

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

— a component unit of the State of New Jersey

46th COMPREHENSIVE ANNUAL FINANCIAL REPORT *For the Fiscal Year Ended June 30, 2001*

Donald T. DiFrancesco
Acting Governor

Peter R. Lawrance
Acting State Treasurer

Thomas P. Bryan
Director



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

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

PERS Public Employees' Retirement System

TPAF Teachers' Pension and Annuity Fund

PFRS Police and Firemen's Retirement System

SPRS State Police Retirement System

JRS Judicial Retirement System

ABP Alternate Benefit Program

POPF Prison Officers' Pension Fund

CPFPF Consolidated Police and Firemen's Pension Fund

NJSEDCP NJ State Employees Deferred Compensation Plan

SACT Supplemental Annuity Collective Trust

CPF Central Pension Fund

PAF Pension Adjustment Fund

UCTDSE Unemployment Compensation and Temporary Disability for State Employees

SHBP State Health Benefits Program

PDP Prescription Drug Plan

SEDP State Employee Dental Program

INDEPENDENT AUDITOR

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ACTUARIAL REPORTS

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Jersey Division of
Pensions & Benefits

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

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



Thomas D. Chew
President

Jeffrey L. Esler
Executive Director



Donald T. DiFrancesco
Acting Governor



Peter R. Lawrance
Acting State Treasurer



Thomas P. Bryan
*Director, Division of
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Letter of Transmittal

December 2001

To the Honorable

Donald T. DiFrancesco, Acting Governor
Peter R. Lawrance, Acting State Treasurer
Members of the State Legislature
Members of the Boards of Trustees

On behalf of the Division of Pensions and Benefits, I am pleased to submit the 46th Comprehensive Annual Financial Report of the New Jersey state-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2001. The management of the Division of Pensions and Benefits (the Division) is responsible for the accuracy of the data and the completeness and fairness of the presentation. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner to present fairly the financial position and results of the Division operations.

STRUCTURE OF THE REPORT

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

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



LETTER OF TRANSMITTAL

letters and information regarding the actuarial assumptions and methods used to determine the contribution requirements of the retirement Pension Trust Funds.

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

THE REPORTING ENTITY

The Division was established in 1955 as the Division of Pensions to provide all administration of the state pension funds except investment. The Division changed its name to the Division of Pensions and Benefits in 1992 to more accurately reflect its roles and responsibilities beyond the realm of pensions. Currently, the Division administers the second largest non-federal public benefits program in the nation consisting of nine separate retirement systems, three supplemental retirement savings programs, a health benefits program for employees, retirees, and family members, and several other employee benefit programs. Over 685,000 members enjoy the benefits of the various pension systems administered by the Division and over 730,000 lives are covered in the State Health Benefits Program (SHBP). In addition to the state, over 1,688 local governmental employers participate in the retirement systems and over 906 local governmental employers participate in the SHBP.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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

MAJOR INITIATIVES

Strategic Business Planning — Employees from throughout the Division devoted considerable time and effort to the development of a five year strategic business plan. The plan, based on the Division's goals and objectives, consists of nineteen initiatives that will improve operations and customer service. We also conducted a major study of our information technology resources as an integral part of the strategic business plan. The recommendations of this study, led by an independent contractor, Gartner Consulting, charts the technological course of the Division for the next five years. Final adoption of the plan will be made in the next fiscal year and its implementation will begin shortly thereafter.

Service Developments — The main reception area, board room, and client walk-in services were relocated to the first floor to improve access and to make room for expansion of the telecommunications unit on the third floor. A dozen counselors were hired and trained and were ready to start handling client calls at the end of the fiscal year. Responsibility for the several separate defined contribution plans was consolidated into one unit to increase the visibility of those plans and streamline their administration. The National Association of Government Deferred Compensation Administrators recognized the Division for the second consecutive year with its Leadership Recognition Award. This award was for administrative excellence in reducing fees by 20% to eight basis points, one of the lowest in the nation. Finally, the Division eliminated the sending of check stubs to retirees with electronic fund transfer except for year-end and whenever the member's allowance changed. This resulted in an annual savings of approximately \$300,000. Retirees who misplace their check stubs can also now obtain information on their allowances and deductions by telephone from our automated information system.

Changes to Pension Systems — Several changes were made to our pension systems this year. Chapter 127 consolidated responsibility for the determination of veterans status for all State and local programs to the Department of Military and Veterans Affairs (DMAVA). Procedures were coordinated with DMAVA and a smooth transition was made. The Division solicited and received legal advice that allowed us to report pension benefits



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for accidental disability retirees of all our defined benefit pension systems as non-taxable for federal income tax purposes. The Division established a Contributory Group Life Insurance Program for Judicial Retirement System members. Almost half of the eligible judges have enrolled in this program. Finally, several pieces of legislation making significant changes to the PERS and TPAF survivor options and benefit formula were enacted late in the year. Although they are not effective until next plan year, considerable work has already been performed to prepare for their implementation.

Developments in the State Health Benefits Program (SHBP) — The State Health Benefits Commission extended the service areas of two of our larger managed care plans, CIGNA and Aetna US Healthcare, to include other states where we have large retiree populations. Previously, retirees living outside of New Jersey could only select the Traditional (indemnity) Plan; now the majority of them have a managed care option. Administrative services contracts for our three self-insured HMOs were finalized with Aetna-US Healthcare, CIGNA, and Horizon Blue Cross Blue Shield of New Jersey. New contracts for administration of the Traditional Plan and NJ PLUS, effective in January 2002, were awarded to Horizon Blue Cross Blue Shield of New Jersey. Finally, the National Health Care Purchasing Institute recognized the SHBP for innovative purchasing practices. This award was for establishing performance guarantees with contracted HMOs that were linked to the annual report card issued by the Department of Health and Senior Services.

Development of a Long Term Care Program — The Division began development of a Long Term Care program for employees and retirees of the State and State colleges and universities and their family members. Prudential Insurance Company, winner of a contract awarded through the competitive bid process, will assist with the plan design. Prudential will then market and administer the resulting program to eligible employees, retirees, and family members. The development and marketing phase will extend to the end of the next fiscal year with an effective coverage date projected for July 1, 2002.

FINANCIAL INFORMATION

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

- The Pension Trust Funds include the eight defined benefit systems and the Supplemental Annuity Collective Trust administered by the Division. The principal purpose of these funds is to provide retirement benefits and death benefits to the members or beneficiaries.
- The Special Revenue Funds include the Health Benefits Program Fund-State, Dental Expense Program Fund and Prescription Drug Program Fund-State.
- The Expendable Trust Funds include the Alternate Benefit Long-term Disability Fund and the New Jersey State Employees Deferred Compensation Plan.
- The Enterprise Funds include the Health Benefits Program Fund-Local and Prescription Drug Program Fund-Local.

These additional funds, Special Revenue, Expendable Trust and Enterprise, mainly provide health benefits to participants, a §457 plan for state employees, and a long-term disability plan for members of the Alternate Benefit Program Fund.

- The Agency Funds include the Pension Adjustment Fund and the Alternate Benefit Program Fund. The



LETTER OF TRANSMITTAL

Pension Adjustment Fund provides cost of living adjustments to those retirees whose pension funds do not provide this feature, the Prison Officers' Pension Fund, the Consolidated Police and Firemen's Pension Fund, and the Central Pension Fund. The Alternate Benefit Program Fund reimburses higher education employers the 8% employer contribution made to the defined contribution plan on the behalf of higher education employees. It also provides death benefits and disability benefits to these program members.

Management is responsible for establishing and maintaining the accounting systems complete with internal controls so that the data presented is complete and fairly presents the financial position of the State of New Jersey, Division of Pensions and Benefits as of June 30, 2001. The funds have been independently audited by KPMG, LLP.

Additions:

SPECIAL REVENUE FUNDS REVENUES

	2001	2000	INCREASE	INCREASE PERCENTAGE
Member	\$ 87,163,245	NA	NA	NA
Employer	724,707,205	NA	NA	NA
Investment & Other	6,590,826	NA	NA	NA
Totals	\$ 818,461,276	NA	NA	NA

The Health Benefits Program Fund-State, Dental Expense Program Fund and Prescription Program Fund-State were reclassified to Special Revenue Funds from the Expendable Trust Funds.

PENSION TRUST FUNDS REVENUES

	2001	2000	(DECREASE) INCREASE AMOUNT	(DECREASE) INCREASE PERCENTAGE
Member	\$ 936,919,035	929,398,390	7,520,645	.81%
Employer	265,712,209	218,930,627	46,781,582	21.37%
Investment & Other	(7,822,647,212)	8,854,454,309	(16,667,101,521)	(188.35)%
Totals	\$ (6,620,015,968)	10,002,783,326	(16,613,167,609)	(166.17)%

Member revenue was up slightly due to normal salary increases. Employer net contributions increased mainly due to the increase in the Teachers' Pension and Annuity Fund Appropriations amount for the Post-retirement Medical Fund. Investment income decreased due to the drop in the rate of return on investments mainly due to the unrealized loss in equity investments.

EXPENDABLE TRUST REVENUES

	2001	2000	(DECREASE) INCREASE	(DECREASE) PERCENTAGE
Member	\$ 111,782,107	202,033,535	(90,251,428)	(44.6)%
Employer	1,250,000	1,377,438,232	(1,376,188,232)	(99.9)%
Investment & Other	(102,945,946)	111,888,110	(214,834,056)	(192.0)%
Totals	\$ 10,086,161	1,691,359,877	(1,681,273,716)	(99.4)%

Member and employer contributions decreased since the Health Benefit Funds were reclassified to Special Revenue Funds and Enterprise Funds.



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ENTERPRISE FUNDS REVENUES

		2001	2000	INCREASE	INCREASE PERCENTAGE
Member	\$	54,016,936	NA	NA	NA
Employer		918,328,713	NA	NA	NA
Investment & Other		8,639,480			
Totals	\$	980,985,129	NA	NA	NA

The Health Benefits Program Fund-Local and Prescription Program Fund-Local were reclassified from Expendable Trust Funds to Enterprise Funds.

AGENCY FUNDS ADDITIONS

		2001	2000	INCREASE AMOUNT	INCREASE PERCENTAGE
Member	\$	548,258	538,810	9,448	1.75%
Employer		114,031,453	108,770,219	5,261,234	4.84%
Investment & Other		1,200,345	1,143,703	56,642	4.95%
Totals	\$	115,780,056	110,452,732	5,327,324	4.82%

Member contributions were up due to an increase in 403B deferrals. The employer contributions for the Alternate Benefit Plan increased since salaries, on which contributions are based, increased. The amount invested in the Cash Management Fund increased causing the increase in investment income.

Deductions:

SPECIAL REVENUES FUNDS EXPENDITURES

		2001	2000	INCREASE	INCREASE PERCENTAGE
Benefits	\$	755,792,348	NA	NA	NA
Administrative Expenses		4,073,026	NA	NA	NA
Totals	\$	759,865,374	NA	NA	NA

The Health Benefits Program Fund-State, Dental Expense Program Fund and Prescription Program Fund-State were reclassified to Special Revenue Funds from the Expendable Trust Funds.

PENSION TRUST FUNDS EXPENDITURES

		2001	2000	INCREASE (DECREASE) AMOUNT	INCREASE (DECREASE) PERCENTAGE
Benefits	\$	3,614,947,762	3,260,123,583	354,824,179	10.88%
Refunds & Adjustments		277,884,638	156,188,410	121,696,228	77.92%
Administrative Expenses		27,275,887	35,305,145	(8,029,258)	(22.74)%
Totals	\$	3,920,108,287	3,451,617,138	468,491,149	13.57%

Benefits increased primarily because more members are receiving benefits from the pension plans. Refunds were up due to the reduction in employer receivables through the use of excess assets. Y2K testing was completed in the prior year leading the administrative expenses to decrease.



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EXPENDABLE TRUST EXPENDITURES

	2001	2000	(DECREASE) AMOUNT	(DECREASE) PERCENTAGE
Benefits	\$ 44,376,013	1,619,069,652	(1,574,693,639)	(97.2)%
Administrative Expenses	731,027	9,087,796	(8,356,769)	(91.9)%
Totals	\$ 45,107,040	1,628,157,448	(1,583,050,408)	(97.2)%

Benefits and administrative expense decreased due to the reclassification of all of the Health Benefit Funds to Special Revenue Funds and Enterprise Funds.

ENTERPRISE FUNDS EXPENDITURES

	2001	2000	INCREASE	INCREASE PERCENTAGE
Benefits	\$ 1,029,378,583	NA	NA	NA
Administrative Expenses	4,718,163	NA	NA	NA
Totals	\$ 1,034,096,746	NA	NA	NA

The Health Benefits Program Fund-Local and Prescription Fund-Local were reclassified from Expendable Trust Funds to Enterprise Funds.

AGENCY FUNDS DEDUCTIONS

	2001	2000	INCREASE AMOUNT	INCREASE PERCENTAGE
Benefits	\$ 112,643,962	107,956,603	4,687,359	4.34%

The 8% of salary contribution the State provides to the ABP members' retirement accounts increased due to salary increases.

Net Assets and Fund Balances:

	2001	2000	(DECREASE) AMOUNT	PERCENTAGE
Pension Trust Funds	\$ 74,947,915,211	85,488,039,466	(10,540,124,255)	(12.33)%
Expendable Trust Funds/Health Benefit Programs	1,175,726,836	1,205,263,430	(29,536,594)	(2.45)%
Totals	\$ 76,123,642,047	86,693,302,896	(10,569,660,849)	(12.19)%

The Pension Trust Funds' net assets and fund balances decreased due to the investment income unrealized loss in equity investments. The Expendable Trust Funds' decrease was attributable to the same reasons.

INVESTMENTS

The Division of Investment, Department of the Treasury has the responsibility for investing the assets of the programs administered by the Division of Pensions and Benefits. This is done under the jurisdiction of the State Investment Council. Investments are guided by the "prudent person rule". During FY 2001, investment returns on pension funds were (10.4) percent. When combined with the returns for previous years, the annualized returns over the past three and five-year periods were 5.2 percent and 11.8 percent, respectively.



LETTER OF TRANSMITTAL

FUNDING

Funding is the keystone of a good benefits system. A fully funded system that has assets sufficient to meet the disability and retirement benefits schedules of all its members is one that instills confidence and trust. I'm pleased to report that our benefits systems are in excellent financial condition. The liabilities of the actuarially based pension systems are 111.4 percent funded. Members and retirees can feel confident that the public retirement systems in New Jersey will meet their obligations now and in the future.

PROFESSIONAL SERVICES

The Division contracts with several professional organizations for advice and assistance in administering the programs for which it is responsible. The list of these organizations is found on page 76. The Office of the Attorney General provides all legal services required by the Division of Pensions and Benefits and the retirement system Boards of Trustees.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,



Thomas P. Bryan
Director



All in a year's work. . .

- There are **437,945 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,688 PARTICIPATING EMPLOYERS** in the combined retirement systems; 13 employers began participating this year.
- There are **474,373 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **50,585 MEMBER ACCOUNTS** were audited internally.
- A total of **188,147 RETIREES AND BENEFICIARIES RECEIVED MONTHLY PENSIONS** totaling in excess of **\$3.6 BILLION ANNUALLY**.
- **OVER 9,821 BENEFICIARY CLAIMS** were processed. Premiums in excess of \$169.5 million were paid to the insurance carrier on behalf of active and retired members.
- Over **2.4 MILLION TELEPHONE CALLS** were received in Client Services. Counselors handled over 243,000 calls; over 2.1 million calls were handled by our automated telephone systems.
- Over **11,100 PERSONAL INTERVIEWS** were conducted by pensions counselors.
- **352 RETIREMENT SEMINARS** were conducted for over 13,127 members.
- **17,572 SERVICE PURCHASE REQUESTS** were processed.
- Over **76,964 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- **There were 8,841 WITHDRAWALS** from the retirement systems.
- **13,294 MEMBERS RETIRED**.
- Over **122,843 PENSION LOANS** totalling **\$474,498,919** were processed.
- State and local membership in the State Health Benefits Program was **322,594 MEMBERS** with **731,719 LIVES COVERED**.
- A total of over **\$1.6 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers. 906 local employers elected to participate in the SHBP this year.

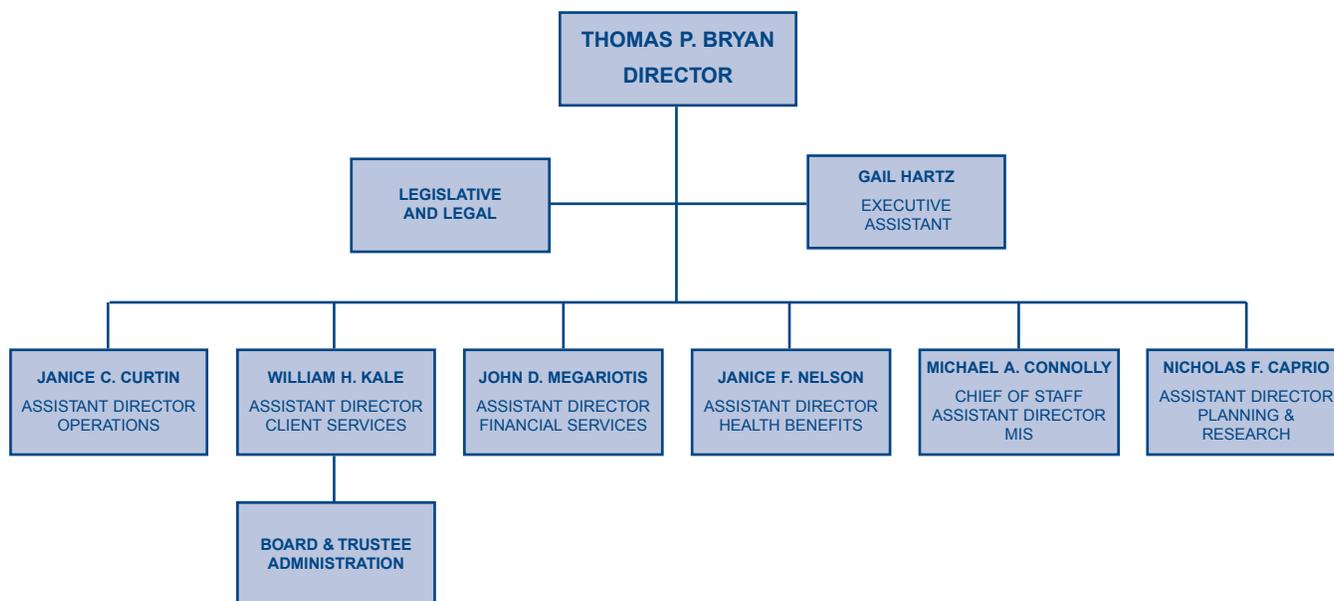
ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

Seated (*left to right*): Janice C. Curtin, Assistant Director, Operations
 Thomas P. Bryan, Director, Division of Pensions and Benefits
 Janice F. Nelson, Assistant Director, Health Benefits

Standing (*left to right*): William H. Kale, Assistant Director, Client Services
 Nicholas F. Caprio, Assistant Director, Planning and Research
 Gail Hartz, Executive Assistant
 John D. Megariotis, Assistant Director, Financial Services
 Michael A. Connolly, Chief of Staff and Assistant Director, MIS



ORGANIZATION



CHIEFS AND MANAGERS

Seated (left to right) Rita Partyka - Client Services, Regina Herz - Boards of Trustees, Janice Vasil - Operations, Sandra Horan - Enrollments and Purchases

Standing (left to right) David Pointer - Retirements, Florence Sheppard - Health Benefits, Charles Armenti - Financial, Leonard Leto - Health Benefits Policy and Planning, Virginia Martucci - Claims, Frank Corliss - MIS, John Prunetti - MIS

DIRECTOR

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

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

OFFICE OF OPERATIONS

The work of this office, overseen by an Assistant

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

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

OFFICE OF HEALTH BENEFITS

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



ORGANIZATION

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

OFFICE OF FINANCIAL SERVICES

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

The Office of Financial Services is charged with the custodianship of pension and health benefits assets. These assets are in excess of \$76 billion and include over 600,000 individual member accounts. These combined systems place the Division of Pensions and Benefits second among the top public pensions and benefits administrators in the nation. This office is responsible for the accounting functions necessary for the successful operations of the various pension funds, health benefits and agency funds, as well as the administration of the Pension Adjustment Program, the Supplemental Annuity Collective Trust, and Deferred Compensation Plan.

OFFICE OF CLIENT SERVICES

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

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

OFFICE OF MANAGEMENT INFORMATION AND SUPPORT SERVICES

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

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

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

OFFICE OF PLANNING AND RESEARCH

The Office of Planning and Research is located within the Director's Office and operates under the direction of an Assistant Director. It is responsible for providing a structured and consistent planning function for the Division. The focus of the office is the development of a multi-year strategic business plan for the Division that will establish priorities on a short-term and long-term basis, assist in the efficient allocation of resources, and provide benchmarks for measuring and evaluating the Division's performance. In addition, this office conducts research and provides management with recommendations to improve services.



ORGANIZATION

BOARDS AND COMMISSIONS

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

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

ACTUARIAL ADVISORS

The actuaries establish actuarial tables for the operation of the retirement systems, determine the annual appropriation required of participating employers and conduct annual examinations of the systems' financial actuarial position.

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

LEGAL ADVISOR

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

MEDICAL ADVISORS

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



ORGANIZATION — BOARDS OF TRUSTEES



PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Seated (l to r): George B. Babula, Gary A. Saage - *Chairperson*, Suzanna Buriani-DeSantis

Standing (l to r): Wendy Jamison - *Board Secretary*, Martin M. McElroy, Edward Thomson, III, Wayne Lodge, Edward G. Hanna, Janice Vasil - *Treasurer Representative*, Kim Smith - *Support Staff*

Absent: Susanne Culliton - *Deputy Attorney General*, Alan E. Davis



TEACHERS' PENSION AND ANNUITY FUND

Seated (l to r): James Clemente, Harry Baldwin - *Chairperson*, John Keeler

Standing (l to r): Kim Smith - *Support Staff*, Grace Haislip, Melinda Smith-Sopko - *Treasurer's Representative*, Marie Flynn, Deborah Rivosa, Susanne Culliton - *Deputy Attorney General*

Absent: Wendy Jamison - *Board Secretary*



POLICE AND FIREMEN'S RETIREMENT SYSTEM

Seated (l to r): Alan C. Levine, Peter J. VanEtten - *Chairperson*, Francine Kaplan - *Treasurer Representative*, Joseph Boucher

Standing (l to r): Gina A. Calogero, Douglas G. Hoffman, Mark Kandrac, Patrick Doherty, Marty Barrett, Frank Casey, Jackie Bussanich - *Support Staff*, Regina Herz - *Board Secretary*

Absent: Susanne Culliton - *Deputy Attorney General*, Kathleen P. Sweeney, John Sandella



ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Standing (l to r): Anthony Bartolotta - *Chairperson*,
Janice Vasil - *Treasurer Representative*,
Regina Herz - *Board Secretary*,
Captain Robert G. Rich

Absent: Lieutenant Colonel Barry Roberson



CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

Seated (l to r): Louis C. Fiocca, Jr., Nancy Naughton

Standing (l to r): Wendy Jamison - *Board Secretary*,
Kim Smith - *Support Staff*,
Janice Vasil - *Treasurer Representative*

Absent: Spencer H. Smith, Jr., - *Chairperson*,
Louis J. Risacher

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

Peter R. Lawrance, *Acting State Treasurer*
Karen L. Suter, *Commissioner of Banking & Insurance*
Charlene Holzbour, *Director & State Comptroller, Office of Management and Budget,*
Department of the Treasury

STATE HEALTH BENEFITS COMMISSION

Peter R. Lawrance, *Acting State Treasurer*
Karen L. Suter, *Commissioner of Banking & Insurance*
Janice Mitchell-Mintz, *Commissioner of Personnel*

DEFERRED COMPENSATION BOARD

Peter R. Lawrance, *Acting State Treasurer*
Karen L. Suter, *Commissioner of Banking & Insurance*
Charlene Holzbour, *Director & State Comptroller, Office of Management & Budget,*
Department of the Treasury



CHAPTER 126, PUBLIC LAW OF 2000

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

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

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

Section 42: Provides that, notwithstanding the provisions of P.L.1983, c.312, (N.J.S.A. 40A:4-45.19) to the contrary, any municipality that failed to print on a referendum ballot the amount of the cost increase for a PERS to PFRS transfer for police officers could apply to the Director of the Division of Local Government Services in the Department of Community Affairs for permission to include the 1999 budget year amount of

the pension appropriation representing the increase due to the switch as an increase in the cap base upon which final appropriations are based.

Section 44: Permits a county governing body to adopt and implement an early retirement incentive program, upon the approval of the Director of the Division of Local Government Services in the Department of Community Affairs. The County must abide by the provisions of P.L. 1999, c.59 except for entering into an interlocal services contract or joint services agreement with another local unit.

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

CHAPTER 127, PUBLIC LAW OF 2000

This law gives the Adjutant General of the Department of Military and Veterans' Affairs the responsibility for determining whether an individual meets the criteria to be considered a "veteran" or "disabled veteran" for the purpose of receiving a civil service preference; or as a "veteran" for the purpose of eligibility for a veteran's retirement allowance from the Teachers' Pension and Annuity Fund or the Public Employees' Retirement System, or for the purpose of purchasing military service credit in the Police and Firemen's Retirement System. The Adjutant General would also be responsible for all appeals of the above determinations.

The law also provides that the Adjutant General will adjudicate an appeal from any person disputing a decision of the assessor of a taxing district as to whether the person is to be considered a "veteran" for the purpose of receiving a property tax deduction or as having a "service-connected disability" for the purpose of receiving a property tax exemption.

The law requires the Adjutant General to promptly notify the public entity responsible for administering the relevant law of each determination. The determination will be binding on the public entity responsible for administering the law.

This law was approved on September 21, 2000 and was effective on March 1, 2001.

CHAPTER 166, PUBLIC LAW OF 2000

This law broadens the scope of the statute providing



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for continuation or resumption of membership in the Police and Firemen's Retirement System (PFRS) of certain public safety administrators and supervisors.

Previously, only a PFRS covered employee of a municipal police or fire department who, either immediately after or within six months of serving as a member of a municipal police or fire department, was appointed to a position with administrative or supervisory duties over police and firemen with that or any other PFRS-covered municipal police or fire department, was required to remain, or reenroll, as a member of PFRS, even though the new position was covered by a different retirement system. This law extends the requirement of continued PFRS membership to cover an employee of any law enforcement or firefighting unit who, within the sixth-month limitation period, is appointed to a position with administrative or supervisory duties over police officers or firefighters. The requirement would apply regardless of the governmental entity (State, county or municipality) that makes the appointment or that employed the person prior to the appointment.

This law was approved on December 15, 2000 and was retroactive to any person appointed on or after July 1, 1998.

CHAPTER 4, PUBLIC LAW OF 2001

This law is intended to establish pension benefit parity for public safety officers who were not impacted by the 5% increase in the "special retirement" allowance provided to Police and Firemen's Retirement System (PFRS) retirees by P.L.1989, c.204.

This law provides for an increase in the pension allowance payable to certain previously retired members of the Consolidated Police and Firemen's Pension Fund (CPFPPF), PFRS members who retired prior to December 29, 1989, the effective date of Chapter 204, and to certain past and prospective law enforcement officer (LEO) retirants under the Public Employees' Retirement System (PERS). To be eligible for the increase, a retirant from any of the specified retirement systems must have rendered at least 25 years of creditable service under the system.

The amount of the increase would be 5% of the reti-

rant's final compensation, or such lesser amount as would provide the retirant with a total pension of 70% of final compensation.

The State is liable for any increased cost to local government employers participating in CPFPPF as a result of the increase. For PFRS and PERS, the amount of the difference between the expected value and the full market value of the assets to be added to the expected value of the assets for the valuation period ending June 30, 1999 will include an additional amount of the market value of the assets sufficient to fund the unfunded accrued liability for the retirement allowances provided by the PFRS and PERS under this law.

This law was approved on January 16, 2001 and was effective on April 16, 2001.

CHAPTER 5, PUBLIC LAW OF 2001

This law revises New Jersey's "Administrative Procedure Act" (APA) to enhance access to the rule-making process. The provisions of the law include additional requirements for agencies involved in the rule-making process. These include the publication of a quarterly calendar of anticipated rule-making activities for the next six months, or in the absence of a calendar, a 60 day comment period instead of 30 days as well as a new "standard of clarity." The new law also requires four forms of notice of proposed rule-making, instead of two. These include a 30-day notice to the news media covering the State House Complex, an electronic notification through the Internet, publication in the New Jersey Register, and one additional means of notification such as an agency newsletter or direct mailing to interested parties.

This law was approved on January 16, 2001 and was effective on July 1, 2001.

CHAPTER 6, PUBLIC LAW OF 2001

This law allows a member of the Public Employees' Retirement System (PERS) or a member of the Teachers' Pension and Annuity Fund (TPAF) to transfer all service credit between the two retirement systems even though there was a period, not to exceed two years, of dual membership.



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Prior to this law, a transfer of service credit between PERS and TPAF was allowed only if there was no period of overlapping membership. If not vested, this law allows a two year window in which to make the transfer.

The law does not permit the transfer of the concurrent service. N.J.S.A.18A:66-15 (concerning TPAF) and N.J.S.A.43:15A-39 (concerning PERS) each provide that not more than one year shall be credited for all service in a calendar year.

This law was approved on January 16, 2001 and was effective immediately.

CHAPTER 44, PUBLIC LAW OF 2001

This law reduces by \$150 million the Police and Firemen's Retirement System (PFRS) normal contribution due to be paid by local government employers in April of 2001.

Under previous law, the 2001 PFRS normal contribution for local employers was approximately \$225 million. Very favorable investment returns on pension assets in recent years generated sufficient excess assets to eliminate normal contributions from those employers in 2002. This law allows for the recognition of additional surplus investment returns on pension assets to reduce local employer normal contributions in 2001. The law will reduce the April 2001 local government employer cost of approximately \$225 million by \$150 million. Savings realized by counties and municipalities as a result of the reduction will be required to be used for property tax relief.

This law was approved on March 29, 2001 and was effective immediately.

CHAPTER 74, PUBLIC LAW OF 2001

P.L.1997, c.205 enabled members of the Judicial Retirement System (JRS) to purchase optional contributory death benefit coverage. JRS members had one year from the effective date of that act to select such coverage. This law amends the statutes to give JRS members 90 days after the State House Commission approves any insurance contract or program for optional contributory death benefit coverage to select such coverage. This law also amends the statutes to provide

that the coverage may exceed one and one-half times the compensation received by the member in the last year of creditable service.

This law was approved on April 30, 2001 and was effective immediately.

CHAPTER 86, PUBLIC LAW OF 2001

This law extends the active death benefits provided in N.J.S.A.43:16A-9, as increased under P.L.1999, c.428, to a widow or widower, child or dependent parent, of a member of the Police and Firemen's Retirement System (PFRS) who died in active duty on or after January 1, 1998 and before January 18, 2000 (the effective date of P.L.1999, c.428). The law requires an eligible beneficiary to apply for the increased benefits within 90 days after the bill's enactment and to return to the system the member's aggregate contributions received under the law prior to P.L.1999, c.428. The benefits provided under the law will be prospective only, and not retroactive to the date of death of the member. The State will be liable for all costs to the retirement system attributable to this law.

This law was approved on May 8, 2001.

CHAPTER 120, PUBLIC LAW OF 2001

This law provides an additional option for payment of a retirement allowance to members of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS).

At the time of retirement, in lieu of a maximum retirement allowance providing the highest payment for the retiree's lifetime and no survivor benefit; TPAF and PERS members may choose to receive a reduced retirement and provide a beneficiary with a benefit under one of four existing options. Under Options 2, 3 and 4, if a beneficiary predeceases the retiree, the retiree's retirement allowance remains unchanged.

This law establishes a fifth option. Under this new option, a TPAF or PERS member may choose an actuarially reduced retirement allowance in order to provide a beneficiary an allowance equivalent to the full amount, three-quarters, one-half or one-quarter of the reduced allowance. If the beneficiary dies before the retiree, the retiree's allowance will increase to the maximum



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amount. The total benefit under this "pop-up survivor option" will be calculated and certified by the actuary to be of equivalent actuarial value to the member's maximum retirement allowance.

This law was approved on June 26, 2001 and was effective with July 1 retirants.

CHAPTER 127, PUBLIC LAW OF 2001

This law extends eligibility for certain veterans' benefits to veterans of the Lebanon Crisis of 1958.

Specifically, the law defines as a veteran any person who has served in Lebanon on or after July 1, 1958 or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuous or in the aggregate, of at least 14 days commencing on or before November 1, 1958 or the date of termination of that conflict, as proclaimed by the President of the United States or Congress, whichever date of termination is later, in such active service. Any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days' service provided by the law.

The inception and termination dates for the Lebanon Crisis in the law are those recognized by the United States Department of Defense for this operation.

The State shall be liable for any increased pension cost to local employers resulting from this law.

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

CHAPTER 128, PUBLIC LAW OF 2001

This law expands the definition of veteran in the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) to include persons who served in the armed forces of the United States in peace-keeping operations in Somalia and the Republic of Bosnia and Herzegovina.

The law defines as a veteran any person who served in:

1. Operation "Restore Hope" in Somalia, commencing on or after December 5, 1992, or the date of inception of that operation as proclaimed by the

President of the United States or the Congress, whichever date is earlier, and terminating on March 31, 1994, or the date of termination as proclaimed by the President of the United States or the Congress, whichever date is later, for at least 14 days, continuously or in the aggregate, in Somalia or on board any ship actively engaged in patrolling the territorial waters of that nation during the specified period; or

2. Operations "Joint Endeavor" and "Joint Guard" in the Republic of Bosnia and Herzegovina, commencing on or after November 20, 1995 or December 20, 1996, as the case may be, and terminating on December 20, 1996 or on such date as the United States Secretary of Defense may designate, as the case may be, who served in direct support of one or both of the operations for at least 14 days, continuously or in the aggregate, and was deployed in that nation or in another area in the region, or was on board a United States naval vessel operating in the Adriatic Sea, or operated in airspace above the Republic of Bosnia and Herzegovina.

Any person receiving an actual service-incurred injury or disability will be classed as a veteran whether or not that person completed the 14 days service requirement.

The State shall be liable for any increased pension cost to local employers resulting from this law.

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

CHAPTER 133, PUBLIC LAW OF 2001

This law increases the retirement benefits under the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) for service, deferred and early retirement by changing the formula from 1/70 to 1/64 of final compensation for each year of Class A service and from 1/60 to 1/55 of final compensation for each year of Class B service. The law also increases the retirement benefit for TPAF and PERS veteran members with 35 or more years of service and reduces the age qualification for this veteran retirement benefit from 60 to 55. The law further provides that existing retirees and beneficiaries whose retirant allowance is based on a service, deferred, early, or 35-



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year veteran retirement, would also receive a comparable percentage increase in their retirement allowances (9.09%).

This law also provides up to a 2% reduction in TPAF member contributions from the normal contribution rate of 5% beginning with calendar year 2002. After calendar year 2002, the rate of contribution will be reduced equally with employer normal contributions, but not by more than 2%, from excess valuation assets if the State Treasurer determines that excess valuation assets will be used to reduce normal contributions by the State. This change provides that future reductions in TPAF and PERS member contribution rates will be calculated in a similar fashion.

To fund the additional accrued liability for the increased benefits, the law provides that the actuarial value of assets for both TPAF and PERS, for the valuation period ending June 30, 1999, will be the full market value of the assets as of that date.

To fund the additional annual employer normal contribution for the increased benefits, the law establishes a

benefit enhancement fund for both TPAF and PERS which would be funded by excess valuation assets beginning with the valuation period ending June 30, 1999. The amount of excess assets credited to the fund cannot exceed the amount of member contributions for the fiscal year in which the normal contributions are payable. To prevent over funding, the amount of excess valuation assets that can be credited to the benefit enhancement fund is limited to the present value of the expected additional normal contributions for the increased benefits over the expected working lives of the active members for the valuation period. No additional excess valuation assets will be credited to the benefit enhancement fund after the maximum amount is attained. If the assets in the benefit enhancement fund are insufficient to pay the normal contribution for the increased benefits for a valuation period, the State will pay the amount of the normal contribution for both the State and local employers not covered by assets from the benefit enhancement fund.

This law was approved on June 29, 2001 and was effective on November 1, 2001.



SCOPE OF OPERATIONS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

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

TEACHERS' PENSION AND ANNUITY FUND (TPAF)

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

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

POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)

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

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

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

STATE POLICE RETIREMENT SYSTEM (SPRS)

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

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

JUDICIAL RETIREMENT SYSTEM (JRS)

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

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

ALTERNATE BENEFIT PROGRAM (ABP)

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

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



SCOPE OF OPERATIONS

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

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

PRISON OFFICERS’ PENSION FUND (POPF)

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

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

CONSOLIDATED POLICE AND FIREMEN’S PENSION FUND (CPFPF)

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

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

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN (NJSEDCP)

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

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

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

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

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

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

CENTRAL PENSION FUND (CPF)

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

PENSION ADJUSTMENT FUND (PAF)

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

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



SCOPE OF OPERATIONS

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

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

STATE HEALTH BENEFITS PROGRAM (SHBP)

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

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

PRESCRIPTION DRUG PLAN (PDP)

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

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

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

STATE EMPLOYEE DENTAL PROGRAM (SEDP)

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

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



MEMBERSHIP

ACTIVE MEMBERSHIP	RETIREMENT SYSTEM	2000	2001
	Public Employees' Retirement System	277,321*	287,699*
	Teachers' Pension & Annuity Fund	134,199*	139,631*
	Police & Firemen's Retirement System	43,331*	43,938*
	State Police Retirement System	2,623	2,690
	Judicial Retirement System	414	415
	Alternate Benefit Program	15,975	17,038
	Prison Officers' Pension Fund	0	0
	Consolidated Police & Firemen's Pension Fund	0	0
	Central Pension Fund	NA	NA
	TOTAL	473,863	491,411
<p><i>*Both the 2000 and 2001 figures represent the total number of Active and Inactive accounts.</i></p> <p><i>The 2001 Inactive (noncontributing) accounts are as follows:</i></p> <p><i>PERS Inactive — 39,302, TPAF Inactive — 12,301, PFRS Inactive — 1,832, SPRS Inactive — 31.</i></p>			
RETIRED MEMBERSHIP AND BENEFICIARIES	RETIREMENT SYSTEM	2000	2001
	Public Employees' Retirement System	101,032	105,016
	Teachers' Pension & Annuity Fund	51,191	53,784
	Police & Firemen's Retirement System	23,157	24,378
	State Police Retirement System	1,825	1,908
	Judicial Retirement System	355	366
	Alternate Benefit Program	NA	NA
	Prison Officers' Pension Fund	258	247
	Consolidated Police & Firemen's Pension Fund	1,500	1,361
	Central Pension Fund	382	367
	SACT	741	720
	TOTAL	180,441*	188,147
<p><i>*The number of retirees varies slightly from those reported in the Notes to the Financial Statements due to differences in the effective dates of said tabulations.</i></p>			
PARTICIPATION IN HEALTH BENEFITS PROGRAM	HEALTH PROGRAM	2000	2001
	State Health Benefits Program	303,280	322,594
	Prescription Drug Plan	118,360	124,258
	State Employee Dental Expense Plan	85,842	92,012



MEMBERSHIP

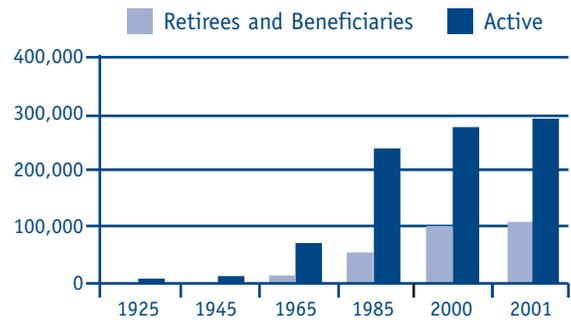
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

As of June 30, 2001, the active membership of the system totaled 287,699. There were 105,016 retirees and beneficiaries receiving annual pensions totaling \$1,033,479,125*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$84,426,058.

The system's assets totaled \$24,653,723,116 at the close of the fiscal year 2001.

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



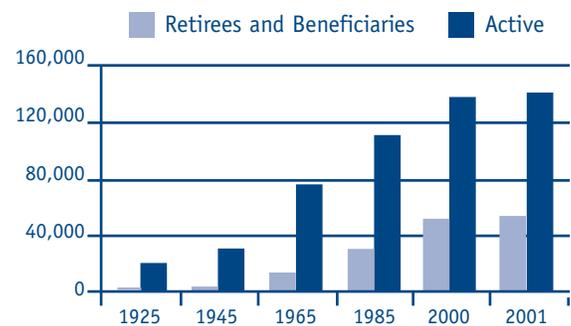
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2001, the active membership of the system totaled 139,631. There were 53,784 retirees and beneficiaries receiving annual pensions totaling \$1,275,079,809*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$55,091,487.

The system's assets totaled \$31,374,320,886 at the close of the fiscal year 2001.

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



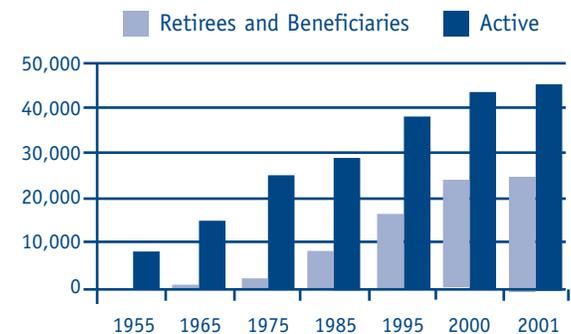
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2001, the active membership of the system totaled 43,938. There were 24,378 retirees and beneficiaries receiving annual pensions totaling \$744,929,147*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$21,493,715.

The system's assets totaled \$16,858,049,999 at the close of the fiscal year 2001.

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



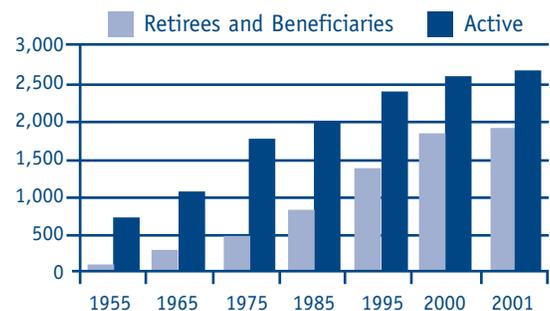
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2001, the active membership of the system totaled 2,690. There were 1,908 retirees and beneficiaries receiving annual pensions totaling \$68,447,794*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$820,454.

The system's assets totaled \$1,767,573,028 at the close of the fiscal year 2001.

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

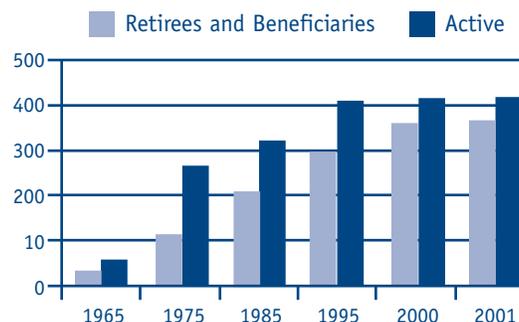


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2001, the active membership of the system totaled 415. There were 366 retirees and beneficiaries receiving annual pensions totaling \$22,198,504.

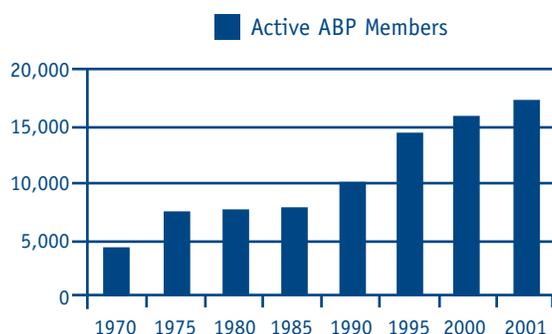
The system's assets totaled \$358,472,638 at the close of the fiscal year 2001.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2001, the State paid \$89,558,240 on behalf of 17,038 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$7,008,035 in lump sum death benefits.



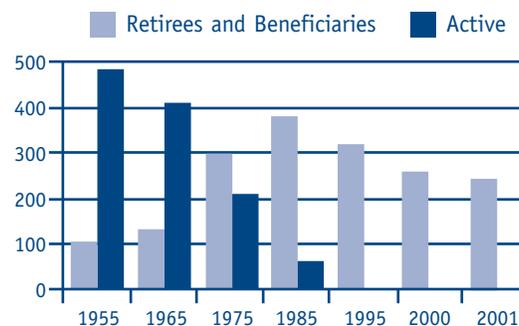
PRISON OFFICERS' PENSION FUND

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

This fund was closed to new membership in January 1960.

As of June 30, 2001, the active membership of the fund totaled zero. There were 247 retirees and beneficiaries receiving annual pensions totaling \$3,175,985.

The Fund's assets totaled \$18,560,945 at the close of the fiscal year 2001.

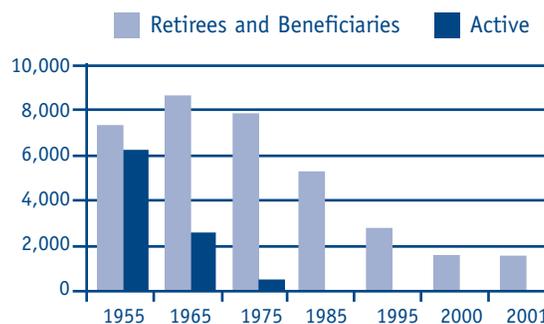


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

As of June 30, 2001, the active membership of the fund totaled zero. There were 1,361 retirees and beneficiaries receiving annual pensions totaling \$22,065,871.

The fund's assets totaled \$33,546,936 at the close of the fiscal year 2001.



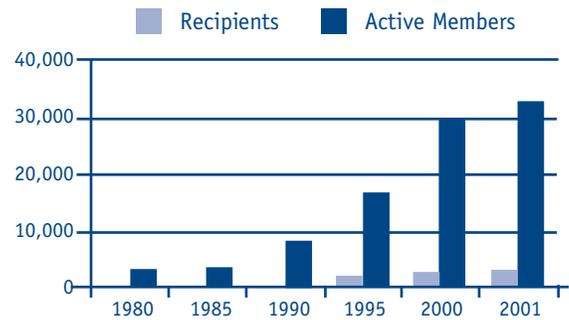
MEMBERSHIP

NJ STATE EMPLOYEES DEFERRED COMPENSATION PLAN

Fiscal year 2001 continues to show a marked increase in active participation due to membership campaigns conducted by the Division of Pensions and Benefits.

As of June 30, 2001, the membership of the New Jersey State Employees Deferred Compensation Plan totaled 32,134. There were 2,875 members receiving monthly installment payments.

The plan's net assets (participant's balances) were \$1,095,629,776 at the close of the fiscal year 2001.

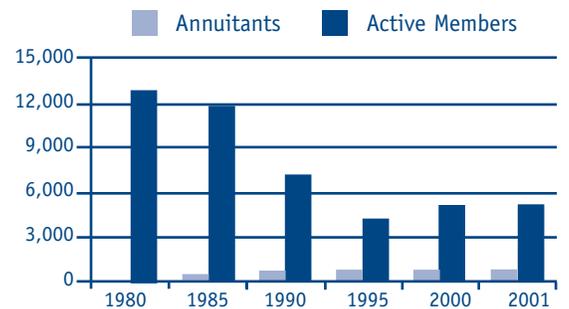


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2001, the active membership of the system totaled 5,271. The unit value was \$65.5161, a decrease of \$8.5355 from the June 30, 2000 value of \$74.0516.

There were 720 annuitants.

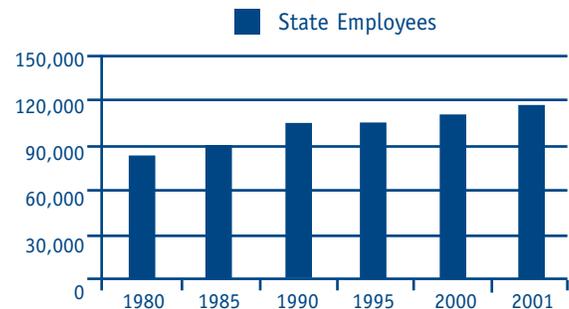
The Trust's assets totaled \$185,170,474 at the close of the fiscal year 2001.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

As of June 30, 2001, the Unemployment Compensation Program for State employees covered as many as 115,899 persons and the Division remitted \$7,793,262 on behalf of the State. There were 2,602 requests for unemployment benefits filed and \$8,206,609 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 119,571 employees and the Division remitted \$19,145,343 on behalf of the State. Claims paid totaled \$22,647,302.



CENTRAL PENSION FUND

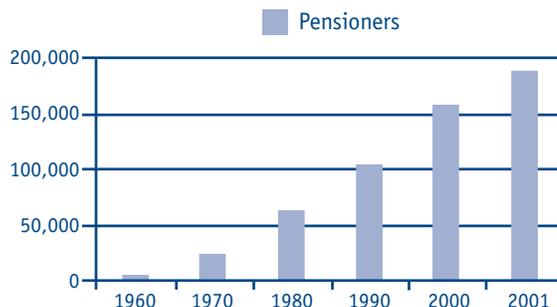
As of June 30, 2001, there were 367 beneficiaries receiving annual pensions totaling \$429,170.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

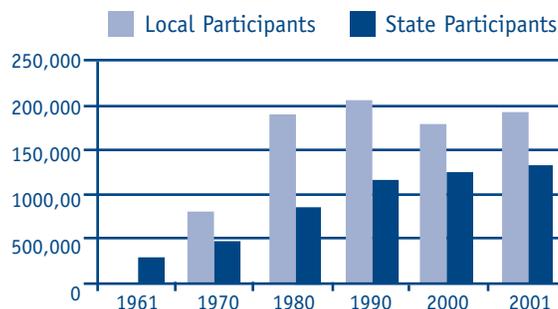
There were 192,104 pensioners who were paid \$405,802,034 during fiscal year 2001.



STATE HEALTH BENEFITS PROGRAM

As of June 30, 2001, there were 322,594 covered participants (active and retired) consisting of 131,595 State participants and 190,999 participants of 906 local participating employers.

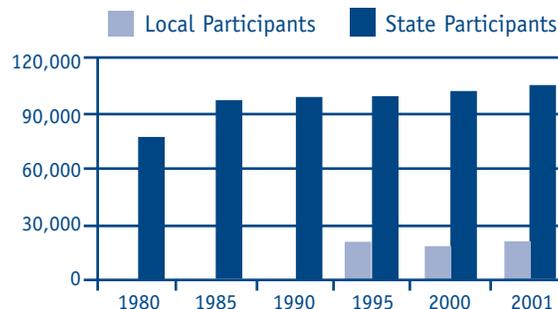
The State and state employee contributions were \$608,565,400 while payment made by local employers and employees was \$943,205,530.



PRESCRIPTION DRUG PLAN

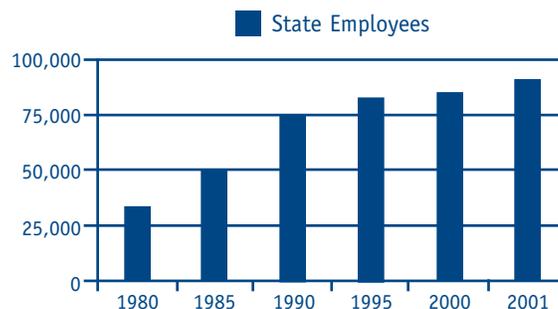
The Prescription Drug Plan covered as many as 104,267 State employees and 19,991 local employees during fiscal year 2001.

The State's contribution was \$147,167,127 while payment made by local employers was \$29,157,846.



STATE EMPLOYEE DENTAL PROGRAM

The State Employee Dental Program covered as many as 92,012 eligible State employees during fiscal year 2001. The State of New Jersey as the employer, expended \$26,876,340 on their behalf during that period.



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