

**DEPARTMENT OF
THE TREASURY**
John E. McCormac, CPA
State Treasurer

**DIVISION OF PENSIONS
AND BENEFITS**
Frederick J. Beaver
Director

**CONSOLIDATED POLICE AND
FIREMEN'S PENSION FUND
OF NEW JERSEY**

COMMISSION
as of June 30, 2003

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State of New Jersey
DIVISION OF PENSIONS AND BENEFITS
PO Box 295 • Trenton, NJ 08625-0295

TO THE HONORABLE
JAMES E. MCGREEVEY
GOVERNOR of the STATE OF NEW JERSEY

Dear Governor McGreevey:

The Commission for the

**CONSOLIDATED POLICE AND
FIREMEN'S PENSION FUND**

is pleased to present the Fiscal Year 2003 Annual Report in accordance with the provisions of Chapter 43:16-6.2.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Spencer H. Smith, Jr.", written over a horizontal line.

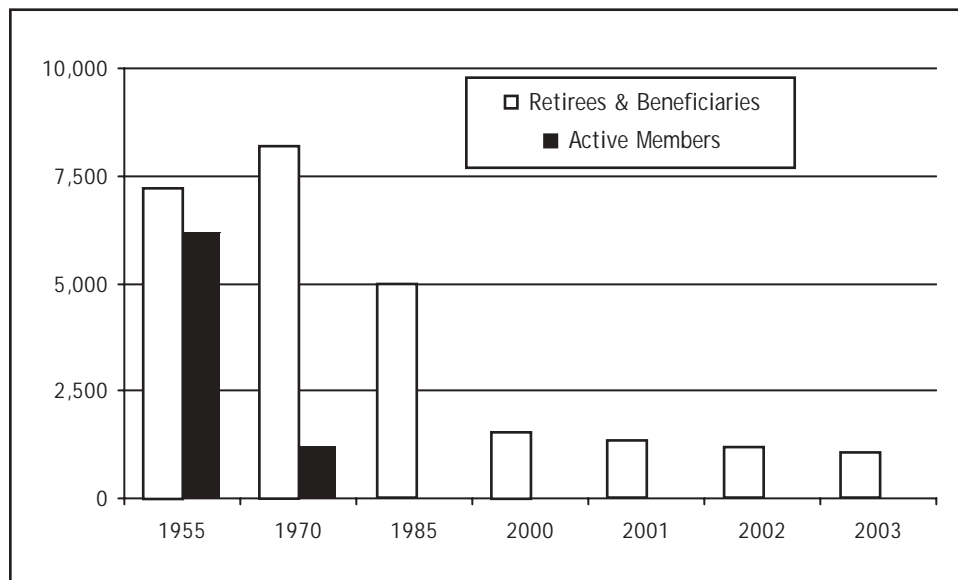
SPENCER H. SMITH, JR.
Chairperson

SIGNIFICANT LEGISLATION

There were no significant changes in legislation governing the Consolidated Police and Firemen's Pension Fund of New Jersey during fiscal year 2003.

MEMBERSHIP

- As of June 30, 2003, the active contributing membership of the Fund totaled zero.
- There were 1,055 retirees and beneficiaries receiving annual pensions totaling \$18,664,638.
- The Fund's assets totaled \$21,554,863 at the close of the fiscal year 2003.



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

Independent Auditors' Report

The Board of Trustees
State of New Jersey
Consolidated Police and Firemen's Pension Fund:

We have audited the accompanying statements of fiduciary net assets of the State of New Jersey Consolidated Police and Firemen's Pension Fund (the Fund) as of June 30, 2003 and 2002, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Fund'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 Consolidated Police and Firemen's Pension Fund as of June 30, 2003 and 2002, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the supplementary information included in the schedule of funding progress and schedule of employer contributions are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of changes in fiduciary net assets by fund is presented for purposes of additional analysis and is not a required part of the financial statements of the Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

September 19, 2003

**STATE OF NEW JERSEY
CONSOLIDATED POLICE AND FIREMEN'S
PENSION FUND**

Management's Discussion and Analysis

June 30, 2003 and 2002

Our discussion and analysis of the Consolidated Police and Firemen's Pension Fund (the Fund)'s financial performance provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2003 and 2002. Please read it in conjunction with the basic financial statements and financial statement footnotes which follow this discussion.

FINANCIAL HIGHLIGHTS

2003 - 2002

- Net assets held in trust for pension benefits decreased by \$4,514,232 as a result of this year's operations from \$24,544,842 to \$20,030,610.
- Additions for the year were \$14,200,386, which are comprised of contributions of \$13,821,294 and net investment income of \$379,092.
- Deductions for the year were \$18,714,618, which are comprised of benefit payments of \$18,664,623 and administrative expenses of \$49,995.

2002 - 2001

- Net assets held in trust for pension benefits decreased by \$7,039,491 as a result of the year's operations from \$31,584,333 to \$24,544,842.
- Additions for the year were \$13,743,801, which are comprised of contributions of \$12,763,006 and net investment income of \$980,795.
- Deductions for the year were \$20,783,292, which are comprised of benefit payments of \$20,721,198 and administrative expenses of \$62,094.

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 Fund and about its activities to help you assess whether the Fund, 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 Fund at the end of the fiscal year. The difference between assets and liabilities represents the Fund's fiduciary net assets. Over time, increases or decreases in the Fund's fiduciary net assets provide one indication of whether the financial health of the Fund 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 Fund's fiduciary net assets since the prior year. These two financial statements should be reviewed along with the information contained in the financial statement footnotes, including the required supplementary schedules, to determine whether the Fund is becoming financially stronger or weaker.

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Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS

STATEMENTS OF FIDUCIARY NET ASSETS

2003 - 2002

The Fund's assets mainly consist of cash, investments and contributions due from the State. Between fiscal years 2002 and 2003, total assets decreased by \$4,721,436 or 18.0% from \$26,276,299 to \$21,554,863 because pension benefit payments to retirees and beneficiaries exceeded the revenues received by the Fund.

Liabilities mainly consist of pension benefit payments owed to retirees and beneficiaries. Total liabilities decreased by \$207,204 or 12.0% from \$1,731,457 to \$1,524,253 mainly due to a reduction in the monthly pension payroll expense. Fewer retirees and beneficiaries are receiving benefits compared to last year.

Net assets held in trust for pension benefits decreased by \$4,514,232 or 18.4% primarily because investment income is down compared to last year and benefit payments exceeded State contributions and investment revenues.

2002 - 2001

Between fiscal years 2001 and 2002, total assets decreased by \$7,270,637 or 21.7% from \$33,546,936 to \$26,276,299 because pension benefit payments to retirees and beneficiaries exceeded the revenues received by the Fund.

Total liabilities decreased by \$231,146 or 11.8% from \$1,962,603 to \$1,731,457 mainly due to a reduction in the monthly payroll expense. Fewer retirees and beneficiaries are receiving benefits compared to last year.

Net assets held in trust for pension benefits decreased by \$7,039,491 or 22.3% primarily because investment income is down compared to last year and benefit payments exceeded State contributions and investment revenues.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

2003 - 2002

| | 2003 | 2002 | Increase (Decrease) |
|------------------------|---------------------|---------------------|---------------------|
| Employer Contributions | \$13,821,294 | \$12,763,006 | \$1,058,288 |
| Investment & Other | 379,092 | 980,795 | (601,703) |
| Totals | \$14,200,386 | \$13,743,801 | \$456,585 |

Additions primarily consist of employer contributions and earnings from investment activities. Employer contributions are made by the State to provide funding for pension benefits. Contributions are also received from the Pension Adjustment Fund to cover the cost-of-living adjustments included in benefit payments.

The State made a required contribution of \$2,713,914 to satisfy the actuarially accrued liability in fiscal year 2003. Contributions were not required from 1997 through 2001 due to Pension Security legislation passed in 1997.

Investment income decreased by \$601,703 or 61.35% due to low interest rates.

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Management's Discussion and Analysis, Continued

2002 – 2001

| | 2002 | 2001 | Increase (Decrease) |
|------------------------|---------------------|---------------------|----------------------|
| Employer Contributions | \$12,763,006 | \$12,842,852 | \$(79,846) |
| Investment & Other | 980,795 | 2,479,555 | (1,498,760) |
| Totals | \$13,743,801 | \$15,322,407 | \$(1,578,606) |

During the year, total contributions decreased slightly due to decrease in retirees and less pension adjustment fund contributions.

The State made a required contribution of \$506,541 to satisfy the actuarially accrued liability in fiscal year 2002. This marks the first time since 1996 that the State was required to make a contribution to the Fund. Contributions were not required from 1997 through 2001 due to Pension Security legislation passed in 1997. This legislation authorized the New Jersey Economic Development Authority to issue bonds and to use the proceeds from the bond sale to eliminate the State's portion of the unfunded accrued liabilities of the retirement systems. The Fund received bond proceeds of \$43,995,746 in 1997. This influx of funds eliminated the unfunded liabilities and produced net assets till June 30, 1999. Until the valuation prepared as of July 1, 2000, which determined the funding requirement for fiscal year 2002, the overall funding ratio was above 100%.

Investment income decreased by \$1,498,760 or 60.4% due to the market conditions.

DEDUCTIONS FROM FIDUCIARY NET ASSETS

2003 - 2002

| | 2003 | 2002 | Increase (Decrease) |
|-------------------------|---------------------|---------------------|----------------------|
| Benefits | \$18,664,638 | \$ 20,721,198 | \$(2,056,560) |
| Administrative Expenses | 49,980 | 62,094 | (12,114) |
| Totals | \$18,714,618 | \$20,783,292 | \$(2,068,674) |

Deductions are mainly comprised of pension benefit payments to retirees and beneficiaries and administrative costs incurred by the Fund. Benefit payments decreased by 9.9% due to fewer retirees and beneficiaries.

2002 – 2001

| | 2002 | 2001 | Increase (Decrease) |
|-------------------------|---------------------|---------------------|----------------------|
| Benefits | \$ 20,721,198 | \$22,065,871 | \$(1,344,673) |
| Administrative Expenses | 62,094 | 57,251 | 4,843 |
| Totals | \$20,783,292 | \$22,123,122 | \$(1,339,830) |

Since the Fund is a closed system, the number of retirees and beneficiaries drawing benefits has steadily decreased each year, which accounts for the drop in benefit payments.

RETIREMENT SYSTEM AS A WHOLE

The overall funded ratios of 87.6% for fiscal year 2003 and 92.8% for 2002 indicate that the Fund has assets sufficient to meet its benefit obligations.

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Management's Discussion and Analysis, Continued

The financial report is designed to provide our members, beneficiaries, investors and other interested parties with a general overview of the Fund's finances and to show the Fund'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.

**STATE OF NEW JERSEY
CONSOLIDATED POLICE AND FIREMEN'S
PENSION FUND**

Statements of Fiduciary Net Assets

June 30, 2003 and 2002

| | 2003 | 2002 |
|---------------------------------------|---------------|-------------|
| Assets: | | |
| Cash | \$ 96,668 | 156,979 |
| Investments, at fair value: | | |
| Cash Management Fund | 12,544,944 | 14,607,768 |
| Bonds | 3,905,498 | 4,324,304 |
| Mortgage Backed Securities | 1,998,006 | 3,668,821 |
| Total investments | 18,448,448 | 22,600,893 |
| Receivables: | | |
| Accrued interest | 88,099 | 98,773 |
| Due from Pension Adjustment Fund | 882,496 | 981,084 |
| Other | 2,039,152 | 2,438,570 |
| Total receivables | 3,009,747 | 3,518,427 |
| Total assets | 21,554,863 | 26,276,299 |
| Liabilities: | | |
| Accounts payable and accrued expenses | 26,396 | 41,882 |
| Retirement benefits payable | 1,497,857 | 1,689,575 |
| Total liabilities | 1,524,253 | 1,731,457 |
| Net Assets: | | |
| Held in trust for pension benefits | \$ 20,030,610 | 24,544,842 |

See schedule of funding progress on page 13.
See accompanying notes to financial statements.

**STATE OF NEW JERSEY
CONSOLIDATED POLICE AND FIREMEN'S
PENSION FUND**

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2003 and 2002

| | 2003 | 2002 |
|--|---------------|-------------|
| Additions: | | |
| Contributions: | | |
| Employers | \$ 2,776,011 | 563,793 |
| Pension adjustment fund | 11,045,283 | 12,199,213 |
| Total contributions | 13,821,294 | 12,763,006 |
| Investment income: | | |
| Net appreciation (depreciation) in fair value of investments | (182,817) | 211,560 |
| Interest | 573,294 | 781,895 |
| | 390,477 | 993,455 |
| Less: investment expense | 11,385 | 12,660 |
| Net investment income | 379,092 | 980,795 |
| Total additions | 14,200,386 | 13,743,801 |
| Deductions: | | |
| Benefits | 18,664,638 | 20,721,198 |
| Administrative expenses | 49,980 | 62,094 |
| Total deductions | 18,714,618 | 20,783,292 |
| Change in net assets | (4,514,232) | (7,039,491) |
| Net assets - Beginning of year | 24,544,842 | 31,584,333 |
| Net assets - End of year | \$ 20,030,610 | 24,544,842 |

See accompanying notes to financial statements.

**STATE OF NEW JERSEY
CONSOLIDATED POLICE AND FIREMEN'S
PENSION FUND**

Notes to Financial Statements

June 30, 2003 and 2002

(1) DESCRIPTION OF THE FUND

The State of New Jersey Consolidated Police and Firemen's Pension Fund (the Fund; CPFPPF) is a cost-sharing contributory defined benefit plan with a special funding situation which was established as of January 1, 1952, under the provisions of N.J.S.A. 43:16. The Fund is included along with other state-administered pension trust and agency funds in the basic financial statements of the State of New Jersey.

The Fund's designated purpose is to provide retirement, death and disability benefits to its members. Membership in the Fund is limited to county and municipal police and firemen who were appointed prior to July 1, 1944. There are no active vested members and 1,198 pensioners and beneficiaries are receiving benefits as of June 30, 2002, the date of the most recent actuarial valuation. As of June 30, 2001, there were no active members and 1,364 pensioners and beneficiaries receiving benefits. The Fund's Board of Trustees is primarily responsible for its administration.

According to State of New Jersey Administrative Code, all obligations of the Fund will be assumed by the State of New Jersey should the Fund terminate.

Vesting and Benefit Provisions:

The vesting and benefit provisions are set by N.J.S.A. 43:16. The Fund provides retirement as well as death and disability benefits to any active member after 25 years of service. A member may retire at age 60 after 25 years of service. Retirement is mandatory at age 65, except for chiefs of police, who may retire at age 70. Benefits are generally determined to be 60% of final salary, as defined, plus 1% for each creditable year of service, as defined, in excess of 25 years, but not to exceed 30 years. Members are always fully vested in their own contributions.

Chapter 4, P.L. 2001 provided increased benefits to certain members who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase was 5% of the retiree's final compensation. For those with 30 or more years of service, the total pension increased from 65% to 70% of final compensation.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Fund is accounted for using an economic resources measurement focus. The Fund that focuses on total economic resources employs the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs.

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of the Fund. Under this method, revenues are recorded in the accounting period in which they are earned, and deductions are recorded at the time the liabilities are incurred. The financial statements of the Fund conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contributions Plans" and No. 26, "Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans." Plan assets are recorded at fair value. Employer contributions are recognized when payable to the Fund. Benefits and refunds are recognized when payable in accordance with the terms of the Fund.

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Notes to Financial Statements, Continued

Financial Reporting Model:

Effective July 1, 2000, the Division adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*

Statement No. 37 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*

Statement No. 34 (as amended by Statement No. 37) requires as required supplementary information Management’s Discussion and Analysis which includes an analytical overview of the Fund’s financial activities.

Investment Valuation:

Investments, including short-term investments (State of New Jersey Cash Management Funds), are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgage backed securities are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Funds. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

The State of New Jersey Division of Investment, under the jurisdiction of the State Investment Council, has the investment responsibility for all funds administered by the State of New Jersey Division of Pensions and Benefits. All investments must conform to standards set by state law.

The purchase, sale, receipt of income, and other transactions affecting investments are governed by custodial agreements between the Fund, through the State Treasurer, and custodian banks as agents for the Fund. State laws and policies set forth the requirements of such agreements and other particulars as to the size of the custodial institutions, amount of the portfolio to be covered by the agreements, and other pertinent matters.

GASB Statement No. 3 requires disclosure of the level of custodial risk assumed by the Fund. Category 1 includes investments that are insured or registered or for which the securities are held by the Fund or its agent in the Fund’s name. As of June 30, 2003 and 2002, all investments held by the Fund (other than mortgage backed securities and the State of New Jersey Cash Management Funds which are not categorized) are classified as Category 1.

Federal securities are maintained at Federal Reserve Banks in Philadelphia and New York through the custodian banks in trust for the Fund. A significant portion of corporate equity and debt securities are maintained by the Depository Trust Company (DTC) through the custodian banks in trust for the Fund. The custodian banks as agents for the Fund maintain internal accounting records identifying the securities maintained by the Federal Reserve Banks and the DTC as securities owned by or pledged to the Fund.

Securities not maintained by the Federal Reserve Banks or DTC are in the name of a designated nominee representing the securities of the Fund, which establishes the Fund’s unconditional right to the securities.

Administrative Expenses:

The Fund is administered by the State of New Jersey Division of Pensions and Benefits. Administrative expenses are paid by the Fund to the State of New Jersey, Department of the Treasury and are included in the accompanying statements of changes in fiduciary net assets.

**STATE OF NEW JERSEY
CONSOLIDATED POLICE AND FIREMEN'S
PENSION FUND**

Notes to Financial Statements, Continued

Cash and Cash Equivalents:

GASB Statement No. 3 also requires that deposits held in financial institutions be categorized to indicate the level of risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 consists of deposits which are uninsured and uncollateralized.

Based upon aggregate collateral levels maintained for all state bank accounts as a whole, substantially all cash balances maintained in financial institutions as of June 30, 2003, which include funding for the July 1, 2003 retirement payroll, are designated Category 3.

(3) CONTRIBUTIONS

The contribution policy is set by N.J.S.A. 43:16 and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legislation. Contributions by active members were based on 7% of their salary. The State of New Jersey, the only contributing employer of the Fund, is required to contribute at an actuarially determined rate.

(4) FUNDS

The Fund maintains the following legally required fund:

Pension Reserve Fund (2003 - \$20,030,610; 2002 - \$24,544,842)

The Pension Reserve Fund is credited with all active member and State of New Jersey contributions and investment income.

(5) INCOME TAX STATUS

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the Fund is a qualified plan as described in Section 401(a) of the Internal Revenue Code.

**STATE OF NEW JERSEY
CONSOLIDATED POLICE AND FIREMEN'S
PENSION FUND**

Required Supplementary Information

Schedule of Funding Progress

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS (a) | ACTUARIAL ACCRUED LIABILITY (b) | UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY (b - a) | FUNDED RATIO (a / b) | COVERED PAYROLL (c) | UNFUNDED (OVERFUNDED) ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL ((b - a) / c) |
|--------------------------------|--|--|--|----------------------------|---------------------------|--|
| June 30, 1997 | \$70,420,937 | \$66,004,245 | \$(4,416,692) | 106.7% | N/A | N/A |
| June 30, 1998 | 62,205,001 | 59,272,789 | (2,932,212) | 104.9% | N/A | N/A |
| June 30, 1999 | 54,018,660 | 52,226,208 | (1,792,452) | 103.4% | N/A | N/A |
| June 30, 2000 | 46,078,644 | 46,544,429 | 465,785 | 99.0% | N/A | N/A |
| June 30, 2001 | 38,656,261 | 41,658,355 | 3,002,094 | 92.8% | N/A | N/A |
| June 30, 2002 | 31,842,796 | 36,350,384 | 4,507,588 | 87.6% | N/A | N/A |

**STATE OF NEW JERSEY
CONSOLIDATED POLICE AND FIREMEN'S
PENSION FUND**

Required Supplementary Information, Continued

Schedule of Funding Progress - Additional Actuarial Information

Significant actuarial methods and assumptions used in the most recent June 30, 2002 and 2001 actuarial valuations included the following:

| | June 30, 2002 | June 30, 2001 |
|-------------------------------|--------------------------------|--------------------------------|
| Actuarial cost method | Projected unit credit | Projected unit credit |
| Asset valuation method | 5 year average of market value | 5 year average of market value |
| Amortization method | Level dollar, closed | Level dollar, closed |
| Remaining amortization period | 1 year | 1 year |
| Actuarial assumptions: | | |
| Interest rate | 8.75% | 8.75% |

**STATE OF NEW JERSEY
CONSOLIDATED POLICE AND FIREMEN'S
PENSION FUND**

Required Supplementary Information, Continued
Schedule of Employer Contributions

| YEAR ENDED JUNE 30, | ANNUAL REQUIRED CONTRIBUTION | EMPLOYER CONTRIBUTIONS⁽¹⁾ | PERCENTAGE CONTRIBUTED |
|------------------------------------|---|---|-----------------------------------|
| 1997 | \$10,580,991 | \$43,995,746 ⁽²⁾ | 415.8% |
| 1998 | — | — | N/A |
| 1999 | — | — | N/A |
| 2000 | — | — | N/A |
| 2001 | — | — | N/A |
| 2002 | 550,864 | 506,541 | 92.0% |
| 2003 | 3,550,445 | 2,713,914 | 76.4% |

Notes to Schedule

- (1) Excludes contributions from local employers to cover administrative expenses of the Fund.
- (2) For the year ended June 30, 1997, the employer contributions exceeded the annual required contributions as a result of legislation that was enacted (Chapter 114, P.L. 1997), authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.

**STATE OF NEW JERSEY
CONSOLIDATED POLICE AND FIREMEN'S
PENSION FUND**

Schedule of Changes in Fiduciary Net Assets by Fund

Year ended June 30, 2003

| | RETIREMENT RESERVE FUND | PENSION ADJUSTMENT PASS THROUGH | TOTAL |
|--|--|--|--------------|
| Additions: | | | |
| Contributions: | | | |
| Employers | \$ 2,776,011 | — | 2,776,011 |
| Pension Adjustment Fund | — | 11,045,283 | 11,045,283 |
| Total contributions | 2,776,011 | 11,045,283 | 13,821,294 |
| Distribution of net investment income | 379,092 | — | 379,092 |
| Total additions | 3,155,103 | 11,045,283 | 14,200,386 |
| Deductions: | | | |
| Benefits | 7,619,355 | 11,045,283 | 18,664,638 |
| Administrative expenses | 49,980 | — | 49,980 |
| Total deductions | 7,669,335 | 11,045,283 | 18,714,618 |
| Net decrease | (4,514,232) | — | (4,514,232) |
| Net assets held in trust for pension benefits: | | | |
| Beginning of year | 24,544,842 | — | 24,544,842 |
| End of year | \$ 20,030,610 | — | 20,030,610 |