KPMG

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Financial Statements and Schedules

June 30, 2006

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 402
301 Carnegie Center
Princeton, NJ 08540-6227

Independent Auditors' Report

Office of Legislative Services
Office of the State Auditor
State of New Jersey:

We have audited the accompanying combining statement of fiduciary net assets of the State of New Jersey Pension Trust Funds (the Funds) as of June 30, 2006 and the related combining statement of changes in fiduciary net assets for the year then ended. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Funds and are not intended to present fairly the financial position and results of operations of the State of New Jersey Division of Pensions and Benefits or the State of New Jersey.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of New Jersey Pension Trust Funds as of June 30, 2006, and the respective changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis and the supplementary information included in the schedule of funding progress and schedule of employer contributions (Schedules 1 and 2) are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

January 25, 2007

Our discussion and analysis of the Pension Trust Funds (the Funds) financial performance provides an overview of the Funds' financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the basic financial statements and financial statement footnotes which follow this discussion.

FINANCIAL HIGHLIGHTS

- Fiduciary net assets increased by $4.5 billion as a result of this year's operations from $74.7 billion to $79.2 billion.
- Additions for the year were $10.9 billion, which are comprised of member and employer pension contributions of $3.6 billion and investment income of $7.3 billion.
- Deductions for the year were $6.4 billion, which are comprised of benefit and refund payments of $6.3 billion and administrative expenses of $33.8 million.

THE STATEMENT OF FIDUCIARY NET ASSETS AND THE STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

This annual report consists of two financial statements: *The Statement of Fiduciary Net Assets* and *The Statement of Changes in Fiduciary Net Assets.* These financial statements report information about the Funds and about its activities to help you assess whether the Funds, as a whole, have 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 Statement of Fiduciary Net Assets shows the balances in all of the assets and liabilities of the Funds at the end of the fiscal year. The difference between assets and liabilities represents the Funds' fiduciary net assets. Over time, increases or decreases in the Funds' fiduciary net assets provide one indication of whether the financial health of the Funds is improving or declining. *The Statement of Changes in Fiduciary Net Assets* shows the results of financial operations for the year. This statement provides an explanation for the change in the Funds' 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 Funds are becoming financially stronger or weaker.

FINANCIAL ANALYSIS

SCHEDULE OF FIDUCIARY NET ASSETS

	2006	2005	Increase (Decrease)
Assets	$93,615,192,981	$87,314,303,498	$6,300,889,483
Liabilities	14,354,677,698	12,582,266,466	1,772,411,232
Net Assets	$79,260,515,283	$74,732,037,032	$4,528,478,251

Assets mainly consist of cash, securities lending collateral, investments, and contributions due from members and participating employers. Between fiscal years 2005 and 2006, total assets increased by $6.3 billion or 7.2%. The total assets increased partly due to an increase in fair value of investments. It is also related to an increase in member contributions and employer contributions receivables. Employer contributions receivables were based on Chapter 23, P.L. 2002 (early retirement incentive benefits to State employees) for Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS); Chapter 128 and 129, P.L. 2003 (early retirement incentive benefits to local employees) for TPAF; Chapter 127, 128, and 129 for PERS; Chapter 130 for Police and Firemen's Retirement System (PFRS); and Chapter 108, P.L. 2003 (pension obligation payments by local employers through a five-year phase-in) for PERS and PFRS.

Liabilities consist of pension and death benefit payments owed to members and beneficiaries, outstanding insurance premium payments, securities lending collateral and rebates payable, and other payables. Total liabilities increased by $1.8 billion or 14.1% over last year. This is mainly due to an increase in benefits payable to retirees and beneficiaries.

Net assets increased by $4.5 billion or 6.1%.

ADDITIONS TO FIDUCIARY NET ASSETS

	2006	2005	Increase (Decrease)
Member Contributions	$1,620,584,943	$1,460,882,145	$159,702,798
Employer Contributions & Other	1,943,357,536	1,461,575,456	481,782,080
Investment	7,325,131,370	6,058,920,769	1,266,210,601
Totals	$10,889,073,849	$8,981,378,370	$1,907,695,479

Additions primarily consist of member and employer contributions and earnings from investment activities. There was an increase by $159.7 million or 10.9% in total member contributions. In all pension trust funds, member contributions increased between 2005 and 2006 partly due to normal salary increases or increased membership. The increases in member contributions ranged from 3.2% in Supplemental Annuity Collective Trust (SACT) to 20.9% in NJ State Employees Deferred Compensation Plan (NJSEDCP).

Employer contributions (excluding pension adjustment fund) increased by $482.8 million or 33.3%. The increase was mainly from PFRS by $241.0 million or 50.9%. Employer contributions included appropriation from local employers due April 1, 2007 for PERS and PFRS based on Chapter 108, P.L. 2003; contributions from local employers for TPAF, PERS, and PFRS based on Chapter 127, 128, 129, and/or 130, P.L. 2003; and contributions from State appropriation for TPAF and PERS based on Chapter 23, P.L. 2002.

The State made a contribution of $555.3 million for TPAF and $211.5 million for PERS fiscal year 2006 post-retirement medical (PRM).

The State made a contribution of $8.0 million to JRS, $6.4 million to Consolidated Police and Firemen's Pension Fund (CPFPF), and $73.5 million to PFRS to satisfy the actuarially accrued liabilities in fiscal year 2006. Also, the State made a contribution of $12.9 million to State Police Retirement System (SPRS) and $93.8 million to TPAF.

Investment & other revenues increased by $1.3 billion or 20.9% due to increase in net appreciation in fair value of investments and a higher rate of return on investments.

The total investment return for all pension funds was estimated to be 9.7% compared to 8.7% in the prior year.

(Continued)

DEDUCTIONS FROM FIDUCIARY NET ASSETS

	2006	2005	Increase (Decrease)
Benefits	$6,216,532,218	$5,750,478,219	$466,053,999
Refunds & Adjustments	110,262,702	100,425,050	9,837,652
Administrative Expenses	33,800,678	47,284,708	(13,484,030)
Totals	$6,360,595,598	$5,898,187,977	$462,407,621

Deductions are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members, and administrative costs incurred by the Funds. Benefit payments increased by $466.1 million or 8.1%. It is partly due to an increase in number of retirees. The number of refunds processed increased by $9.8 million or 9.8% compared to last year. Administrative expenses decreased by $13.5 million or 28.5%. Last year's administrative expense was higher due to the reimbursement to the State General Fund of the Special Project Fund Appropriation utilized for the system reengineering project.

RETIREMENT SYSTEMS AS A WHOLE

For the pension benefit funds, the combined funded ratios of 81.5% for fiscal year 2006 and 87.2% for 2005 indicate that these funds are reasonably funded.

For the State Employees Deferred Compensation Plan and the Supplemental Annuity Collective Trust, members are 100% vested in the present value of their contributions, and the funds have sufficient assets to meet future benefit obligations.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

The financial report is designed to provide our members, beneficiaries, investors, and other interested parties with a general overview of the Funds' finances and to show the Funds' 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
PENSION TRUST FUNDS

Combining Statement of Fiduciary Net Assets

June 30, 2006

	ALTERNATE BENEFIT LONG TERM DISABILITY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	DEFERRED COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS' PENSION FUND	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PERS POST-RETIREMENT MEDICAL FUND	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS PENSION AND ANNUITY FUND	TPAF POST-RETIREMENT MEDICAL FUND	TOTAL
Assets:														
Cash	$ —	—	155,455	—	42,023	2,131,532	340,172	3,817,601	—	—	—	4,783,607	—	11,270,390
Securities lending collateral	—	—	36,817	—	64,982,023	3,004,838,828	353,352	4,729,781,295	—	356,602,491	—	6,021,492,285	—	14,178,087,091
Investments, at fair value:														
Cash Management Fund	1,484,289	34,926	15,939,942	187,257,616	6,501,851	433,773,534	8,460,836	664,928,677	89,147	28,738,324	5,056,945	836,216,981	68,481	2,188,551,549
Bonds	—	—	19,449	—	—	945,271	5,016,400	74,440,866	9,980	—	—	47,540,087	3,893	127,975,946
Common Pension Fund A	—	—	—	—	165,118,224	8,534,696,154	—	11,669,444,915	1,564,521	892,765,848	—	15,090,783,960	1,235,850	36,355,609,472
Common Pension Fund B	—	—	—	—	85,653,839	3,584,064,503	—	6,184,132,280	829,106	474,879,217	—	8,004,526,581	655,526	18,334,741,052
Common Pension Fund D	—	—	—	—	65,255,311	3,371,942,503	—	4,610,369,932	618,112	352,668,611	—	5,962,008,870	488,255	14,363,351,594
Common Pension Fund E	—	—	—	—	11,289,908	284,423,836	—	368,270,120	49,374	49,612,691	—	399,366,604	32,706	1,113,045,239
Common and preferred stocks	—	—	—	—	—	—	—	—	—	—	156,812,862	—	—	156,812,862
Mortgage backed securities	—	—	534,869	—	2,269,255	1,033,780,638	303,708	75,275,176	10,092	4,540,606	—	92,680,786	7,591	1,209,402,721
U.S. Government obligations	—	—	—	368,107,830	—	—	—	—	—	—	—	—	—	368,107,830
Domestic equities	—	—	—	1,045,975,946	—	—	—	—	—	—	—	—	—	1,045,975,946
International equities	—	—	—	56,476,302	—	—	—	—	—	—	—	—	—	56,476,302
Other fixed income securities	—	—	—	42,962,011	—	—	—	—	—	—	—	—	—	42,962,011
Total investments	1,484,289	34,926	16,494,260	1,700,779,705	336,088,388	17,243,626,439	13,780,944	23,646,861,966	3,170,332	1,803,205,297	161,869,807	30,433,123,869	2,492,302	75,363,012,524
Receivables:														
Contributions:														
Members	—	—	—	—	71,828	49,697,767	—	70,330,362	—	1,013,368	487,245	68,133,184	—	189,733,754
Employers	—	39,094	—	—	42,484	1,092,948,923	—	1,038,055,087	—	120,410	—	81,869,995	—	2,213,075,993
Accrued interest and dividends	—	34	3,858	2,214,504	2,266,896	112,786,319	70,271	157,878,640	—	12,212,871	200,970	202,857,201	—	490,491,564
Members' loans	—	—	—	—	714,410	443,360,063	—	453,057,643	—	28,564,018	—	214,906,013	—	1,140,602,147
Other	310,826	—	1,868,977	6,252,653	53,987	15,117,553	—	3,417,825	—	—	16,218	1,881,479	—	28,919,518
Total receivables	310,826	39,128	1,872,835	8,467,157	3,149,605	1,713,910,625	70,271	1,722,739,557	—	41,910,667	704,433	569,647,872	—	4,062,822,976
Total assets	1,795,115	74,054	18,559,367	1,709,246,862	404,262,039	21,964,507,424	14,544,739	30,103,200,419	3,170,332	2,201,718,455	162,574,240	37,029,047,633	2,492,302	93,615,192,981
Liabilities:														
Accounts payable and accrued expenses		24,716	6,063	752,417	12,520	1,336,028	3,819	16,918,449	—	33,133	(53,550)	14,462,917	—	33,496,512
Retirement benefits payable	—	29,430	302,381	87,110	975,238	29,515,041	172,850	42,632,483	—	2,732,856	142,516	54,642,143	—	131,232,048
NCGI premiums payable	—	—	—	—	—	3,630,870	—	5,023,436	—	—	—	2,063,057	—	10,717,363
Cash overdraft	—	19,908	—	66,382	—	—	—	—	—	145,946	912,448	—	—	1,144,684
Securities lending collateral and rebates payable	—	—	36,817	—	64,982,023	3,004,838,828	353,352	4,729,781,295	—	356,602,491	—	6,021,492,285	—	14,178,087,091
Total liabilities	—	74,054	345,261	905,909	65,969,781	3,039,320,767	530,021	4,794,355,663	—	359,514,426	1,001,414	6,092,660,402	—	14,354,677,698
Net assets held in trust for pension and post-retirement medical benefits	$ 1,795,115	—	18,214,106	1,708,340,953	338,292,258	18,925,186,657	14,014,718	25,308,844,756	3,170,332	1,842,204,029	161,572,826	30,936,387,231	2,492,302	79,260,515,283

See schedule of funding progress on pages 30-34.
See accompanying notes to financial statements.

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Combining Statement of Changes in Fiduciary Net Asset

Year ended June 30, 2006

	ALTERNATE BENEFIT LONG TERM DISABILITY FUND	CENTRAL PENSION FUND	CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND	DEFERRED COMPENSATION FUND	JUDICIAL RETIREMENT SYSTEM	POLICE AND FIREMEN'S RETIREMENT SYSTEM	PRISON OFFICERS' PENSION FUND	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	PERS POST-RETIREMENT MEDICAL FUND	STATE POLICE RETIREMENT SYSTEM	SUPPLEMENTAL ANNUITY COLLECTIVE TRUST	TEACHERS PENSION AND ANNUITY FUND	TPAF POST-RETIREMENT MEDICAL FUND	TOTAL
Additions:														
Contributions:														
Members	$ —	—	—	166,371,405	1,583,469	290,681,716	—	630,322,617	—	16,917,317	7,601,807	507,106,612	—	1,620,584,943
Employers	1,000,000	424,786	6,450,118	—	7,972,000	714,210,999	—	322,613,192	211,533,546	13,015,093	—	101,386,162	555,344,002	1,933,949,898
Other	—	25,713	8,231,766	—	—	—	1,149,159	—	—	—	—	1,000	—	9,407,638
Total contributions	1,000,000	450,499	14,681,884	166,371,405	9,555,469	1,004,892,715	1,149,159	952,935,809	211,533,546	29,932,410	7,601,807	608,493,774	555,344,002	3,563,942,479
Investment income:														
Net appreciation (depreciation) in fair value of investments	267	—	(26,334)	68,304,659	20,988,912	1,059,993,931	(176,079)	1,575,604,593	125,285	119,783,381	12,797,524	2,051,274,590	59,787	4,908,730,516
Interest	155,045	4,739	440,852	22,967,212	8,005,834	439,352,270	711,022	524,267,525	—	35,481,278	479,135	615,739,784	—	1,647,604,696
Dividends	—	—	—	15,923,578	3,480,824	176,460,595	—	242,745,117	—	18,515,416	2,795,496	315,385,571	—	775,306,597
	155,312	4,739	414,518	107,195,449	32,475,570	1,675,806,796	534,943	2,342,617,235	125,285	173,780,075	16,072,155	2,982,399,945	59,787	7,331,641,809
Less: investment expense	—	—	8,921	212,969	465	425,860	1,997	4,211,013	—	12,954	—	1,636,260	—	6,510,439
Net investment income	155,312	4,739	405,597	106,982,480	32,475,105	1,675,380,936	532,946	2,338,406,222	125,285	173,767,121	16,072,155	2,980,763,685	59,787	7,325,131,370
Total additions	1,155,312	455,238	15,087,481	273,353,885	42,030,574	2,680,273,651	1,682,105	3,291,342,031	211,658,831	203,699,531	23,673,962	3,589,257,459	555,403,789	10,889,073,849
Deductions:														
Benefits	2,987,049	430,527	13,478,301	80,873,250	31,137,599	1,153,490,795	2,443,222	1,809,376,698	209,785,441	104,938,160	13,178,330	2,240,882,442	553,530,404	6,216,532,218
Refunds of contributions	—	24,711	—	—	20,206	6,644,742	—	70,271,522	—	90,138	—	33,211,383	—	110,262,702
Administrative expenses	—	—	25,777	513,741	179,387	4,930,808	7,630	17,365,728	—	388,585	—	10,389,022	—	33,800,678
Total deductions	2,987,049	455,238	13,504,078	81,386,991	31,337,192	1,165,066,345	2,450,852	1,897,013,948	209,785,441	105,416,883	13,178,330	2,284,482,847	553,530,404	6,360,595,598
Net increase (decrease)	(1,831,737)	—	1,583,403	191,966,894	10,693,382	1,515,207,306	(768,747)	1,394,328,083	1,873,390	98,282,648	10,495,632	1,304,774,612	1,873,385	4,528,478,251
Net assets held in trust for pension and post-retirement medical benefits:														
Beginning of year	3,626,852	—	16,630,703	1,516,374,059	327,598,876	17,409,979,351	14,783,465	23,914,516,673	1,296,942	1,743,921,381	151,077,194	29,631,612,619	618,917	74,732,037,032
End of year	$ 1,795,115	—	18,214,106	1,708,340,953	338,292,258	18,925,186,657	14,014,718	25,308,844,756	3,170,332	1,842,204,029	161,572,826	30,936,387,231	2,492,302	79,260,515,283

See accompanying notes to financial statements

(1) DESCRIPTION OF THE FUNDS

The State of New Jersey sponsors and administers the following Pension Trust Funds (the Funds) which have been included in the financial statements of the State of New Jersey Division of Pensions and Benefits (the Division):

Judicial Retirement System (JRS)
Consolidated Police and Firemen's Pension Fund (CPFPF)
Police and Firemen's Retirement System (PFRS)
Prison Officers' Pension Fund (POPF)
Public Employees' Retirement System (PERS)
State Police Retirement System (SPRS)
Teachers' Pension and Annuity Fund (TPAF)
Supplemental Annuity Collective Trust (SACT)
Central Pension Fund (CPF)
New Jersey State Employees Deferred Compensation Plan (NJSEDCP)
Alternate Benefit Long-Term Disability Fund (ABPLTD)

Stand alone financial reports which include the above funds have been prepared. These financial reports, which can be obtained from the Division, provide a description of the nature and purpose of each individual fund. A description of the benefit provisions and contribution requirements for each fund is provided in notes 5 and 6.

The pension trust funds are single-employer defined benefit pension plans, except for the PERS and PFRS, which are cost-sharing multiple-employer defined benefit plans, the TPAF and CPFPF, which are cost-sharing defined benefit plans with a special funding situation, and the SACT, NJSEDCP, and ABPLTD, which are single-employer defined contribution plans. The post-retirement medical funds of PERS and TPAF are presented in the pension trust funds of the respective plans.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Funds have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity:

The Funds are administered by the Division. Operating controls over the Funds are with the individual funds and trusts governing boards and/or the State of New Jersey. The financial statements of the Funds are included in the financial statements of the State of New Jersey as Pension Trust Funds.

Fund Accounting:

The accounts of the Division are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that the resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. All funds are classified as fiduciary.

Fiduciary Funds:

Pension trust funds - Account for monies received for, expenses incurred by and the net assets available for plan benefits of the various public employee retirement systems.

Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All the pension trust funds are accounted for using an economic resources measurement focus.

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of pension trust funds. 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 pension trust funds 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." Employer contributions are recognized when payable to the Funds. Benefits and refunds are recognized when due and payable in accordance with the terms of the Funds.

Capital Assets:

Capital assets utilized by the Division include equipment which is owned by the State of New Jersey.

Significant Legislation:

Chapter 246, P.L. 2004, "Domestic Partnership Act" established the rights and responsibilities of domestic partnerships effective July 10, 2004.

P.L. 2003, effective July 14, 2003, provided employees of local employers with additional retirement benefits through early retirement incentive programs: Chapter 127 for a public agency other than State agencies under PERS; Chapter 128 for a county, a county college, or a municipality under PERS, TPAF, or ABP; Chapter 129 for a local school board or educational services commission under PERS or TPAF; and Chapter 130 for PFRS local. They also permitted issuance of refunding bonds to fund benefits. Any employee who was eligible, or could have been if the employer elected, to participate in the State early retirement incentive program offered in 2002 pursuant to Chapter 23, P.L. 2002, is not eligible for the early retirement incentive benefits under this law.

Chapter 108, P.L. 2003, effective July 1, 2003, provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by the PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008. According to the Appropriation Act of 2003, the State as well is paying pension obligations through a five-year phase-in.

Chapter 108, P.L. 2003 also provided that local employer PFRS normal and accrued liability contributions will be 20% of the amount certified by the PFRS for payments due in State fiscal year 2004 and thereafter a percentage of the amount certified by the PFRS as the State Treasurer will determine, but not more than 40% in fiscal year 2005, not more than 60% in fiscal year 2006, and not more than 80% in fiscal year 2007. According to the Appropriation Act of 2003, the State as well is paying pension obligations through a five-year phase-in.

(Continued)

Membership and Contributing Employers:

Membership and contributing employers of the Pension Trust Funds consisted of the following at June 30, 2005, the date of the most recent actuarial valuations (June 30, 2006 for SACT, CPF, NJSEDCP, and ABPLTD):

	JRS	CPFPF	PFRS	POPF	PERS	SPRS	TPAF	SACT	CPF
Retiree members:									
Retirees and beneficiaries receiving benefits currently	426	841	29,257	191	121,166	2,297	65,445	603	325
Terminated employees entitled to benefits but not yet receiving them	4	—	64	—	1,850	—	903	—	—
Total retiree members	430	841	29,321	191	123,016	2,297	66,348	603	325
Active members:									
Vested	219	—	27,894	—	140,390	1,816	75,545	3,933	—
Non-vested	207	—	16,317	—	170,542	1,028	76,328	—	—
Total active members	426	—	44,211	—	310,932	2,844	151,873	3,933	—
Total	856	841	73,532	191	433,948	5,141	218,221	4,536	325
Contributing Employers	1	1	585	1	1,681	1	59	—	1

	NJSEDCP	ABPLTD
Retiree members:		
Retirees and beneficiaries receiving benefits currently	3,144	—
Terminated employees entitled to benefits but not yet receiving them	—	—
Total retiree members	3,144	—
Active members:		
Vested	34,352	118
Non-vested	—	—
Total active members	34,352	118
Total	37,496	118
Contributing Employers	—	1

Valuation of Investments:

Investments are reported at fair value as follows:

- U.S. Government and Agency, Foreign and Corporate obligations – prices quoted by a major dealer in such securities.
- Common Stock and Equity Funds, Foreign Equity Securities, Forward Foreign Exchange Contracts – closing prices as reported on the primary market or exchange on which they trade.

(Continued)

- Money Market Instruments – amortized cost which approximates fair value.
- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.
- Alternative investments (private equity, real assets and absolute return strategy funds) – estimated fair value provided by the investment manager and reviewed by management. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the value that would be used if a ready market for such investments existed. Accordingly, the realized value received upon the sale of the asset may differ from the fair value.

Investment Transactions:

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

Unit Transactions:

The net asset value of Common Funds A, B, D and E (Common Funds) is determined as of the close of the last day of business of each month. Purchases and redemptions of participants' units are transacted each month within fifteen days subsequent to that time and at such net asset value.

Dividends and interest earned per unit are calculated monthly and distributed quarterly for Common Fund A and B. Dividends and interest earned per unit are calculated monthly for Common Fund D, and the income earned on Common Fund D units is reinvested. Income earned per unit is calculated monthly for Common Fund E, and the income earned on Common Fund E units is reinvested.

Securities Lending:

Common Funds A, B and D and several of the directly-held pension plan portfolios participate in securities lending programs, whereby securities are loaned to brokers or to other borrowers and, in return, the pension funds have rights to the collateral received. All of the securities held in Common Funds A, B and D, and certain securities held directly by the pension plans, are eligible for the securities lending program. Collateral received may consist of cash, letters of credit, or government securities having a market value equal to or exceeding 102% (U.S. dollar denominated) or 105% (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made. For Common Funds A and B, in the event that the market value of the collateral falls below 101% of the market value of all the outstanding loaned securities to an individual borrower, additional collateral shall be transferred by the borrower to the respective funds no later than the close of the next business day so that the market value of such additional collateral, when added to the market value of the other collateral, shall equal 102% of the market value of the loaned securities. For Common Fund D, in the event that the market value of the collateral falls below the collateral requirement of either 102% or 105% of the market value of the outstanding loaned securities to an individual borrower, additional collateral shall be transferred in an amount that will increase the aggregate of the borrower's collateral to meet the collateral requirements. As of June 30, 2006, the Common Funds have no aggregate credit risk exposure to brokers because the collateral amount held by the Common Funds exceeded the market value of the securities on loan.

The contracts with the Common Funds' custodian banks require them to indemnify the Common Funds if the brokers fail to return the securities or fail to pay the Common Funds for income distributions on the securities while they are on loan. The custodian bank for Common Fund D also indemnifies Common Funds for any loss of principal or interest on the invested collateral. For any losses on the investment collateral in Common Funds A or B or other pension plan portfolios, the lending fee paid to the lending agent shall be reduced by 25% of the amount of such loss, up to an amount not to exceed 75% of the previous six months' securities lending fees. The securities loans can be terminated by notification by either the borrower or the Common Funds. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of the cash collateral.

Derivatives:

The Common Funds' international portfolio managers utilize forward foreign currency contracts, a derivative security, as a means to hedge against the currency risk in the Common Funds' foreign stock and fixed income portfolios. A derivative security is an investment whose payoff depends upon the value of other assets such as bond and stock prices, a market index, or commodity prices. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in market prices or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

Forward foreign currency contracts are agreements to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed upon price. Forward foreign currency contracts are used to hedge against the currency risk in the Common Funds' foreign stock and fixed income portfolios.

The fair value of foreign forward currency contracts held directly by the Common Funds as of June 30, 2006 is as follows:

Forward currency receivable	$	1,887,515,323
Forward currency payable		1,902,654,117
Net unrealized loss (gain)		15,138,794

The net unrealized gain or loss is included in investments in the accompanying statement of net assets at June 30, 2006.

The Common Funds utilize covered call and put options in an effort to add value to or reduce the risk level in the portfolio. Covered options are agreements that give the owner of the option the right, but not obligation, to buy (in the case of a call option) or to sell (in the case of a put option) a specific amount of an asset for a specific price (called the strike price) on or before a specified expiration date. The writer of call options receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the instrument underlying the option. The Common Funds have written call options on 182,000 shares with a fair value of $470,032 at June 30, 2006 which are reflected as contra-assets to the fair value of the portfolio. The Common Funds own put options on 6,990,800 shares with a fair value of $1,631,358, which are included in the portfolio at June 30, 2006.

Certain alternative investment funds and partnerships may use derivative instruments to hedge against market risk and to enhance investment returns. At any point during the year, the Common Funds may have additional exposure to derivatives primarily through limited liability vehicles such as limited partnerships and commingled investment funds.

Members' Loans:

Members of JRS, PFRS, SPRS, PERS and TPAF who have at least three years of service in these Funds may borrow up to 50% of their accumulated member contributions. Repayment of loan balances is deducted from payroll checks and bears an interest rate of 4%. Members who retire with an outstanding loan have the option of paying the loan in full prior to receiving any benefits or continuing their monthly loan payment schedule into retirement.

Under the Internal Revenue Service regulations effective January 1, 2004, the Division changed its pension loan repayment policy: Members who take multiple loans must repay the outstanding balance of the original loan, and all subsequent loans taken before the original loan is completely paid off, within a period not to exceed 5 years from the issuance of the first loan taken after January 1, 2004. Failure to repay the loan within the five-year period will result in the unpaid balance being declared a taxable distribution.

Administrative Expenses:

Administrative expenses are paid by the Funds to the State of New Jersey, Department of the Treasury and are included in the accompanying statements of changes in fiduciary net assets, except for administrative expenses of the CPF which are paid by the State of New Jersey, who is responsible for such costs.

Income Tax Status:

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the funds, systems, and trusts are qualified plans as described in Section 401(a) of the Internal Revenue Code, with the exception of the ABPLTD which is a qualified plan as described in Section 403(b) and the NJSEDCP which is an eligible plan as described in Section 457 of the Internal Revenue Code.

(3) INVESTMENTS

The pension funds investments as of June 30, 2006 are as follows:

Cash management funds	$ 2,188,551,549
Domestic equities	37,409,654,956
International equities	13,009,773,833
Domestic fixed income	17,479,179,948
International fixed income	1,187,184,887
Domestic floating rate securities	77,882,139
Police and Fireman's mortgages	965,008,210
Private equity	236,208,692
Real estate	81,345,789
Absolute return strategy funds	260,707,666
Net forward foreign exchange contracts	(15,138,794)
Other	2,482,653,649
	$ 75,363,012,524

New Jersey state statute provides for a State Investment Council (Council) and a Director. Investment authority is vested in the Director of the Division and the role of the Council is to formulate investment policies. The Council issues regulations which establish guidelines for permissible investments which include domestic and international equities, obligations of the U.S. Treasury, government agencies, corporations, finance companies and banks, international government and agency obligations, Canadian obligations, New Jersey State and Municipal general obligations, public authority revenue obligations, collateralized notes and mortgages, commercial paper, certificates of deposit, repurchase agreements, bankers acceptances, guaranteed income contracts and money market funds, private equity, real estate, other real assets and absolute return strategy funds.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is evaluated by nationally recognized statistical rating agencies such as Moody's

Investors Service, Inc. (Moody's) or Standard & Poor's Corporation (S&P). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in United States treasury and government agency obligations. Council regulations require minimum credit ratings for certain categories of fixed income obligations held directly by the pension funds and limit the amount that can be invested in any one issuer or issue as follows:

Category	Minimum Rating Moody's	Minimum Rating S&P	Limitation of Issuer's Outstanding Debt	Limitation of Issue	Other Limitations
Corporate obligations	Baa	BBB	25%	25%	—
U.S. finance company debt, bank debentures and NJ state & municipal obligations	A	A	10%	10%	—
Canadian obligations	A	A	10%	10%	Purchase cannot exceed greater of 10% of issue or $10 million; not more than 2% of fund assets can be invested in any one issuer
International government and agency obligations	Aa	AA	2%	10%	Not more than 1% of fund assets can be invested in any one issuer
Public Authority revenue obligations	A	A	—	10%	Not more than 2% of fund assets can be invested in any one public authority
Collateralized notes and mortgages	Baa	BBB	—	33.3%	Not more than 2% of fund assets can be invested in any one issuer
Commercial paper	P-1	A-1	—	—	—
Certificates of deposit and Banker's acceptances (rating applies to international)	Aa/P-1	—	—	—	Uncollateralized certificates of deposit and banker's acceptances cannot exceed 10% of issuer's primary capital
Guaranteed income contracts	P-1	—	—	—	A+ rating from A.M. Best for insurance companies
Money market funds	—	—	—	—	Not more than 10% of fund assets can be invested in money market funds; limited to 5% of shares or units outstanding

(Continued)

For securities in the fixed income portfolio, the following table discloses aggregate market value, by major credit quality rating category at June 30, 2006:

	Moody's Rating						
(000's)	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**	**P**
United States Treasury Notes	$ 3,671,444	140	—	—	—	—	—
United States Treasury Bills	389,716	—	—	—	—	—	—
United States Treasury TIPS	790,562	—	—	—	—	—	—
United States Treasury Bonds	2,102,259	—	—	—	—	—	—
United States Treasury Strips	37,219	—	—	—	—	—	—
Title XI Merchant Marine Notes	3,615	—	—	—	—	—	—
Federal Agricultural Mortgage Corp. Notes	95,763	—	—	—	—	—	—
Federal Farm Credit Bank Bonds	51,144	—	—	—	—	—	—
Federal Home Loan Bank Bonds	466,312	—	—	—	—	—	—
Federal Home Loan Bank Discounted Notes	89,894	—	—	—	—	—	—
Federal Home Loan Mortgage Corp. Notes	367,963	—	—	—	—	—	—
Federal National Mortgage Association Notes	310,179	—	—	—	—	—	29
Resolution Funding Corp. Obligations	6,397	—	—	—	—	—	—
Floating Rate Notes	25,023	20,020	9,999	22,841	—	—	—
Corporate Obligations	518,294	698,678	2,194,412	1,573,590	345	2	—
Real Estate Investment Trust Obligations	—	—	—	93,436	—	—	—
Finance Company Debt	218,522	623,045	626,982	9,097	55,587	—	150
Supranational Obligations	75,512	—	—	—	—	—	—
International Bonds and Notes	208,740	99,215	19,539	—	—	—	—
Foreign Government Obligations	470,461	313,716	—	—	—	—	—
Remic/FHLMC	731,131	—	—	—	—	—	—
Remic/FNMA	67,108	—	—	—	—	—	—
Remic/GNMA	17,650	—	—	—	—	—	—
GNMA Mortgage Backed Certificates	83,801	—	—	—	—	—	—
FHLM Mortgage Backed Certificates	606,964	—	—	—	—	—	—
FNMA Mortgage Backed Certificates	620,790	—	—	—	—	—	—
Asset Backed Obligations	178,119	—	—	—	—	—	—
Private Export Obligations	55,971	—	—	—	—	—	—
Exchange Traded Securities	—	—	51,735	—	—	—	—
Other	40,432	361	304	283	5	—	56
	$ 12,300,985	1,755,175	2,902,971	1,699,247	55,937	2	235

The table does not include certain corporate obligations totaling $24,426,500 which have an S&P rating of A and do not have a Moody’s rating. The table also does not include other fixed income securities totaling $5,268,000, Police and Firemen’s Mortgages totaling $965,008,210, and Cash Management fund totaling $2,188,551,549 which are not rated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Commercial paper must mature within 270 days. Certificates of deposits and bankers acceptances are limited to a term of one year or less. The maturity of repurchase agreements shall not exceed 15 days. The investment in a guaranteed income contract is limited to a term of 10 years or less.

The following table summarizes the maturities (or, in the case of Remics, Police and Firemen's Mortgages and mortgage-backed securities, the expected average life) of the fixed income portfolio at June 30, 2006:

(000's)		Total	Maturities in Years			
Fixed Income Investment Type		**Market Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
United States Treasury Notes	$	3,671,617	757,265	929,227	1,979,930	5,195
United States Treasury Bills		389,716	389,716	—	—	—
United States Treasury TIPS		790,562	—	60,532	580,321	149,709
United States Treasury Bonds		2,102,259	—	118,256	215,305	1,768,698
United States Treasury Strips		37,219	—	—	—	37,219
Title XI Merchant Marine Notes		3,615	—	—	—	3,615
Federal Agricultural Mortgage Corp. Notes		95,763	—	95,763	—	—
Federal Farm Credit Bank Bonds		51,144	—	51,144	—	—
Federal Home Loan Bank Bonds		466,312	175,074	268,104	23,134	—
Federal Home Loan Bank Discounted Notes		89,894	—	—	—	89,894
Federal Home Loan Mortgage Corp. Notes		367,963	322,470	23,587	21,399	507
Federal National Mortgage Association Notes		310,208	132,902	175,465	327	1,514
Resolution Funding Corp. Obligations		6,397	—	—	—	6,397
Floating Rate Notes		77,883	35,021	32,863	9,999	—
Corporate Obligations		5,013,399	714,990	1,316,058	1,152,058	1,830,293
Real Estate Investment Trust Obligations		93,436	—	42,914	50,522	—
Finance Company Debt		1,533,447	380,753	741,672	273,500	137,522
Supranational Obligations		75,512	—	—	—	75,512
International Bonds and Notes		327,494	124,499	145,353	18,137	39,505
Foreign Government Obligations		784,177	22,393	459,160	193,953	108,671
Remic/FHLMC		731,131	3,383	—	39,299	688,449
Remic/ FNMA		67,108	1,321	—	17,827	47,960
Remic/ GNMA		17,650	—	—	—	17,650
Police and Firemen's Mortgages		965,008	—	—	—	965,008
GNMA Mortgage Backed Certificates		83,801	12	6,387	—	77,402
FHLM Mortgage Backed Certificates		606,963	—	148	3,698	603,117
FNMA Mortgage Backed Certificates		620,790	149	9,291	21,177	590,173
Asset Backed Obligations		178,119	—	118,906	59,213	—
Private Export Obligations		55,971	—	11,887	44,084	—
Other		42,962	705	34,477	5,465	2,315
	$	19,657,520	3,060,653	4,641,194	4,709,348	7,246,325

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The pension funds invest in global markets. The pension funds can invest in securities of companies incorporated in one of thirty countries approved by the Council. The market value of international preferred and common stocks and issues convertible into common stocks, when combined with the market value of international government and agency obligations, cannot exceed 22% of the market value of the pension funds. Not more than 5% of the value of the assets held by Common Fund D can be invested in companies incorporated in emerging market countries, and not more than 5% of the market value of the emerging market securities can be invested in any one corporation. Council regulations permit the pension funds to enter into foreign exchange contracts for the purpose of hedging the international portfolio. The pension funds held forward contracts totaling approximately $1.9 billion at June 30, 2006. Common Fund D had the following foreign currency exposure (expressed in U.S. dollars and 000's):

Currency		**Total Market Value**	**Equities**	**Foreign Government Obligations**
Australian dollar	$	387,324	387,324	—
Canadian dollar		635,640	635,640	—
Danish krone		198,388	198,388	—
Euro		4,789,852	4,286,765	503,087
Hong Kong dollar		130,126	130,126	—
Japanese yen		3,039,675	3,039,675	—
Mexican peso		46,306	46,306	—
New Zealand dollar		18,426	18,426	—
Norwegian krone		269,692	269,692	—
Pound sterling		1,712,822	1,637,310	75,512
Singapore dollar		98,276	98,276	—
South Korean won		121,267	121,267	—
Swedish krona		760,561	682,104	78,457
Swiss franc		1,263,174	1,263,174	—
	$	13,471,529	12,814,473	657,056

The Cash Management Fund is unrated. The Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by the pension funds.

The pension funds' interests in alternative investments may contain elements of credit, currency and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition. Council regulations require that not more than 13 percent of the market value of the pension funds can be invested in alternative investments, with the individual categories of real assets, private equity and absolute return strategy investments limited to 5 percent, 7 percent and 5 percent of the market value, respectively. Not more than 5 percent of the market value of Common Fund E may be committed to any one partnership or investment, without the prior written approval of the Council. Common Fund E cannot own more than 25 percent of any individual investment. The investments in Common Fund E cannot comprise more than 20 percent of any one investment manager's total assets.

Net appreciation or depreciation in fair value of investments includes net realized gains and the change in net unrealized gains and losses on investments for the fiscal year ended June 30, 2006. The net realized gain from investment transactions amounted to $3,946,824,420 and the net increase in unrealized gains on investments amounted to $567,526,008 for the year ended June 30, 2006.

(4) SECURITIES LENDING COLLATERAL

The securities lending collateral is subject to various risks. Among these risks are credit risk, concentration of credit risk and interest rate risk. Agreements with the lending agents require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue as follows:

Category	Minimum Rating Moody's	Minimum Rating S&P	Limitation of Issuer's Outstanding Debt	Limitation of Issue	Other Limitations
Corporate obligations	A3	A-	25%	25%	—
U.S. finance company debt and bank debentures	A2	A	10%	10%	—
Collateralized notes and mortgages	Aaa	AAA	—	33.3%	Limited to not more than 10% of the assets of the collateral portfolio
Commercial paper	P-1	A-1	—	—	Dollar limits by issuer
Certificates of deposit/ Banker's acceptances (rating applies to international)	Aa3/P-1	—	—	—	Uncollateralized certificates of deposit and banker's acceptances' cannot exceed 10% of issuer's primary capital; dollar limits by issuer
Guaranteed income contracts	P-1	—	—	—	Limited to 5% of the assets of the collateral portfolio; A+ rating from A.M. Best for insurance companies
Money market funds	—	—	—	—	Limited to 10% of the assets of the collateral portfolio; limited to approved money market funds

Maturities of corporate obligations, U.S. finance company debt, bank debentures, collateralized notes and mortgages and guaranteed income contracts must be less than 25 months. Commercial paper maturities cannot exceed 270 days. Repurchase agreement maturities cannot exceed 15 days. Certificates of deposit and banker's acceptances must mature in one year or less.

The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies.

Total exposure to any individual issuer is limited, except for U.S. Treasury and Government Agency Obligations. For money market funds, the total amount of shares or units purchased or acquired of any money market fund shall not exceed five percent of the shares or units outstanding of said money market fund. For Collateralized Notes and Mortgages, not more than two percent of the assets of the collateral portfolio shall be invested in the obligations of any one issuer. For Guaranteed Income Contracts, the total investment in any one issuer shall be limited to 2.5% of the collateral portfolio. The Division sets individual issuer limits for Commercial Paper and Certificate of Deposits. For Corporate Obligations, U.S. Finance Company Debt, Bank Debentures and Bankers Acceptances, exposure to any one issuer shall be limited to the following percentages of the collateral portfolio in accordance with the issuer's rating from Moody's: Aaa (4%), Aa (3%) and A (2%).

For securities exposed to credit risk in the collateral portfolio, the following table discloses aggregate market value, by major credit quality rating category at June 30, 2006. In those cases where an issuer and/or security have both a long-term and short-term rating, the short-term rating is disclosed.

(000's)		Moody's Rating				
		Aaa	Aa	A	P1	Not rated
Corporate Obligations	$	699,376	3,646,543	1,621,567	—	—
Commercial Paper		14,996	—	—	3,683,532	—
Certificates of Deposit		1,957,748	—	—	—	—
Repurchase Agreements		—	—	—	—	1,609,375
Guaranteed Investment Contracts		—	450,000	—	—	—
Money Market Funds		254,354	—	—	—	101,483
Collateralized Notes		—	138,926	—	—	—
Cash		—	—	—	—	187
	$	2,926,474	4,235,469	1,621,567	3,683,532	1,711,045

The following table summarizes the maturities of the collateral portfolio at June 30, 2006.

(000's)		Total Market Value	Maturities: Less than one year	Maturities: One year to 25 months
Corporate Obligations	$	5,967,487	2,345,430	3,622,057
Commercial Paper		3,698,527	3,698,527	—
Certificates of Deposit		1,957,748	1,957,748	—
Repurchase Agreements		1,609,375	1,609,375	—
Guaranteed Investment Contracts		450,000	350,000	100,000
Money Market Funds		355,837	355,837	—
Collateralized Notes		138,926	—	138,926
	$	14,177,900	10,316,917	3,860,983

As of June 30, 2006, the pension funds had received cash collateral of $14,115,678,308 for outstanding loaned investment securities having market values of $13,824,349,093. In addition, as of June 30, 2006, the pension funds loaned investment securities having market values of $1,471,340, against which it had received non-cash collateral with a current value of $1,494,859, which is not reflected in the accompanying financial statements.

(5) CONTRIBUTIONS

Contribution Requirements - JRS

The contribution policy is set by N.J.S.A. 43:6A 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. Members enrolled on January 1, 1996 or after contribute at 3% on their entire base salary. Contributions by active members enrolled prior to January 1, 1996 are based on 3% of the difference between their current salary and the salary of the position on January 18, 1982. The State of New Jersey is required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

Legislation passed in 1997 (Chapter 115, P.L. 1997) provided for the use of actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey. As a result of this legislation, the State of New Jersey was not required to make a contribution to the JRS for the years between 1997 and 2002.

The State made a contribution of $7.97 million to satisfy the actuarially accrued liability in fiscal year 2006.

Contribution Requirements - CPFPF

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 are based on 7% of their salary. Employers are required to contribute at an actuarially determined rate.

The State made a contribution of $6.40 million to satisfy the actuarially accrued liability in fiscal year 2006.

Contribution Requirements - PFRS

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. Members contribute at a uniform rate of 8.5% of base salary.

For fiscal year 2006, the 50% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey and the local participating employers.

Since fiscal year 2005, there have been no excess valuation assets to fund the required State contributions.

In accordance with legislation passed in 2001 (Chapter 44, P.L. 2001), excess valuation assets were recognized to reduce 2001 local employer contributions by $150 million to approximately $75 million. This legislation required that the savings realized by counties and municipalities as a result of this reduction be used for property tax relief.

Chapter 108, P.L. 2003, effective July 1, 2003, provided that local employer PFRS normal and accrued liability contributions will be 20% of the amount certified by the PFRS for payments due in State fiscal year 2004 and thereafter a percentage of the amount certified by the PFRS as the State Treasurer will determine, but not more than 40% in fiscal year 2005, not more than 60% in fiscal year 2006, and not more than 80% in fiscal year 2007.

(Continued)

The State made a contribution of $73.54 million for fiscal year 2006 pension obligation. According to the Appropriation Act of 2003 related to fiscal year 2006, the State is paying pension obligations through a five-year phase-in.

Contribution Requirements - POPF

The contribution policy is set by N.J.S.A. 43:7 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 are based on 6% of their salary. Employers are required to contribute at an actuarially determined rate.

Contribution Requirements - PERS

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. The full normal employee contribution rate is 5% of base salary. However, as a result of special legislation (Chapter 415, P.L. 1999), the employee rate was reduced to 3% of base salary effective January 1, 2000. The rate for State and local employees returned to the normal rate of 5% effective July 1, 2004 and January 1, 2005, respectively per statute since there are no longer surplus assets available in the System. On the other hand, the rate for members who are eligible for the Prosecutors Part of the PERS (Chapter 366, P.L. 2001) remains unchanged at 7.5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. The State of New Jersey’s contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

For fiscal year 2006, the 50% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to the PERS between the years 1997 and 2004. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey and the local participating employers.

The State made a contribution of $211.53 million for fiscal year 2006 post-retirement medical (PRM). Legislation passed in 2002 (Chapter 11, P.L. 2002) allowed the State to use net assets in PRM Fund to cover the required pay-as-you-go medical premiums.

To fund the benefit increases provided by Chapter 133, P.L. 2001, the legislation provided for the use of excess assets. A special benefit enhancement fund (BEF) was established from which the required normal contributions for the increased benefits will be charged. To fund the accrued liabilities incurred by the PERS, the actuarial value of assets for the valuation period ending June 30, 1999 was adjusted to reflect the full market value of assets.

The BEF will also provide funding for the benefit increases under Chapter 353, P.L. 2001. Actuarially determined excess valuation assets will cover the additional accrued liability incurred by the retirement system. No additional formula State contribution is required in fiscal year 2006; instead, that contribution will be covered by the BEF.

(Continued)

Chapter 108, P.L. 2003 provided that the State Treasurer will reduce local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by the PERS as follows: 20% for payments due in State fiscal year 2005; not more than 40% in fiscal year 2006; not more than 60% in fiscal year 2007; and not more than 80% in fiscal year 2008. According to the Appropriation Act of 2003 related to fiscal year 2006, the State as well is paying pension obligations through a five-year phase-in.

Contribution Requirements - SPRS

The contribution policy is set by N.J.S.A. 53:5A-34 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. Members contribute at a uniform rate of 7.5% of base salary. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The State made a contribution of $12.94 million to the System in fiscal year 2006 to satisfy the actuarially accrued liability. The normal contributions had been funded using net assets (excess assets above the required funding level) till fiscal year 2004 due to Pension Security legislation passed in 1997. According to the Appropriation Act of 2003 related to fiscal year 2006, the State is paying pension obligations through a five-year phase-in.

Contribution Requirements - TPAF

The contribution policy is set by N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contribute at a uniform rate. In accordance with legislation passed in 2001 (Chapter 133, P.L. 2001), the employee contribution rate was lowered to 3% effective January 1, 2002. Prior to this date, employees had been contributing at a rate of 4.5%. The rate returned to the normal rate of 5% effective January 1, 2004 per statute since there are no longer surplus assets available in the Fund. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. The State of New Jersey's contribution also includes funding for the cost of medical premiums after retirement for qualified retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

For fiscal year 2006, the 50% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to the TPAF in between the years 1997 and 2005. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey and the local participating employers.

The State made a contribution of $555.34 million for fiscal year 2006 post-retirement medical (PRM). The Legislation passed in 2002 (Chapter 11, P.L. 2002) allowed the State to use net assets in PRM Fund to cover the required pay-as-you-go medical premiums.

To fund the benefit increases provided by Chapter 133, P.L. 2001, the legislation provided for the use of excess assets. A special benefit enhancement fund (BEF) was established from which the required normal contributions for the increased benefits will be charged. To fund the accrued liabilities incurred by the TPAF, the actuarial value of assets for the valuation period ending June 30, 1999 was adjusted to reflect the full market value of assets.

As of June 30, 2005 actuarial valuation, the assets in the BEF had been eliminated, and thus, no reduction to the contribution was available to the State.

The State made a contribution of $93.83 million for fiscal year 2006 pension obligation. According to the Appropriation Act of 2003 related to fiscal year 2006, the State is paying pension obligations through a five-year phase-in.

Contribution Requirements - SACT

Participants contribute through payroll deductions and may contribute from 1% to 10% of their base salary, as defined. Contributions are voluntary and may be suspended at the beginning of any quarter. Contributions under the Tax Sheltered Supplemental Annuity Plan are subject to Federal law limitations and qualify for tax-sheltered treatment permitted under Section 403(b) of the Internal Revenue Code. Participants are always fully vested for the accumulated units in their accounts.

Contribution Requirements - CPF

The State of New Jersey makes an annual appropriation payment to the CPF to pay current year benefits. The contribution requirements were established by the aforementioned statutes and are not actuarially determined. An actuarial valuation is not performed to determine the actuarial implications of the contribution requirements.

The contribution amount required and paid by the State of New Jersey for the fiscal year ended June 30, 2006 was $425 thousand.

Contribution Requirements - NJSEDCP

Participants may defer between 1% and 100% of their salary and less any 414h reductions or $15 thousand annually. Under the limited "catch-up" provision, a participant may be eligible to defer up to a maximum of twice the annual maximum in the three years immediately preceding the retirement age at which no reduction in benefits would be applicable. The employer does not make contributions to the Plan.

Contribution Requirements - ABPLTD

The State of New Jersey makes an annual contribution to the ABPLTD, as required, toward the cost of long-term disability benefits which extend beyond the calendar year following the year in which the disability benefits commence for those with a benefit commencement date on or after October 1, 1986.

(6) VESTING AND BENEFITS

Vesting and Benefit Provisions - JRS

The vesting and benefit provisions are set by N.J.S.A. 43:6A and amended and supplemented by Chapter 470, P.L. 1981. The JRS provides retirement benefits as well as death and disability benefits. Retirement benefits for age and years of service are as follows:

Age	Years of Judicial Service	Benefit as a Percentage of Final Salary
70	10	75%
65	15	75
60	20	75

Age	Years of Judicial Service	Years of Public and Judicial Service	Benefit as a Percentage of Final Salary
65	5	15	50%
60	5	20	50

Retirement benefits are also available at age 60 with five years of judicial service plus 15 years in the aggregate of public service, or at age 60 while serving as a judge with the benefit determined to be 2% of final salary, as defined, for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years. Deferred and early retirement benefits are also available.

Vesting and Benefit Provisions - CPFPF

The vesting and benefit provisions are set by N.J.S.A. 43:16. The CPFPF 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 benefit increased from 65% to 70% of final compensation.

Vesting and Benefit Provisions - PFRS

The vesting and benefit provisions are set by N.J.S.A. 43:16A and 43:3B. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service. The annual benefit under special retirement is 65% of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70 percent of final compensation.

Widow/widowers of members retired since December 18, 1967 receive 50% of the retiree's final compensation. The minimum annual widow/widower's benefits of an accidental disability retiree prior to December 18, 1967 and of all retirees since December 18, 1967 is $4,500.

Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions providing no survivor pension benefits are payable.

(Continued)

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement. The cost-of-living increases are funded by the retirement system and are included in the annual actuarial calculations of the required state and state-related employer contributions.

Chapter 130, P.L. 2003 provided early retirement incentive benefits to local employees.

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 benefit increased from 65% to 70% of final compensation.

Vesting and Benefit Provisions - POPF

The vesting and benefit provisions are set by N.J.S.A. 43:7. The POPF provides retirement, as well as death and disability benefits. Retirement benefits are available after 25 years of service or at age 55 with 20 years of service. The benefit is in the form of a life annuity equal to the greater of: (a) 2% of average final compensation up to 30 years of service, plus 1% of average final compensation for each year of service above 30 and prior to age 65; (b) 50% of final pay; or (c) for members with 25 or more years of service, 2% of average final compensation for each year of service up to 30 years, plus 1% for each year in excess of 30 years. Average final compensation equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions - PERS

The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the JRS. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit (as defined). Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for earnings on their contributions at 2% per annum. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement.

Chapter 23, P.L. 2002 provided early retirement incentive benefits to State employees who meet specified age and service requirements and who retired within a specified time period that generally extended from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with at least 20 but less than 25 years of service credit; and an additional monthly benefit of $500 per month for 24 months following the date of retirement to employees who are at least 60 years of age with at least 10 but not more than 20 years of service credit. For those eligible for veterans’ retirement benefit, the incentive is an additional pension of 3/55 of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit. Similarly, Chapter 127, 128, and 129, P.L. 2003 provided early retirement incentive benefits to local employees.

Chapter 353, P.L. 2001 provided an increase in the special veterans’ retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the members’ compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which were effective October 2001.

Chapter 133, P.L. 2001 increased the retirement benefits under service, deferred, and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

Chapter 259, P.L. 2001 amended the PERS statutes and created special retirement benefits for members employed as workers’ compensation judges. PERS members entitled to the new benefits are the Chief Judge, the administrative supervisory judges, the supervisory judges, and the judges of compensation of the Division of Workers' Compensation of the Department of Labor. Those in eligible titles would receive retirement benefits comparable to those provided to members of the Judicial Retirement System. The effective date of this legislation was December 6, 2001.

Chapter 366, P.L. 2001 provided enhanced pension benefits to selected individuals with County Prosecutor Offices and in the Division of Criminal Justice.

Vesting and Benefit Provisions - SPRS

The vesting and benefit provisions are set by N.J.S.A. 53:5A. The SPRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service (as defined). Retirement benefits are available after 20 years of service (as defined) at any age with mandatory retirement at age 55. The retirement benefit is based upon final compensation, which is defined as salary (as defined) plus maintenance allowance (as defined) during the last 12 months prior to retirement, and is a life annuity equal to the greater of the following: (a) 50% of final compensation; (b) for members retiring due to mandatory retirement, 50% of final compensation, plus 2% for each year of service in excess of 20 years to a maximum of 60% of final compensation; or (c) for members retiring with 25 or more years of service, 65% of final compensation, plus 1% for each year of service in excess of 25 years, to a maximum of 70% of final compensation. Members may elect deferred retirement after ten years of service in which case benefits in the form of life annuity would begin at age 55 equal to 2% of final compensation for each year of service up to 20 years.

Members are always fully vested for their own contributions.

Vesting and Benefit Provisions - TPAF

The vesting and benefit provisions are set by N.J.S.A. 18A:66. The TPAF provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the TPAF. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, as defined, or they may elect deferred retirement after achieving ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

Chapter 23, P.L. 2002 provided early retirement incentive benefits to State employees who meet specified age and service requirements and who retired within a specified time period that generally extended from February 1, 2002 to July 1, 2002. The incentive benefits include an additional three years of service credit to employees who are at least 50 years of age with at least 25 years of service credit; State paid health care benefits to employees who are at least 60 years of age with at least 20, but less than 25, years of service credit; and an additional monthly benefit of $500 per month for 24 months following the date of retirement to employees who are at least 60 years of age with at least 10, but not more than 20, years of service credit. For those eligible for veterans' retirement benefit, the incentive is an additional pension of 3/55 of the compensation upon which the retirement benefit is based to employees who are at least 55 years of age with 25 or more years of service credit. Similarly, Chapter 128 and 129, P.L. 2003 provided early retirement incentive benefits to local employees.

Chapter 353, P.L. 2001 provided an increase in the special veterans' retirement allowance and the ordinary and accidental disability retirement allowances. The special veterans retirement allowance increased from 50% to 54.5% of the members' compensation during the highest-paid year of service. The minimum ordinary disability retirement allowance increased from 40% to 43.6% of final average compensation, and the accidental disability retirement allowance increased from 66.66% to 72.7% of the actual annual compensation at the time of the accident. Existing retirees and beneficiaries are eligible for the increases, which were effective October 2001.

Chapter 133, P.L. 2001 increased the retirement benefits under service, deferred, and early retirement by changing the formula from 1/60 to 1/55 of final compensation for each year of service. This legislation also increased the retirement benefit for veteran members with 35 or more years of service and reduced the age qualification from 60 to 55. Existing retirees and beneficiaries received a comparable percentage increase in their retirement allowances. This benefit enhancement was effective with the November 1, 2001 benefit payments.

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Vesting and Benefit Provisions - SACT

Upon retirement, a participant is paid a single cash payment or may elect various forms of monthly annuities or reduced annuity payments with a beneficiary provision based on the value of the participant's account in the month of retirement. Upon the death of a participant, the designated beneficiary may elect to receive a lump sum equal to the account value or an annuity under any of the settlement options which a retiree could elect under the Trust. Upon termination of employment and withdrawal from the basic retirement systems, a participant must also withdraw his account under the Trust as a lump-sum settlement.

Benefit Provisions - CPF

Benefits are payable under various State of New Jersey acts in an amount equal to one-half of the compensation received by the participant for his/her service. In the case of Disabled Veterans' Pensions and Surviving Spouses, the amount is $62.50 per month.

Vesting and Benefit Provisions - NJSEDCP

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

Benefit Provisions - ABPLTD

Members who are totally disabled due to an occupational or non-occupational condition are eligible to receive a regular monthly benefit equal to 60% of the base salary earned over the 12 month period preceding the onset of the disability. The long-term disability benefits continue until such time as the member retires or attains the age of 70, whichever comes first.

(7) FUNDS

The Funds maintain the following legally required funds as follows (amounts indicated in parenthesis represent respective fund balances or net asset balances for the funds indicated):

Members' Annuity Savings Fund - JRS ($30,656,059); TPAF ($7,187,652,156); PERS ($7,918,422,325); PFRS ($2,548,345,093); SPRS ($154,208,333)

The Members' Annuity Savings Fund (ASF) is credited with all contributions made by active members of the Funds.

Contingent Reserve Fund - JRS ($159,132,503); TPAF ($654,716,245); PERS ($683,516,957); SPRS ($1,152,905,990)

The Contingent Reserve Fund is credited with the contributions of contributing employers other than post-retirement medical contributions. Interest earnings, after crediting the Accumulative Interest Fund, Retirement Reserve Fund, and Special Reserve Fund, as required, are credited to this account. Additionally, payments for life insurance premiums are made from this Fund.

Retirement Reserve Fund - JRS ($148,503,696); TPAF ($22,681,090,859); PERS ($15,752,810,411); PFRS ($8,869,250,998); SPRS ($535,089,706)

The Retirement Reserve Fund is the account from which retirement benefits other than life insurance premiums, contributory group insurance premiums, and post-retirement medical premiums, including cost-of-living benefits, are paid. Upon retirement of a member, accumulated contributions together with accumulated interest are transferred to the Retirement Reserve Fund from the Members' ASF. Any additional reserves needed to fund the balance of the retirement benefit are transferred from the Contingent Reserve Fund or Pension Accumulation Fund. Annually, interest as determined by the State Treasurer (8.25% for fiscal year 2006) is credited to the Retirement Reserve Fund.

Retirement Reserve Fund - POPF ($14,014,718)

The Retirement Reserve Fund is credited with active member and State of New Jersey contributions and investment income. In addition, all benefits are paid from this account.

Special Reserve Fund - TPAF ($303,248,438); PERS ($234,137,829); PFRS ($172,436,265)

The Special Reserve Fund is a fund to which any excess earnings and gains from sales and maturities of investments are transferred and against which any losses from the sales of securities are charged. The maximum limit on the accumulation of this account is 1% of the market value of the investments allocated to the Funds, excluding Cash Management Fund investments and bonds allocated to the Contributory Group Insurance Premium Fund. Amounts in excess of 1% are credited to the Contingent Reserve Fund.

Contributory Group Insurance Premium Fund - TPAF ($109,679,533); PERS ($237,161,959)

The Contributory Group Insurance Premium Fund represents the accumulation of member group insurance contributions in excess of premiums disbursed to the insurance carrier since the inception of the contributory death benefit program plus reserves held by the insurance carriers. Members are required by statute to participate in the contributory group insurance plan in the first year of membership and may cancel the contributory coverage thereafter. The current contribution rate for active members is 0.4 of 1% of salary for TPAF and 0.5 of 1% of salary for PERS, as defined.

Pension Accumulation Fund - PFRS ($7,335,154,301)

The Pension Accumulation Fund is credited with the contributions of the State of New Jersey and other employers. Interest earnings, after crediting the ASF and the Retirement Reserve Fund, as required, are credited to this account. Additionally, payments for life insurance premiums are made from this Fund.

Pension Reserve Fund - CPFPF ($18,214,106)

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

Reserve Fund - Alternate Benefit - Long Term Disability ($1,795,115)

The fund balance of the ABPLTD is available for future payments to participants.

Post-Retirement Medical Fund - TPAF ($2,492,302); PERS ($3,170,332)

The Post-Retirement Medical Fund is credited with employer contributions for post-retirement medical benefits, interest earnings on post-retirement medical reserves, and from which post-retirement medical premiums are paid.

Benefit Enhancement Reserve Fund - TPAF ($0); PERS ($482,795,275)

The Benefit Enhancement Reserve Fund is a special reserve fund from which the required normal contributions to provide benefit increases under Chapter 353, P.L. 2001 and Chapter 133, P.L. 2001 will be charged. The fund was established in 2002 and credited with excess assets equivalent to member contributions for fiscal years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the Benefit Enhancement Fund. Additional transfers will be made, as required, to maintain a fund balance equal to the present value of expected additional normal contributions due to the increased benefits. The State will be required to make contributions to the Benefit Enhancement Fund on behalf of State and local members if excess valuation assets are not available.

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information (Unaudited)

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)
JUDICIAL RETIREMENT SYSTEM (JRS)						
June 30, 1997	$317,289,094	$295,150,638	$(22,138,456)	107.5%	$46,912,950	(47.2%)
June 30, 1998	333,437,794	305,779,217	(27,658,577)	109.0%	48,196,350	(57.4%)
June 30, 1999	352,858,160	313,873,659	(38,984,501)	112.4%	48,886,350	(79.7%)
June 30, 2000	374,486,433	350,920,345	(23,566,088)	106.7%	55,514,214	(42.5%)
June 30, 2001	379,592,346	372,760,069	(6,832,277)	101.8%	57,800,334	(11.8%)
June 30, 2002	373,231,198	388,950,803	15,719,605	96.0%	61,873,500	25.4%
June 30, 2003	372,835,265	431,450,218	58,614,953	86.4%	61,600,500	95.2%
June 30, 2004	371,730,163	445,922,358	74,192,195	83.4%	61,576,750	120.5%
June 30, 2005	369,491,366	466,145,912	96,654,546	79.3%	60,506,750	159.7%
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND (CPFPF)						
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
June 30, 2003	27,623,585	41,396,376	13,772,791	66.7%	N/A	N/A
June 30, 2004	21,735,396	35,052,202	13,316,806	62.0%	N/A	N/A
June 30, 2005	21,886,445	30,031,591	8,145,146	72.9%	N/A	N/A
POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)						
State						
June 30, 1997	$1,183,747,522	$1,234,959,165	$51,211,643	95.9%	$315,690,310	16.2%
June 30, 1998	1,559,131,933	1,377,734,455	(181,397,478)	113.2%	346,079,078	(52.4%)
June 30, 1999	1,717,248,151	1,534,470,501	(182,777,650)	111.9%	362,949,950	(50.4%)
June 30, 2000	1,884,870,936	1,666,842,906	(218,028,030)	113.1%	363,360,250	(60.0%)
June 30, 2001	1,991,299,968	1,866,140,391	(125,159,577)	106.7%	398,118,379	(31.4%)
June 30, 2002	2,032,977,241	2,046,820,189	13,842,948	99.3%	418,849,259	3.3%
June 30, 2003	1,907,752,767	2,330,909,918	423,157,151	81.8%	447,470,022	94.6%
June 30, 2004	1,940,936,459	2,509,192,584	568,256,125	77.4%	450,406,301	126.2%
June 30, 2005	2,005,752,079	2,815,620,221	809,868,142	71.2%	482,460,402	167.9%
Local						
June 30, 1997	10,854,173,290	11,746,169,752	891,996,462	92.4%	1,767,762,346	50.5%
June 30, 1998	13,169,957,658	12,881,842,367	(288,115,291)	102.2%	1,870,322,787	(15.4%)
June 30, 1999	14,536,570,357	13,894,951,617	(641,618,740)	104.6%	1,971,087,124	(32.6%)
June 30, 2000	15,644,750,281	14,924,699,712	(720,050,569)	104.8%	2,055,781,766	(35.0%)
June 30, 2001	16,083,153,842	16,056,446,646	(26,707,196)	100.2%	2,163,590,060	(1.2%)
June 30, 2002	16,392,195,411	17,181,142,310	788,946,899	95.4%	2,275,130,620	34.7%
June 30, 2003	16,447,380,691	18,422,073,072	1,974,692,381	89.3%	2,393,467,444	82.5%
June 30, 2004	16,762,453,668	19,769,046,766	3,006,593,098	84.8%	2,524,859,162	119.1%
June 30, 2005	17,372,138,294	21,388,972,326	4,016,834,032	81.2%	2,619,347,468	153.4%

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information (Unaudited)

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)
PRISON OFFICERS' PENSION FUND (POPF)						
June 30, 1997	$20,977,035	$17,479,545	$(3,497,490)	120.0%	N/A	N/A
June 30, 1998	20,096,072	16,430,313	(3,665,759)	122.3%	N/A	N/A
June 30, 1999	19,137,919	15,292,629	(3,845,290)	125.1%	N/A	N/A
June 30, 2000	18,268,489	14,216,588	(4,051,901)	128.5%	N/A	N/A
June 30, 2001	18,269,899	12,994,567	(5,275,332)	140.6%	N/A	N/A
June 30, 2002	17,908,452	11,781,734	(6,126,718)	152.0%	N/A	N/A
June 30, 2003	17,277,953	10,727,647	(6,550,306)	161.1%	N/A	N/A
June 30, 2004	15,884,428	10,060,710	(5,823,718)	157.9%	N/A	N/A
June 30, 2005	14,783,465	9,077,157	(5,706,308)	162.9%	N/A	N/A
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)						
State						
March 31, 1997	$6,987,217,172	$6,606,707,924	$(380,509,248)	105.8%	$2,714,991,457	(14.0%)
March 31, 1998	7,600,621,930	7,155,035,122	(445,586,808)	106.2%	2,805,791,909	(15.9%)
June 30, 1999	8,879,920,323	7,823,576,056	(1,056,344,267)	113.5%	2,928,470,790	(36.1%)
June 30, 2000	9,743,727,383	8,538,685,222	(1,205,042,161)	114.1%	3,094,280,664	(38.9%)
June 30, 2001	11,123,818,861	9,886,463,368	(1,237,355,493)	112.5%	3,288,383,788	(37.6%)
June 30, 2002	11,073,156,965	10,760,557,483	(312,599,482)	102.9%	3,511,151,199	(8.9%)
June 30, 2003	10,829,953,189	11,942,299,170	1,112,345,981	90.7%	3,576,118,300	31.1%
June 30, 2004	10,693,508,592	12,620,379,435	1,926,870,843	84.7%	3,751,765,096	51.4%
June 30, 2005	10,631,348,826	13,432,528,883	2,801,180,057	79.1%	4,028,028,170	69.5%
Local						
March 31, 1997	10,523,061,499	9,599,816,842	(923,244,657)	109.6%	4,407,751,955	(20.9%)
March 31, 1998	11,486,495,310	10,286,532,879	(1,199,962,431)	111.7%	4,513,357,772	(26.6%)
June 30, 1999	13,171,311,650	11,163,283,877	(2,008,027,773)	118.0%	4,655,241,261	(43.1%)
June 30, 2000	14,380,511,913	12,007,160,806	(2,373,351,107)	119.8%	4,910,962,708	(48.3%)
June 30, 2001	16,625,288,260	13,819,038,491	(2,806,249,769)	120.3%	5,240,338,738	(53.6%)
June 30, 2002	16,503,081,054	14,929,334,103	(1,573,746,951)	110.5%	5,534,322,805	(28.4%)
June 30, 2003	16,406,284,200	15,887,012,746	(519,271,454)	103.3%	5,811,726,702	(8.9%)
June 30, 2004	16,414,022,003	17,077,938,057	663,916,054	96.1%	6,140,413,756	10.8%
June 30, 2005	16,482,040,944	18,341,857,304	1,859,816,360	89.9%	6,416,265,644	29.0%
STATE POLICE RETIREMENT SYSTEM (SPRS)						
June 30, 1997	$1,322,406,703	$1,272,242,451	$(50,164,252)	103.9%	$142,636,260	(35.2%)
June 30, 1998	1,458,600,992	1,369,277,968	(89,323,024)	106.5%	167,145,161	(53.4%)
June 30, 1999	1,600,165,104	1,469,144,146	(131,020,958)	108.9%	178,203,420	(73.5%)
June 30, 2000	1,752,423,441	1,512,909,805	(239,513,636)	115.8%	188,466,237	(127.1%)
June 30, 2001	1,829,414,353	1,626,631,656	(202,782,697)	112.5%	199,727,203	(101.5%)
June 30, 2002	1,853,684,177	1,739,427,739	(114,256,438)	106.6%	215,161,126	(53.1%)
June 30, 2003	1,865,079,083	1,815,725,256	(49,353,827)	102.7%	217,448,864	(22.7%)
June 30, 2004	1,897,525,210	1,949,309,641	51,784,431	97.3%	223,552,154	23.2%
June 30, 2005	1,922,443,732	2,075,266,080	152,822,348	92.6%	241,813,372	63.2%

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information (Unaudited)

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)
TEACHERS' PENSION AND ANNUITY FUND (TPAF)						
March 31, 1997	$22,045,481,579	$21,224,484,588	$(820,996,991)	103.9%	$5,771,763,164	(14.2%)
March 31, 1998	24,478,860,383	23,484,403,450	(994,456,933)	104.2%	5,989,748,156	(16.6%)
June 30, 1999	27,457,451,678	25,546,083,289	(1,911,368,389)	107.5%	6,254,198,406	(30.6%)
June 30, 2000	30,203,205,322	27,404,618,051	(2,798,587,271)	110.2%	6,571,641,181	(42.6%)
June 30, 2001	35,351,379,511	32,745,357,185	(2,606,022,326)	108.0%	6,948,381,383	(37.5%)
June 30, 2002	35,148,246,433	35,146,591,842	(1,654,591)	100.0%	7,348,993,141	0.0%
June 30, 2003	34,651,825,932	37,383,732,882	2,731,906,950	92.7%	7,702,854,159	35.5%
June 30, 2004	34,633,790,549	40,447,690,339	5,813,899,790	85.6%	8,047,272,269	72.2%
June 30, 2005	34,789,389,875	43,967,927,299	9,178,537,424	79.1%	8,454,072,109	108.6%

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information (Unaudited)

Schedule of Funding Progress - Additional Actuarial Information

Significant actuarial methods and assumptions used in the most recent 2005 actuarial valuations include the following:

	JRS	CPFPF
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	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	2.00%
Salary range	5.45%	—
Cost-of-living adjustments	1.80%	—
Valuation date	June 30, 2005	June 30, 2005

	PFRS	POPF
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	Market value
Amortization method	Level percent, closed	Level dollar, closed
Remaining amortization period	30 years	1 year
Actuarial assumptions:		
Interest rate	8.25%	5.00%
Salary range	7.20%	—
Cost-of-living adjustments	1.80%	—
Valuation date	June 30, 2005	June 30, 2005

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information (Unaudited)

Schedule of Funding Progress - Additional Actuarial Information

	PERS	SPRS
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 percent, closed	Level dollar, closed
Remaining amortization period	30 years	30 years
Actuarial assumptions:		
Interest rate	8.25%	8.25%
Salary range	5.45%	5.45%
Cost-of-living adjustments	1.80%	1.80%
Valuation date	June 30, 2005	June 30, 2005

	TPAF
Actuarial cost method	Projected unit credit
Asset valuation method	5 year average of market value
Amortization method	Level percent, closed
Remaining amortization period	30 years
Actuarial assumptions:	
Interest rate	8.25%
Salary range	5.45%
Cost-of-living adjustments	1.80%
Valuation date	June 30, 2005

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS[1]	PERCENTAGE CONTRIBUTED
JUDICIAL RETIREMENT SYSTEM			
1997	$18,406,865	$110,483,753[2]	600.2%
1998	14,658,095	13,478,708	92.0%
1999	13,416,851	—	0.0%
2000	13,407,153	—	0.0%
2001	12,816,557	—	0.0%
2002	15,575,602	—	0.0%
2003	16,913,237	8,467,287	50.1%
2004	18,720,233	3,355,438	17.9%
2005	22,525,773	6,162,076	27.4%
2006	23,212,502	7,972,000	34.3%
CONSOLIDATED POLICE AND FIREMEN'S PENSION FUND			
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%
2004	5,330,714	1,950,425	36.6%
2005	14,329,212	7,046,000	49.2%
2006	13,854,805	6,396,222	46.2%
POLICE AND FIREMEN'S RETIREMENT SYSTEM			
State			
1997	$111,775,028	$715,344,385[2]	640.0%
1998	84,167,834	73,587,848	87.4%
1999	93,920,617	23,730,087	25.3%
2000	98,974,449	60,521,749	61.1%
2001	95,883,272	—	0.0%
2002	103,580,989	—	0.0%
2003	104,998,547	—	0.0%
2004	118,297,232	22,215,429	18.8%
2005	161,455,508	49,326,846	30.6%
2006	200,902,193	73,541,000	36.6%
Local			
1997	250,220,580	234,963,865	93.9%
1998	238,002,765	223,491,008	93.9%
1999	273,210,113	256,551,862	93.9%
2000	275,790,739	214,164,848	77.7%
2001	249,746,232	75,670,018	30.3%
2002	248,754,078	185,415	0.1%

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS[1]	PERCENTAGE CONTRIBUTED
2003	259,969,532	364,850	0.1%
2004	316,272,883	53,396,685	16.9%
2005	355,229,715	132,740,650	37.4%
2006	475,872,193	260,986,583	54.8%
PRISON OFFICERS' PENSION FUND			
1997	$2,949,604	$21,688,219[2]	735.3%
1998	—	—	N/A
1999	—	—	N/A
2000	—	—	N/A
2001	—	—	N/A
2002	—	—	N/A
2003	—	—	N/A
2004	—	—	N/A
2005	—	—	N/A
2006	—	—	N/A
PUBLIC EMPLOYEES' RETIREMENT SYSTEM[3]			
State			
1997	$134,878,582	$241,106,642[2]	178.8%
1998	78,833,287	—	0.0%
1999	86,945,810	—	0.0%
2000	103,033,425	—	0.0%
2001	85,078,620	—	0.0%
2002	88,911,187	—	0.0%
2003	44,636,619	—	0.0%
2004	50,365,892	526,505	1.0%
2005	115,017,395	463,342	0.4%
2006	153,436,981	568,139	0.4%
Local			
1997	142,672,255	67,476,771	47.3%
1998	84,639,988	19,034,673	22.5%
1999	111,886,040	19,599,153	17.5%
2000	112,800,127	20,541,177	18.2%
2001	88,717,727	21,670,774	24.4%
2002	77,254,063	16,174,534	20.9%
2003	—	16,987,033	N/A
2004	—	20,882,718	N/A
2005	29,425,853	56,916,883	193.4%
2006	102,618,135	141,498,069	137.9%

STATE OF NEW JERSEY
PENSION TRUST FUNDS

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS[1]	PERCENTAGE CONTRIBUTED
STATE POLICE RETIREMENT SYSTEM			
1997	$44,384,679	$120,308,862[2]	271.1%
1998	33,317,314	—	0.0%
1999	33,116,255	—	0.0%
2000	33,598,843	—	0.0%
2001	35,341,259	—	0.0%
2002	24,990,652	—	0.0%
2003	29,449,164	—	0.0%
2004	37,600,821	—	0.0%
2005	37,943,519	187,909	0.5%
2006	47,196,900	12,941,000	27.4%
TEACHERS' PENSION AND ANNUITY FUND			
1997	$372,060,546	$1,601,688,633[2]	430.5%
1998	297,219,462	—	0.0%
1999	314,671,482	258,816,649	82.2%
2000	368,904,564	—	0.0%
2001	—	—	N/A
2002	—	—	N/A
2003	194,435,594	—	0.0%
2004	686,284,850	—	0.0%
2005	883,460,483	—	0.0%
2006	1,177,674,055	93,834,999	8.0%

Notes to schedule:

(1) In accordance with Chapter 115, P.L. 1997, available excess valuation assets were used to fund, in full or in part, the required employer contributions.

(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.

(3) The local employer contributions to the PERS from 1998 to 2004 represent the required contributions under the early retirement incentive programs.