

**STATE OF NEW JERSEY
DEFERRED COMPENSATION PLAN**

FINANCIAL STATEMENTS AND SCHEDULES

June 30, 2012 and 2011

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

New Jersey State Employees Deferred
Compensation Plan Board
New Jersey State Employees Deferred
Compensation Plan

We have audited the accompanying statements of fiduciary net assets of the State of New Jersey State Employees Deferred Compensation Plan (the Plan) as of June 30, 2012 and 2011, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of New Jersey State Employees Deferred Compensation Plan as of June 30, 2012 and 2011, and changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Mt. Laurel, New Jersey
November 5, 2012

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Management's Discussion and Analysis

June 30, 2012 and 2011

Our discussion and analysis of the financial performance of the New Jersey State Employees Deferred Compensation Plan (the Plan) provides an overview of the Plan's financial activities for the fiscal years ended June 30, 2012 and 2011. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

Financial Highlights

2012 – 2011

- Net assets increased by \$79,401,540 as a result of fiscal year 2012's operations from \$2,506,642,343 to \$2,586,043,883.
- Additions for the year are \$198,078,409, which are comprised of member contributions of \$178,243,724 and net investment income of \$19,834,685.
- Deductions for the year are \$118,676,869, which are comprised of benefit payments of \$118,211,742 and administrative expenses of \$465,127.

2011 – 2010

- Net assets increased by \$458,060,088 as a result of fiscal year 2011's operations from \$2,048,582,255 to \$2,506,642,343.
- Additions for the year are \$569,118,777, which are comprised of member contributions of \$185,334,980 and net investment income of \$383,783,797.
- Deductions for the year are \$111,058,689, which are comprised of benefit payments of \$110,598,362 and administrative expenses of \$460,327.

The Statements of Fiduciary Net Assets and the Statements of Changes in Fiduciary Net Assets

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

The Statements of Fiduciary Net Assets show the balances in all of the assets and liabilities of the Plan at the end of the fiscal year. The difference between assets and liabilities represents the Plan's fiduciary net assets. Over time, increases or decreases in the Plan's fiduciary net assets provide one indication of whether the financial health of the Plan is improving or declining. *The Statements of Changes in Fiduciary Net Assets* show the results of financial operations for the year. The statements provide an explanation for the change in the Plan's fiduciary

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net assets since the prior year. These two financial statements should be reviewed along with the information contained in the financial statement footnotes to determine whether the Plan is becoming financially stronger or weaker.

Financial Analysis

Summary of Fiduciary Net Assets

2012 – 2011

	2012	2011	Increase (decrease)
Assets	\$ 2,586,890,545	2,507,886,175	79,004,370
Liabilities	846,662	1,243,832	(397,170)
Net assets	\$ 2,586,043,883	2,506,642,343	79,401,540

Total assets increased by \$79.0 million or 3.2% between fiscal years 2011 and 2012 due to an increase in the investment holdings.

Total liabilities decreased by \$397.2 thousand or 31.9% due to a decrease in administrative fees payable.

Net assets increased by \$79.4 million or 3.2%.

Summary of Fiduciary Net Assets

2011 – 2010

	2011	2010	Increase (decrease)
Assets	\$ 2,507,886,175	2,049,916,893	457,969,282
Liabilities	1,243,832	1,334,638	(90,806)
Net assets	\$ 2,506,642,343	2,048,582,255	458,060,088

Total assets increased by \$458.0 million or 22.3% between fiscal years 2010 and 2011 due to the increase in the fair value of investments.

Total liabilities decreased by \$90.8 thousand or 6.8% due to the decrease in administrative fees payable.

Net assets increased by \$458.1 million or 22.4%.

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Summary of Changes to Fiduciary Net Assets

2012 – 2011

	<u>2012</u>	<u>2011</u>	<u>Increase</u>
Additions:			
Member contributions	\$ 178,243,724	185,334,980	(7,091,256)
Net investment income	19,834,685	383,783,797	(363,949,112)
Total additions	<u>198,078,409</u>	<u>569,118,777</u>	<u>(371,040,368)</u>
Deductions:			
Benefits	118,211,742	110,598,362	7,613,380
Administrative expenses	465,127	460,327	4,800
Total deductions	<u>118,676,869</u>	<u>111,058,689</u>	<u>7,618,180</u>
Change in net assets	<u>\$ 79,401,540</u>	<u>458,060,088</u>	<u>(378,658,548)</u>

Additions consist of member contributions and earnings from investment activities. Total additions decreased by \$371.0 million or 65.2% between fiscal year 2011 and 2012 primarily due to lower investment return in fiscal year 2012 as compared to fiscal year 2011.

Deductions consist of benefit payments made during the year and administrative expenses. Benefit payments increased by \$7.6 million, or 6.9% between fiscal year 2011 and 2012. This increase is the result of improving financial markets and the resulting gain in assets held in members' accounts. Participants requesting full or partial distributions during the year did so from accounts that had increased in value from June 30, 2011, providing these participants with access to an increased total dollar amount for these distributions.

Summary of Changes to Fiduciary Net Assets

2011 – 2010

	<u>2011</u>	<u>2010</u>	<u>Increase</u>
Additions:			
Member contributions	\$ 185,334,980	171,382,135	13,952,845
Net investment income	383,783,797	169,072,944	214,710,853
Total additions	<u>569,118,777</u>	<u>340,455,079</u>	<u>228,663,698</u>
Deductions:			
Benefits	110,598,362	70,838,765	39,759,597
Administrative expenses	460,327	456,124	4,203
Total deductions	<u>111,058,689</u>	<u>71,294,889</u>	<u>39,763,800</u>
Change in net assets	<u>\$ 458,060,088</u>	<u>269,160,190</u>	<u>188,899,898</u>

Additions consist of member contributions and earnings from investment activities. Total additions increased by \$228.7 million or 67.2% between fiscal year 2010 and 2011 primarily due to the appreciation in investments from 2010 to 2011 and partly due to an increase in membership.

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Deductions consist of benefit payments made during the year and administrative expenses. Benefit payments increased by \$39.8 million, or 56.1% between fiscal year 2010 and 2011 for various reasons including the increased number of retirees receiving benefits, economic factors which contributed to a large number of those who left employment to access their plan accounts who may have not done so in the past, an increase in emergency withdrawals, an increase in the number of requests to use plan funds to make qualified service credit purchases during the fiscal year and, finally, an adjustment in recording disbursements from the Plan's four state-managed accounts.

The change in net assets of \$188.9 million was primarily a result of the appreciation in investments from 2010 to 2011.

Retirement System as a Whole

Members are 100% vested in the present value of their contributions.

Contacting System Financial Management

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

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Statements of Fiduciary Net Assets

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets:		
Cash	\$ 12,231	1,053
Investments, at fair value:		
Cash Management Fund	59,269,558	75,358,483
U.S. Government obligations	371,746,092	493,311,771
Domestic equities	1,117,461,645	1,164,001,611
International equities	257,677,868	264,177,985
Other fixed income securities	779,384,678	509,869,794
Total investments	<u>2,585,539,841</u>	<u>2,506,719,644</u>
Receivables:		
Accrued interest and dividends	1,178,243	1,165,478
Securities sold in transit	160,230	—
Total receivables	<u>1,338,473</u>	<u>1,165,478</u>
Total assets	<u>2,586,890,545</u>	<u>2,507,886,175</u>
Liabilities:		
Accounts payable and accrued expenses	846,662	1,243,832
Total liabilities	<u>846,662</u>	<u>1,243,832</u>
Net assets:		
Held in trust for benefits	<u>\$ 2,586,043,883</u>	<u>2,506,642,343</u>

See accompanying notes to financial statements.

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Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Additions:		
Member contributions	\$ 178,243,724	185,334,980
Investment income:		
Net appreciation in fair value of investments	9,688,428	373,384,737
Interest	2,796,491	3,418,430
Dividends	7,545,870	7,195,976
	<u>20,030,789</u>	<u>383,999,143</u>
Less investment expense	<u>196,104</u>	<u>215,346</u>
Net investment income	<u>19,834,685</u>	<u>383,783,797</u>
Total additions	<u>198,078,409</u>	<u>569,118,777</u>
Deductions:		
Benefits	118,211,742	110,598,362
Administrative expenses	465,127	460,327
Total deductions	<u>118,676,869</u>	<u>111,058,689</u>
Change in net assets	79,401,540	458,060,088
Net assets – beginning of year	<u>2,506,642,343</u>	<u>2,048,582,255</u>
Net assets – end of year	<u>\$ 2,586,043,883</u>	<u>2,506,642,343</u>

See accompanying notes to financial statements.

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(1) Summary of Significant Accounting policies

Basis of Accounting

The financial statements of the New Jersey State Employees Deferred Compensation Plan (the Plan or NJSEDCP) have been prepared using the accrual basis of accounting and conform to the provisions of Government Accounting Standards Board (GASB) Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

Investments

The Division of Investment, Department of the Treasury, State of New Jersey (the Division of Investment) manages and invests certain assets of various divisions, agencies and employees of the State of New Jersey in various groups of funds, which includes the Plan.

Prudential Retirement is the third-party administrator for the NJSEDCP. Prudential Retirement provides recordkeeping, administration services and access to 23 investments through a combination of their separate account product offerings and retail branded mutual funds. The four state-managed investments options (DCP Bond Fund, DCP Equity Fund, DCP Small Cap Equity Fund and DCP Money Market Fund) are closed to new investments. The Division of Investment is the fiduciary for the investments of the Plan. The Division of Pensions and Benefits maintains its administrative oversight functions for the Plan.

Investments are reported at fair value as follows:

- U.S. Government obligations and other fixed income securities – prices quoted by a major dealer in such securities.
- Domestic and international equities – closing prices as reported on the primary market or exchange on which they trade.
- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.

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

Administrative Expenses

Expenses associated with the Plan, which include but are not limited to administrative and investment costs, are charged against the Plan's net assets as determined by the action of the New Jersey State Employees Deferred Compensation Board (the Board). The fee is charged to participants' accounts on a monthly basis. Amounts charged against the net assets by the Plan to date have exceeded the payments made, the excess of which has been recorded as administrative fees payable.

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Unit Valuation

Participants' net asset value per unit is determined on a daily basis for each of the Plan's 27 investment fund options. Net asset value per unit is computed on the total fair value at the end of the day of the Plan's net assets divided by the total outstanding units of the Plan.

Use of Estimates

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

(2) Description of the Plan

The following description of the Plan provides only general information. Participants should refer to the Plan information statement, which is available from the State of New Jersey, Division of Pensions and Benefits, for a more complete description of the Plan's provisions.

General

The Plan was established by Chapter 39, P.L. 1978, which became effective June 19, 1978, amended by Chapter 449, P.L. 1985, effective January 14, 1986, and by Chapter 116, P.L. 1997, effective June 6, 1997, and is available to any state employee who is a member of a state-administered retirement system or an employee of an eligible state agency, authority, commission or instrumentality of state government provided the employee has at least 12 continuous months of employment, and any individual employed through a Governor's appointment. The Plan's membership was 45,135 and 44,648 at June 30, 2012 and 2011, respectively.

The assets of the Plan are being held in trust for the exclusive benefit of Plan members and their beneficiaries as required by Internal Revenue Code Section 457.

Contributions

Participants may defer between 1% and 100% of their salary, as defined, and less any 414(h) reductions or \$17,000 annually. Under the limited "catch-up" provision, a participant may be eligible to defer up to a maximum of twice the annual maximum in the three years immediately preceding the retirement age at which no reduction in benefits would be applicable. Participants must defer at least 1% of their annual salary but no less than \$10 biweekly or \$20 monthly. Federal income taxes are not due on deferred amounts or on any accumulated earnings until the participant receives a distribution of assets. Participants may elect to invest their contributions in multiples of 1% in any of the 23 investment fund options, and may increase, decrease or suspend their deferrals once a month. Compensation amounts deferred and accumulated earnings thereon, while in trust for the exclusive benefit of the participants, remain the property of the State of New Jersey until distributed to participants. Participants are always fully vested for the accumulated units in their accounts. Participation in the Plan ceases at retirement, termination of service, disability or death. The employer does not make contributions to the Plan.

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Participants' Accounts

The administrator maintains a bookkeeping account for each participant that is credited as of the date at which the participant's compensation is deferred.

The account is also credited with any increase or charged with any decrease related to the transactions of the Plan.

The State of New Jersey is only under a contractual obligation to make payments under this Plan in accordance with the provisions of the applicable statute as payments become due. The State of New Jersey is not a guarantor of the Plan.

Distribution of Assets

A participant of the Plan or beneficiary may receive a distribution of assets under the Plan upon the participant's retirement, termination of service, disability, or death. Distribution of the participant's account will be made in a single lump-sum payment within two months after the administrator is notified of the event for all accounts unless the participant elects to delay distribution from the Plan. In all cases, distribution must commence no later than 90 days following the close of the calendar year in which the participant retired, terminated service, became disabled, died or attained age 70½, whichever is later. If the value of the participant's account is at least \$5,000, the participant may choose distribution as a lump-sum payment or, in substantially equal installments over a period not to exceed fifteen years. Additionally, the participant may select a combination payment consisting of an initial lump-sum payment followed by installments over a period not to exceed fifteen years if the balance in the account following the initial lump-sum payment is at least \$5,000. Accounts are valued for distribution purposes as of the end of the month immediately preceding distribution.

Distribution is also permitted in the case of an unforeseen emergency, as defined by Internal Revenue Code 457 regulations. A participant may also elect to receive an in-service distribution if the participant has not made deferrals into the Plan for 24 consecutive months and the total value of the participant's account does not exceed \$5,000.

Termination of the Plan

The Board, in accordance with the provisions of Chapter 39, P.L. 1978, has the authority to terminate this Plan or to substitute a new plan consistent with the requirements of the United States Internal Revenue Service.

Upon termination, each participant shall be deemed to have withdrawn from the Plan as of the date of such termination; the participant's full compensation on a nondeferred basis will be restored; and the administrator shall treat such participants as if they had termination of service on the date of such termination and pay such deferred compensation in accordance with provisions of the Plan.

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Any substitute of a new plan, consistent with the requirements of the United States Internal Revenue Service, shall provide for the retention by the employer of the amounts already deferred under the prior plan and for the distribution of said amounts in accordance with the irrevocable written elections made pursuant to the Plan.

Vesting and Benefit Provisions

Assets in the Plan are held in trust for the exclusive benefit of Plan members and their beneficiaries in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Plan members are fully vested for the current valuation of their account from the date of enrollment in the Plan. Benefits are payable upon separation from service with the State of New Jersey.

(3) Investments

The Plan's investments as of June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Cash management fund	\$ 59,269,558	75,358,483
U.S. government obligations	371,746,092	493,311,771
Domestic equities	1,117,461,645	1,164,001,611
International equities	257,677,868	264,177,985
Other fixed income securities	779,384,678	509,869,794
	<u>\$ 2,585,539,841</u>	<u>2,506,719,644</u>

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

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The Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by the Plan and is not rated.

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

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

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

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These credit ratings and limits are as follows:

Category	Minimum rating (1)			Limitation of issuer's outstanding debt/stock	Limitation of issue	Other limitations
	Moody's	S&P	Fitch			
Bank loans	Baa3	BBB-	BBB-	10%	—	Not more than 10% of fund assets can be invested in this category
Certificates of deposit and Banker's acceptances:						Certificates of deposit and banker's acceptances cannot exceed 10% of issuer's primary capital
Domestic	A3/P-1	A-/A-1	A-/F1	—	—	
International	Aa3/P-1	AA-/A-1	AA-/F1	—	—	
Collateralized notes and mortgages	Baa3	BBB-	BBB-	—	25%	Not more than 5% of fund assets can be invested in any one issue; not more than 10% of fund assets (or 20% of Common Fund B assets) can be invested in this category
Commercial paper	P-1	A-1	F1	—	—	—
Corporate obligations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in debt and non-convertible preferred stock of one issuer
Credit default swap transactions	A1	A+	A+	—	—	Nominal value of net exposure to any one counterparty shall not exceed 10% of fund assets
Guaranteed income contracts and funding agreements	A3	A-	A-	—	—	—
Interest rate swap transactions	A1	A+	A+	—	—	Notional value of net exposure to any one counterparty shall not exceed 10% of fund assets
International corporate obligations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in debt and non-convertible preferred stock of any one issuer; not more than 10% of fund assets can be invested in this category
International government and agency obligations	Baa3	BBB-	BBB-	25%	Greater of 25% or \$10 million	—

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Category	Minimum rating (1)			outstanding debt	Limitation of issue	Other limitations
	Moody's	S&P	Fitch			
Money market funds	—	—	—	—	—	Not more than 10% of fund assets can be invested in money market funds; limited to 5% of shares or units outstanding
Mortgage backed pass-through securities	A3	A-	A-	—	—	Not more than 5% of fund assets can be invested in any one issue
Mortgage backed senior debt securities	—	—	—	—	25%	Not more than 5% of fund assets can be invested in any one issue
Non-convertible preferred stocks of US corporations	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of fund assets can be invested in debt and non-convertible stock of any one corporation
Public authority revenue obligations	A3	A-	A-	—	10%	Not more than 2% of fund assets can be invested in any one public authority
Repurchase agreements	Aa3	AA-	AA-	—	—	—
State & municipal obligations	A3	A-	A-	10%	10%	Not more than 2% of fund assets can be invested in debt of any one political entity maturing more than 12 months from purchase

(1) Short term ratings (e.g. P-1, A-1, F1) are used for commercial paper and certificates of deposit.

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For securities exposed to credit risk in the fixed income portfolio, the following tables disclose aggregate fair value, by major credit quality rating category at June 30, 2012 and 2011:

		June 30, 2012								
		Moody's rating								
(In thousands)		Aaa	Aa	A	Baa	Ba	B	P1	Not rated	Totals
U.S. Treasury bonds	\$	337,145	—	—	—	—	—	—	—	337,145
U.S. Government agency		25,020	5,350	4,839	—	—	—	—	13	35,222
Domestic corporate obligations		322,908	44,698	101,138	99,036	3,397	443	—	7,915	579,535
Other		64	16,470	31,180	20,097	1,238	—	43	130,137	199,229
Total	\$	<u>685,137</u>	<u>66,518</u>	<u>137,157</u>	<u>119,133</u>	<u>4,635</u>	<u>443</u>	<u>43</u>	<u>138,065</u>	<u>1,151,131</u>

		June 30, 2011								
		Moody's rating								
(In thousands)		Aaa	Aa	A	Baa	Ba	B	P1	Not rated	Totals
U.S. Treasury bonds	\$	479,807	1,725	3,061	—	—	—	—	474	485,067
U.S. Government agency		5,148	1,337	1,326	—	—	—	—	433	8,244
Domestic corporate obligations		115,979	41,941	99,325	64,863	1,450	482	372	5,316	329,728
Other		6,371	7,321	15,314	14,901	462	157	—	141,914	186,440
Total	\$	<u>607,305</u>	<u>52,324</u>	<u>119,026</u>	<u>79,764</u>	<u>1,912</u>	<u>639</u>	<u>372</u>	<u>148,137</u>	<u>1,009,479</u>

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

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities who are not required to disclose the individual assets within the fund. The fair value of these investments was \$257.7 million and \$264.2 million as of June 30, 2012 and 2011, respectively.

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Notes to Financial Statements

June 30, 2011 and 2010

The following tables summarize the maturities of the fixed income portfolio at June 30, 2012 and 2011:

(In thousands)		June 30, 2012					
		Maturities in years					
Fixed income investment type	Total fair value	Less than 1	1 – 5	6 – 10	More than 10	Unknown	
U.S. Treasury bonds	\$ 337,145	10,334	175,770	94,446	56,595	—	
U.S. Government agency	35,223	389	5,032	4,483	25,319	—	
Domestic corporate obligations	579,535	29,487	122,189	117,039	310,820	—	
Other	199,228	(5,116)	28,262	26,433	15,972	133,677	
Total	<u>\$ 1,151,131</u>	<u>35,094</u>	<u>331,253</u>	<u>242,401</u>	<u>408,706</u>	<u>133,677</u>	

(In thousands)		June 30, 2011					
		Maturities in years					
Fixed income investment type	Total fair value	Less than 1	1 – 5	6 – 10	More than 10	Unknown	
U.S. Treasury bonds	\$ 485,068	1,317	144,184	111,728	227,839	—	
U.S. Government agency	8,244	—	1,956	3,704	2,584	—	
Domestic corporate obligations	332,640	7,176	112,250	87,865	124,594	755	
Other	183,527	5,552	22,400	11,234	8,452	135,889	
Total	<u>\$ 1,009,479</u>	<u>14,045</u>	<u>280,790</u>	<u>214,531</u>	<u>363,469</u>	<u>136,644</u>	

(4) Income Tax Status

The Plan is an eligible plan as described in Section 457 of the Internal Revenue Code. The Plan operates within the terms of the Plan and remains eligible under the applicable provisions of the Internal Revenue Code.