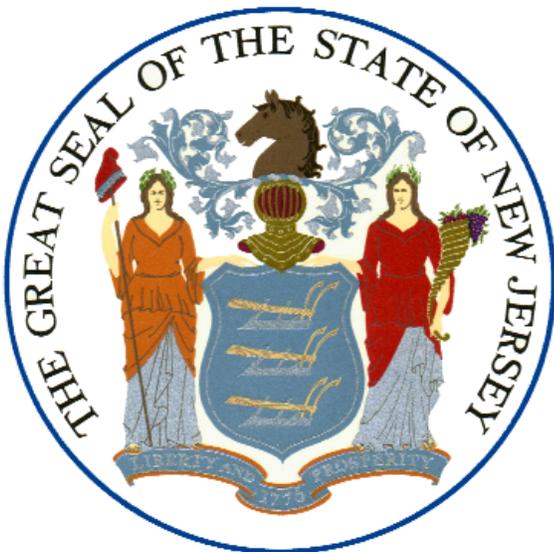


DIVISION OF PENSIONS AND BENEFITS

A Department of the State of New Jersey

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*for the Fiscal Year Ended
June 30, 2009*



*Our mission is to provide
quality benefits and services
that meet the needs of our clients and others
we are committed to serve,
through our efficient and responsive workforce.*



Our Mission . . .

To provide quality benefits and services that meet the needs of our clients and others we are committed to serve, through our efficient and responsive workforce.

Our Vision . . .

WE will achieve client satisfaction through equitable, effective, responsive service, and clear and accessible communications that meet the needs of our clients.

WE will encourage and support an accomplished workforce that is knowledgeable, flexible, technically proficient and committed to excellence.

WE will be committed to working with executive and legislative agencies and governing boards to improve the design and implementation of the benefit programs.

WE will support technologies that simplify procedures and improve services, manage our resources in a responsible and creative manner, and hold contracted service providers to high standards.

WE will work with participating employers to enhance their role in the administration of benefits for their employees through integrated technology that allows them to access and process benefit information directly.

Our Values . . .

WE are customer-focused, recognizing each client individually.

WE acknowledge as our greatest asset our knowledgeable, hardworking, dedicated and caring staff.

WE are financially responsible in the administration, oversight, and delivery of our benefit programs.

WE are committed to providing quality, timely, accurate, efficient, and cost effective services.

WE are committed to creating and developing a quality work environment using state-of-the-art technologies, and processes that foster continuous

improvement of our organization through teamwork, motivation, and communication among staff.

Our Goals . . .

Customer Service —

TO create and maintain a customer focused work environment that anticipates and meets client needs.

Staff —

TO have a full complement of staff that is well trained, undergoes continual development, and is motivated to provide benefit services effectively and efficiently in a customer friendly manner.

Technology —

TO have an integrated, easily maintained and modified, information processing system that supports the efficient and effective delivery of services.

Planning —

TO have an effective planning system that facilitates improvement, anticipates change and properly focuses resources on priorities.

Benefits Processing —

TO provide benefits to clients in a timely and efficient manner.

Advocacy —

TO help structure a well-funded system of benefits that meets the needs of public employees and employers.

Oversight and Compliance —

TO administer programs with clear and consistent policies and procedures and provide oversight to safeguard fund assets and ensure benefit entitlement.

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

A DEPARTMENT OF THE STATE OF NEW JERSEY

54th COMPREHENSIVE ANNUAL FINANCIAL REPORT *For the Fiscal Year Ended June 30, 2009*

Chris Christie
Governor

Andrew P. Sidamon-Eristoff
State Treasurer

Florence J. Sheppard
Acting Director



STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
PO BOX 295
TRENTON, NJ 08625-0295
(609) 292-7524

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
- ACTS** Additional Contributions Tax-Sheltered Program
- CPF** Central Pension Fund
- PAF** Pension Adjustment Fund
- UCTDSE** Unemployment Compensation and Temporary Disability for State Employees
- SHBP** State Health Benefits Program
- SEHBP** School Employees' Health Benefits Program
- PDP** Prescription Drug Plan
- EDP** Employee Dental Plans
- Tax\$ave** Premium Option Plan, Unreimbursed Medical Expense Plan Flexible Account Plan, and Dependent Care Spending Account Plan
- Commuter Tax\$ave** State Employees Commuter Tax Savings Program
- LTC** State Employees Long Term Care Insurance Plan
- DCRP** Defined Contribution Retirement Program

INDEPENDENT AUDITOR

KPMG LLP

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

ACTUARIAL REPORTS

BUCK CONSULTANTS

500 Plaza Drive
Secaucus, NJ 07096-1533

MILLIMAN

1550 Liberty Ridge Drive
Suite 200
Wayne, PA 19087-5572

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	9
All in a year's work (Accomplishments in 2008)	13
Organization	14
Organization — Board of Trustees	18
Significant Legislation	20
Scope of Operations	24
Membership	28

FINANCIAL SECTION

Index	35
Independent Auditors' Report	36
Management's Discussion and Analysis	38
Basic Financial Statements	
Statement of Fiduciary Net Assets — Fiduciary Funds	43
Combining Statement of Fiduciary Net Assets — Fiduciary Funds — Pension Trust and Health Benefit Program Funds	44
Statement of Changes in Fiduciary Net Assets — Fiduciary Funds	45
Combining Statement of Changes in Fiduciary Net Assets — Fiduciary Funds — Pension Trust and Health Benefit Program Funds	46
Notes to Financial Statements	
(1) Description of the Funds	47
(2) Summary of Significant Accounting Policies	48
(3) Investments	59
(4) Securities Lending Collateral	65
(5) Contributions	68
(6) Vesting and Benefits	73
(7) Funds	79
Schedules	
#1 Required Supplementary Information (Unaudited) — Schedule of Funding Progress	82
#2 Required Supplementary Information (Unaudited) — Schedule of Employer Contributions	89
#3 Schedule of Administrative Expenses	93
#4 Schedule of Investment Expense	94
#5 Schedule of Expenses for Consultants	94
#6 Schedule of Fiduciary Net Assets — Fiduciary Funds	95
#7 Schedule of Changes in Fiduciary Net Assets — Fiduciary Funds	96
#8 Combining Schedule of Balance Sheet Information — Fiduciary Funds — Agency Funds	97

TABLE OF CONTENTS

#9	Schedule of Changes in Fiduciary Net Assets Information — Fiduciary Funds — Agency Funds	98
#10	Combining Schedule of Fiduciary Net Assets Information — State Health Benefit Program Fund — State	99
#11	Combining Schedule of Changes in Fiduciary Net Assets Information — State Health Benefit Program Fund — State	100
#12	Combining Schedule of Fiduciary Net Assets Information — State Health Benefit Program Fund — Local	101
#13	Combining Schedule of Changes in Fiduciary Net Assets Information — State Health Benefit Program Fund — Local	102
#14	Combining Schedule of Fiduciary Net Assets Information — State Health Benefit Program Fund — Education	103
#15	Combining Schedule of Changes in Fiduciary Net Assets Information — State Health Benefit Program Fund — Education	104
#16	Combining Schedule of Balance Sheet Information — Agency Fund — Dental Expense Program	105
#17	Combining Schedule of Changes in Fiduciary Net Assets Information — Agency Fund — Dental Expense Program	106

INVESTMENT SECTION

Reviews of Major Policy Issues	109
State Investment Council — Key Regulations Pertaining to Pension Fund Assets	110
Investment Returns	111
Fair Value and the Percent of Total Fair Value for Each Major Type of Investment	111
State of New Jersey Composite Asset Allocation History (Graph)	112
U.S. Equities — Portfolio Sector Weightings (Graph)	113
International Equities Developed Markets — Portfolio Sector Weightings (Graph)	113
List of Largest Assets Held	114
Domestic Equity Trading	116
International Equity Trading	116

ACTUARIAL SECTION

Public Employees' Retirement System (PERS)

Actuary's Certification Letter	119
Summary of Actuarial Assumptions and Methods	122
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	125
Schedule of Active Member Valuation Data	126
Solvency Test	127

TABLE OF CONTENTS

Analysis of Past Financial Experience	128
Summary of Benefit and Contribution Provisions	129
Teachers' Pension and Annuity Fund of New Jersey (TPAF)	
Actuary's Certification Letter	134
Summary of Actuarial Assumptions and Methods	136
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	142
Schedule of Active Member Valuation Data	142
Solvency Test	142
Analysis of Past Financial Experience	143
Summary of Principal Plan Provisions	144
Police and Firemen's Retirement System (PFRS)	
Actuary's Certification Letter	149
Summary of Actuarial Assumptions and Methods	151
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	154
Schedule of Active Member Valuation Data	155
Solvency Test	156
Analysis of Past Financial Experience	157
Summary of Benefit and Contribution Provisions	158
State Police Retirement System (SPRS)	
Actuary's Certification Letter	161
Summary of Actuarial Assumptions and Methods	163
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	165
Schedule of Active Member Valuation Data	165
Solvency Test	165
Analysis of Past Financial Experience	166
Summary of Benefit and Contribution Provisions	167
Judicial Retirement System (JRS)	
Actuary's Certification Letter	169
Summary of Actuarial Assumptions and Methods	171
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	173
Schedule of Active Member Valuation Data	173
Solvency Test	173
Analysis of Past Financial Experience	174
Summary of Benefit and Contribution Provisions	175
Consolidated Police and Firemen's Pension Fund (CPFPF)	
Actuary's Certification Letter	177

TABLE OF CONTENTS

Summary of Actuarial Assumptions and Methods	179
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	180
Schedule of Active Member Valuation Data	180
Solvency Test	180
Analysis of Past Financial Experience	181
Summary of Benefit and Contribution Provisions	182
Prison Officers' Pension Fund (POPF)	
Actuary's Certification Letter	183
Summary of Actuarial Assumptions and Methods	185
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	186
Schedule of Active Member Valuation Data	186
Solvency Test	186
Analysis of Past Financial Experience	187
Summary of Benefit and Contribution Provisions	188
Supplemental Annuity Collective Trust (SACT)	
Actuary's Certification Letter	189
Summary of Actuarial Assumptions and Methods	191
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	192
Schedule of Active Member Valuation Data	192
Solvency Test	192
Analysis of Past Financial Experience	193
Summary of Benefit and Contribution Provisions	194
<hr/> STATISTICAL SECTION <hr/>	
Schedule of Retired Members By Type of Benefit	199
Schedule of Revenues By Source	200
Schedule of Expense By Type	202
Participating County and Municipal Employers	204
Participating Education Employers	207
Participating Agencies and Authorities	211

INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New Jersey Division of Pensions and Benefits

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



CHRIS CHRISTIE
Governor



ANDREW P.
SIDAMON-ERISTOFF
State Treasurer



FLORENCE J. SHEPPARD
*Acting Director, Division
of Pensions and Benefits*



Mailing Address:
PO Box 295
Trenton, NJ 08625-0295
Location:
50 West State Street
Trenton, New Jersey

State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
(609) 292-7524 TDD (609) 292-7718
www.state.nj.us/treasury/pensions

LETTER OF TRANSMITTAL

April 30, 2010

To the Honorable

Chris Christie, Governor
Andrew P. Sidamon-Eristoff, State Treasurer
Members of the Legislature
Members of the Boards of Trustees

On behalf of the Division of Pensions and Benefits, I am pleased to submit the 54th Comprehensive Annual Financial Report (CAFR) of the New Jersey State-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2009. 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 my knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner that fairly represents the financial position and results of the Division's operations.

STRUCTURE OF THE CAFR

This comprehensive annual financial report is divided into five sections:

- The Introductory Section, which contains this letter of transmittal, the organization of the Division and Boards of Trustees, an overview of legislation enacted during the year covered by the CAFR, 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 funds administered by the Division.
- The Investment Section, which contains information pertaining to the management of the investment of the Pension Trust Funds.
- The Actuarial Section, which contains the funds' Actuary Certification letters and information regarding the actuarial assumptions and methods used to determine the contribution requirements of the Pension Trust Funds.
- The Statistical Section, which contains general statistical information regarding the programs administered by the Division.

LETTER OF TRANSMITTAL

THE REPORTING ENTITY

The Division was established in 1955 as the Division of Pensions to provide all administration of the state pension funds except investments. 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 one of the largest non-federal public benefits program in the nation, consisting of ten separate retirement systems, three supplemental retirement savings programs, a health benefits program for employees, retirees, and family members, and several other employee benefits programs. Over 805,000 members enjoy the benefits of the various pension systems administered by the Division, and over 811,082 lives are covered in the State Health Benefits Program (SHBP) and the School Employees Health Benefits Program (SEHBP). In addition to the State, 1,776 local public employers participate in the retirement systems, and 965 local employers participate in the SHBP and SEHBP.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officer's Association of the United States and Canada (GFOA) recognized the Division's CAFR of last year for Excellence in Financial Reporting. A copy of the Certificate of Achievement is included in this CAFR.

MAJOR INITIATIVES

The Division continued to focus its technology improvement efforts in the area of customer service. As identified in our information technology planning process, we continued to empower our members and the employers through internet utilization by providing them with the tools necessary to initiate and process transactions on a real time interactive basis. As a result, during the past year the Division has allocated resources to the following major initiatives: Employer Pension Information Connection (EPIC),

The Employer Pension and Benefits Information Connection (EPIC) is an Internet-based system used by New Jersey public employers in the administration of pensions and health benefits. The Member Benefits Online System (MBOS) enables pension fund members to check the processing status of their benefit, and submit electronic forms (e-forms) without having to contact Division employees. As part of our continued upgrades, we strive to eliminate paper-based reporting of activities involving all of the State's benefits programs. In fiscal year 2009, we eliminated the need for members to submit a paper loan application. The Division notified members that paper loan applications would not be accepted after November 1, 2008. In fiscal year 2010, our development will continue to create e-forms for health benefit enrollments. In fiscal year 2010, the SHIPS Alpha List application will eliminate the production and mailing of over 18,000 pages of paper reports monthly.

Employer Pension Information Connection (EPIC) is a set of Internet based applications that provides employers with as many as twenty three inquiry and e-form applications. Employers can now access various payroll certifications, member account information, health benefit status, retirement status, forms and letters and much more. In addition to TPAF and PFRS State, employers can now submit pension fund enrollment forms for PERS, the Alternate Benefit Program (ABP) and the Defined Contribution Retirement Program (DCRP). Employers also submit certifications for Retirements, Withdrawals, Deaths and Purchase applications, and Health Benefits Transmittal of Deletions. The Division plans to roll out a Health Benefit Reports application for SHBP employers during the next fiscal period, which will include online access to the Membership and Activity Reports as well as an online repository for SHBP invoices.

Since the inception of EPIC and MBOS, we have seen a steady increase in web-based reporting versus paper-based reporting. Currently 99% of our local employers report to the Division using the Internet-based Report of Contributions (I-ROC) web application.

LETTER OF TRANSMITTAL

The Member Benefits Online System (MBOS) is a set of Internet based applications that allows registered members access to their pension and if applicable, health benefits account information. Members can submit a pension loan, apply for a withdrawal from the pension fund, and change beneficiaries online without the intervention of Division staff. The continued development of applications will have a direct impact on current work processing throughout the operational sections of the Division. As of June 2008, there were eighteen inquiry and e-form applications available to our members on-line. The Division added seven additional inquiry and e-form applications in Fiscal Year 2008, including a service purchase e-form and status inquiry for our active members and a suite of applications for our retired members. Pension recipients can now securely change their address through the Internet, and access their Pension Account, Electronic Funds Transfer (EFT), and State and Federal Tax information. The Division plans to roll out a Health Benefit Inquiry application for Retired members during the next fiscal period.

The Division of Pensions and Benefits began a dependent eligibility verification audit involving 224,000 households with one or more dependents within the State, Local Education, and Local Government Groups of the State Health Benefits Program and Schools Employees' Health Benefits Program. Aon, the SHBP health consultant, is responsible for conducting the audit.

The Division has conducted limited dependent eligibility audits in the past but has never conducted an audit of the entire dependent population. This will result in the removal of all ineligible participants from the various health plans, ultimately providing a cost savings to the employers and Health Benefits Program.

FINANCIAL INFORMATION

The Financial reports of the Fiduciary Funds of the Division have been prepared in conformity with generally accepted accounting principles 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 Fiduciary Funds include eleven separate pension trust funds, three health benefit program funds, and three agency funds. A summary of the condition of the funds administered by the Division of Pensions and Benefits is located in the "Management Discussion and Analysis" that begins on page 38 of the CAFR. 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 Division as of June 30, 2009. KPMG LLP independently audited the funds.

INVESTMENTS

The Division of Investment has the responsibility for investing the assets of the programs administered by the Division. This is done under the jurisdiction of the State Investment Council. Investments are guided by the "prudent person rule". During FY 2009 investment returns on pension funds were -14.27 percent. When combined with the returns for previous years, the annualized returns over the past three, five and ten-year periods were -0.76 percent, +3.14 percent, and +2.30 percent, respectively.

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. While the State has not met its funding obligations over the past several years, due to conflicting budgetary priorities, our systems, when compared to other public systems, are in reasonably good financial condition. The liabilities of the actuarially based pension systems based on the June 30, 2008 actuarial valuations are 72.6 percent funded as compared to 76.0 percent funded based on the June 30, 2007 valuations.

LETTER OF TRANSMITTAL

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 94 of the CAFR. 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.

ACKNOWLEDGEMENTS

The preparation of the CAFR required the combined efforts of many employees from different operational units within the Division. The CAFR is intended to provide extensive and reliable information to facilitate informed decisions, determine compliance with legal requirements, and determine 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 the Division for all their efforts and support. Such concerted effort has resulted in making New Jersey's public benefits system one of the largest and best administered in the nation.

Respectfully Submitted,



Florence J. Sheppard, Acting Director

ALL IN A YEAR'S WORK...

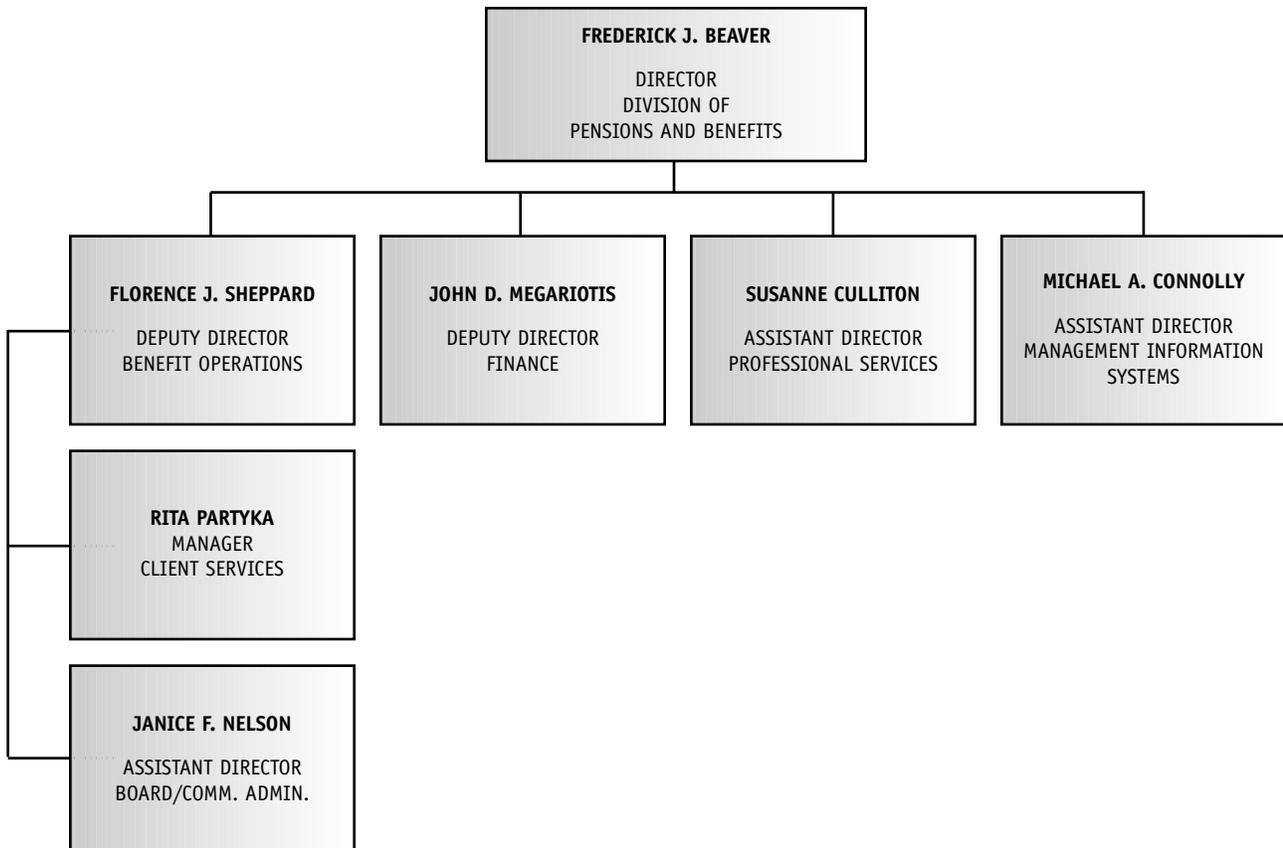
- There are **467,592 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,769 PARTICIPATING EMPLOYERS** in the combined retirement systems; **7 NEW EMPLOYERS** began participating this year.
- There are **478,832 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **10,130 MEMBER ACCOUNTS** were audited internally.
- A total of **252,736 RETIREES AND BENEFICIARIES** received monthly pensions totaling in excess of **\$6.6 BILLION** annually.
- Over **35,811 BENEFICIARY CLAIMS** were processed. Premiums in excess of **\$130 MILLION** were paid to the insurance carrier on behalf of active and retired members.
- Over **550,000 TELEPHONE CALLS** were received in Client Services. Counselors handled over 270,000 calls; over 841,000 calls were handled by our automated telephone systems.
- **18,566 PERSONAL INTERVIEWS** were conducted by pensions counselors.
- **438 RETIREMENT SEMINARS** were conducted for over **15,120 MEMBERS**.
- **15,188 SERVICE PURCHASE REQUESTS** were processed.
- Over **40,653 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- There were **10,826 WITHDRAWALS** from the retirement systems.
- **15,848 MEMBERS RETIRED.**
- Over **101,029 PENSION LOANS** totaling **\$539,721,597** were processed.
- State and local membership in the State Health Benefits Program was **374,301 MEMBERS** with **811,082 LIVES COVERED.**
- A total of over **\$3.8 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers and employees. **965 LOCAL EMPLOYERS** elected to participate in the SHBP this year.

ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

Front Row (left to right): Michael A. Connolly, *Assistant Director, MIS*; Frederick J. Beaver, *Director, Division of Pensions and Benefits*; John D. Megariotis, *Deputy Director, Finance*
Back Row (left to right): Susanne Culliton, *Assistant Director, Professional Services*;
Janice F. Nelson, *Assistant Director, Board and Commission Administration*;
Rita Partyka, *Manager, Client Services*; Florence J. Sheppard, *Deputy Director, Benefit Operations*



ORGANIZATION



CHIEFS AND MANAGERS

Seated, First Row (*left to right*): Rita Partyka – *Client Services*; Virginia Martucci – *Retirements and Claims*; Michael Weik – *Administrative Services*; Wendy Jamison – *Boards of Trustees*

Second Row (*left to right*): Francis Peterson — *Financial Reporting, Payments, and Collections*; Frank Corliss – *MIS*; David Pointer – *Health Benefits*; Timothy McMullen – *Budget and Compliance*; Joseph Zisa – *Defined Benefit and Contribution Plans*

Absent: Mark Schwedes - *Enrollments and Purchases*

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 a Deputy 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 a Deputy Director, consists of two elements: the Health Benefits Bureau and the Office of Policy 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 responsi-

ORGANIZATION

ble for the administration of benefits under the federal COBRA law, and enrollments, changes, and terminations 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 a Deputy Director, is divided among three bureaus: Financial Reporting, Payment, and Collections; Budget and Compliance; and Defined Benefit and Contribution Plans Reporting.

The Office of Financial Services is charged with the custodianship of pension and health benefits assets. These assets are in excess of \$70 billion and include over 805,000 individual member accounts. The office is responsible for the accounting and budget functions necessary for the successful operations of the various pension funds, health benefits and agency funds, as well as the administration of the Pension Adjustment Program, the Supplemental Annuity Collective Trust, and Deferred Compensation Plan.

OFFICE OF CLIENT SERVICES

This office, overseen by a Deputy 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, benefits statements, and booklets. This unit also manages the Division's Internet site.

OFFICE OF MANAGEMENT INFORMATION AND SUPPORT SERVICES

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

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

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

OFFICE OF PROFESSIONAL SERVICES

The Office of Professional Services is located within the Director's Office and operates under the direction of an Assistant Director. It is responsible for providing a structured and consistent planning function for the Division, analyzing proposed legislation for its fiscal and policy impacts, maintaining the regulatory documentation for Division programs, managing the development of contracts with external service providers, and conducting research in support of Division activities.

OFFICE OF BOARD OF TRUSTEES ADMINISTRATION

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

The Boards and Commissions have the general responsibility for the proper operation of their respective employee benefits program. The Boards adopt rules in

ORGANIZATION

compliance with statute and advice of the Attorney General. The Boards may grant hearing 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' 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: Jackie Bussanich, *Administrative Assistant*
(l to r) Leon Flanagan, *Chairperson*
Suzanna Buriani-DeSantis
Kathleen Coates, *Board Secretary*

Standing: Frederick J. Beaver, *Treasurer's Representative*
(l to r) Thomas Bruno, Jr.
Ronald Winthers
Christine Veliz
Jonathan Berg
Kellie Kiefer-Pushko, *Deputy Attorney General*
Edward Thomson, III

Absent: John Lowden



TEACHERS' PENSION AND ANNUITY FUND

Seated: Marie Flynn
(l to r) James Joyner, *Chairperson*

Standing: Martha Liebman
(l to r) Susanne Culliton, *Treasurer's Representative*
Paul Orihel
H. O'Neill Williams
Mary Ellen Rathbun, *Board Secretary*
Jackie Bussanich, *Administrative Assistant*
Danielle Bradus, *Deputy Attorney General*

Absent: Dennis Testa



POLICE AND FIREMEN'S RETIREMENT SYSTEM

Seated: Marty Barrett
(l to r) Richard Mikutsky
John Sierchio, *Chairperson*
Wayne Hall

Standing: Lisa Pointer, *Administrative Assistant*
(l to r) Richard Loccke
Laurel Brennan
Vincent Foti
Sherryl Gordon
Wendy Jamison, *Board Secretary*
Frank Leake
Kellie Kiefer-Pushko, *Deputy Attorney General*
Frederick J. Beaver, *Treasurer's Representative*

ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Seated: Major Christopher O'Shea
(l to r) Major Karl Kleeberg, *Chairperson*
Wendy Jamison, *Board Secretary*

Standing: Jack Sayers
(l to r) Susanne Culliton, *Treasurer's Representative*
Lisa Pointer, *Administrative Assistant*
Jeffrey Ignatowitz, *Deputy Attorney General*

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

John Megariotis, *Representing Treasurer, State of New Jersey*
Kathy Steepy, *Office of Management and Budget*
Timothy Costello, *Office of Banking and Insurance*

STATE HEALTH BENEFITS COMMISSION

R. David Rousseau, *State Treasurer, Chairperson*
Steven Goldman, *Commissioner, Department of Banking and Insurance*
Hope Cooper, *Chair, Civil Service Commission*
Frederick J. Beaver, *Secretary*
Patrick Nowlan, *State Employees' Representative of the AFL-CIO*
Dudley Burdge, *State Employees' Representative of the AFL-CIO*

DEFERRED COMPENSATION BOARD

David Ridolfino, *Representing Treasurer, State of New Jersey*
Kathy Steepy, *Represents Charlene Holzbaur, Director, Office of Management and Budget*
Timothy Costello, *Represents Steven Goldman, Commissioner, Office of Banking and Insurance*

SIGNIFICANT LEGISLATION

CHAPTER 38, P.L. 2008

Effective Date: This act has varying effective dates. The SHBP provisions become effective 180 days after enactment and shall apply to all contracts and policies that are delivered, issued, executed or renewed or approved for issuance or renewal in this State on or after the effective date.

Description: The provisions of this law represent the first phase of a comprehensive reform of the health care system in this State which, when fully implemented, will ensure universal health care coverage for all residents of this State

The law expands the NJ FamilyCare Program to more low income parents; mandates that all children in the State have health care coverage either through public programs or private coverage; adopts various reform measures to the individual and small employer insurance markets to increase the affordability of, and stabilize enrollment in, health benefits plans for individuals and small businesses; and makes various changes to the eligibility criteria, terms, and administration of continued dependent coverage for dependents 30 years of age or younger, initially mandated pursuant to P.L.2005, c.375 (C.17:48-6.19 et al.).

This law's impact on the SHBP is limited to the provisions regarding coverage of dependents age 30 and younger as provided for in Section 35 of the law.

The changes to the SHBP include:

- Requires proof of prior, creditable health benefits coverage or receipt of benefits from another group or individual benefits coverage source to be eligible to elect or subsequently reinstate continued dependent coverage.
- Provides that once an individual elects dependent coverage, that coverage shall not terminate before the individual reaches age 31. The cut off for electing coverage remains 30 years of age, but this law clarifies that the dependent coverage shall remain in effect while the individual is 30 years of age.
- The SHBP is to provide notice to the parents of dependents of the coverage provided by this law in the certificates of coverage or other equivalent

documents prepared and delivered on or about the date parents' coverage commences, and on a quarterly basis thereafter.

- The State Health Benefits Commission may require payment of a premium by dependents or their parents, which shall be capped, for any period of continued dependent coverage under one of its contracts. The premium cannot exceed 102% of the applicable "dependent portion" of the premium previously paid for a dependent's coverage under a contract prior to the dependent initially aging out of coverage under the contract. The calculation of this premium cap is identical to the calculation of the 102% premium cap on continued dependent coverage already established for health insurers pursuant to P.L.2005, c.375 (C.17:48-6.19 et al.).

The provisions of this law impacting the SHBP take effect on the 180th day after enactment and shall apply to all contracts and policies that are delivered, issued, executed or renewed or approved for issuance or renewal in this State on or after the effective date but the Commissioner of Banking and Insurance may take such anticipatory administrative action in advance thereof as shall be necessary for the implementation of this act.

CHAPTER 89, P.L. 2008

Effective Date: November 1, 2008.

Description: Entitled "The Public Employee Pension and Benefits Reform Act of 2008," this law implements a number of additional recommendations made in the report of the Joint Legislative Committee on Public Employee Benefits Reform issued during the New Jersey Legislature's 2006 Special Session. The sections of this law and the various changes they impose are as follows:

Sections 2: SHBP Waiver Incentive For State Employees - Provides that the State as an employer, or an independent State authority, commission, board or instrumentality, may allow any employee who is eligible for other health care coverage that is not under the State Health Benefits Program (SHBP) to waive the SHBP coverage to which the employee is entitled by virtue of employment with the State or other State

SIGNIFICANT LEGISLATION

entity. In consideration of filing a waiver, the State or other employer may pay the employee annually an amount established at its sole discretion and not in excess of 50% of the amount saved because of the employee's waiver of coverage.

Prior to this law's enactment, public employers other than the State participating in the SHBP were allowed to offer a waiver incentive. Under this law, the arrangement after a waiver is the same for both State and local employees. An employee who waives coverage will be permitted to resume coverage immediately, if the employee ceases to have other health care coverage, but will be required to repay, on a pro rata basis, any amount received from the employer which represents an advance payment for a period of time during which coverage is resumed. The decision of an employer to allow its employees to waive SHBP coverage and the amount of consideration to be paid is not subject to the collective bargaining process.

Sections 3 and 4: Out-of-State Service Purchases - Prohibits pension system credit purchased for out-of-State service from being creditable towards post-retirement health care benefits. Service credit in the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), established through purchase on or after the law's effective date by a current or future member for prior employment with another state or the federal government, or for service with a bi-state or multi-state agency in the case of a member of PERS, cannot be used to meet the requirements for employer-paid health care benefits in retirement.

Sections 5 and 11: TPAF and PERS Eligibility Salary Thresholds - Changes the eligibility criteria for becoming a member of the TPAF and of the PERS. Currently, the eligibility criteria are a minimum annual compensation of \$500 for TPAF and \$1,500 for PERS. Those same criteria will continue to apply to a person who is a TPAF or PERS member on the effective date of this law and continuously thereafter.

This law provides that, after its effective date, a person who was not a member of either retirement system on that effective date, or who was a member on that date but not continuously thereafter, and who is in public employment, office or position covered by TPAF

or PERS for which the annual salary or remuneration is certified by the public entity at \$7,500 or more, will be eligible to become a member of the relevant retirement system. The \$7,500 minimum annual salary or remuneration amount will be adjusted annually by the Director of the Division of Pensions and Benefits, by regulation, in accordance with changes in the Consumer Price Index but by no more than 4 percent. "Consumer Price Index" means the average of the annual increase, expressed as a percentage, in the consumer price index for all urban consumers in the New York City and Philadelphia metropolitan statistical areas during the preceding calendar year as reported by the United States Department of Labor.

Persons ineligible for TPAF or PERS based on the new criteria may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP).

Sections 12: Adjunct Faculty ABP Eligibility - Provides that an adjunct faculty member or part-time instructor at a public institution of higher education in the State whose employment agreement begins after that effective date will be eligible for membership in the Alternate Benefit Program (ABP), instead of PERS.

Sections 13 and 14: TPAF and PERS Eligibility Appeals - This law also provides that an appeal by any person who is denied membership in TPAF or PERS will be transmitted as a contested case to the Office of Administrative Law for an adjudicatory proceeding.

Section 15: SHBP Coverage for Full-Time Employees Only - Codifies into statute the current eligibility criteria for SHBP coverage, now contained in regulation, for an employee of an employer other than the State, who must work the number of hours per week as prescribed by the governing body of the participating employer, which number of hours worked will be considered full-time, determined by resolution and not less than 20.

Section 16: Fraudulent SHBP Coverage a Criminal Offense - Provides that any person who knowingly obtains SHBP coverage for an ineligible person, himself or another, will be guilty of a crime of the fourth degree, punishable by imprisonment for up to 18 months or a fine of up to \$10,000, or both.

SIGNIFICANT LEGISLATION

Section 17: SHBP Audits - Requires the State Health Benefits Commission to establish an audit program to ensure that only eligible employees and retirees, and their dependents, are receiving health care coverage under the SHBP

Sections 18 to 24: Increased TPAF and PERS Retirement Age - Raises the retirement age for a benefit without any reduction, from age 60 to age 62, for members of the TPAF and the PERS who became a member of one system or the other on or after the effective date of this law.

Members of either system who became members before July 1, 2007 may retire at age 55 years with 25 years of service or at age 60 with any number of years of service without a reduction in the amount of retirement allowance the members' receive. There is a reduction in such an allowance if the member is under 55 with 25 years of service. There is also a reduction in an allowance for members of either system who became members on or after July 1, 2007 and who retire between age 55 and 60 years with 25 or more years of service. If a person became a member on or after the effective date of this law, that person must be at least 62 years of age in order to retire without a reduction in their retirement allowance.

Sections 25 and 27: Lincoln's Birthday as Paid Holiday Eliminated - Lowers, from 13 to 12, the number of paid holidays for all State government public employees. The legal holiday known as Lincoln's Birthday would no longer be considered a public holiday for the purposes of conducting State government business. On that day, State government offices are to remain open. In honor of President Lincoln and all Presidents, this law provides for the third Monday in February, known as Washington's Birthday, to be known and celebrated as Presidents Day for the purpose of a paid holiday for State employees. This provision of the law will take effect in the calendar year after the collective bargaining agreements or contracts covering a majority of the Executive Branch employees expire.

CHAPTER 126, P.L. 2008

Effective Date: March 30, 2009.

Description: The law, otherwise known as "Grace's Law," requires hospital, medical and health service cor-

porations, commercial insurers, health maintenance organizations and health benefits plans contracted through the New Jersey Individual Health Coverage Program, New Jersey Small Employer Health Benefits Program, the State Health Benefits Program or the NJ FamilyCare Program to provide coverage for medically necessary hearing aids for children under the age of 16.

The law requires coverage for hearing aid purchases for each ear that are medically necessary and are prescribed or recommended by a licensed physician or audiologist. The insurer may limit the benefit to \$1,000 per hearing aid for each ear every 24 months. The law allows a beneficiary to choose a hearing aid that is priced higher than the benefit payable under the law and pay the difference without financial or contractual penalty to the hearing aid provider.

CHAPTER 19, P.L. 2009

Effective Date: March 17, 2009.

Description: This new law provides for an adjustment in the contributions that local employers must make to the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) during State fiscal year 2009.

Specifically, this law provides that the State Treasurer will reduce for local employers the normal and accrued liability contributions to 50 percent of the amount certified by the PERS and PFRS for payments due in State fiscal year 2009.

An employer that elects to pay the reduced normal and accrued liability contribution must adopt a resolution stating that the employer needs to pay the reduced contribution and providing an explanation of that need which must include (1) a description of its inability to meet the levy cap without jeopardizing public safety, health, and welfare or without jeopardizing the fiscal stability of the employer, or (2) a description of another condition that offsets the long term fiscal impact of the payment of the reduced contribution. An employer also must document those actions it has taken to reduce its operating costs, or provide a description of relevant anticipated circumstances that could have an impact on revenues or expenditures. This resolution must be submitted to and approved by the Local Finance Board after making a finding that

SIGNIFICANT LEGISLATION

these fiscal conditions are valid and affirming the findings contained in the employer resolution.

This law also provides that a local employer may pay 100 percent of the required contribution. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries for PERS and PFRS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

In the area of local budget law, it law provides that for the respective fiscal year during which a local public employers' pension contributions to the PERS and PFRS is reduced, and for the year thereafter when the employers would again be subject to the full contribution requirement, the affected contribution payments will be exempt from the limits imposed on increases to municipal appropriations set forth in N.J.S.A.40A:4-45.3, the local budget "cap" law, and to the county tax levy set forth in N.J.S.A.40A:4-45.4. This law also amends current law concerning the calculation of the tax levy growth limitation for the purpose of an increase in the adjusted tax levy for a school district,

and the exclusions added to the calculation for the adjusted tax levy for a local unit of government, to account for certain normal and accrued liability pension contribution increases.

Finally, the law requires the Director of the Division of Pensions and Benefits in the Department of the Treasury to report to the Governor and Legislature, within 180 days after its effective date, on the feasibility and consequences of creating individual employer accounts within the State-administered retirement systems.

CHAPTER 23, P.L. 2009

Effective Date: March 17, 2009, retroactive to June 1, 2008.

Description: This new law provides the same benefits to the survivors of an active member of the Police and Firemen's Retirement System (PFRS), the State Police Retirement System (SPRS), the Public Employees' Retirement System (PERS), or the Teachers' Pension and Annuity Fund (TPAF), who dies as a result of service in either the reserve component of the Armed Forces of the United States or the National Guard while on federal active duty as are currently provided to an active member of the respective retirement system, who dies as a result of an accident sustained in the actual performance of duty.

The provisions of this new law are retroactive to June 1, 2008.

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 and 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. The 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.

ALTERNATIVE BENEFIT PROGRAM (ABP)

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

Chapter 385, P.L. 1993 increased the number of investment carriers to six. The investment carriers underwriting annuities are as follows: AIG VALIC; AXA Financial (Equitable); The Hartford; ING Life Insurance and Annuity Co.; Met Life (formerly Travelers/CitiStreet); and the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF). The ABP is a "defined

SCOPE OF OPERATIONS

contribution” plan as distinguished from “defined benefits” payable by the other State retirement systems. Immediate vesting after the first year’s participation offers the mobility of pension credit among the private and public institutions of higher education in the United States and Canada. Group life insurance and long-term disability insurance are underwritten by the Prudential Insurance Company of America, Inc.

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

PRISON OFFICERS’ PENSION FUND (POPF)

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

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

CONSOLIDATED POLICE AND FIREMEN’S PENSION FUND (CPFPF)

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

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

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN (NJSEDCP)

This plan was established by Chapter 39, P.L. 1978 and is available to any State employee who is a member of a State-administered retirement system. This plan is a voluntary investment program that

provides retirement income separate from and in addition to the basic pension benefit.

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

Prudential Retirement was selected as the NJSEDCP’s third-party administrator on August 26, 2005. The Division of Pensions and Benefits maintains its administrative oversight functions.

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.

ADDITIONAL CONTRIBUTIONS TAX-SHELTERED PROGRAM (ACTS)

This program was established in 1996. ACTS is a tax-sheltered, supplemental, retirement program pursuant to Section 403(b) of the federal Internal Revenue Code offered to employees of institutions of higher education, the Commission of Higher Education, the Department of Education, and the Office of Student Assistance. The eligible employees are able to obtain tax-deferred annuities with a variety of investment carriers through a salary reduction agreement. The annuities are available from the same investment carriers who service the Alternate Benefit Program.

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 18A, Section 113.

CENTRAL PENSION FUND (CPF)

This fund consists of the administration of a series of noncontributory pension acts. No reserves are estab-

SCOPE OF OPERATIONS

lished 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.

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. Chapter 125, P.L. 1964 extended the program to include employees of local government. The program includes a preferred provider organization (NJ DIRECT) and two HMO plans (Aetna HMO and CIGNA HealthCare). A small group of State employees are covered under legacy plans — the indemnity type plan (Traditional Plan) and a point-of-service plan (NJ PLUS).

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 can be found in Title 17, Chapter 9 of the New Jersey Administrative Code.

SCHOOL EMPLOYEES' HEALTH BENEFITS PROGRAM (SEHBP)

The program provides medical coverage to local education employees, retirees, and their dependents. Chapter 103, P.L. 2007, established the program which includes a preferred provider organization (NJ DIRECT) and two HMO plans (Aetna HMO and CIGNA HealthCare).

Statutes can be found in the New Jersey Statutes Annotated, Title 52, Chapter 14, Article 17.46 et. seq. Rules governing the operation and administration of the program can 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 employees. 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 can be found in Title 17, Chapter 9, of the New Jersey Administrative Code.

EMPLOYEE DENTAL PLANS (EDP)

This program was initially established February 1, 1978 and further expanded in June 1984. Eligible State and certain local employees may enroll for themselves and their eligible dependents by paying the premium calculated to meet half the cost of the plan. Plans offered include the Dental Expense Plan, a traditional indemnity plan, and a selection of 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.

SCOPE OF OPERATIONS

TAX\$AVE

This program for State Employees, authorized under Section 125 of the Internal Revenue Code, was initially established in July 1996. The benefit consists of three components: the Premium Option Plan that allows employees to use pre-tax dollars deducted from their pay for health or dental benefit premiums they may be required to pay for coverage; the Flexible Spending Account for Unreimbursed Medical Expenses that allows employees to use up to \$2,000 pre-tax dollars annually deducted from their pay for medical expenses not reimbursed by their medical or dental insurance; and the Dependent Care Spending Account that allows employees to use up to \$5,000 pre-tax dollars annually deducted from their pay for dependent care expenses required to permit the employee and spouse to work.

Statutes can be found in the New Jersey Statutes Annotated 52:14-15.1a. Rules governing the Tax\$ave can be found in Title 17, Chapter 1, Subchapter 13 of the New Jersey Administrative Code.

COMMUTER TAX\$AVE

This program, authorized by Chapter 162, P.L. 2001 and available under Section 132(f) of the federal Internal Revenue Code, allows eligible State employees to use before-tax dollars to pay for qualified commuter expenses. Under the program, eligible employees may execute salary reduction agreements to have up to \$105 per month (\$1,260 per year) deducted from salary to pay for mass transit commutation costs and \$200 per month (\$2,400 per year) to pay for parking at work or at park and ride sites. The program was implemented in February 2004.

Statutes can be found in the New Jersey Statutes Annotated 52:14-17.33a. Rules governing Commuter Tax\$ave can be found in Title 17, Chapter 1, Subchapter 14 of the New Jersey Administrative Code.

STATE EMPLOYEES LONG TERM CARE INSURANCE PLAN

This plan is a participant-pay-all benefit available to State employees, retirees, and family members. The Prudential Insurance Company administers the insurance plan under contract with the State. The initial offering of the benefit was effective July 1, 2003.

Statutes can be found in the New Jersey Statutes Annotated 52:14-15.9a and 34:11-4.4b(10).

DEFINED CONTRIBUTION RETIREMENT PROGRAM (DCRP)

This program was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. The program is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) §401(a) et seq., and is a "governmental plan" within the meaning of IRC §414(d). Eligible members are provided with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Individuals eligible for membership include State or Local Officials who are elected or appointed on or after July 1, 2007; employees enrolled in the PERS or TPAF on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; and employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary required for PERS or TPAF Tier 3 enrollment.

Statutes can be found in the New Jersey Statutes Annotated, Title 43, Chapter 15C, Article 1 et seq.

MEMBERSHIP

ACTIVE MEMBERSHIP	RETIREMENT SYSTEM	2008	2009
	Public Employees' Retirement System	330,523*	319,782
	Teachers' Pension & Annuity Fund	158,501*	159,330
	Police & Firemen's Retirement System	46,345*	45,843
	State Police Retirement System	3,141*	3,149
	Judicial Retirement System	425	421
	Alternate Benefit Program	16,546	21,285
	Prison Officers' Pension Fund	0	0
	Consolidated Police & Firemen's Pension Fund	0	0
	Central Pension Fund	NA	NA
	Total	555,481	549,810

**Both the 2008 and 2009 figures represent the total number of Active and Inactive accounts. The 2009 Inactive (noncontributing) accounts are as follows: PERS Inactive — 46,281, TPAF Inactive — 13,542, PFRS Inactive — 1,732, SPRS Inactive — 159*

RETIRED MEMBERSHIP & BENEFICIARIES	RETIREMENT SYSTEM	2008	2009
	Public Employees' Retirement System	131,715	136,332
	Teachers' Pension & Annuity Fund	75,259	78,051
	Police & Firemen's Retirement System	32,905	34,165
	State Police Retirement System	2,517	2,582
	Judicial Retirement System	475	498
	Alternate Benefit Program	NA	NA
	Prison Officers' Pension Fund	159	150
	Consolidated Police & Firemen's Pension Fund	503	422
	Central Pension Fund	303	298
	Total	243,836	252,498

**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.*

PARTICIPATION IN HEALTH BENEFITS PROGRAM	HEALTH PROGRAM	2008	2009
	State Health Benefits Program	350,311	374,301
	Prescription Drug Plan	140,910	150,486
	Dental Expense Program	149,225	154,450

MEMBERSHIP

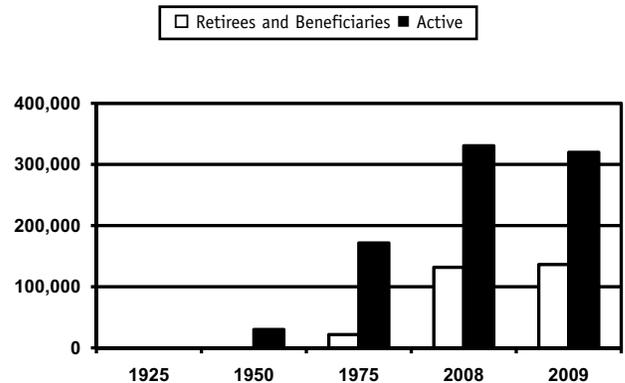
PUBLIC EMPLOYEES'S RETIREMENT SYSTEM

As of June 30, 2009, the active membership of the system totaled 319,782. There were 136,332 retirees and beneficiaries receiving annual pensions totaling \$2,206,606,763*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$100,487,729.

The system's assets totaled \$24,443,748,961 at the close of the fiscal year 2009.

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



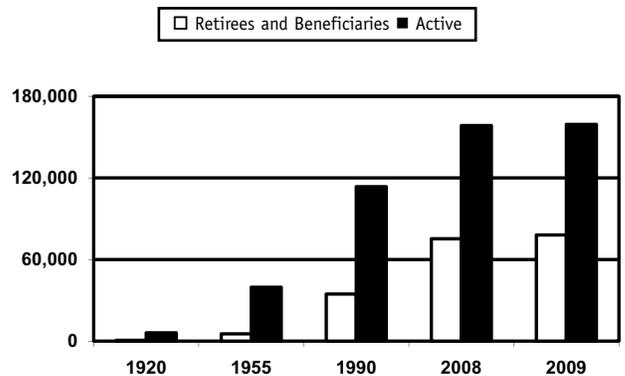
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2009, the active membership of the fund totaled 159,330. There were 78,051 retirees and beneficiaries receiving annual pensions totaling \$2,805,740,059*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$63,825,481.

The fund's assets totaled \$27,225,491,484 at the close of the fiscal year 2009.

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



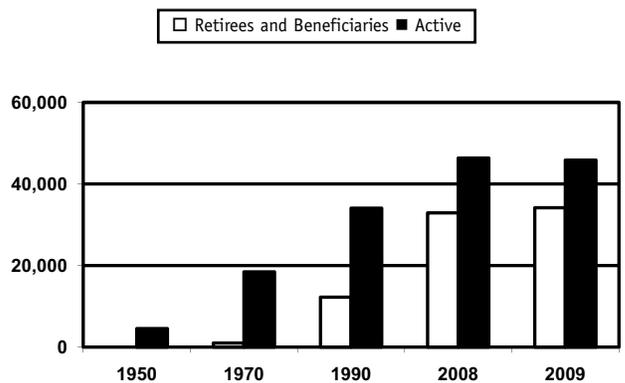
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2009, the active membership of the system totaled 45,843. There were 34,165 retirees and beneficiaries receiving annual pensions totaling \$1,431,935,930*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$31,484,481.

The system's assets totaled \$19,323,903,680 at the close of the fiscal year 2009.

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



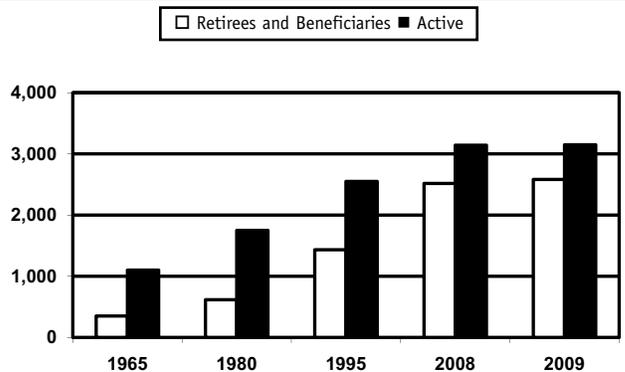
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2009, the active membership of the system totaled 3,149. There were 2,582 retirees and beneficiaries receiving annual pensions totaling \$129,777,885*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$2,196,860.

The system's assets totaled \$1,699,692,535 at the close of the fiscal year 2009.

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

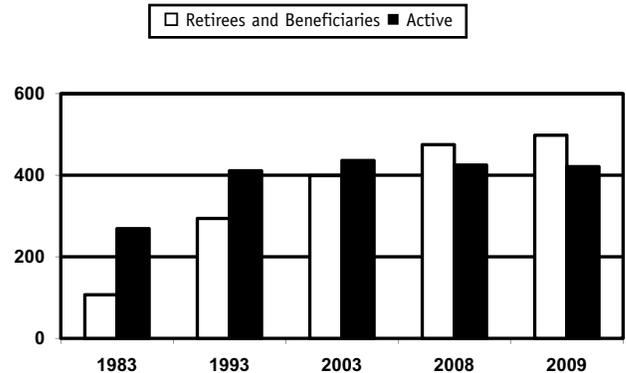


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2009, the active membership of the system totaled 421. There were 498 retirees and beneficiaries receiving annual pensions totaling \$37,125,164.

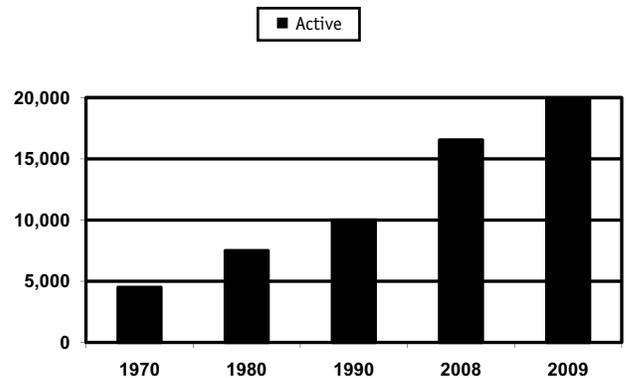
The system's assets totaled \$284,076,511 at the close of the fiscal year 2009.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2009, the State paid \$143,474,163 on behalf of 21,285 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$20,212,628 in lump sum death benefits.



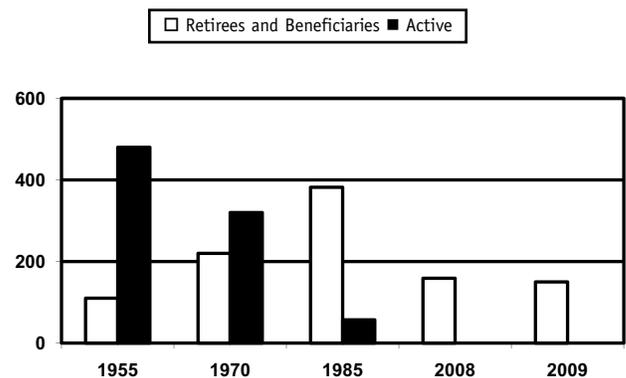
PRISON OFFICERS' PENSION FUND

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, 2009, the active membership of the fund totaled zero. There were 150 retirees and beneficiaries receiving annual pensions totaling \$2,181,622.

The fund's assets totaled \$12,205,825 at the close of the fiscal year 2009.

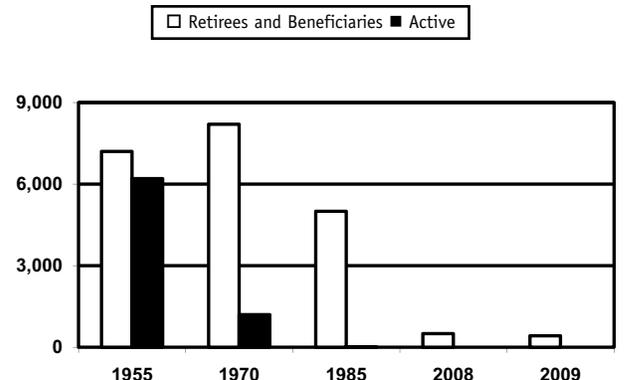


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

As of June 30, 2009, the active membership of the fund totaled zero. There were 422 retirees and beneficiaries receiving annual pensions totaling \$8,844,291.

The fund's assets totaled \$12,131,037 at the close of the fiscal year 2009.



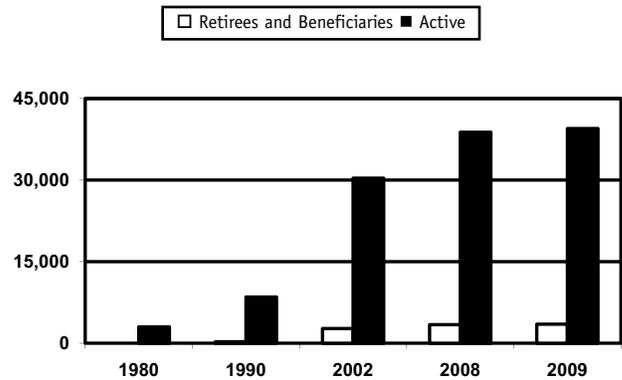
MEMBERSHIP

NJ STATE EMPLOYEES' DEFERRED COMPENSATION PLAN

Fiscal year 2009 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, 2009, the active membership of the New Jersey State Employees' Deferred Compensation Plan totaled 39,473. There were 3,493 members receiving monthly installment payments.

The plan's net assets (participants' balances) were \$1,779,422,065 at the close of the fiscal year 2009.

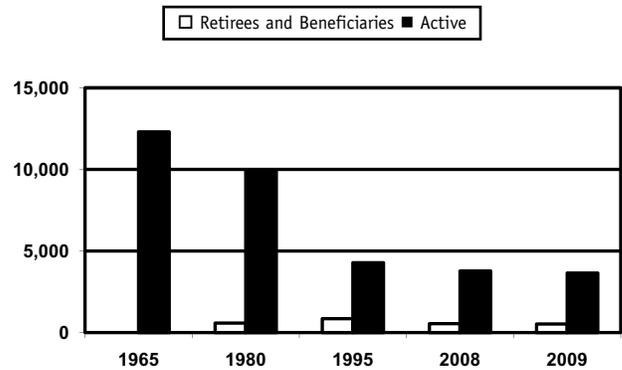


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2009, the active membership of the trust totaled 3,648. The unit value was \$44.2856, a decrease of \$15.6055 from the June 30, 2008 value of \$59.8911.

There were 526 annuitants.

The trust's assets totaled \$124,057,272 at the close of the fiscal year 2009.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

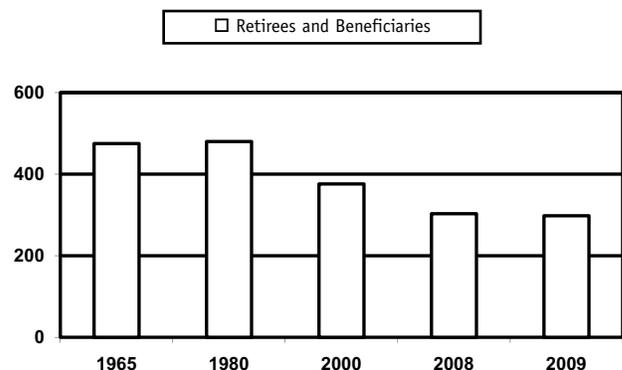
As of June 30, 2009, the Unemployment Compensation Program for State employees covered as many as 125,246 persons, and the Division remitted \$4,245,732.44 on behalf of the State. There were 11,190 requests for unemployment benefits filed, and \$16,362,505 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 136,913 employees, and the Division remitted \$33,945,021 on behalf of the State. Claims paid totaled \$31,813,358.



CENTRAL PENSION FUND

As of June 30, 2009, there were 298 beneficiaries receiving annual pensions totaling \$387,230.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

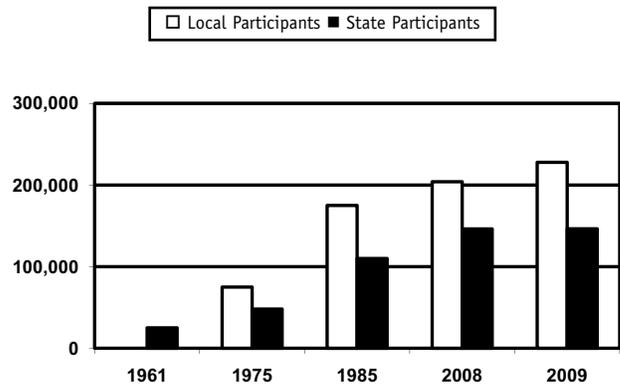
There were 225,307 pensioners who were paid \$871,682,336 during the fiscal year 2009.



STATE HEALTH BENEFITS PROGRAM

As of June 30, 2009, there were 374,301 covered participants (active and retired) consisting of 146,424 State participants and 227,877 participants of 965 local participating employers.

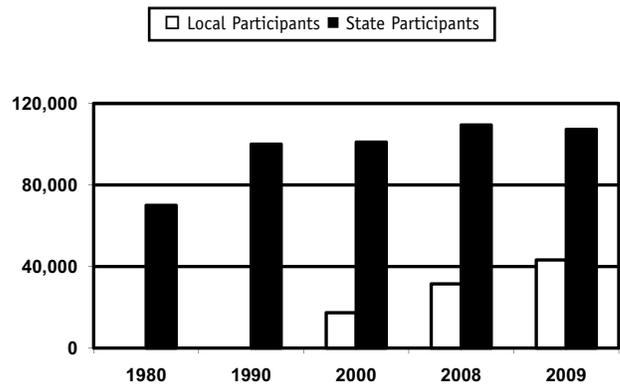
The State and state employee contributions were \$1,248,086,522 while payment made by local employers and employees was \$2,058,817,903.



PRESCRIPTION DRUG PLAN

The Prescription Drug Plan covered as many as 107,256 State employees and 43,230 local employees during fiscal year 2009.

The State's contribution was \$255,264,441 while payment made by local employers was \$107,815,008.



DENTAL EXPENSE PROGRAM

The Dental Expense Program covered as many as 115,508 eligible State participants and 38,942 local participants during fiscal year 2009. The State of New Jersey as the employer expended \$31,401,573 for active participants while payment made by local employers was \$1,889,288.

