816,360	89.9	6,416,265,644	29.0
June 30, 2006	16,699,827,172	20,273,979,840	3,574,152,668	82.4	6,730,309,209	53.1
June 30, 2007	17,690,520,507	21,764,214,593	4,073,694,086	81.3	6,983,534,635	58.3
State Police Retirement System (SPRS)						
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)
June 30, 2002	1,853,684,177	1,739,427,739	(114,256,438)	106.6	215,161,126	(53.1)
June 30, 2003	1,865,079,083	1,815,725,256	(49,353,827)	102.7	217,448,864	(22.7)
June 30, 2004	1,897,525,210	1,949,309,641	51,784,431	97.3	223,552,154	23.2
June 30, 2005	1,922,443,732	2,075,266,080	152,822,348	92.6	241,813,372	63.2
June 30, 2006	1,970,398,511	2,319,656,532	349,258,021	84.9	263,220,592	132.7
June 30, 2007	2,066,754,160	2,485,649,230	418,895,070	83.1	275,301,995	152.2
Teachers' Pension and Annuity Fund (TPAF)						
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)
June 30, 2002	35,148,246,433	35,146,591,842	(1,654,591)	100.0	7,348,993,141	—
June 30, 2003	34,651,825,932	37,383,732,882	2,731,906,950	92.7	7,702,854,159	35.5
June 30, 2004	34,633,790,549	40,447,690,339	5,813,899,790	85.6	8,047,272,269	72.2
June 30, 2005	34,789,389,875	43,967,927,299	9,178,537,424	79.1	8,454,072,109	108.6
June 30, 2006	35,531,294,790	46,539,868,653	11,008,573,863	76.3	8,748,623,186	125.8
June 30, 2007	36,714,578,745	49,161,247,363	12,446,668,618	74.7	9,077,628,813	137.1

(Continued)

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Funding Progress

(Unaudited - See accompanying independent auditors' report)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (overfunded) actuarial accrued liability (b – a)	Funded ratio (a / b)	Covered payroll * (c)	Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll * ((b – a) / c)
			Health Benefit Program-State			
June 30, 2006	$ —	21,587,100,000	21,587,100,000	—	N/A	N/A
June 30, 2007	—	18,417,000,000	18,417,000,000	—	N/A	N/A
			Health Benefit Program-Education-State			
June 30, 2006	—	36,471,900,000	36,471,900,000	—	N/A	N/A
June 30, 2007	—	32,232,500,000	32,232,500,000	—	N/A	N/A
			Total State			
June 30, 2006	—	58,059,000,000	58,059,000,000	—	N/A	N/A
June 30, 2007	—	50,649,500,000	50,649,500,000	—	N/A	N/A
			Health Benefit Program -Local			
June 30, 2006	—	10,774,600,000	10,774,600,000	—	N/A	N/A
June 30, 2007	—	9,096,600,000	9,096,600,000	—	N/A	N/A

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

(Continued)

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Funding Progress – Additional Actuarial Information

(Unaudited - See accompanying independent auditors' report)

Significant actuarial methods and assumptions used in the most recent 2007 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 percent, open	Level dollar, closed
Payroll growth rate for amortization	4.00%	—
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	2.00%
Salary range	5.45	N/A
Cost-of-living adjustments	1.80	N/A
Valuation date	June 30, 2007	June 30, 2007

	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, open	Level dollar, closed
Payroll growth rate for amortization	4.00%	—
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	5.00%
Salary range	7.20	N/A
Cost-of-living adjustments	1.80	N/A
Valuation date	June 30, 2007	June 30, 2007

	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, open	Level percent, open
Payroll growth rate for amortization	4.00%	4.00%
Remaining amortization period	30 years	30 years
Actuarial assumptions:		
Interest rate	8.25%	8.25%
Salary range	5.45	5.45
Cost-of-living adjustments	1.80	1.80
Valuation date	June 30, 2007	June 30, 2007

	TPAF
Actuarial cost method	Projected unit credit
Asset valuation method	5 year average of market value
Amortization method	Level percent, open
Payroll growth rate for amortization	4.00%
Remaining amortization period	30 years
Actuarial assumptions:	
Interest rate	8.25%
Salary range	5.74
Cost-of-living adjustments	1.80
Valuation date	June 30, 2007

(Continued)

Schedule 1

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Funding Progress – Additional Actuarial Information

(Unaudited - See accompanying independent auditors' report)

Significant actuarial methods and assumptions used in the most recent 2007 actuarial valuation include the following:

	Health Benefit Program Funds
Actuarial cost method	Projected unit credit
Asset valuation method	Market value
Amortization method	Level percent, open
Payroll growth rate for amortization	4.00%
Remaining amortization period	30 years
Actuarial assumptions:	
Interest rate	4.50% (assuming no prefunding)
Salary range	N/A
Cost-of-living adjustments	N/A
Valuation date	June 30, 2007

For medical benefits, the healthcare cost trend rate assumption initially is at 9.5% or 10.5% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after eleven years. For prescription drug benefits, the initial healthcare cost trend rate assumption is 11.5%, decreasing to a 5.0% long-term trend rate after fourteen years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 6.5% for two years, with a long-term trend rate of 5.0% thereafter.

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Employer Contributions

(Unaudited - See accompanying independent auditors' report)

	Annual required contribution	Employer contributions[(1)(4)]	Percentage contributed
Judicial Retirement System			
Year ended June 30:			
1999	$ 13,416,851	—	—%
2000	13,407,153	—	—
2001	12,816,557	—	—
2002	15,575,602	—	—
2003	16,913,237	8,467,287	50.1
2004	18,720,233	3,355,438	17.9
2005	22,525,773	6,162,076	27.4
2006	23,212,502	7,972,000	34.3
2007	25,174,191	13,355,587	53.1
2008	26,758,935	11,957,000	44.7
Consolidated Police and Firemen's Pension Fund			
Year ended June 30:			
1999	$ —	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	550,864	506,541	92.0
2003	3,550,445	2,713,914	76.4
2004	5,330,714	1,950,425	36.6
2005	14,329,212	7,046,000	49.2
2006	13,854,805	6,396,222	46.2
2007	8,474,210	1,783,902	21.1
2008	2,388,591	522,176	21.9

(Continued)

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Employer Contributions

(Unaudited - See accompanying independent auditors' report)

	Annual required contribution	Employer contributions[(1)(4)]	Percentage contributed
Police and Firemen's Retirement System			
Year ended June 30:			
State:			
1999	$ 93,920,617	23,730,087	25.3%
2000	98,974,449	60,521,749	61.1
2001	95,883,272	—	—
2002	103,580,989	—	—
2003	104,998,547	—	—
2004	118,297,232	22,215,429	18.8
2005	161,455,508	49,326,846	30.6
2006	200,902,193	73,541,000	36.6
2007	216,570,332	127,404,777	58.8
2008	252,836,330	135,324,000	53.5
Local:			
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
2003	259,969,532	364,850	0.1
2004	316,272,883	53,396,685	16.9
2005	355,229,715	132,740,650	37.4
2006	475,872,193	260,986,583	54.8
2007	584,645,679	422,743,218	72.3
2008	708,019,933	639,755,622	90.4

(Continued)

Schedule 2

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Employer Contributions

(Unaudited - See accompanying independent auditors’ report)

	Annual required contribution	Employer contributions[(1)(4)]	Percentage contributed
Prison Officers’ Pension Fund			
Year ended June 30:			
1999	$ —	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	—	—	N/A
2003	—	—	N/A
2004	—	—	N/A
2005	—	—	N/A
2006	—	—	N/A
2007	—	—	N/A
2008	—	—	N/A
Public Employees’ Retirement System[(2)]			
Year ended June 30:			
State:			
1999	$ 86,945,810	—	—%
2000	103,033,425	—	—
2001	85,078,620	—	—
2002	88,911,187	—	—
2003	44,636,619	—	—
2004	50,365,892	526,505	1.0
2005	115,017,395	463,342	0.4
2006	153,436,981	568,139	0.4
2007	379,946,338	215,629,964	56.8
2008	530,531,787	206,828,570	39.0
Local:			
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
2003	—	16,987,033	N/A
2004	—	20,882,718	N/A
2005	29,425,853	56,916,883	193.4
2006	102,618,135	141,498,069	137.9
2007	382,344,230	242,230,174	63.4
2008	543,884,432	382,819,987	70.4

(Continued)

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Employer Contributions

(Unaudited - See accompanying independent auditors' report)

		Annual required contribution	Employer contributions(1)(4)	Percentage contributed
State Police Retirement System				
Year ended June 30:				
1999	$	33,116,255	—	—%
2000		33,598,843	—	—
2001		35,341,259	—	—
2002		24,990,652	—	—
2003		29,449,164	—	—
2004		37,600,821	—	—
2005		37,943,519	187,909	0.5
2006		47,196,900	12,941,000	27.4
2007		56,502,006	29,875,748	52.9
2008		77,526,133	34,918,000	45.0
Teachers' Pension and Annuity Fund				
Year ended June 30:				
1999	$	314,671,482	258,816,649	82.2%
2000		368,904,564	—	—
2001		—	—	N/A
2002		—	—	N/A
2003		194,435,594	—	—
2004		686,284,850	—	—
2005		883,460,483	—	—
2006		1,177,674,055	94,226,363	8.0
2007		1,407,249,580	690,794,259	49.1
2008		1,550,503,835	695,275,811	44.8

(Continued)

Schedule 2

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Required Supplementary Information

Schedule of Employer Contributions

(Unaudited - See accompanying independent auditors' report)

	Annual required contribution[3]	Employer contributions	Percentage contributed
Health Benefit Program-State			
Year ended June 30, 2007	$ 1,880,600,000	404,415,000	21.5%
Year ended June 30, 2008	1,554,300,000	391,448,000	25.2%
Health Benefit Program-Education-State			
Year ended June 30, 2007	3,067,400,000	659,405,000	21.5%
Year ended June 30, 2008	2,692,700,000	678,152,000	25.2%
Total State			
Year ended June 30, 2007	4,948,000,000	1,063,820,000	21.5%
Year ended June 30, 2008	4,247,000,000	1,069,600,000	25.2%
Health Benefit Program-Local			
Year ended June 30, 2007	892,200,000	185,536,000	20.8%
Year ended June 30, 2008	748,100,000	179,900,000	24.0%

Notes to schedule:

(1) In accordance with Chapter 115, P.L. 1997, available excess valuation assets were used to cover, in full or in part, the employer pension contributions. In fiscal year 2004, only PFRS – State and SPRS were able to utilize excess assets to cover, in full or in part, the employer contributions. In fiscal year 2005, only SPRS had excess assets available to utilize. In fiscal year 2006, no excess assets were available to be utilized toward State contributions. On the local side, excess assets were utilized to cover, in full or in part, the employer contributions for PERS through fiscal year 2004 and for PFRS through fiscal year 2003.

(2) The local employer pension contributions to PERS from 1999 to 2004 represent the required contributions under the early retirement incentive programs.

(3) The annual required contribution reflects a 30-year, 4.0% annual increasing amortization of the unfunded actuarial accrued liability. Based on expected benefit payments plus retiree drug subsidy for the applicable fiscal year end.

(4) Differences between the amounts in the employer contribution column in this schedule and the amounts recorded in the financial statements and footnotes are attributed to timing differences between the 2007 actuarial valuations and the actual amounts received in fiscal year 2008. Employer contributions per this schedule represent anticipated contribution amounts determined at the time the actuarial valuations were prepared and finalized prior to the end of fiscal year 2008. The financial statements and footnotes reflect the actual amounts received in 2008.

Schedule 3

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Administrative Expenses

Year ended June 30, 2008

		PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	NJSEDCP	Total
Personnel services:										
Salaries and wages	$	10,256,172	5,212,472	1,767,644	8,435	4,480	127,009	91,731	177,229	17,645,172
Employee benefits		3,385,987	1,720,853	583,569	3,299	1,494	41,931	30,379	58,707	5,826,219
Total personnel services		13,642,159	6,933,325	2,351,213	11,734	5,974	168,940	122,110	235,936	23,471,391
Professional services:										
Actuarial services (1)		525,565	137,066	392,455	2,491	787	28,019	4,457	—	1,090,840
Data processing		1,600,532	813,434	275,851	1,629	543	19,820	3,258	15,904	2,730,971
Information systems		2,161,278	3,187,598	1,511,778	812	937	68,581	36,104	7,878	6,974,966
Other professional (2)		161,573	87,428	31,392	161	54	2,348	321	170,000	453,277
Medical reviews (exams/hearings) (1)		552,328	95,549	221,287	—	—	7,104	—	—	876,268
Elections (1)		38,573	—	66,589	—	—	—	—	—	105,162
Internal audit and legal		627,832	319,081	108,207	638	213	7,775	1,278	—	1,065,024
Total professional services		5,667,681	4,640,156	2,607,559	5,731	2,534	133,647	45,418	193,782	13,296,508
Communication:										
Travel		4,466	11,464	4,066	2	—	242	3	176	20,419
Telephone		133,210	67,701	22,959	136	45	1,650	271	2,800	228,772
Postage		564,054	286,669	97,214	574	191	6,984	1,149	1,000	957,835
Motor pool		19,669	9,996	3,390	20	7	243	40	—	33,365
Printing and office		285,862	142,488	46,764	276	92	3,389	576	—	479,447
Total communication		1,007,261	518,318	174,393	1,008	335	12,508	2,039	3,976	1,719,838
Miscellaneous:										
Office space		1,578,691	1,802,334	1,272,085	1,607	536	219,550	43,214	22,002	4,940,019
Maintenance		56,027	28,474	9,656	57	19	694	114	—	95,041
Equipment		7,971	4,051	1,374	8	3	99	16	—	13,522
Other services and charges		5,762	2,928	993	6	2	71	12	—	9,774
Total miscellaneous		1,648,451	1,837,787	1,284,108	1,678	560	220,414	43,356	22,002	5,058,356
Total administrative expenses	$	21,965,552	13,929,586	6,417,273	20,151	9,403	535,509	212,923	455,696	43,546,093

(1) Consulting
(2) Portion of Consulting

Schedule 4

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Investment Expense

Year ended June 30, 2008

		PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	NJSEDCP	Total
Investment expense	$	6,290,687	3,211,403	1,086,873	12,297	2,375	77,190	12,297	246,860	10,939,982

Schedule 5

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Expenses for Consultants

Year ended June 30, 2008

	PERS	TPAF	PFRS	CPFPF	POPF	SPRS	JRS	NJSEDCP	Total
Actuarial:									
Buck Consultants	$ 525,565	—	392,455	2,491	787	28,019	4,457	—	953,774
Milliman	—	137,066	—	—	—	—	—	—	137,066
Medical reviews (exams/hearings)	552,328	95,549	221,287	—	—	7,104	—	—	876,268
Unemployment contract:									
TALX	33,383	16,966	5,748	—	—	413	68	—	56,578
Elections:									
Corporate marketing	38,573	—	66,589	—	—	—	—	—	105,162
Total expenses for consultants	$ 1,149,849	249,581	686,079	2,491	787	35,536	4,525	—	2,128,848

Schedule 6

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Pension Trust Funds	Health Benefits Program Funds	Total
Assets:			
Cash and cash equivalents	$ 7,877,870	529,012	8,406,882
Securities lending collateral	12,832,412,674	—	12,832,412,674
Investments, at fair value:			
Cash Management Fund	3,906,926,476	1,008,182,030	4,915,108,506
Bonds	62,477,112	—	62,477,112
Common Pension Fund A	24,279,753,734	—	24,279,753,734
Common Pension Fund B	20,943,480,578	—	20,943,480,578
Common Pension Fund D	17,913,335,593	—	17,913,335,593
Common Pension Fund E	10,122,858,651	—	10,122,858,651
Common and preferred stocks	148,360,200	—	148,360,200
Mortgages	1,453,484,081	—	1,453,484,081
U.S. government obligations	587,719,678	—	587,719,678
Domestic equities	1,108,910,500	—	1,108,910,500
International equities	161,165,096	—	161,165,096
Other fixed income securities	21,789,935	—	21,789,935
Total investments	80,710,261,634	1,008,182,030	81,718,443,664
Receivables:			
Contributions:			
Members	209,991,276	1,099,166	211,090,442
Employers	3,019,951,726	100,351,857	3,120,303,583
Accrued interest and dividends	780,901,373	—	780,901,373
Members' loans	993,049,417	—	993,049,417
Other	29,632,292	2,023,825	31,656,117
Total receivables	5,033,526,084	103,474,848	5,137,000,932
Total assets	$ 98,584,078,262	1,112,185,890	99,696,264,152
Liabilities:			
Accounts payable and accrued expenses	$ 67,878,779	410,994,738	478,873,517
Retirement benefits payable	532,856,157	—	532,856,157
Non-contributory group insurance premiums payable	14,692,004	—	14,692,004
Cash overdraft	659,929	—	659,929
Securities lending collateral and rebates payable	12,832,412,674	—	12,832,412,674
Total liabilities	13,448,499,543	410,994,738	13,859,494,281
Net assets held in trust for pension and health benefits	$ 85,135,578,719	701,191,152	85,836,769,871

Schedule 6A

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Fiduciary Net Assets
Pension Trust and Health Benefit Program Funds

June 30, 2008

	Alternate Benefit Long term Disability 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	Public Employees' Retirement System	State Police Retirement System	Supplemental Annuity Collective Trust	Teachers' Pension and Annuity Fund	Health Benefits Program Fund State	Health Benefits Program Fund Local	Total
Assets:														
Cash	$ —	36,880	163,325	—	48,642	791,490	256,584	3,234,492	221,398	455,628	2,669,431	327,229	201,783	8,406,882
Securities lending collateral	—	—	—	—	47,742,690	2,571,408,167	—	4,331,393,425	316,979,452	—	5,564,888,940	—	—	12,832,412,674
Investments, at fair value:														
Cash Management Fund	1,487,907	38,092	12,257,575	138,364,923	23,388,471	1,242,890,285	12,597,580	1,247,221,461	86,633,696	10,857,733	1,131,188,753	163,941,288	844,240,742	4,915,108,506
Bonds	—	—	—	—	—	—	—	37,487,274	—	—	24,989,838	—	—	62,477,112
Common Pension Fund A	—	—	—	—	62,502,550	5,189,485,230	—	7,700,330,505	555,724,322	—	10,771,711,127	—	—	24,279,753,734
Common Pension Fund B	—	—	—	—	81,483,985	4,015,078,949	—	7,192,937,262	528,351,151	—	9,125,629,231	—	—	20,943,480,578
Common Pension Fund D	—	—	—	—	88,419,093	4,371,754,129	—	5,632,458,523	453,379,769	—	7,367,324,079	—	—	17,913,335,593
Common Pension Fund E	—	—	—	—	91,239,979	2,973,633,951	—	3,371,839,578	304,366,616	—	3,381,778,527	—	—	10,122,858,651
Common and Preferred Stocks	—	—	—	—	—	—	—	—	—	148,360,200	—	—	—	148,360,200
Mortgages	—	—	254,095	—	1,749,194	1,335,611,829	169,055	51,055,130	3,103,415	—	61,541,363	—	—	1,453,484,081
U.S. government obligations	—	—	—	587,719,678	—	—	—	—	—	—	—	—	—	587,719,678
Domestic equities	—	—	—	1,108,910,500	—	—	—	—	—	—	—	—	—	1,108,910,500
International equities	—	—	—	161,165,096	—	—	—	—	—	—	—	—	—	161,165,096
Other fixed income securities	—	—	—	21,789,935	—	—	—	—	—	—	—	—	—	21,789,935
Total investments	1,487,907	38,092	12,511,670	2,017,950,132	348,783,272	19,128,454,373	12,766,635	25,233,329,733	1,931,558,969	159,217,933	31,864,162,918	163,941,288	844,240,742	81,718,443,664
Receivables:														
Contributions:														
Members	—	—	—	—	82,871	49,109,353	—	77,944,271	1,175,562	509,656	81,169,563	400,657	698,509	211,090,442
Employers	—	1,712	—	—	98,050	1,486,526,283	—	1,451,708,782	72,876	—	81,544,023	26,855,427	73,496,430	3,120,303,583
Accrued interest and dividends	—	12	1,498	1,868,133	2,773,756	159,844,392	—	260,338,191	19,013,452	229,741	336,832,198	—	—	780,901,373
Members' loans	—	—	—	—	1,269,831	336,952,249	—	428,260,732	26,187,472	—	200,379,133	—	—	993,049,417
Other	—	—	1,400,550	31,226	51,368	17,891,215	92,162	4,737,055	55,436	16,540	5,356,740	327,631	1,696,194	31,656,117
Total receivables	—	1,724	1,402,048	1,899,359	4,275,876	2,050,323,492	92,162	2,222,989,031	46,504,798	755,937	705,281,657	27,583,715	75,891,133	5,137,000,932
Total assets	$ 1,487,907	76,696	14,077,043	2,019,849,491	400,850,480	23,750,977,522	13,115,381	31,790,946,681	2,295,264,617	160,429,498	38,137,002,946	191,852,232	920,333,658	99,696,264,152
Liabilities:														
Accounts payable and accrued expenses	$ —	33,556	33,993	1,518,573	2,669	2,300,685	3,849	36,483,509	94,045	79,144	27,328,756	174,465,192	236,529,546	478,873,517
Retirement benefits payable	—	43,140	860,667	—	3,011,281	112,832,689	221,091	177,801,277	10,393,130	1,454,870	226,238,012	—	—	532,856,157
Non-contributory group insurance premiums payable	—	—	—	—	98,050	3,218,126	—	8,312,667	—	—	3,063,161	—	—	14,692,004
Cash overdraft	—	—	—	659,929	—	—	—	—	—	—	—	—	—	659,929
Securities lending collateral and rebates payable	—	—	—	—	47,742,690	2,571,408,167	—	4,331,393,425	316,979,452	—	5,564,888,940	—	—	12,832,412,674
Total liabilities	—	76,696	894,660	2,178,502	50,854,690	2,689,759,667	224,940	4,553,990,878	327,466,627	1,534,014	5,821,518,869	174,465,192	236,529,546	13,859,494,281
Net assets held in trust for pension and health benefits	$ 1,487,907	—	13,182,383	2,017,670,989	349,995,790	21,061,217,855	12,890,441	27,236,955,803	1,967,797,990	158,895,484	32,315,484,077	17,387,040	683,804,112	85,836,769,871

Schedule 7

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

		Pension Trust Funds	Health Benefits Program Funds	Total
Additions:				
Contributions:				
Members	$	1,815,600,509	199,319,910	2,014,920,419
Employers		2,453,187,235	3,479,317,116	5,932,504,351
Other		7,644,333	—	7,644,333
Total contributions		4,276,432,077	3,678,637,026	7,955,069,103
Investment income:				
Net appreciation (depreciation) in fair value of investments		(4,748,524,019)	20,747	(4,748,503,272)
Interest		2,289,816,611	43,365,909	2,333,182,520
Dividends		750,162,211	—	750,162,211
		(1,708,545,197)	43,386,656	(1,665,158,541)
Less: investment expense		10,939,982	—	10,939,982
Net investment income (loss)		(1,719,485,179)	43,386,656	(1,676,098,523)
Total additions		2,556,946,898	3,722,023,682	6,278,970,580
Deductions:				
Benefits		6,430,763,395	3,563,196,052	9,993,959,447
Refunds of contributions		141,829,202	—	141,829,202
Administrative and miscellaneous expenses		42,968,543	8,867,578	51,836,121
Total deductions		6,615,561,140	3,572,063,630	10,187,624,770
Net increase (decrease)		(4,058,614,242)	149,960,052	(3,908,654,190)
Net assets held in trust for pension and health benefits:				
Beginning of year		89,194,192,961	551,231,100	89,745,424,061
End of year	$	85,135,578,719	701,191,152	85,836,769,871

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes In Fiduciary Net Assets
Pension Trust and Health Benefit Program Funds

Year ended June 30, 2008

	Alternate Benefit Long term Disability 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	Public Employees' Retirement System	State Police Retirement System	Supplemental Annuity Collective Trust	Teachers' Pension and Annuity Fund	Health Benefits Program Fund State	Health Benefits Program Fund Local	Total
Additions:														
Contributions:														
Members	$ —	—	—	185,234,570	1,825,726	310,259,367	—	705,903,439	18,306,246	8,271,028	585,800,133	121,702,318	77,617,592	2,014,920,419
Employers	2,000,000	403,163	550,881	—	12,913,986	886,871,720	—	812,356,103	36,506,782	—	701,584,600	1,427,661,308	2,051,655,808	5,932,504,351
Other	—	24,690	6,515,308	—	—	—	1,104,335	—	—	—	—	—	—	7,644,333
Total contributions	2,000,000	427,853	7,066,189	185,234,570	14,739,712	1,197,131,087	1,104,335	1,518,259,542	54,813,028	8,271,028	1,287,384,733	1,549,363,626	2,129,273,400	7,955,069,103
Investment income:														
Net appreciation (depreciation) in fair value of investments	40	—	464	(192,302,803)	(14,752,713)	(1,073,518,805)	2,342	(1,321,131,720)	(108,474,420)	(22,067,459)	(2,016,278,945)	3,603	17,144	(4,748,503,272)
Interest	128,361	8,973	450,182	11,141,724	11,238,494	571,936,551	546,221	704,634,268	57,172,808	337,475	932,221,554	8,591,733	34,774,176	2,333,182,520
Dividends	—	—	—	11,165,631	2,257,571	163,456,978	—	231,079,450	17,269,049	4,041,832	320,891,700	—	—	750,162,211
	128,401	8,973	450,646	(169,995,448)	(1,256,648)	(338,125,276)	548,563	(385,418,002)	(34,032,563)	(17,688,152)	(763,165,691)	8,595,336	34,791,320	(1,665,158,541)
Less: investment expense	—	—	12,297	246,860	12,297	1,086,873	2,375	6,290,687	77,190	—	3,211,403	—	—	10,939,982
Net investment income (loss)	128,401	8,973	438,349	(170,242,308)	(1,268,945)	(339,212,149)	546,188	(391,708,689)	(34,109,753)	(17,688,152)	(766,377,094)	8,595,336	34,791,320	(1,676,098,523)
Total additions	2,128,401	436,826	7,504,538	14,992,262	13,470,767	857,918,938	1,650,523	1,126,550,853	20,703,275	(9,417,124)	521,007,639	1,557,958,962	2,164,064,720	6,278,970,580
Deductions:														
Benefits	2,554,019	415,032	10,398,599	65,013,841	35,602,960	1,353,109,000	2,250,040	2,149,381,072	121,438,077	12,918,042	2,677,682,713	1,506,738,235	2,056,457,817	9,993,959,447
Refunds of contributions	—	21,794	—	—	9,642	7,294,112	—	93,590,971	196,139	—	40,716,544	—	—	141,829,202
Administrative and miscellaneous expenses	—	—	20,151	455,696	212,923	6,281,676	9,403	21,669,271	531,983	—	13,787,440	3,547,031	5,320,547	51,836,121
Total deductions	2,554,019	436,826	10,418,750	65,469,537	35,825,525	1,366,684,788	2,259,443	2,264,641,314	122,166,199	12,918,042	2,732,186,697	1,510,285,266	2,061,778,364	10,187,624,770
Net increase (decrease)	(425,618)	—	(2,914,212)	(50,477,275)	(22,354,758)	(508,765,850)	(608,920)	(1,138,090,461)	(101,462,924)	(22,335,166)	(2,211,179,058)	47,673,696	102,286,356	(3,908,654,190)
Net assets held in trust for pension and health benefits:														
Beginning of year	1,913,525	—	16,096,595	2,068,148,264	372,350,548	21,569,983,705	13,499,361	28,375,046,264	2,069,260,914	181,230,650	34,526,663,135	(30,286,656)	581,517,756	89,745,424,061
End of year	$ 1,487,907	—	13,182,383	2,017,670,989	349,995,790	21,061,217,855	12,890,441	27,236,955,803	1,967,797,990	158,895,484	32,315,484,077	17,387,040	683,804,112	85,836,769,871

Schedule 8

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Balance Sheet Information
Fiduciary Funds – Agency Funds

June 30, 2008

		Alternate Benefit Program Fund	Pension Adjustment Fund	Dental Expense Program Fund	Total Agency Funds
Assets:					
Cash and cash equivalents	$	355,364	664,256	—	1,019,620
Investments, at fair value:					
Cash Management Fund		7,083,286	3,202,059	27,054,709	37,340,054
Total investments		7,083,286	3,202,059	27,054,709	37,340,054
Receivables:					
State related employer contributions		—	1,374,460	—	1,374,460
Other contributions		30,418,863	31,143	1,153,157	31,603,163
Total receivables		30,418,863	1,405,603	1,153,157	32,977,623
Total assets	$	37,857,513	5,271,918	28,207,866	71,337,297
Liabilities:					
Accounts payable and accrued expenses	$	34,174,495	—	27,800,248	61,974,743
Cash overdraft		—	—	407,618	407,618
Assets held for local contributing employers		—	3,427,362	—	3,427,362
Pension adjustment payroll payable		—	591,835	—	591,835
Due to State of New Jersey		3,683,018	388,251	—	4,071,269
Due to other funds		—	864,470	—	864,470
Total liabilities	$	37,857,513	5,271,918	28,207,866	71,337,297

Schedule 9

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Schedule of Changes in Fiduciary Net Assets Information
Agency Funds

Year ended June 30, 2008

		Alternate Benefit Program Fund	Pension Adjustment Fund	Dental Expense Program Fund	Total Agency Funds
Additions:					
Contributions:					
Members	$	889,420	—	70,172,381	71,061,801
Employers		155,463,314	7,484,334	39,520,265	202,467,913
Total contributions		156,352,734	7,484,334	109,692,646	273,529,714
Investment income:					
Net appreciation in fair value of investments		98	72	477	647
Interest		250,097	297,041	1,066,815	1,613,953
Total investment income		250,195	297,113	1,067,292	1,614,600
Total additions		156,602,929	7,781,447	110,759,938	275,144,314
Deductions:					
Benefits		152,925,082	7,627,561	101,998,871	262,551,514
Refunds of contributions and to the general fund		3,677,847	153,886	8,761,067	12,592,800
Total deductions		156,602,929	7,781,447	110,759,938	275,144,314
Change in net assets		—	—	—	—
Net assets – Beginning of year		—	—	—	—
Net assets – End of year	$	—	—	—	—

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Fiduciary Net Assets Information
Health Benefit Program Fund State

June 30, 2008

		Health Benefits Program Fund State	Prescription Drug Program Fund State	PERS Post-Retirement Medical Fund	Total Health Benefits Program Fund State
Assets:					
Cash	$	275,378	51,851	—	327,229
Investments, at fair value:					
Cash Management Fund		124,802,880	39,138,408	—	163,941,288
Total investments		124,802,880	39,138,408	—	163,941,288
Receivables:					
Contributions:					
Members		376,588	24,069	—	400,657
Employers		26,498,897	356,530	—	26,855,427
Other		327,631	—	—	327,631
Total receivables		27,203,116	380,599	—	27,583,715
Total assets	$	152,281,374	39,570,858	—	191,852,232
Liabilities:					
Accounts payable and accrued expenses	$	167,965,267	6,499,925	—	174,465,192
Total liabilities		167,965,267	6,499,925	—	174,465,192
Net assets held in trust for health benefits	$	(15,683,893)	33,070,933	—	17,387,040

Schedule 11

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes In Fiduciary Net Assets Information
Health Benefits Program Fund State

Year ended June 30, 2008

	Health Benefits Program Fund State	Prescription Drug Program Fund State	PERS Post-Retirement Medical Fund	Total Health Benefits Program Fund State
Additions:				
Contributions:				
Members	$ 120,038,700	1,663,618	—	121,702,318
Employers	1,164,086,765	264,695,213	(1,120,670)	1,427,661,308
Total contributions	1,284,125,465	266,358,831	(1,120,670)	1,549,363,626
Investment income:				
Net appreciation in fair value of investments	2,613	990	—	3,603
Interest	6,819,919	1,771,814	—	8,591,733
Net investment income	6,822,532	1,772,804	—	8,595,336
Total additions	1,290,947,997	268,131,635	(1,120,670)	1,557,958,962
Deductions:				
Benefits	1,259,848,902	246,889,333	—	1,506,738,235
Administrative expenses	3,547,031	—	—	3,547,031
Total deductions	1,263,395,933	246,889,333	—	1,510,285,266
Net increase (decrease)	27,552,064	21,242,302	(1,120,670)	47,673,696
Net assets held in trust for health benefits:				
Beginning of year	(43,235,957)	11,828,631	1,120,670	(30,286,656)
End of year	$ (15,683,893)	33,070,933	—	17,387,040

Schedule 12

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Fiduciary Net Assets Information
Health Benefits Program Fund Local

June 30, 2008

	Health Benefits Program Fund Local	Prescription Drug Program Fund Local	Total Health Benefits Program Fund Local
Assets:			
Cash	$ 196,144	5,639	201,783
Investments, at fair value:			
Cash Management Fund	808,174,085	36,066,657	844,240,742
Total investments	808,174,085	36,066,657	844,240,742
Receivables:			
Contributions:			
Members	691,974	6,535	698,509
Employers	67,767,042	5,729,388	73,496,430
Other	230,889	1,465,305	1,696,194
Total receivables	68,689,905	7,201,228	75,891,133
Total assets	$ 877,060,134	43,273,524	920,333,658
Liabilities:			
Accounts payable and accrued expenses	$ 234,629,546	1,900,000	236,529,546
Total liabilities	234,629,546	1,900,000	236,529,546
Net assets held in trust for health benefits	$ 642,430,588	41,373,524	683,804,112

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets Information
Health Benefit Program Fund-Local

Year ended June 30, 2008

	Health Benefits Program Fund Local	Prescription Drug Program Fund Local	TPAF Post-Retirement Medical Fund	Total Health Benefits Program Fund Local
Additions:				
Contributions:				
Members	$ 77,106,173	511,419	—	77,617,592
Employers	1,969,828,429	82,278,409	(451,030)	2,051,655,808
Total contributions	2,046,934,602	82,789,828	(451,030)	2,129,273,400
Investment income:				
Net appreciation in fair value of investments	16,897	247	—	17,144
Interest	34,331,223	442,953	—	34,774,176
Net investment income	34,348,120	443,200	—	34,791,320
Total additions	2,081,282,722	83,233,028	(451,030)	2,164,064,720
Deductions:				
Benefits	1,978,971,865	77,485,952	—	2,056,457,817
Administrative expenses	5,320,547	—	—	5,320,547
Total deductions	1,984,292,412	77,485,952	—	2,061,778,364
Net increase (decrease)	96,990,310	5,747,076	(451,030)	102,286,356
Net assets held in trust for health benefits:				
Beginning of year	545,440,278	35,626,448	451,030	581,517,756
End of year	$ 642,430,588	41,373,524	—	683,804,112

Schedule 14

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Balance Sheet Information
Agency Fund - Dental Expense Program

June 30, 2008

		State	Local	Total Agency Fund - Dental Expense Program
Assets:				
Investments, at fair value:				
Cash Management Fund	$	24,105,517	2,949,192	27,054,709
Total investments		24,105,517	2,949,192	27,054,709
Receivables:				
Contributions		1,208,287	(55,130)	1,153,157
Total receivables		1,208,287	(55,130)	1,153,157
Total assets	$	25,313,804	2,894,062	28,207,866
Liabilities:				
Accounts payable and accrued expenses	$	25,118,657	2,681,591	27,800,248
Cash overdraft		195,147	212,471	407,618
Total liabilities	$	25,313,804	2,894,062	28,207,866

Schedule 15

STATE OF NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS

Combining Schedule of Changes in Fiduciary Net Assets Information
Agency Fund - Dental Expense Program

Year ended June 30, 2008

		State	Local	Total Agency Fund - Dental Expense Program
Additions:				
Contributions:				
Members	$	45,797,867	24,374,514	70,172,381
Employers		38,165,776	1,354,489	39,520,265
Total contributions		83,963,643	25,729,003	109,692,646
Investment income:				
Net depreciation in fair value of investments		453	24	477
Interest		1,013,474	53,341	1,066,815
Total investment income		1,013,927	53,365	1,067,292
Total additions		84,977,570	25,782,368	110,759,938
Deductions:				
Benefits		78,563,457	23,435,414	101,998,871
Refunds of contributions and to the general fund		6,414,113	2,346,954	8,761,067
Total deductions		84,977,570	25,782,368	110,759,938
Change in net assets		—	—	—
Net assets – Beginning of year		—	—	—
Net assets – End of year	$	—	—	—