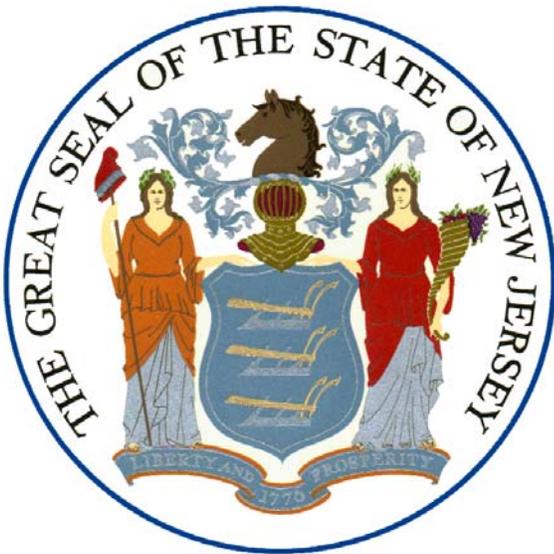


DIVISION OF PENSIONS AND BENEFITS

A Department of the State of New Jersey

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*for the Fiscal Year Ended
June 30, 2010*



*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

55th COMPREHENSIVE ANNUAL FINANCIAL REPORT *For the Fiscal Year Ended June 30, 2010*

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
- DCRP** Defined Contribution Retirement Program
- ABP** Alternate Benefit Program
- POPF** Prison Officers' Pension Fund
- CPFPPF** 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** NJ State Employees Tax Savings Program
Premium Option Plan,
Unreimbursed Medical Flexible Spending Account, and
Dependent Care Flexible Spending Account
- Commuter Tax\$ave** State Employees Commuter Tax Savings Program
- LTC** State Employees Long Term Care Insurance Plan

INDEPENDENT AUDITOR

KPMG LLP

New Jersey Headquarters
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Short Hills, NJ 07078

ACTUARIAL REPORTS

BUCK CONSULTANTS

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MILLIMAN

1550 Liberty Ridge Drive
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Wayne, PA 19087-5572

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	11
All in a Year's Work (Accomplishments in 2010)	15
Organization	16
Organization — Board of Trustees	20
Significant Legislation	22
Scope of Operations	25
Membership	29

FINANCIAL SECTION

Index	37
Independent Auditors' Report	39
Management's Discussion and Analysis	41
Basic Financial Statements	
Statement of Fiduciary Net Assets — Fiduciary Funds	46
Combining Statement of Fiduciary Net Assets — Fiduciary Funds — Pension Trust and State Health Benefit Program Funds	47
Statement of Changes in Fiduciary Net Assets — Fiduciary Funds	48
Combining Statement of Changes in Fiduciary Net Assets — Fiduciary Funds — Pension Trust and State Health Benefit Program Funds	49
Notes to Financial Statements	
(1) Description of the Funds	50
(2) Summary of Significant Accounting Policies	51
(3) Investments	61
(4) Securities Lending Collateral	68
(5) Contributions	69
(6) Vesting and Benefits	76
(7) Funds	82
(8) Contingencies	85
Schedules	
#1 Required Supplementary Information (Unaudited) — Schedule of Funding Progress	86
#2 Required Supplementary Information (Unaudited) — Schedule of Employer Contributions	91
#3 Schedule of Administrative Expenses	94
#4 Schedule of Investment Expense	95
#5 Schedule of Expenses for Consultants	95
#6 Schedule of Fiduciary Net Assets — Fiduciary Funds	96
#7 Schedule of Changes in Fiduciary Net Assets — Fiduciary Funds	97

TABLE OF CONTENTS

#8	Combining Schedule of Balance Sheet Information — Fiduciary Funds — Agency Funds	98
#9	Schedule of Changes in Fiduciary Net Assets Information — Fiduciary Funds — Agency Funds	99
#10	Combining Schedule of Fiduciary Net Assets Information — State Health Benefit Program Fund — State	100
#11	Combining Schedule of Changes in Fiduciary Net Assets Information — State Health Benefit Program Fund — State	101
#12	Combining Schedule of Fiduciary Net Assets Information — State Health Benefit Program Fund — Local	102
#13	Combining Schedule of Changes in Fiduciary Net Assets Information — State Health Benefit Program Fund — Local	103
#14	Combining Schedule of Fiduciary Net Assets Information — State Health Benefit Program Fund — Education	104
#15	Combining Schedule of Changes in Fiduciary Net Assets Information — State Health Benefit Program Fund — Education	105
#16	Combining Schedule of Balance Sheet Information — Agency Fund — Dental Expense Program	106
#17	Combining Schedule of Changes in Fiduciary Net Assets Information — Agency Fund — Dental Expense Program	107
#18	Schedule of Changes in Assets and Liabilites Information — Agency Fund — Alternate Benefit Program Fund	108
#19	Schedule of Changes in Assets and Liabilites Information — Agency Fund — Pension Adjustment Fund	109
#20	Schedule of Changes in Assets and Liabilites Information — Agency Fund — Dental Expense Program — Total	110
#21	Schedule of Changes in Assets and Liabilites Information — Agency Fund — Dental Expense Program — State	111
#22	Schedule of Changes in Assets and Liabilites Information — Agency Fund — Dental Expense Program — Local	112

INVESTMENT SECTION

Reviews of Major Policy Issues	115
State Investment Council — Key Regulations Pertaining to Pension Fund Assets	116
Proxy Voting	116
Investment Returns	117
Fair Value and the Percent of Total Fair Value for Each Major Type of Investment	117
State of New Jersey Composite Asset Allocation History (Graph)	118
U.S. Equities — Portfolio Sector Weightings (Graph)	119

TABLE OF CONTENTS

International Equities Developed Markets — Portfolio Sector Weightings (Graph)	119
List of Largest Assets Held	120
Domestic Equity Trading	122
International Equity Trading	122

ACTUARIAL SECTION

Public Employees’ Retirement System (PERS)

Actuary’s Certification Letter	125
Summary of Actuarial Assumptions and Methods	128
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	131
Schedule of Active Member Valuation Data	132
Solvency Test	133
Analysis of Past Financial Experience	134
Summary of Benefit and Contribution Provisions	135

Teachers’ Pension and Annuity Fund of New Jersey (TPAF)

Actuary’s Certification Letter	140
Summary of Actuarial Assumptions and Methods	143
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	150
Schedule of Active Member Valuation Data	150
Solvency Test	150
Analysis of Financial Experience	151
Summary of Principal Plan Provisions	152

Police and Firemen’s Retirement System (PFRS)

Actuary’s Certification Letter	157
Summary of Actuarial Assumptions and Methods	160
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	163
Schedule of Active Member Valuation Data	164
Solvency Test	165
Analysis of Past Financial Experience	166
Summary of Benefit and Contribution Provisions	167

State Police Retirement System (SPRS)

Actuary’s Certification Letter	170
Summary of Actuarial Assumptions and Methods	172
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	174
Schedule of Active Member Valuation Data	174
Solvency Test	174

TABLE OF CONTENTS

Analysis of Past Financial Experience	175
Summary of Benefit and Contribution Provisions	176
Judicial Retirement System (JRS)	
Actuary’s Certification Letter	178
Summary of Actuarial Assumptions and Methods	180
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	182
Schedule of Active Member Valuation Data	182
Solvency Test	182
Analysis of Past Financial Experience	183
Summary of Benefit and Contribution Provisions	184
Consolidated Police and Firemen’s Pension Fund (CPFPPF)	
Actuary’s Certification Letter	186
Summary of Actuarial Assumptions and Methods	188
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	189
Schedule of Active Member Valuation Data	189
Solvency Test	189
Analysis of Past Financial Experience	190
Summary of Benefit and Contribution Provisions	191
Prison Officers’ Pension Fund (POPF)	
Actuary’s Certification Letter	192
Summary of Actuarial Assumptions and Methods	194
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	195
Schedule of Active Member Valuation Data	195
Solvency Test	195
Analysis of Past Financial Experience	196
Summary of Benefit and Contribution Provisions	197
Supplemental Annuity Collective Trust (SACT)	
Actuary’s Certification Letter	198
Summary of Actuarial Assumptions and Methods	200
Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls	201
Schedule of Active Member Valuation Data	201
Solvency Test	201
Analysis of Past Financial Experience	202
Summary of Benefit and Contribution Provisions	203

TABLE OF CONTENTS

STATISTICAL SECTION

Schedule of Retired Members By Type of Benefit	207
Schedule of Revenues By Source	208
Schedule of Expense By Type	210
Participating County and Municipal Employers	212
Participating Education Employers	215
Participating Agencies and Authorities	219
Participating State Departments and Pension Funds	221

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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, 2009

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.



President

Executive Director



CHRIS CHRISTIE
Governor



ANDREW P.
SIDAMON-ERISTOFF
State Treasurer



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



State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
(609) 292-7524 TDD (609) 292-7718
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Mailing Address:
PO Box 295
Trenton, NJ 08625-0295
Location:
50 West State Street
Trenton, New Jersey

LETTER OF TRANSMITTAL

December 1, 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 55th Comprehensive Annual Financial Report (CAFR) of the New Jersey State-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2010. 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 802,154 members enjoy the benefits of the various pension systems administered by the Division, and over 851,000 lives are covered in the State Health Benefits Program (SHBP) and the School Employees' Health Benefits Program (SEHBP). In addition to the State, 1,751 local public employers participate in the retirement systems, and 1,024 local employers participate in the SHBP and SEHBP.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers 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:

Dependent Eligibility Verification Audit (DEVA) of the State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP) — The DEVA was completed in 3 Phases: Phase 1 for the State Group, Phase 2 for the Local Education Group, and Phase 3 for the Local Government Group. Approximately 252,000 employee/retiree households with coverage for one or more dependents (approximately 450,000 dependents) were asked to submit documentation in support of dependent eligibility. In the final analysis, an estimated 36,600 ineligible dependents — representing 8 percent of the SHBP/SEHBP dependent enrollment — were found. AON Hewitt, who conducted the audit for the State, estimates that the 5-year savings generated by the resultant termination of coverage amounts to more than \$400 million using conservative assumptions. The actual savings may be greater.

Pension and Health Benefit Reform — Chapters 1, 2, 3, and 31, P.L. 2010, which reformed pension and health benefits for public employees, were enacted and successfully implemented by the Division in 2010. These laws were enacted to make the cost of providing pension and health benefits more affordable for the State and Local public employers, preserving the ability for public employers to continue to provide these vital benefits to public employees in future years. Cumulatively, these pension and health benefits reform laws will provide the State and Local employers annual pension and health benefit cost reductions in the initial year of \$2.9 billion and \$314 million, respectively.

Pharmacy Benefit Manager (PBM) — The Division issued a Request for Proposal (RFP) which resulted in an award of the PBM contract to Medco Health Solutions effective January 1, 2010. The intent of the RFP was to contract with a single vendor to manage the prescription drug benefits of members of the SHBP and SEHBP. Three vendors were administering the benefits prior to the award of this contract. It is expected that the SHBP/SEHBP will save \$558 million over previous costs over the next 5 years.

LETTER OF TRANSMITTAL

Eliminating Paper Applications and Reports for Employers — The Division expanded its efforts to eliminate paper-based processes and reporting from all of the State's benefits programs. In the last fiscal period, the Division introduced the Health Benefits Membership and Activity Reports and an online repository for Health Benefits Invoices, eliminating the production and mailing of over 18,000 pages of paper reports monthly to employers who participate with the SHBP and SEHBP. The Health Benefits applications join twenty three other inquiry and e-form applications as part of the Employer Pension and Benefits Information Connection (EPIC). Through EPIC, employers have Internet access to member account information; receive payroll certifications; verify retirement status; submit pension fund enrollment forms for the majority of retirement system enrollees; and submit certifications for retirement, withdrawal, purchase applications, and employee deaths. Since the inception of EPIC there has been a steady increase in Web-based reporting versus paper-based reporting. Currently 99 percent of our local employers report to the Division using EPIC applications and the Internet-based Report of Contributions (I-ROC) application. In fiscal year 2011, our development will continue to create e-forms for health benefit enrollments.

Expanded Member Benefits Online System (MBOS) Access — MBOS is an Internet-based system that allows registered members access to their pension and if applicable, health benefits account information without having to contact Division staff or visit the Division's offices. Recent addition of MBOS applications for retirees allows for access to retirement account information, the secure change of address, and the status or update of direct deposit and State and federal income tax withholding information. The continued development of MBOS applications will have a direct impact on current work processing throughout the operational sections of the Division.

Simplification of MBOS Registration — The Division, in cooperation with the State's Office of Information Technology (OIT), undertook a simplification of the registration process for MBOS. The simplification project took a three-step procedure — split between MBOS and the myNewJersey Web portal — and streamlined it into a single-page registration procedure. Additionally the number of registered users for the Division's Web applications increased in 2010 by approximately 60,000 new users and there are almost 300,000 members, retirees, and employers using the Web applications today.

Introduction of Webinar Technology to Employers — In 2010 the Division began a program of webinars (online seminars) using the software product GoToMeeting. This allows the Division to keep employers apprised of changes to the benefit programs and provide continuing education programs. This significantly reduces the need to travel and allows the Division to do more training with fewer staff — and reallocate personnel to fill other needs. The webinars also allow the Division to provide online benefit seminars for remote locations. Between June 2010 and the end of the year, nearly 2,000 attendees participated in webinars. This is approximately the same number of individuals the Division could train in live sessions in an entire year. The response from attendees has been overwhelmingly positive.

Retirement Planning Sessions — Walk-in interviews at Division increased by 40 percent from the 3rd Quarter of 2009 to the 3rd Quarter of 2010. To address this increased demand for services the Division began conducting Small Group Counseling in September 2010. Members are required to pre-register and a retirement estimate is prepared prior to the session for member review. Members are able to submit Retirement Applications and other required documents at the end of the session. The Division is also providing large pre-retirement seminars at the Forensic Center in Hamilton.

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.

LETTER OF TRANSMITTAL

- 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 41 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, 2010. 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 2010 investment returns on pension funds were +13.36 percent. When combined with the returns for previous years, the annualized returns over the past three, five and ten-year periods were -2.28 percent, +3.71 percent, and +2.41 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, 2009 actuarial valuations are 66.0 percent funded as compared to 72.6 percent funded based on the June 30, 2008 valuations.

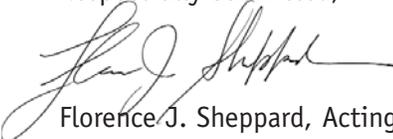
PROFESSIONAL SERVICES

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 95 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...

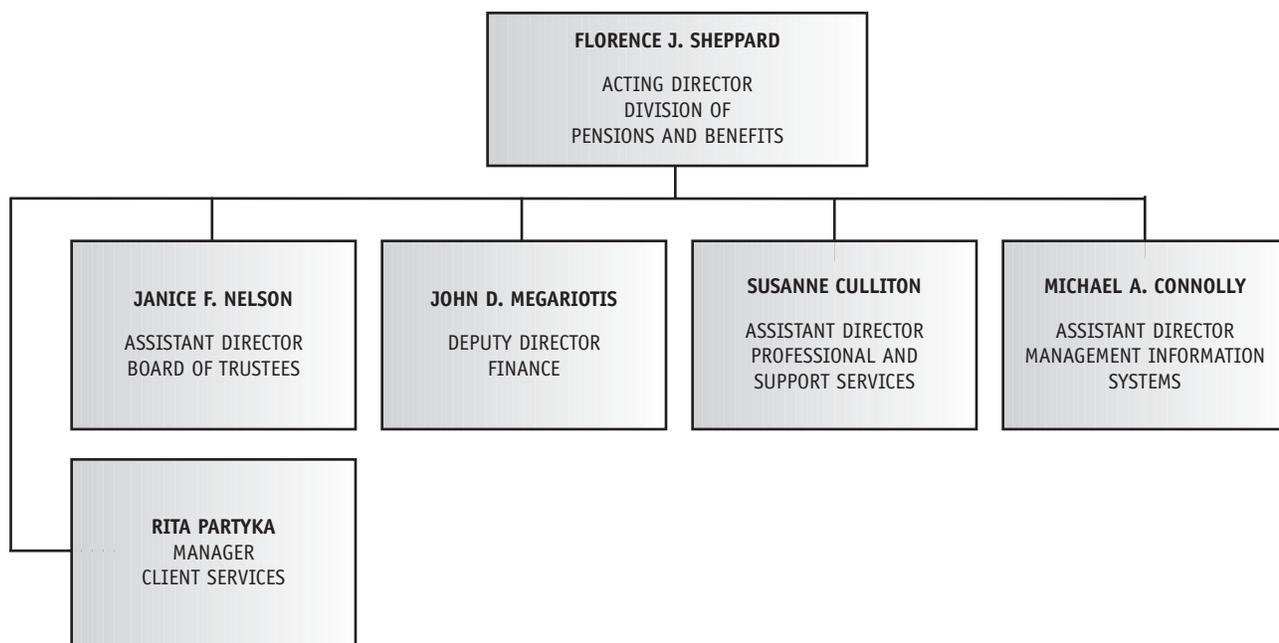
- There are **460,520 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,752 PARTICIPATING EMPLOYERS** in the combined retirement systems; **9 NEW EMPLOYERS** began participating this year.
- There are **470,720 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **13,982 MEMBER ACCOUNTS** were audited internally.
- A total of **259,077 RETIREES AND BENEFICIARIES** received monthly pensions totaling in excess of **\$7 BILLION** annually.
- Over **8,562 BENEFICIARY CLAIMS** were processed. Premiums in excess of **\$141 MILLION** were paid to the insurance carrier on behalf of active and retired members.
- Over **385,000 TELEPHONE CALLS** were received in Client Services. Counselors handled over **230,000** calls; over **1,308,000** calls were handled by our automated telephone systems.
- **23,341 PERSONAL INTERVIEWS** were conducted by pension counselors.
- **11,082 SERVICE PURCHASE REQUESTS** were processed.
- **30,446 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- There were **10,075 WITHDRAWALS** from the retirement systems.
- **13,145 MEMBERS RETIRED.**
- Over **126,496 PENSION LOANS** totaling **\$801,916,797** were processed.
- State and local membership in the State Health Benefits Program and School Employees' Health Benefits Program was **394,521 MEMBERS** with **851,759 LIVES COVERED.**
- A total of over **\$4.4 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers, School Employees' Health Benefits Program employers, and combined employees. **1,024 LOCAL EMPLOYERS** elected to participate in the SHBP or SEHBP this year.

ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

Front Row (left to right): Janice F. Nelson, Assistant Director, Board of Trustees;
Florence J. Sheppard, Acting Director; John D. Megariotis, Deputy Director, Finance
Back Row (left to right): Michael A. Connolly, Assistant Director, Management Information Systems;
Rita Partyka, Manager, Client Services; Susanne Culliton, Assistant Director, Professional and Support Services



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 \$75 billion and include over 802,154 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: John Lowden
(l to r) Kathleen Coates, *Board Secretary*
Leon Flanagan, *Chairperson*

Standing: Kellie Kiefer-Pushko, *Deputy Attorney General*
(l to r) Christine Veliz
Susanne Culliton, *Treasurer's Representative*
Thomas Bruno, Jr.
Peter Maurer
Jackie Bussanich, *Administrative Assistant*

Absent: Edward (Ned) Thomson, III
Suzanna Buriani-DeSantis
Ronald Winthers



TEACHERS' PENSION AND ANNUITY FUND

Seated: Martha Liebman
(l to r) James Joyner, *Chairperson*

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



POLICE AND FIREMEN'S RETIREMENT SYSTEM

Seated: Laurel Brennan
(l to r) John Sierchio, *Chairperson*
Susanne Culliton, *Treasurer's Representative*
Sherryl Gordon

Standing: Wayne Hall
(l to r) Lisa Pointer, *Administrative Assistant*
Frank Leake
Wendy Jamison, *Board Secretary*
Mark Kandrak
Richard Mikutsky
Kellie Kiefer-Pushko, *Deputy Attorney General*
Vincent Foti
Richard Loccke
Marty Barrett

ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Seated: Major Christopher O'Shea
(l to r) Major Karl Kleeberg, *Chairperson*
Susanne Culliton, *Treasurer's Representative*

Standing: Lisa Pointer, *Administrative Assistant*
(l to r) Jeffrey Ignatowitz, *Deputy Attorney General*
Wendy Jamison, *Board Secretary*

Absent: Jack Sayers

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST COUNCIL

John Megariotis, *Chairperson, Representing Andrew P. Sidamon-Eristoff, Treasurer, State of New Jersey*
Kathy Steepy, *Representing Charlene Holzbaur, Director, Office of Management and Budget*
Timothy Costello, *Representing Thomas B. Constance, Commissioner, Department of Banking and Insurance*

DEFERRED COMPENSATION BOARD

David Ridolfino, *Chairperson, Representing Andrew P. Sidamon-Eristoff, Treasurer, State of New Jersey*
Kathy Steepy, *Representing Charlene Holzbaur, Director, Office of Management and Budget*
Timothy Costello, *Representing Thomas B. Constance, Commissioner, Department of Banking and Insurance*

DEFINED CONTRIBUTION RETIREMENT PROGRAM BOARD

Florence J. Sheppard, *Chairperson*
Sonia Rivera-Perez, *Representing Charlene Holzbaur, Director, Office of Management and Budget*
Timothy Costello, *Representing Thomas B. Constance, Commissioner, Department of Banking and Insurance*
Timothy Walsh, *Director, Division of Investment*

STATE HEALTH BENEFITS COMMISSION

Andrew P. Sidamon-Eristoff, *State Treasurer, Chairperson*
Thomas B. Constance, *Commissioner, Department of Banking and Insurance*
Robert Czech, *Chair, Civil Service Commission*
Florence J. Sheppard, *Secretary*
Patrick Nowlan, *State Employees' Representative of the AFL-CIO*
Dudley Burdge, *State Employees' Representative of the AFL-CIO*

SCHOOL EMPLOYEES' HEALTH BENEFITS COMMISSION

David Earling, *Chairperson*
Robert Peden, *Representing Andrew P. Sidamon-Eristoff, Treasurer, State of New Jersey*
Thomas Gallagher, *Representing Thomas B. Constance, Commissioner, Department of Banking and Insurance*
Cynthia Jahn, *Representing the NJ School Boards Association*
James Geiger, *Representing the NJEA*
Kevin Kelleher, *Representing the NJEA*
Wendell Steinhauer, *Representing the NJEA*

SIGNIFICANT LEGISLATION

CHAPTER 85, P.L. 2009

Effective Date: July 2, 2009.

Description: This law changes the definition of compensation for certain State employees enrolled in the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF).

Current law defines compensation as the base or contractual salary for services as an employee. This law would provide that, for the period of July 1, 2009 through June 30, 2011, "contractual salary" for a State employee would include wage increases under a collective negotiations agreement notwithstanding that, by amendment to that collective negotiations agreement, the effective date of the contractual increase has been deferred.

For the purpose of this law, "State employee" means an employee in the Executive Branch of State government. The term excludes an employee of an autonomous authority, commission, entity, or instrumentality authorized to participate in the PERS.

CHAPTER 113, P.L. 2009

Effective Date: September 1, 2010 (First day of the thirteenth month next following enactment).

Description: This law provides that certain health benefits plans that include benefits for maternity services shall provide for reimbursement in installments to obstetrical providers licensed in New Jersey for maternity services rendered during the term of a covered person's pregnancy. The law defines "obstetrical provider licensed in New Jersey" to mean: (1) an obstetrician/gynecologist licensed by the State Board of Medical Examiners; or (2) a midwife licensed by the State Board of Medical Examiners as a certified midwife or a certified nurse midwife.

Health benefits plans affected by the law include: contracts, policies or plans issued by health, hospital, and medical service corporations, commercial individual and group health insurers, and health maintenance organizations; and those plans issued or provided pursuant to the New Jersey Individual Health Coverage and Small Employer Health Benefits Programs, the State Health Benefits Program, and the School Employees' Health Benefits Program.

CHAPTER 115, P.L. 2009

Effective Date: February 9, 2010 (180 days after enactment).

Description: This law requires health insurers to provide health benefits coverage for expenses incurred for medically necessary therapies for covered persons with autism and other developmental disabilities.

In addition to the State Health Benefits Program (see Section 9 of the law) and the School Employees' Health Benefits Program (see Section 10 of the law), the provisions of this law apply to health, hospital and medical service corporations; commercial individual and group health insurers; health maintenance organizations; and health benefits plans issued pursuant to the New Jersey Individual Health Coverage and Small Employer Health Benefits Programs.

The insurer is to provide coverage for expenses incurred in screening and diagnosing autism or another developmental disability. When the covered person's diagnosis is autism or another developmental disability, the covered treatments are to include medically necessary occupational therapy, physical therapy, and speech therapy, as prescribed through a treatment plan; and coverage of these therapies is not to be denied on the basis that the treatment is not restorative.

When the covered person is under 21 years of age and the covered person's diagnosis is autism, the covered treatments are to include medically necessary behavioral interventions based on the principles of applied behavioral analysis and related structured behavioral programs, as prescribed through a treatment plan, subject to the provisions of this law. The benefits provided for behavioral interventions for a covered person under 21 years of age are to be provided to the same extent as for any other medical condition under the contract or policy, except as provided in this law, and are not to be subject to limits on the number of visits that a covered person may make to a provider of behavioral interventions; and are not to be denied on the basis that the treatment is not restorative.

With respect to benefits provided for behavioral interventions, the maximum benefit for a covered person in any calendar year through 2011 is \$36,000.

SIGNIFICANT LEGISLATION

Commencing on January 1, 2012, the maximum benefit amount will be subject to an adjustment, to be promulgated by the Commissioner of Banking and Insurance and published in the New Jersey Register no later than February 1 of each calendar year, which is equal to the change in the consumer price index for all urban consumers for the nation, as prepared by the United States Department of Labor, for the calendar year preceding the calendar year in which the adjustment to the maximum benefit amount is promulgated. The adjusted maximum benefit amount will apply to a contract or policy that is delivered, issued, executed, or renewed, or approved for issuance or renewal, in the 12-month period following the date on which the adjustment is promulgated. An insurer is not precluded from providing a benefit amount for a covered person in any calendar year that exceeds the benefit amounts set forth above.

The treatment plan required pursuant to this law is to include all elements necessary for the insurer to appropriately provide benefits, including, but not limited to a diagnosis; proposed treatment by type, frequency, and duration; the anticipated outcomes stated as goals; the frequency by which the treatment plan will be updated; and the treating physician's signature. The insurer may only request an updated treatment plan once every six months from the treating physician to review medical necessity, unless the insurer and the treating physician agree that a more frequent review is necessary due to emerging clinical circumstances.

The provisions of this law are not to be construed as limiting benefits otherwise available to a covered person. The provisions of this law are also not to be construed to require that benefits be provided to reimburse the cost of services provided under an individualized family service plan or an individualized education program, or affect any requirement to provide those services; except that the required benefits do include coverage for expenses incurred by participants in an individualized family service plan through a family cost share.

The coverage required under this law may be subject to utilization review, including periodic review, by the health insurer of the continued medical necessity of the specified therapies and interventions.

CHAPTER 338, P.L. 2009

Effective Date: January 18, 2010

Description: The law extends the application of the definition of contractual salary under Chapter 85, P.L. 2009, to State employees in the Judicial Branch, employees of the State University (Rutgers), and all county or all municipal employees in this State who are members of the Public Employees' Retirement System (PERS) who have had their wages deferred through collective bargaining negotiations.

Chapter 85, P.L. 2009, provided that, under PERS for the period of July 1, 2009 through June 30, 2011, the term "contractual salary" within the definition of compensation will include deferred collectively negotiated wage increases in the calculation of retirement and other benefits for State employees in the Executive Branch.

CHAPTER 1, P.L. 2010

Effective Date: May 21, 2010

Description: This law makes a number of changes to different State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the Public Employees Retirement System (PERS), special retirement under the Police and Firemen's Retirement System (PFRS), and employer contributions to the pension systems.

CHAPTER 2, P.L. 2010

Effective Date: May 21, 2010

Description: This law makes changes to the State Health Benefits Program (SHBP) and the School Employees' Health Benefits Program (SEHBP) concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

SIGNIFICANT LEGISLATION

CHAPTER 3, P.L. 2010

Effective Date: May 21, 2010

Description: The law makes various changes concerning payments to public employees for unused sick leave, carrying forward of vacation leave by public employees, sick leave for injury while in State service, and accidental and ordinary disability retirement for members of the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF).

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 police officers and firefighters, appointed after June 1944, in municipalities where local police and fire 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.

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 and Chapter 1, P.L. 2010. 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

SCOPE OF OPERATIONS

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, employees enrolled in the PFRS or SPRS after May 21, 2010 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 or do not work the minimum hours per week required for PERS or TPAF Tier 4 enrollment.

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

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: VALIC; AXA Financial (Equitable); The Hartford; ING Life Insurance and Annuity Co.; MetLife (formerly Travelers/CitiStreet); and the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF). The ABP is a “defined contribution” plan as distinguished from “defined benefits” payable by the other State retirement systems. Immediate vesting after the first year of 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 fire pension funds on an actuarial reserve basis. The membership consists of police and firefighters 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

SCOPE OF OPERATIONS

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 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.

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.

SCOPE OF OPERATIONS

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 plan 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.

TAX\$AVE

The State Employees Tax Savings Program (Tax\$ave) was initially established for State Employees in July 1996 and authorized under Section 125 of the Internal Revenue Code. 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 \$2,500 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, Title 52, Chapter 14, Article 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 \$230 per month (\$2,760 per year) deducted from salary to pay for mass transit commutation costs and \$230 per month (\$2,760 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, Title 52, Chapter 14, Article 17.33. 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, Title 52, Chapter 14, Article 15.9a and Title 34, Chapter 11, Article 4.4b(10).

MEMBERSHIP

ACTIVE MEMBERSHIP	RETIREMENT SYSTEM	2009	2010
	Public Employees' Retirement System	319,782*	315,101*
	Teachers' Pension & Annuity Fund	159,330*	158,288*
	Police & Firemen's Retirement System	45,843*	44,858*
	State Police Retirement System	3,149*	3,056*
	Judicial Retirement System	421	430
	Alternate Benefit Program	21,285	21,334
	Prison Officers' Pension Fund	0	0
	Consolidated Police & Firemen's Pension Fund	0	0
	Central Pension Fund	NA	NA
	Total	549,810	543,067
<p><i>*Both the 2009 and 2010 figures represent the total number of Active and Inactive accounts. The 2010 Inactive (noncontributing) accounts are as follows: PERS Inactive — 48,417, TPAF Inactive — 12,657, PFRS Inactive — 1,592, SPRS Inactive — 57.</i></p>			
RETIRED MEMBERSHIP & BENEFICIARIES	RETIREMENT SYSTEM	2009	2010
	Public Employees' Retirement System	136,332	139,450
	Teachers' Pension & Annuity Fund	78,051	80,220
	Police & Firemen's Retirement System	34,165	35,729
	State Police Retirement System	2,582	2,641
	Judicial Retirement System	498	526
	Alternate Benefit Program	NA	NA
	Prison Officers' Pension Fund	150	142
	Consolidated Police & Firemen's Pension Fund	422	369
	Central Pension Fund	298	10
	Total	252,498*	259,087*
<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	2009	2010
	State Health Benefits Program and School Employees' Health Benefits Program	374,301	394,521
	Prescription Drug Plan	150,486	337,420
	Dental Expense Program	154,450	157,933

MEMBERSHIP

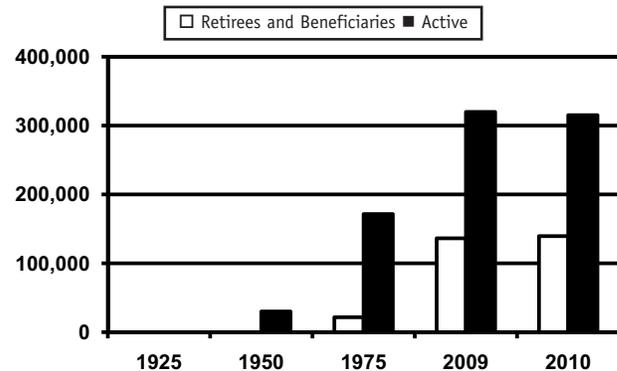
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

As of June 30, 2010, the active membership of the system totaled 315,101. There were 139,450 retirees and beneficiaries receiving annual pensions totaling \$2,344,647,896*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$110,078,829.

The system's assets totaled \$24,606,032,482 at the close of the fiscal year 2010.

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



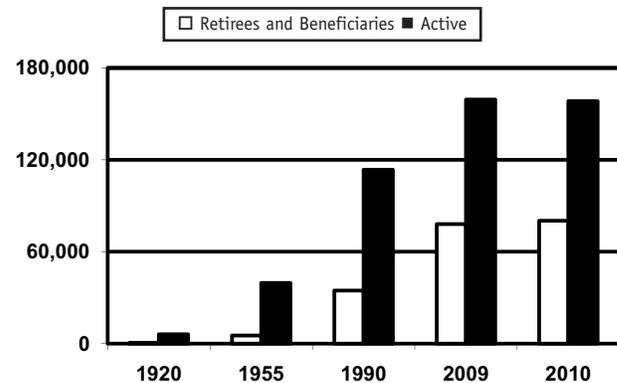
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2010, the active membership of the fund totaled 158,288. There were 80,220 retirees and beneficiaries receiving annual pensions totaling \$2,951,495,527*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$76,697,906.

The fund's assets totaled \$26,192,726,225 at the close of the fiscal year 2010.

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



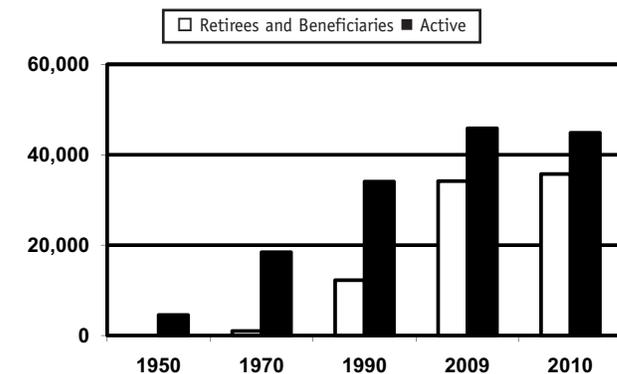
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2010, the active membership of the system totaled 44,858. There were 35,729 retirees and beneficiaries receiving annual pensions totaling \$1,541,261,329*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$32,249,526.

The system's assets totaled \$19,987,241,043 at the close of the fiscal year 2010.

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



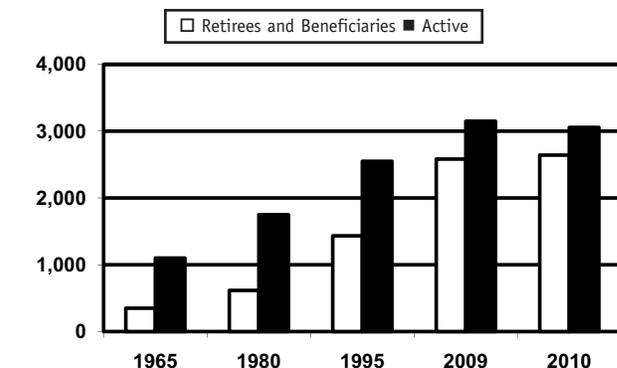
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2010, the active membership of the system totaled 3,056. There were 2,641 retirees and beneficiaries receiving annual pensions totaling \$137,504,302*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$1,018,200.

The system's assets totaled \$1,668,707,714 at the close of the fiscal year 2010.

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

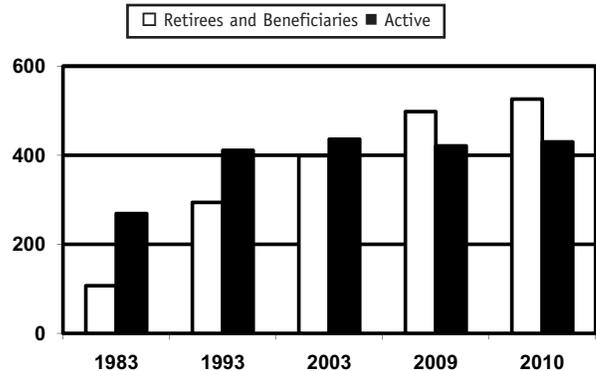


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2010, the active membership of the system totaled 430. There were 526 retirees and beneficiaries receiving annual pensions totaling \$40,199,654.

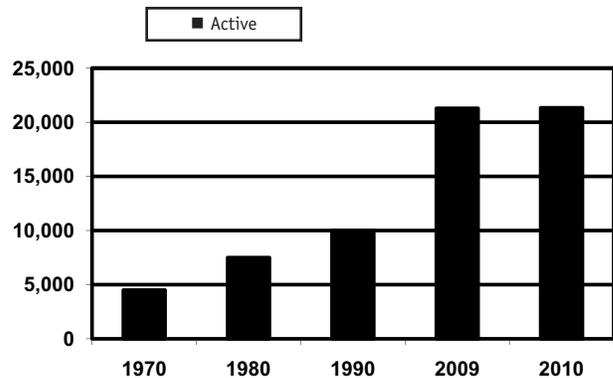
The system's assets totaled \$265,183,068 at the close of the fiscal year 2010.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2010, the State paid \$148,601,689 on behalf of 21,334 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$14,168,345 in lump sum death benefits.



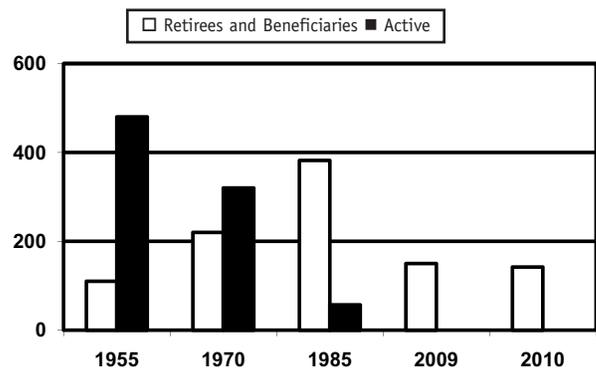
PRISON OFFICERS' PENSION FUND

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, 2010, the active membership of the fund totaled zero. There were 142 retirees and beneficiaries receiving annual pensions totaling \$2,063,123.

The fund's assets totaled \$11,202,586 at the close of the fiscal year 2010.

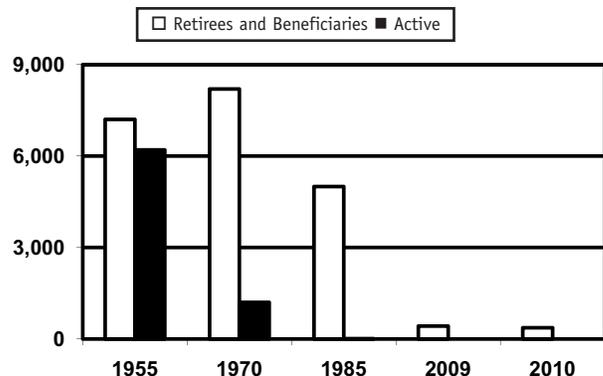


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

As of June 30, 2010, the active membership of the fund totaled zero. There were 369 retirees and beneficiaries receiving annual pensions totaling \$7,495,068.

The fund's assets totaled \$9,421,284 at the close of the fiscal year 2010.



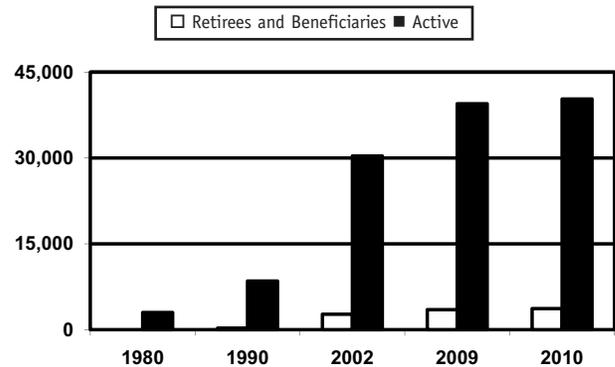
MEMBERSHIP

NJ STATE EMPLOYEES' DEFERRED COMPENSATION PLAN

Fiscal year 2010 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, 2010, the active membership of the New Jersey State Employees' Deferred Compensation Plan totaled 40,304. There were 3,683 members receiving monthly installment payments.

The plan's net assets (participants' balances) were \$2,048,582,255 at the close of the fiscal year 2010.

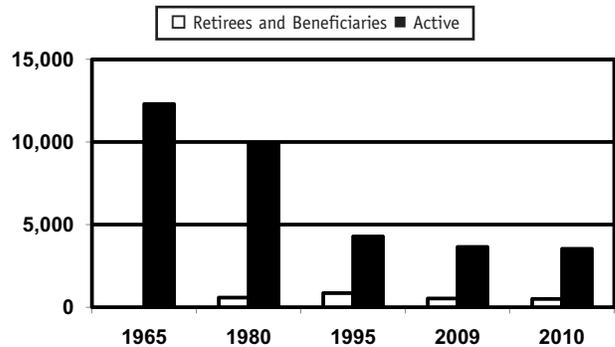


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2010, the active membership of the trust totaled 3,531. The unit value was \$50.1476, an increase of \$5.8620 from the June 30, 2009 value of \$44.2856.

There were 499 annuitants.

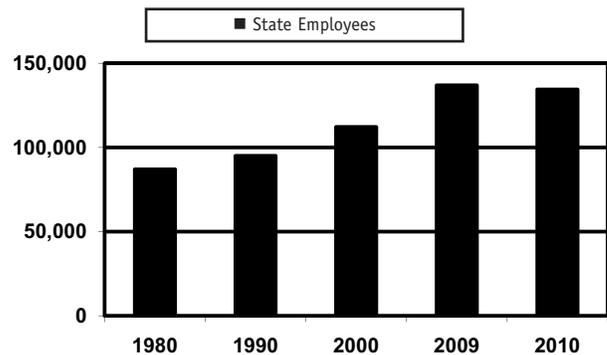
The trust's assets totaled \$136,868,341 at the close of the fiscal year 2010.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

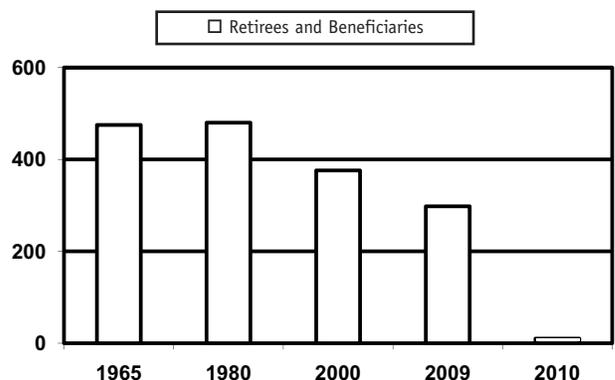
As of June 30, 2010, the Unemployment Compensation Program for State employees covered as many as 123,493 persons, and the Division remitted \$4,100,667 on behalf of the State. There were 12,211 requests for unemployment benefits filed, and \$27,560,066 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 134,417 employees, and the Division remitted \$34,010,481 on behalf of the State. Claims paid totaled \$33,103,830.



CENTRAL PENSION FUND

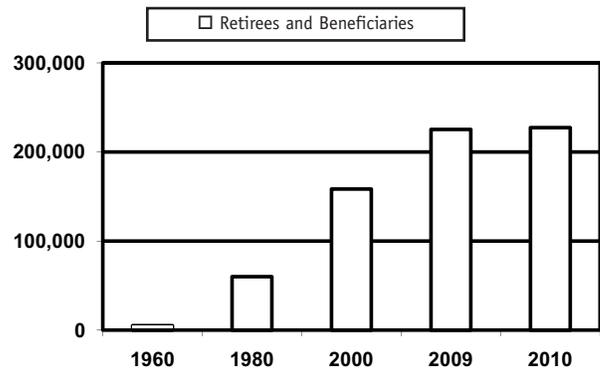
As of June 30, 2010, there were 10 beneficiaries receiving annual pensions totaling \$199,294.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

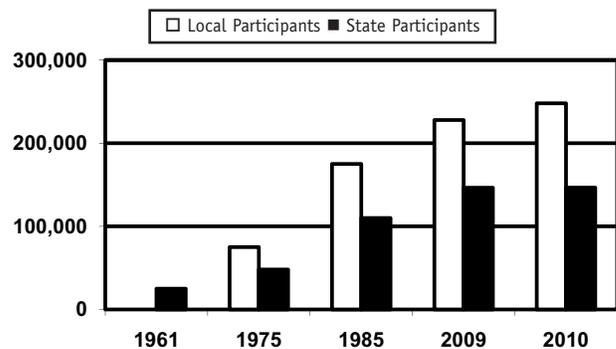
There were 227,313 pensioners who were paid \$929,426,004 during the fiscal year 2010.



STATE HEALTH BENEFITS PROGRAM AND SCHOOL EMPLOYEES' HEALTH BENEFITS PROGRAM

As of June 30, 2010, there were 394,521 covered participants (active and retired) consisting of 146,534 State participants and 247,987 participants of 1,024 local participating employers.

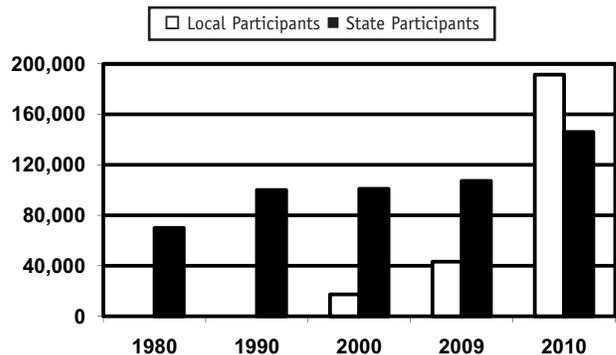
The State and state employee contributions were \$1,341,718,120 while payment made by local (including education) employers and employees was \$2,285,692,537.



PRESCRIPTION DRUG PLAN

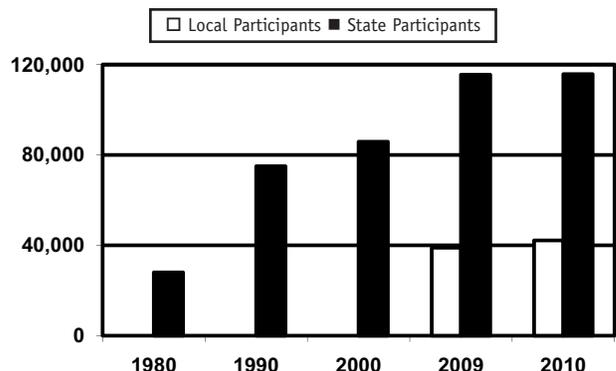
The Prescription Drug Plan covered as many as 145,978 State participants and 191,442 local participants during fiscal year 2010.

The State's contribution was \$342,244,755 while payment made by local (including education) employers was \$247,321,981.



DENTAL EXPENSE PROGRAM

The Dental Expense Program covered as many as 115,762 eligible State participants and 42,171 local participants during fiscal year 2010. The State of New Jersey as the employer expended \$34,017,441 for active participants while payment made by local (including education) employers was \$2,500,432.



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