

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

A DEPARTMENT OF THE STATE OF NEW JERSEY

53rd COMPREHENSIVE ANNUAL FINANCIAL REPORT *For the Fiscal Year Ended June 30, 2008*

Jon S. Corzine
Governor

R. David Rousseau
State Treasurer

Frederick J. Beaver
Director



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

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

- PERS** Public Employees' Retirement System
- TPAF** Teachers' Pension and Annuity Fund
- PFRS** Police and Firemen's Retirement System
- SPRS** State Police Retirement System
- JRS** Judicial Retirement System
- ABP** Alternate Benefit Program
- POPF** Prison Officers' Pension Fund
- 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
- PDP** Prescription Drug Plan
- EDP** Employee Dental Plans
- Tax\$ave** Premium Option Plan, Unreimbursed Medical Expense Plan Flexible Account Plan, and Dependent Care Spending Account Plan
- Commuter Tax\$ave** State Employees Commuter Tax Savings Program
- LTC** State Employees Long Term Care Insurance Plan
- DCRP** Defined Contribution Retirement Program

INDEPENDENT AUDITOR

KPMG LLP

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

ACTUARIAL REPORTS

BUCK CONSULTANTS

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Wayne, PA 19087-5572

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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, 2007

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

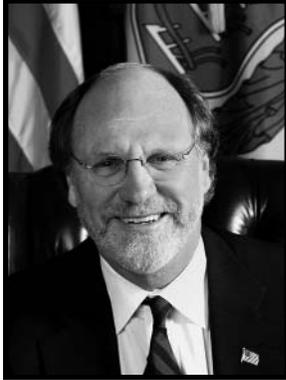


A handwritten signature in black ink, appearing to read "M. L. Post".

President

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

Executive Director



JON S. CORZINE
Governor



R. DAVID ROUSSEAU
State Treasurer



FREDERICK J. BEAVER
*Director, Division of
Pensions and Benefits*



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

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DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
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LETTER OF TRANSMITTAL

April 29, 2009

To the Honorable

Jon S. Corzine, Governor
R. David Rousseau, 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 53rd Comprehensive Annual Financial Report (CAFR) of the New Jersey State-administered retirement systems and related benefit programs for the fiscal year ended June 30, 2008. 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 799,000 members enjoy the benefits of the various pension systems administered by the Division and over 759,000 lives are covered in the State Health Benefits Program (SHBP). In addition to the State, 1,765 local public employers participate in the retirement systems and 887 local employers participate in the SHBP.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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

MAJOR INITIATIVES

In FY 2008, the Division continued to focus its technology improvement efforts in the area of customer service. As identified in our information technology planning process, we continued to empower our members and the employers through internet utilization by providing them with the tools necessary to initiate and process transactions on a real time interactive basis. As a result, during the past year the Division has allocated resources to the following major initiatives: Employer Pension Information Connection (EPIC), the Member Benefits On-Line System (MBOS) and Customer Relationship Management (CRM).

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

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

The Customer Relationship Management (CRM) system is designed to be the central repository for all inbound

LETTER OF TRANSMITTAL

communications to the Division (i.e. phones, e-mail, walk-ins, written correspondence, and faxes). CRM will enable us to better focus our information and contacts with clients to provide better and faster service to all clients and constituencies eliminating redundancies and duplicative efforts.

During fiscal year 2008, the Division went through a major production deployment of the CRM system to all operation, financial and customer support groups. The Division's future plans are to fully exploit the workflow capability of CRM, in order to track and assign work activities to insure that we optimize our total staff resources. The management reporting capabilities provided as part of CRM will improve the current methods in place to monitor and report metrics associated with customer service activities. The correspondence generating capabilities of the CRM will also continue to be implemented throughout the Division, in order to take advantage of the back-end integration with high speed printing and mail processing equipment as well as the automatic image capture and activity recording.

The Division also focused on Health Benefit changes in FY 2008. The State through an extensive competitive bid process was able to modernize the health benefit programs by eliminating the indemnity product, the Traditional Plan and offer a more cost effective and competitive product — the Preferred Provider Organization, NJDIRECT. The State was also able to decrease the number of HMOs from five to two.

FINANCIAL INFORMATION

The Financial reports of the Fiduciary Funds of the Division have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The specific accounting policies can be found in the Notes to the Financial Statements found in the Financial Section.

- The Fiduciary Funds include eleven separate pension trust funds, two health benefit program funds, and three agency funds. A summary of the condition of the funds administered by the Division of Pensions and Benefits is located in the "Management Discussion and Analysis" that begins on page 38 of the CAFR. Management is responsible for establishing and maintaining the accounting systems complete with internal controls so that the data presented is complete and fairly presents the financial position of the Division as of June 30, 2008. 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 2008 investment returns on pension funds were -2.66 percent. When combined with the returns for previous years, the annualized returns over the past three, five and ten-year periods were +7.78 percent, +9.22 percent, and +5.48 percent, respectively.

FUNDING

Funding is the keystone of a good benefits system. A fully funded system that has assets sufficient to meet the disability and retirement benefits schedules of all its members is one that instills confidence and trust. While the State has not met its funding obligations over the past several years, due to conflicting budgetary priorities, our systems, when compared to other public systems, are in reasonably good financial condition. The liabilities of the actuarially based pension systems based on the June 30, 2008 actuarial valuations are 72.6 percent funded as compared to 76.0 percent funded based on the June 30, 2007 valuations.

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 91 of the CAFR. The Office of

LETTER OF TRANSMITTAL

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,

A handwritten signature in black ink that reads "Frederick J. Beaver". The signature is written in a cursive style with a large initial "F" and "B".

Frederick J. Beaver, Director

ALL IN A YEAR'S WORK...

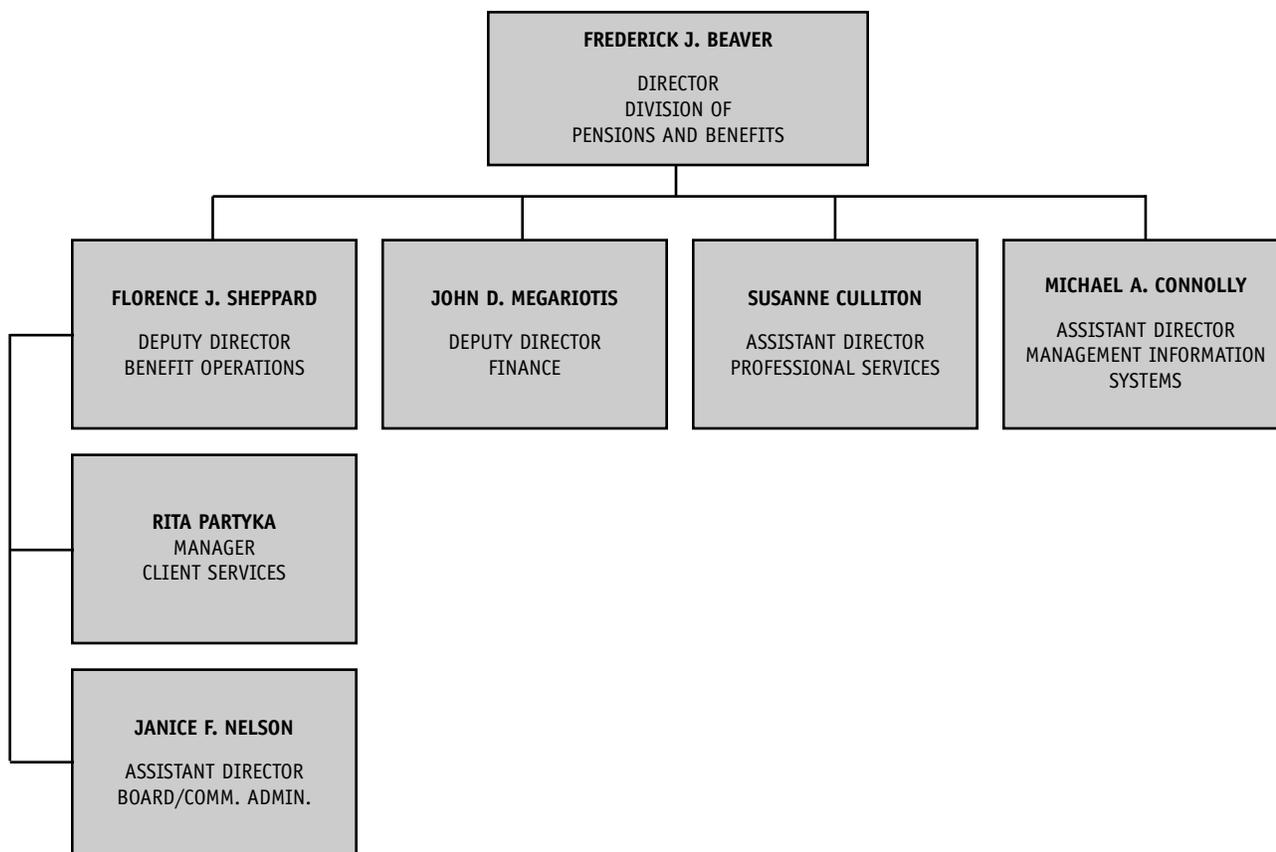
- There are **467,872 ACTIVE MEMBERS** in the combined retirement systems.
- There are **1,762 PARTICIPATING EMPLOYERS** in the combined retirement systems; **3 NEW EMPLOYERS** began participating this year.
- There are **479,988 INDIVIDUAL RETIREMENT SYSTEM MEMBER ACCOUNTS** being maintained; **14,702 MEMBER ACCOUNTS** were audited internally.
- A total of **244,275 RETIREES AND BENEFICIARIES** received monthly pensions totaling in excess of **\$6.1 BILLION** annually.
- Over **22,002 BENEFICIARY CLAIMS** were processed. Premiums in excess of **\$229 MILLION** were paid to the insurance carrier on behalf of active and retired members.
- Over **519,000 TELEPHONE CALLS** were received in Client Services. Counselors handled over 219,000 calls; over 1.2 million calls were handled by our automated telephone systems.
- **15,597 PERSONAL INTERVIEWS** were conducted by pensions counselors.
- **519 RETIREMENT SEMINARS** were conducted for over **16,500 MEMBERS**.
- **15,130 SERVICE PURCHASE REQUESTS** were processed.
- Over **54,295 NEW ENROLLMENTS OR TRANSFERS** were processed in our retirement systems.
- There were **12,202 WITHDRAWALS** from the retirement systems.
- **16,370 MEMBERS RETIRED.**
- Over **104,642 PENSION LOANS** totaling **\$471,242,972** were processed.
- State and local membership in the State Health Benefits Program was **350,311 MEMBERS** with **759,001 LIVES COVERED.**
- A total of over **\$3.8 BILLION IN PREMIUMS** was collected from State and local State Health Benefits Program employers and employees. **887 LOCAL EMPLOYERS** elected to participate in the SHBP this year.

ORGANIZATION



EXECUTIVE MANAGEMENT TEAM

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



ORGANIZATION



CHIEFS AND MANAGERS

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

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

Absent: Mark Schwedes - *Enrollments and Purchases*

DIRECTOR

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

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

OFFICE OF OPERATIONS

The work of this office, overseen by a Deputy Director, is divided among three bureaus: Enrollment and Purchase; Claims; and Retirement.

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

OFFICE OF HEALTH BENEFITS

This office, overseen by a Deputy Director, consists of two elements: the Health Benefits Bureau and the Office of Policy Planning. The Health Benefits Bureau processes all enrollments, changes, and terminations for active and retired members of the State Health Benefits Program. In addition, this bureau is responsi-

ORGANIZATION

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

OFFICE OF FINANCIAL SERVICES

The work of this office, overseen by a Deputy Director, is divided among three bureaus: Financial Reporting, Payment, and Collections; Budget and Compliance; and Defined Benefit and Contribution Plans Reporting.

The Office of Financial Services is charged with the custodianship of pension and health benefits assets. These assets are in excess of \$86 billion and include over 799,000 individual member accounts. The office is responsible for the accounting and budget functions necessary for the successful operations of the various pension funds, health benefits and agency funds, as well as the administration of the Pension Adjustment Program, the Supplemental Annuity Collective Trust, and Deferred Compensation Plan.

OFFICE OF CLIENT SERVICES

This office, overseen by a Deputy Director, consists of three units: Telecommunications; Counseling, Education, and Support; and Publications. Client Services disseminates pension, life insurance, and health benefits information to employees, retirees, and employers covered by the various New Jersey State-administered retirement systems and benefit programs.

The Telecommunications Unit counsels employees, retirees, and employers via the telephone by providing information about pension, life insurance, health benefits, and general procedures. The Counseling, Education, and Support Unit responds to written requests for information, conducts personal interviews with employees and retirees who visit the Division of Pensions and Benefits, and provides seminars, employer group meetings, employer instructions, and various

presentations concerning pension, life insurance, and health benefits to employees, employers, and retirees. This unit is also responsible for providing receptionist services for the entire Division. The Publications Unit exercises overall responsibility for creating, editing, updating, and printing of written materials disseminated by the Division, including manuals, reports, forms, benefits statements, and booklets. This unit also manages the Division's Internet site.

OFFICE OF MANAGEMENT INFORMATION AND SUPPORT SERVICES

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

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

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

OFFICE OF PROFESSIONAL SERVICES

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

OFFICE OF BOARD OF TRUSTEES ADMINISTRATION

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

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

ORGANIZATION

compliance with statute and advice of the Attorney General. The Boards may grant hearing in disputes concerning issues of law or fact. Hearings are held by the Office of Administrative Law.

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

ACTUARIAL ADVISORS

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

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

LEGAL ADVISOR

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

MEDICAL ADVISORS

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

ORGANIZATION — BOARDS OF TRUSTEES



PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Seated: Christine Veliz
(l to r) John Lowden
Leon Flanagan, *Chairperson*
Suzanna Buriani-DeSantis

Standing: Thomas Bruno, Jr.
(l to r) Frederick J. Beaver, *Treasurer's Representative*
Ronald Winthers
Kathleen Coates, *Board Secretary*
Jonathan Berg
Kellie Kiefer-Pushko, *Deputy Attorney General*
Jackie Bussanich, *Administrative Assistant*

Absent: Edward Thomson, III



TEACHERS' PENSION AND ANNUITY FUND

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

Standing: Martha Liebman
(l to r) Dennis Testa
Paul Orihel
Susanne Culliton, *seated as Treasurer's Representative*
Mary Ellen Rathbun, *Board Secretary*
Dawn Harris, *Deputy Attorney General*
Jackie Bussanich, *Administrative Assistant*

Absent: H. O'Neill Williams



POLICE AND FIREMEN'S RETIREMENT SYSTEM

Seated: Wendy Jamison, *Board Secretary*
(l to r) Sherryl Gordon
John Sierchio, *Chairperson*
Richard Mikutsky
Kellie Kiefer-Pushko, *Deputy Attorney General*

Standing: Mark Kandrach
(l to r) Thomas Murphy
Laurel Brennan
Vincent Foti
Richard Loccke
Wayne Hall
Frank Leake
Frederick J. Beaver, *Treasurer's Representative*

Absent: Lisa Pointer, *Administrative Assistant*

ORGANIZATION — BOARDS OF TRUSTEES



STATE POLICE RETIREMENT SYSTEM

Seated: Major Marshall Brown, *Chairperson*
(l to r) Wendy Jamison, *Board Secretary*
Major Karl Kleeberg

Standing: Frederick J. Beaver, *Treasurer's Representative*
(l to r) Jack Sayers
Gail Griffin, *Administrative Assistant*
Jeffrey Ignatowitz, *Deputy Attorney General*

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

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

STATE HEALTH BENEFITS COMMISSION

R. David Rousseau, *State Treasurer, Chairperson*
Steven Goldman, *Commissioner, Department of Banking and Insurance*
Rolando Torres, Jr., *Commissioner, Department of Personnel*
Frederick J. Beaver, *Secretary*
Eric E. Richard, *State Employees' Representative of the AFL-CIO*
Kevin Kelleher, *NJEA Representative*

DEFERRED COMPENSATION BOARD

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

SIGNIFICANT LEGISLATION

CHAPTER 250, P.L. 2007

This law prohibits the investment of New Jersey public employee retirement system funds in any foreign company that has an equity tie to the government of Iran, or its instrumentalities, and is engaged in business operations with entities in the defense sector or nuclear sector of Iran, or engaged in business operations with entities involved in the natural gas or petroleum sectors of Iran, or with that government. It does not apply to the activities of any foreign company providing humanitarian aid to the Iranian people through either a governmental or non-governmental organization.

This law requires the State Investment Council and the Director of the Division of Investment to divest any investments held in violation of the prohibition after consulting with an independent research firm that specializes in global security risk for portfolio determinations selected by the State Treasurer. Periodic progress reports by the division are required.

This act would be void if: 1) the Congress or the President of the United States declares that the government of Iran has ceased to acquire or develop weapons of mass destruction and to support international terrorism; or 2) the United States revokes all sanctions imposed against the government of Iran.

The law also provides that State Investment Council members, and State officers and employees involved therewith, would be indemnified and held harmless by the State of New Jersey from all liabilities and losses that these individuals may sustain or cause by reason of any decision to restrict or eliminate investments pursuant to this act.

Effective Date: January 4, 2008.

CHAPTER 345, P.L. 2007

The law requires health insurers, including 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 (IHC) and Small Employer Health Benefits (SEH) Programs, and the State Health Benefits Program (SHBP), to provide health benefits coverage for

expenses incurred in obtaining an orthotic or prosthetic appliance from any licensed orthotist or prosthetist, or any certified pedorthist, as determined medically necessary by the covered person's physician.

The law requires health insurers and the SHBP to reimburse for the orthotic and prosthetic appliances at the same rate as reimbursement for such appliances under the federal Medicare reimbursement schedule.

Effective Date: April 12, 2008.

CHAPTER 21, P.L. 2008

This law provides early retirement incentive program to eligible State employees in the Executive Branch of State government and eligible Judiciary employees in the Judicial Branch of State government who apply to retire on or after March 1, 2008 but by July 15, 2008 and retire by August 1, 2008.

An eligible State employee or an eligible Judiciary employee who is at least 58 years of age and has at least 25 years of service credit under the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) will receive an additional three years of service credit. An employee who is at least 58 years of age and has at least 25 years of service credit and retires on a veteran's retirement under the PERS or the TPAF will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement allowance is based.

For an eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and has at least 20, but less than 25, years of service credit under the PERS or the TPAF, the retirement system will pay the premium or periodic charges for health care benefits provided to the retired State employee and the employee's dependents, but not including survivors, under the State Health Benefits Program, in the same manner provided for State payment of premiums or periodic charges for a retired State employee with 25 or more years of service credit under current law and in the same manner provided for State payment of premiums or periodic charges for a qualified retiree from the TPAF under current law.

An eligible State employee, but not an eligible Judiciary employee, who is at least 60 years of age and

SIGNIFICANT LEGISLATION

has at least 10, but less than 20, years of service credit under the PERS or the TPAF will receive an additional pension of \$500 a month for 24 months following the date of retirement.

To receive these benefits, an eligible State employee or an eligible Judiciary employee must submit an application for retirement on or after March 1, 2008 but by July 15, 2008 and retire no later than August 1, 2008. An application submitted by an eligible State employee or an eligible Judiciary employee for retirement within the time period set to receive the benefits provided will be irrevocable seven days after submission.

Service credit in the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund established through a purchase completed after the effective date of this law will not be considered in determining an employee's eligibility, except that those employees who have previously authorized payroll deductions for a purchase of service credit or those employees who have received a quotation for a purchase of service credit from the Division of Pensions and Benefits within the 90 days prior to the effective date of this act may effectuate the purchase to qualify for eligibility under this act so long as that entire purchase is paid in full by July 15, 2008 or the date of the expiration of the purchase quotation, whichever date is earliest.

An "eligible State employee" means a full-time employee of the Executive Branch of State government eligible to participate in the New Jersey State Health Benefits Program of the State of New Jersey, but not including an employee of the Department of Human Services, Department of Military and Veterans' Affairs, Department of Corrections, Juvenile Justice Commission in but not of the Department of Law and Public Safety, Office of the Public Defender in but not of the Department of the Treasury, and Department of Children and Families.

The term does not include an employee of Rutgers, The State University; the New Jersey Institute of Technology; the University of Medicine and Dentistry of New Jersey; or a State college or university.

The term does not include an employee of a public authority, board, commission, corporation, or other

agency or instrumentality of the State allocated in, but not of, a principal department of State government pursuant to Article V, Section IV, paragraph 1 of the New Jersey Constitution, authorized to participate in the Public Employees' Retirement System under section 73 of P.L.1954, c.84 (C.43:15A-73) or P.L.1990, c.25 (C.43:15A-73.2 et seq.), or an employee of a public agency or organization as defined in section 71 of P.L.1954, c.84 (C.43:15A-71), or a person participating in the Public Employees' Retirement System under the provisions of P.L.1972, c.167 (C.43:15A-135 et seq.), P.L.2001, c. 259 (C.43:15A-142 et seq.), P.L.2001, c.366 (C.43:15A-155 et seq.) or P.L.1953, c.202 (C.32:23-1 et seq.).

"Eligible Judiciary employee" means a full-time employee of the Judicial branch of State Government eligible to participate in the New Jersey State Health Benefits Program of the State of New Jersey. The term does not include a Justice of the Supreme Court, or a Judge of the Superior Court, or a Judge of a Municipal Court or an employee of a Municipal Court.

An eligible State employee who retires and receives a benefit will not be eligible for appointment to, or employment in, any position or capacity in the Executive Branch of State government, other than employment on an hourly basis for emergency management purposes, for a period of three years following the effective date of retirement. An eligible State employee who retires and receives a benefit will be barred from being awarded any contract for professional services by the Executive Branch of State government, or from performing professional services for the State as part of a contract awarded to a third party by the Executive Branch of State government, for a period of three years following the effective date of retirement.

An eligible Judiciary employee who retires and receives a benefit pursuant to this section will not be eligible for appointment to, or employment in, any position or capacity in the Judicial Branch of State Government for a period of three years following the effective date of retirement. An eligible Judiciary employee who retires and receives a benefit will be barred from being awarded any contract for professional services by the Judicial Branch of State Government, or from perform-

SIGNIFICANT LEGISLATION

ing professional services for the State as part of a contract awarded to a third party by the Judicial Branch of State Government, for a period of three years following the effective date of retirement.

When the needs of the Executive Branch of State government require the services of an employee who elects to retire and receive a benefit, a State department may delay the effective date of retirement of the employee until the first day of any calendar month after August 1, 2008, but not later than July 1, 2009. For each such delayed retirement, the State department must request the approval of the State Treasurer by submitting in writing an explanation of the needs of the department, the services required of the employee, and the reasons why that particular employee's services are so essential as to necessitate a delay. The delay will be effective only upon approval of the request by the State Treasurer. A request by an eligible State employee for a delay in the effective date of retirement, whether the employee provides reasons for the delay or not, will not be considered by the State Treasurer unless the State department submits a request for a delay to the State Treasurer with the explanation described above.

When the needs of the Judicial Branch of State Government require the services of an employee who elects to retire and receive a benefit, the Judiciary may delay the effective date of retirement of the employee until the first day of any calendar month after August 1, 2008, but not later than July 1, 2009, pursuant to protocols to be issued by the Chief Justice of the Supreme Court.

An eligible State employee or an eligible Judiciary employee who applies to retire and receive the benefits will be deemed to consent, by that application, to a delay in the employee's effective date of retirement with regard to an eligible state employee, if the State department requests and receives approval for such a delay or,

with regard to an eligible Judiciary employee, if the Chief Justice determines that such a delay is appropriate. Such an employee's receipt of the benefits provided by this law will be conditioned upon faithful performance of service by the employee during the period of delay.

A request by an eligible State employee or an eligible Judiciary employee for a delay in the effective date of retirement, whether the employee provides reasons for the delay or not, will not be sufficient reason to approve a delay.

The Division of Pensions and Benefits in the Department of Treasury will report in writing to the Joint Budget Oversight Committee beginning on August 15, 2008, and annually thereafter on or before August 15, through 2014, on the results of the additional retirement benefits provided.

The law limits the hiring of replacements for individuals taking advantage of the retirement incentives. It provides that the number of employees hired in the Executive Branch to fill the vacancies created directly or indirectly because eligible employees retired to receive additional retirement benefits pursuant to the law shall not exceed, in total for all departments in the Executive Branch of State government, 10 percent of the total number of employees who retired pursuant this law. A similar separate limitation applies to replacement in the Judiciary,

In addition, the State Treasurer shall report to the Joint Budget Oversight Committee every six months for the first two years and annually thereafter, on the impact of that act on the State workforce, including an analysis of the allocation of position reductions that occur in each department and division as a result of that act and the plans adopted by each department to maintain the essential governmental services provided by that department.

Effective Date: June 24, 2008.

SCOPE OF OPERATIONS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

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

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

TEACHERS' PENSION AND ANNUITY FUND (TPAF)

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

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

POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)

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

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

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

STATE POLICE RETIREMENT SYSTEM (SPRS)

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

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

JUDICIAL RETIREMENT SYSTEM (JRS)

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

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

ALTERNATIVE BENEFIT PROGRAM (ABP)

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

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

SCOPE OF OPERATIONS

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

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

PRISON OFFICERS’ PENSION FUND (POPF)

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

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

CONSOLIDATED POLICE AND FIREMEN’S PENSION FUND (CPFPF)

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

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

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN (NJSEDCP)

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

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

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

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

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

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

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

ADDITIONAL CONTRIBUTIONS TAX-SHELTERED PROGRAM (ACTS)

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

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

CENTRAL PENSION FUND (CPF)

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

SCOPE OF OPERATIONS

lished for the payment of retirement benefits. These benefits are administered by the Division in accordance with the governing statute and the rules and regulations of the State House Commission.

PENSION ADJUSTMENT FUND (PAF)

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

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

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

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

STATE HEALTH BENEFITS PROGRAM (SHBP)

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

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

PRESCRIPTION DRUG PLAN (PDP)

This plan was initiated by the State effective

December 1, 1974. The passage of Chapter 41, P.L. 1976 extended coverage to all eligible State employees. The State Health Benefits Commission offered the plan to local employers on July 1, 1993. Employees and their eligible dependents are covered by the plan in the same manner as the State Health Benefits Program. The Division of Pensions and Benefits became responsible for its administration in November 1976.

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

EMPLOYEE DENTAL PLANS (EDP)

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

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

TAX\$AVE

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

Statutes can be found in the New Jersey Statutes Annotated 52:14-15.1a. Rules governing the Tax\$ave

SCOPE OF OPERATIONS

can be found in Title 17, Chapter 1, Subchapter 13 of the New Jersey Administrative Code.

COMMUTER TAX\$AVE

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

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

STATE EMPLOYEES LONG TERM CARE INSURANCE PLAN

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

offering of the benefit was effective July 1, 2003.

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

DEFINED CONTRIBUTION RETIREMENT PROGRAM (DCRP)

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

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

MEMBERSHIP

| ACTIVE MEMBERSHIP | RETIREMENT SYSTEM | 2007 | 2008 |
|---|-------------------------------------|----------------|----------------|
| | Public Employees' Retirement System | | 324,038* |
| Teachers' Pension & Annuity Fund | | 158,079* | 158,501* |
| Police & Firemen's Retirement System | | 46,055* | 46,345* |
| State Police Retirement System | | 3,096* | 3,141* |
| Judicial Retirement System | | 421 | 425 |
| Alternate Benefit Program | | 16,994 | 16,546 |
| Prison Officers' Pension Fund | | 0 | 0 |
| Consolidated Police & Firemen's Pension Fund | | 0 | 0 |
| Central Pension Fund | | NA | NA |
| Total | | 548,683 | 555,481 |
| <p><i>*Both the 2007 and 2008 figures represent the total number of Active and Inactive accounts. The 2008 Inactive (noncontributing) accounts are as follows: PERS Inactive — 54,751, TPAF Inactive — 14,217, PFRS Inactive — 2,165, SPRS Inactive — 203</i></p> | | | |
| RETIRED MEMBERSHIP & BENEFICIARIES | RETIREMENT SYSTEM | 2007 | 2008 |
| | Public Employees' Retirement System | 128,577 | 131,715 |
| Teachers' Pension & Annuity Fund | 71,921 | 75,259 | |
| Police & Firemen's Retirement System | 31,726 | 32,905 | |
| State Police Retirement System | 2,428 | 2,517 | |
| Judicial Retirement System | 459 | 475 | |
| Alternate Benefit Program | NA | NA | |
| Prison Officers' Pension Fund | 170 | 159 | |
| Consolidated Police & Firemen's Pension Fund | 611 | 503 | |
| Central Pension Fund | 317 | 303 | |
| Total | | 236,209 | 243,836 |
| <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 | 2007 | 2008 |
| | State Health Benefits Program | 356,233 | 350,311 |
| Prescription Drug Plan | 144,306 | 140,910 | |
| Dental Expense Program | 145,750 | 149,225 | |

MEMBERSHIP

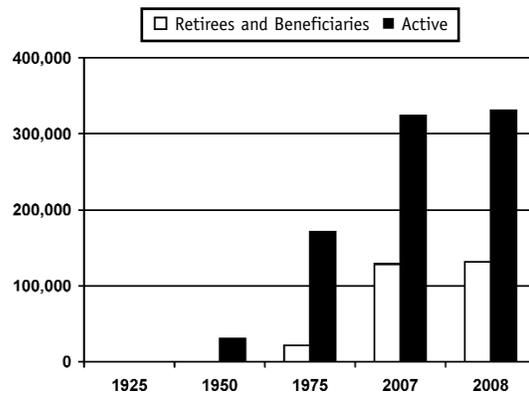
PUBLIC EMPLOYEES'S RETIREMENT SYSTEM

As of June 30, 2008, the active membership of the system totaled 330,523. There were 131,715 retirees and beneficiaries receiving annual pensions totaling \$2,023,571,985*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$125,809,087.

The system's assets totaled \$31,790,946,681 at the close of the fiscal year 2008.

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



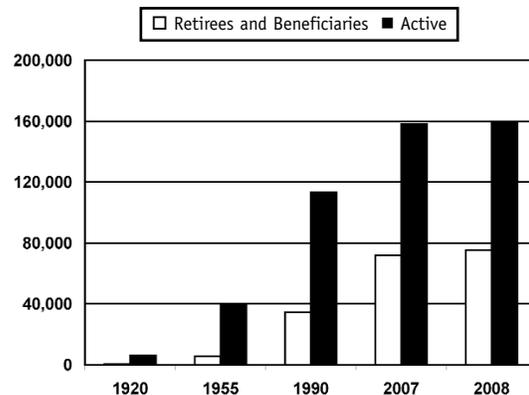
TEACHERS' PENSION AND ANNUITY FUND

As of June 30, 2008, the active membership of the fund totaled 158,501. There were 75,259 retirees and beneficiaries receiving annual pensions totaling \$2,607,233,754*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$70,448,959.

The fund's assets totaled \$38,137,002,946 at the close of the fiscal year 2008.

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



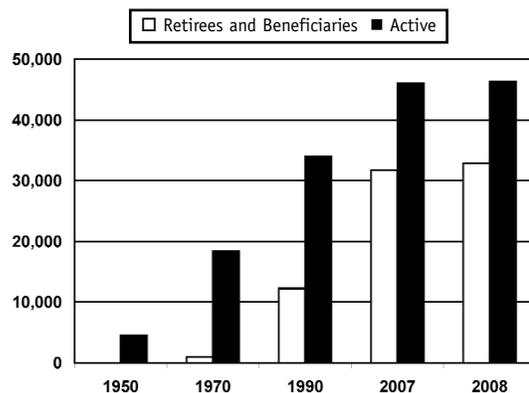
POLICE AND FIREMEN'S RETIREMENT SYSTEM

As of June 30, 2008, the active membership of the system totaled 46,345. There were 32,905 retirees and beneficiaries receiving annual pensions totaling \$1,322,474,863*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$30,634,136.

The system's assets totaled \$23,750,977,522 at the close of the fiscal year 2008.

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



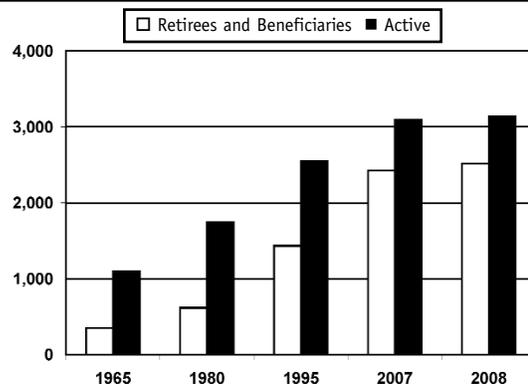
STATE POLICE RETIREMENT SYSTEM

As of June 30, 2008, the active membership of the system totaled 3,141. There were 2,517 retirees and beneficiaries receiving annual pensions totaling \$119,912,575*.

Beneficiaries of deceased active and retired members received lump sum death benefits in the amount of \$1,525,502.

The system's assets totaled \$2,295,264,617 at the close of the fiscal year 2008.

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

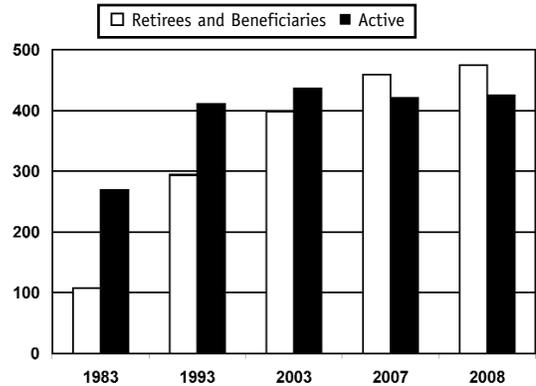


MEMBERSHIP

JUDICIAL RETIREMENT SYSTEM

As of June 30, 2008, the active membership of the system totaled 425. There were 475 retirees and beneficiaries receiving annual pensions totaling \$34,646,070.

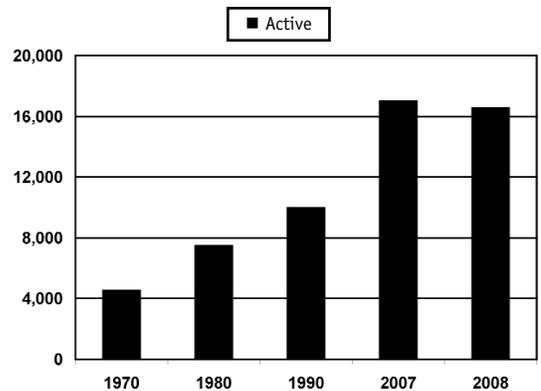
The system's assets totaled \$400,850,480 at the close of the fiscal year 2008.



ALTERNATE BENEFIT PROGRAM

As of June 30, 2008, the State paid \$135,258,269 on behalf of 16,546 participants to the carriers underwriting this program.

Beneficiaries of deceased active and retired members received \$14,028,050 in lump sum death benefits.



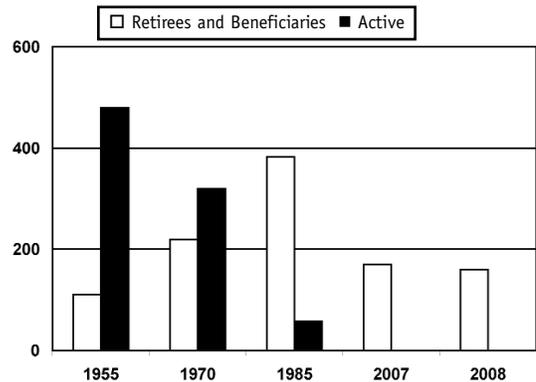
PRISON OFFICERS' PENSION FUND

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, 2008, the active membership of the fund totaled zero. There were 159 retirees and beneficiaries receiving annual pensions totaling \$2,250,040.

The fund's assets totaled \$13,115,381 at the close of the fiscal year 2008.

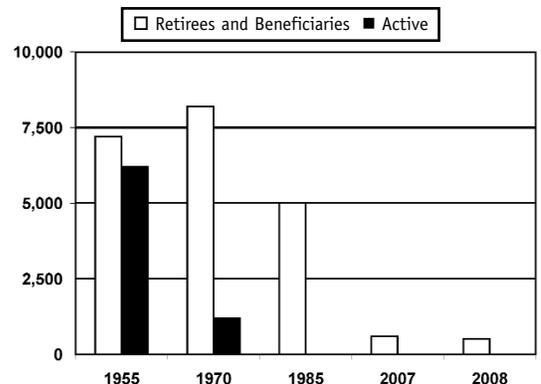


CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND

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

As of June 30, 2008, the active membership of the fund totaled zero. There were 503 retirees and beneficiaries receiving annual pensions totaling \$10,398,599.

The fund's assets totaled \$14,077,043 at the close of the fiscal year 2008.



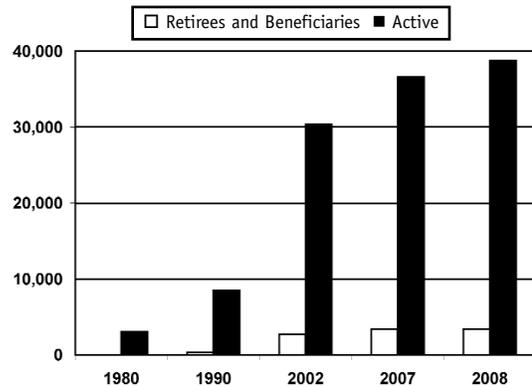
MEMBERSHIP

NJ STATE EMPLOYEES' DEFERRED COMPENSATION PLAN

Fiscal year 2008 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, 2008, the active membership of the New Jersey State Employees' Deferred Compensation Plan totaled 38,790. There were 3,411 members receiving monthly installment payments.

The plan's net assets (participants' balances) were \$2,017,670,989 at the close of the fiscal year 2008.

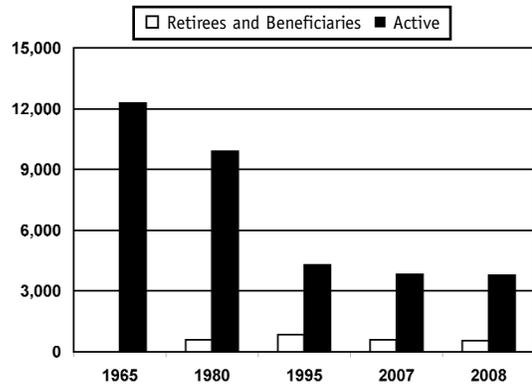


SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

As of June 30, 2008, the active membership of the trust totaled 3,774. The unit value was \$59.8911, a decrease of \$10.0962 from the June 30, 2007 value of \$69.9873.

There were 546 annuitants.

The trust's assets totaled \$160,429,498 at the close of the fiscal year 2008.



UNEMPLOYMENT COMPENSATION AND TEMPORARY DISABILITY INSURANCE

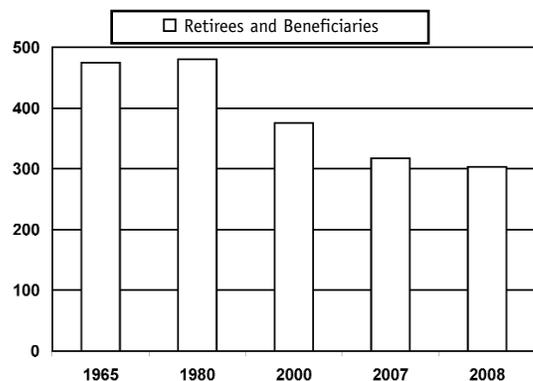
As of June 30, 2008, the Unemployment Compensation Program for State employees covered as many as 126,003 persons, and the Division remitted \$4,101,484.14 on behalf of the State. There were 8,611 requests for unemployment benefits filed, and \$14,883,220 was paid to the employees found eligible.

During the same period, the Temporary Disability Insurance Program covered 138,490 employees, and the Division remitted \$32,913,542.82 on behalf of the State. Claims paid totaled \$32,049,159.



CENTRAL PENSION FUND

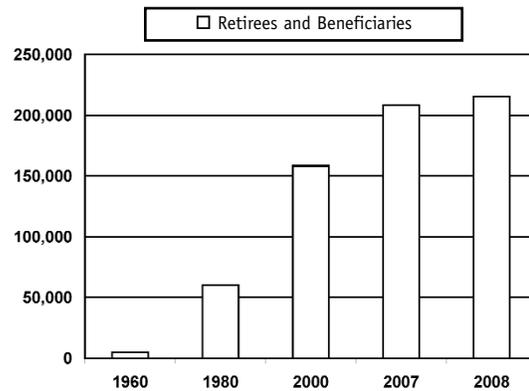
As of June 30, 2008, there were 303 beneficiaries receiving annual pensions totaling \$415,032.



MEMBERSHIP

PENSION ADJUSTMENT EXPENSE

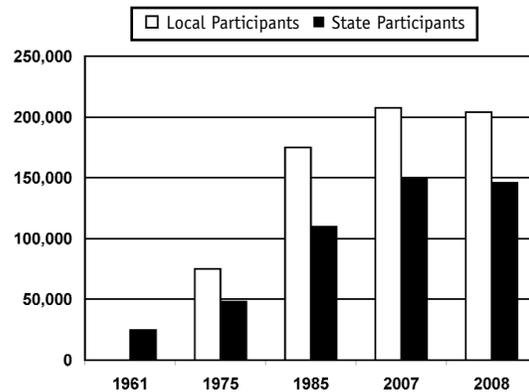
There were 215,520 pensioners who were paid \$776,545,147.78 during the fiscal year 2008.



STATE HEALTH BENEFITS PROGRAM

As of June 30, 2008, there were 350,311 covered participants (active and retired) consisting of 146,237 State participants and 204,074 participants of 887 local participating employers.

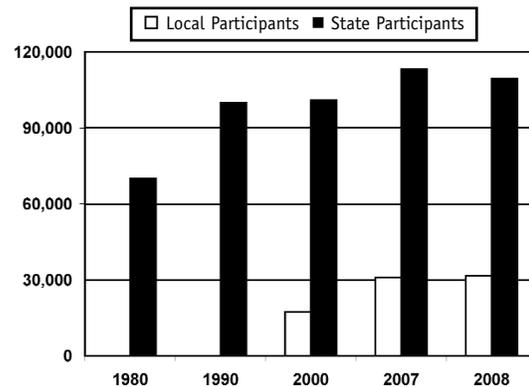
The State and state employee contributions were \$1,284,125,465 while payment made by local employers and employees was \$2,046,934,603.



PRESCRIPTION DRUG PLAN

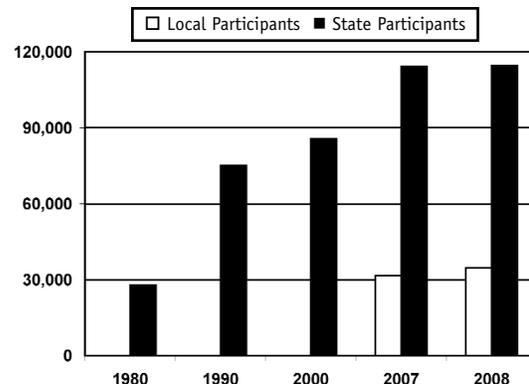
The Prescription Drug Plan covered as many as 109,406 State employees and 31,504 local employees during fiscal year 2008.

The State's contribution was \$264,695,214 while payment made by local employers was \$82,278,409.



DENTAL EXPENSE PROGRAM

The Dental Expense Program covered as many as 114,502 eligible State participants and 34,723 local participants during fiscal year 2008. The State of New Jersey as the employer expended \$38,165,776 for active participants while payment made by local employers was \$1,354,489.



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