



**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Financial Statements and Supplementary Schedules

June 30, 2014

(With Independent Auditors' Report Thereon)

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Financial Statements and Supplementary Schedules

June 30, 2014

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## **Independent Auditors' Report**

The Treasurer  
State of New Jersey:

We have audited the accompanying financial statements of the fiduciary activities of the State of New Jersey, Division of Pensions and Benefits (the Division), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary activities of the State of New Jersey, Division of Pensions and Benefits, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.



### ***Emphasis of Matter***

#### *Adoption of New Accounting Pronouncement*

As discussed in note 2(k) to the financial statements, in 2014, the Division adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

#### *Reporting Entity*

As discussed in note 2(a) to the financial statements, the financial statements referred to above are intended to present the financial position and the changes in financial position of the fiduciary funds administered by the Division. As a result, these financial statements do not purport to, and do not, present fairly the financial position of the State of New Jersey as of June 30, 2014 and the changes in its financial position, or, where applicable, its cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management’s discussion and analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division’s basic financial statements. The schedules included under Supplementary Information in the accompanying table of contents (the Schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Short Hills, New Jersey  
April 1, 2015

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Management's Discussion and Analysis

(Unaudited)

June 30, 2014

Our discussion and analysis of the financial performance of the fiduciary funds (the Funds) administered by the Division of Pensions and Benefits (the Division) provides an overview of the Funds' financial activities for the State fiscal year ended June 30, 2014. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

**Financial Highlights**

***Fiduciary Funds – Pension Trust and Other Postemployment Benefit Plans***

- Fiduciary net position increased by \$7.0 billion as a result of this year's operations, from \$80.3 billion to \$87.3 billion.
- Additions for the year are \$22.7 billion, which are comprised of member, employer, and non-employer pension contributions of \$10.3 billion and investment income of \$12.4 billion.
- Deductions for the year are \$15.7 billion, which are comprised of benefit and refund payments of \$15.6 billion and administrative expenses of \$48.1 million.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: 1) fiduciary fund financial statements and 2) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Division uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Fiduciary Funds***

Fiduciary funds are used to account for the assets that the Division holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

The Division administers eighteen fiduciary funds: twelve pension trust funds, three other postemployment benefit plans, and three agency funds.

The statement of fiduciary net position for the pension trust, other postemployment benefit plans, and agency funds presents the Division's assets and liabilities by major categories and may serve over time as a useful indicator of the Division's financial position. The difference between assets and liabilities represents the net position held in trust for pension and other postemployment benefit plans.

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(Unaudited)

June 30, 2014

The statement of changes in fiduciary net position for the pension trust and other postemployment benefit plans provides information on the change in the Division's net position during the current year. Additions are comprised of investment income and member, employer and non-employer contributions. Deductions include retirement and health benefit payments, refunds of contributions, and administrative expenses.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements and includes a description of the fiduciary funds.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes information regarding the funding status and employer contributions to the pension trust and other postemployment benefit plans.

**Financial Analysis**

**Summary of Fiduciary Net Position**  
**Pension Trust and Other Postemployment Benefit Plans**

	<u>2014</u>	<u>2013*</u>	<u>Increase</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 74,798,145	6,879,644	67,918,501
Receivables	2,376,288,542	2,416,002,328	(39,713,786)
Investments	86,062,907,529	78,857,370,937	7,205,536,592
Securities lending collateral	1,475,934,227	1,556,965,543	(81,031,316)
Members' loans	1,033,107,655	1,057,464,740	(24,357,085)
Total assets	<u>91,023,036,098</u>	<u>83,894,683,192</u>	<u>7,128,352,906</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	841,506,608	745,396,368	96,110,240
Retirement benefits payable	786,118,182	749,773,762	36,344,420
Cash overdraft	—	639,342	(639,342)
Noncontributory group life insurance premiums payable	26,422,962	14,113,195	12,309,767
Securities lending collateral and rebates payable	1,474,629,754	1,556,041,843	(81,412,089)
Contributory life insurance payable	556,155,444	529,178,238	26,977,206
Total liabilities	<u>3,684,832,950</u>	<u>3,595,142,748</u>	<u>89,690,202</u>
Net position	<u>\$ 87,338,203,148</u>	<u>80,299,540,444</u>	<u>7,038,662,704</u>

\* 2013 amounts were adjusted as a result of the adoption of GASB Statement No. 67.



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June 30, 2014

Assets of the pension trust and other postemployment benefit plans consist of cash and cash equivalents, investments, contributions due from members, participating employer and non-employers, accrued interest and dividends on investments, and other receivables, securities lending collateral, and members' loans. Between State fiscal years 2013 and 2014, total assets increased by \$7.1 billion or 8.5%. This is primarily due to an increase of \$7.2 billion in the fair value of investments due to favorable market conditions, partially offset by a decrease in securities lending collateral of \$81.0 million.

Liabilities of the pension trust and other postemployment benefit plans consist of retirement benefits payable to retirees and beneficiaries, noncontributory group life insurance (NCGI) premiums payable to the Funds' insurance provider, securities lending collateral and rebates payable, and, classified under accounts payable and accrued expenses, outstanding medical claims payable to the medical providers under the other postemployment benefit plans. Also included with accounts payable and accrued expenses are liabilities of the pension trust funds for unclaimed member accounts and checks issued to members that have not been negotiated by the members but remain due and payable. Total liabilities increased by \$89.7 million or 2.5%. This is mainly due to an increase in accounts payable and accrued expenses, retirement benefits payable, and noncontributory group life insurance premiums payable of \$144.8 million partially offset by a decrease in the securities lending collateral and rebates payable and cash overdraft of \$82.1 million.

Net position of the pension trust and other postemployment benefit plans increased by \$7.0 billion or 8.8%.

**Summary of Fiduciary Net Position  
Agency Funds**

	<u>2014</u>	<u>2013</u>	<u>Increase</u>
Assets	\$ 78,066,982	66,414,176	11,652,806
Liabilities	78,066,982	66,414,176	11,652,806
Net position	<u>\$ —</u>	<u>—</u>	<u>—</u>

Assets of the agency funds consist of cash and cash equivalents, investments and contributions due from the State and local employers. Between State fiscal years 2013 and 2014, total assets increased by \$11.7 million or 17.5%. This is attributable to the increased amount invested in the Cash Management Fund (CMF) of \$6.3 million and an increase in cash and cash equivalents and receivables of \$5.4 million.

Liabilities in the agency funds vary according to each plan. In the Alternate Benefit Program (ABP), they include reimbursements to state and county colleges, reimbursement to the State of New Jersey general fund of any unused appropriations, and noncontributory group life insurance benefits payable. In the Dental Expense Program (DEP), they include claims payable, and in the Pension Adjustment Fund (PAF), they include liabilities for payroll and amounts due to the State of New Jersey general fund and other pension trust funds. Between State fiscal years 2013 and 2014, total liabilities increased by \$11.7 million or 17.5%. This is comprised of a \$0.4 million decrease in liabilities in the PAF, a \$7.8 million increase in liabilities in DEP, and a \$4.3 million increase in ABP liabilities.

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Management's Discussion and Analysis

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June 30, 2014

**Summary of Changes in Fiduciary Net Position**  
**Pension Trust and Other Postemployment Benefit Plans**

	<u>2014</u>	<u>2013*</u>	<u>Increase</u>
<b>Additions:</b>			
Member contributions	\$ 2,515,059,384	2,379,173,599	135,885,785
Employer contributions	7,315,089,724	7,253,552,443	61,537,281
Non-employer contributions	423,012,101	649,017,538	(226,005,437)
Other contributions	98,815,766	98,584,494	231,272
Net investment income	12,374,632,568	8,297,254,619	4,077,377,949
Total additions	<u>22,726,609,543</u>	<u>18,677,582,693</u>	<u>4,049,026,850</u>
<b>Deductions:</b>			
Benefits	15,359,288,555	14,373,813,275	985,475,280
Contributory life insurance payments	96,799,412	95,906,906	892,506
Refunds of contributions	183,747,830	172,134,350	11,613,480
Administrative expenses	48,111,042	49,470,942	(1,359,900)
Total deductions	<u>15,687,946,839</u>	<u>14,691,325,473</u>	<u>996,621,366</u>
Changes in net position	<u>\$ 7,038,662,704</u>	<u>3,986,257,220</u>	<u>3,052,405,484</u>

\* 2013 amounts were adjusted as a result of the adoption of GASB Statement No. 67.

Additions of the pension trust and other postemployment benefit plans consist of member, employer, non-employer and other contributions and earnings from investment activities. There is an increase of \$4.0 billion or 21.7% in total additions, attributable to an increase in net investment income of \$4.1 billion and a net decrease of \$28.4 million in member, employer, non-employer and other contributions in State fiscal year 2014 as compared to State fiscal year 2013.

Member contributions increased by \$135.9 million overall, of which a \$94.5 million increase is attributable to the other postemployment benefit funds and a \$41.4 million increase is attributable to the pension trust funds. In the State Health Benefit Program (SHBP) – State, the member contributions increased by \$89.7 million or 44.3%, in SHBP – Local, the member contributions increased by \$3.2 million or 6.3%, and in SHBP – Education, the member contributions increased by \$1.5 million or 3.0%. Active employee contribution increased as a result of Chapter 78, P.L. 2011 premium share requirements. In plan year 2014, the active employee group rate for SHBP – State increased by 8.1%, in SHBP – Local the increase was 7.8% and in SHBP – Education the increase was 5.4%. SHBP membership increased between plan years 2013 and 2014 also contributed to the higher member contributions.

For the pension trust funds, the increase in member contributions is attributable to the higher member contribution rate for the various pension trust funds as required in Chapter 78, P.L. 2011.

Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension trust funds on a phased-in basis over a seven-year period beginning in the year ended June 30, 2014. For State fiscal year 2014, the State's minimum required contribution was to be 3/7<sup>th</sup> of the full recommended amounts determined on the basis of the July 1, 2012 actuarial valuations. Due to a shortfall in resources, the State contributed only \$699.9 million to the pension trust funds in State fiscal year 2014, \$882.5

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million less than the phased-in contribution of \$1.5824 billion required under Chapter 1. The contributions were as follows: \$392.0 million to the Teachers' Pension and Annuity Fund (TPAF), \$141.8 million to the Public Employees' Retirement System (PERS), \$115.6 million to the Police & Firemen's Retirement System (PFRS), \$15.3 million to the Judicial Retirement System (JRS), and \$35.2 million to the State Police Retirement System (SPRS).

State noncontributory group life insurance contributions for the State fiscal year totaling \$76.3 million were as follows: \$34.3 million for TPAF, \$29.3 million for PERS, \$11.1 million for PFRS, \$0.5 million for JRS, and \$1.1 million for SPRS. Between State fiscal years 2013 and 2014, the State's contribution toward noncontributory group life insurance decreased by \$3.2 million due to lower claims activity. State noncontributory life insurance benefits are funded on a pay-as-you-go basis. The local contributions for PERS and PFRS are included in the annual billings to local employers.

The annual local employer pension appropriation billings decreased per the revised actuarial valuation as of July 1, 2012. For PERS, the amount accrued in State fiscal year 2013 for normal contribution, accrued liability, and NCGI was \$834.6 million and was due on April 1, 2014. For State fiscal year 2014, the total amount accrued was \$821.6 million and is due April 1, 2015. For PFRS, the total amount accrued in State fiscal year 2013 for normal contributions, accrued liability, and NCGI was \$777.0 million and was due April 1, 2014. For State fiscal year 2014, the total amount accrued was \$767.8 million and is due April 1, 2015.

SHBP – State employer contributions increased by \$121.1 million. For SHBP – Local, employer contributions increased by \$120.8 million. For SHBP – Education, employer contributions increased by \$74.7 million. These increases are attributable to rate increases effective January 1, 2013 and 2014, as well as an increase in the number of covered members.

The total investment return for the Common Pension Fund D and Common Pension Fund E (collectively known as the Common Pension Funds) was 16.72% compared to 11.63% in the prior year. Net investment income for the pension trust funds and other postemployment benefit plans as a whole increased by \$4.1 billion or 49.1%. The strong fiscal year performance was driven primarily by rising equity markets which benefited from improving U.S. economic growth, a robust mergers and acquisitions environment, increasing stock buybacks, and accommodative monetary policies globally. This resulted in strong performance by developed market public equities and private equity investments. High yield investments benefited from an overall narrowing of credit spreads during the year while strong real estate returns were driven by non-core strategies focused on distressed debt and equity in Europe and Asia.

Deductions of the pension trust funds and other postemployment benefit plans are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members, and administrative costs incurred by the Funds to operate the pension trust funds and other postemployment benefit plans. Also included are claim charges for the self-insured health and prescription drug benefit programs. Between State fiscal years 2013 and 2014, benefit payments increased by \$985.5 million or 6.9% due to an increase in the number of retirees receiving retirement and other benefits. The number of refunds processed increased by \$11.6 million or 6.7% compared to last year. Administrative expenses decreased by \$1.4 million or 2.7%.

The change in net position of \$7.0 billion was mainly attributable to the increase in investment income and contributions, offset by an increase in benefits, when comparing State fiscal year 2014 to State fiscal year 2013.

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**DIVISION OF PENSIONS AND BENEFITS**

Management's Discussion and Analysis

(Unaudited)

June 30, 2014

**Investment Performance**

The rates of return (i.e. investment performance, which includes income and changes in the fair value of investments) for the pension trust funds and various market indices are as follows:

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
Total rate of return (%):		
Total Pension Trust Fund	16.72%	11.63% *
Absolute Return Hedge Funds		
Risk Mitigation	1.55	5.99
Cash Equivalents	0.92	2.18
Short Term Cash Equivalents <sup>(1)</sup>	N/A	N/A
TIPS	4.29	(5.10)
US Treasuries	(0.12)	(4.81)
Total Liquidity	1.11	(1.77)
Investment Grade Credit	7.02	0.06
High Yield Fixed Income	15.53	14.14
Credit Oriented Hedge Funds	11.97	16.13
Debt Related Private Equity	13.71	22.73
Total Income	10.11	5.47
Commodities and Other Real Assets	9.32	(0.81)
Real Estate	17.04	13.17
Total Real Return	13.76	8.06
US Equity	26.23	21.90
Non-US Developed Markets Equity	23.31	17.77
Emerging Markets Equity	13.62	2.87
Equity Oriented Hedge Funds	12.55	15.44
Buyout/Venture Capital Funds	26.25	14.43
Total Global Growth	23.13	17.14
Police and Fire Mortgage Program	4.23	0.73
Returns of Various Market Indices (%):		
S&P Composite 1500 Index	24.70	21.13
S&P 500 Index	24.61	20.60
Dow Jones Industrial Average	15.56	18.87
Barclays U.S. Government/Credit Index	4.28	(0.62)
Barclays Long Government/Credit Index	10.77	(4.69)
MSCI EAFE - Net (Developed Non-US)	23.57	18.62
MSCI Emerging Market Free - Net	14.31	2.87
HRI Fund of Funds Index <sup>(3)</sup>	5.10	8.41
NCREIF Property Index <sup>(2)</sup>	12.74	10.73
Cambridge Private Equity Index <sup>(2)</sup>	18.90	12.85
U.S. Treasury bills (3 month)	0.04	0.11

<sup>(1)</sup> Performance not available on fiscal year basis, since category commenced during fiscal year 2014.

<sup>(2)</sup> Reported with one quarter lag.

<sup>(3)</sup> Reported with one month lag.

\* Prior year disclosure was revised to include the Police and Firemen's Mortgage Program

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**Overall Financial Condition of the Funds**

Based on the Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB No. 25* (GASB Statement No. 67) and actuaries' GASB 67 disclosures for State fiscal years as of June 30, 2013 and 2014, for the defined benefit pension trust funds, the combined state and local ratios of plan fiduciary net position as a percentage of the total pension liability is 42.5%, and the net pension liability as a percentage of covered payroll is 443.7%. For the prior year, the combined state and local ratios of plan fiduciary net position as a percentage of the total pension liability was 41.2%, and the net pension liability as a percentage of covered payroll was 435.6%.

For SHBP – Local, total revenues recognized exceeded total expenses incurred by \$33.9 million, increasing the surplus at the beginning of the year from \$223.5 million to \$257.4 million at year end. This increase is attributable to a gain for the retired group due to favorable claims experience. Local premium rates for calendar year 2015 were set to match expected claim charges and administrative costs. For SHBP – Education, total expenses incurred exceeded total revenues recognized by \$93.7 million, reducing the balance of net position at the beginning of the year of \$225.2 million to \$131.5 million at year end. This decrease in net position is due to the State contributing less than the full required retiree premium based on the established rates in order to utilize available cash reserves to meet incurred claim charges. For SHBP – State, total revenues recognized exceeded total expenses incurred by \$11.4 million, reducing the deficit at the beginning of the year from \$153.2 million to \$141.8 million at year end. This small reduction in the deficit is due to favorable claims experience.

For the other postemployment benefit plans for State fiscal year 2014, based on the current actuarial valuation dated July 1, 2013, the State had a \$19.7 billion unfunded actuarial accrued liability (UAAL) under GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for SHBP – State active and retired members and a \$33.3 billion UAAL for SHBP – Education employees and retirees that become the obligation of the State of New Jersey upon retirement. In comparison, based on the prior year actuarial valuation, the State had a \$19.3 billion UAAL for SHBP – State active and retired members and a \$32.2 billion UAAL for SHBP – Education employees and retirees. This increase in the post-retirement medical UAAL is attributable to the State funding post-retirement medical benefits on a pay-as-you-go basis as opposed to funding on an actuarial reserve basis. SHBP – Local fiscal year 2014 UAAL for OPEB based on the same actuarial valuation was \$13.8 billion and, for the prior year actuarial valuation, the liability was \$12.4 billion.

During the year, the ABP and the PAF received sufficient funding to meet their benefit obligations.

For the New Jersey 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.

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**Contacting System Financial Management**

This 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. This report is available on the Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions). If you have any questions about this report or need additional financial information, contact the Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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DIVISION OF PENSIONS AND BENEFITS**

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2014

	<b>Pension Trust and Other Postemployment Benefit Plans</b>	<b>Agency Funds</b>
Assets:		
Cash and cash equivalents	\$ 74,798,145	2,771,545
Receivables:		
Contributions:		
Members	205,252,697	546,046
Employers	2,119,326,567	—
Non-employer	15,838,737	—
Accrued interest and dividends	7,374,594	—
Securities sold in transit	8,147,162	—
Other	20,348,785	35,555,533
Total receivables	2,376,288,542	36,101,579
Investments, at fair value:		
Cash Management Fund	2,920,228,847	39,193,858
Common Pension Fund D	54,450,415,842	—
Common Pension Fund E	24,259,086,014	—
Common stocks	208,514,953	—
Mortgages	877,681,882	—
Domestic equities	1,610,523,142	—
International equities	330,745,275	—
Domestic fixed income	1,399,262,959	—
International fixed income	6,448,615	—
Total investments	86,062,907,529	39,193,858
Securities lending collateral	1,475,934,227	—
Members' loans	1,033,107,655	—
Total assets	91,023,036,098	78,066,982
Liabilities:		
Accounts payable and accrued expenses	841,506,608	75,263,326
Retirement benefits payable	786,118,182	—
Noncontributory group life insurance premiums payable	26,422,962	—
Assets held for local contributing employers	—	2,597,165
Pension adjustment payroll payable	—	206,027
Due to State of New Jersey	—	77,031
Due to other funds	—	(76,567)
Securities lending collateral and rebates payable	1,474,629,754	—
Contributory life insurance payable	556,155,444	—
Total liabilities	3,684,832,950	78,066,982
Net position:		
Restricted for pension and other postemployment benefits	\$ 87,338,203,148	—

See accompanying notes to financial statements.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds – Pension Trust and Other Postemployment Benefit Plans  
June 30, 2014

	<b>Defined Benefit Pension Plans</b>							
	<b>Judicial Retirement System</b>	<b>Prison Officers' Pension Fund</b>	<b>State Police Retirement System</b>	<b>Consolidated Police and Firemen's Pension Fund</b>	<b>Teachers' Pension and Annuity Fund</b>	<b>Police and Firemen's Retirement System</b>	<b>Public Employees' Retirement System</b>	<b>Central Pension Fund</b>
Assets:								
Cash and cash equivalents	\$ 75,929	210,796	1,651,362	76,636	1,680,369	4,400,533	2,419,703	31,391
Receivables:								
Contributions:								
Members	281,763	—	1,048,627	—	85,470,751	48,132,659	67,053,209	—
Employers	22,525	—	82,060	—	26,366,436	948,434,909	967,687,596	—
Non-employer	—	—	—	—	15,838,737	—	—	—
Accrued interest and dividends	127	5	141	9	2,786	6,021,320	2,308	1
Securities sold in transit	—	—	—	—	—	6,300,613	—	—
Other	161,077	60,958	84,309	90,820	1,682,095	3,410,304	8,032,667	—
Total receivables	465,492	60,963	1,215,137	90,829	129,360,805	1,012,299,805	1,042,775,780	1
Investments, at fair value:								
Cash Management Fund	23,283,378	7,238,077	62,448,961	3,391,743	893,133,851	338,352,725	847,020,863	6,122
Common Pension Fund D	136,312,154	—	1,281,555,912	—	18,093,956,520	15,827,472,375	19,111,118,881	—
Common Pension Fund E	74,540,402	—	592,601,815	—	8,480,525,681	6,844,150,641	8,267,267,475	—
Common Stocks	—	—	—	—	—	—	—	—
Mortgages	—	—	—	—	—	877,681,882	—	—
Domestic equities	—	—	—	—	—	—	—	—
International equities	—	—	—	—	—	—	—	—
Domestic fixed income	—	—	—	—	—	—	—	—
International fixed income	—	—	—	—	—	—	—	—
Total investments	234,135,934	7,238,077	1,936,606,688	3,391,743	27,467,616,052	23,887,657,623	28,225,407,219	6,122
Securities lending collateral	3,694,880	—	34,737,884	—	490,455,203	429,019,831	518,026,429	—
Members' loans	972,969	—	15,197,962	—	217,605,038	300,828,985	498,502,701	—
Total assets	239,345,204	7,509,836	1,989,409,033	3,559,208	28,306,717,467	25,634,206,777	30,287,131,832	37,514
Liabilities:								
Accounts payable and accrued expenses	7	2,621	76,935	—	59,346,872	4,499,815	79,344,603	15,210
Retirement benefits payable	4,147,222	124,014	16,586,462	255,577	322,685,555	172,731,088	268,423,346	22,304
Noncontributory group life insurance premiums payable	22,525	—	82,060	—	6,758,125	7,849,438	11,710,814	—
Securities lending collateral and rebates payable	3,691,615	—	34,707,182	—	490,021,724	428,640,651	517,568,582	—
Contributory life insurance payable	—	—	—	—	145,652,730	—	410,502,714	—
Total liabilities	7,861,369	126,635	51,452,639	255,577	1,024,465,006	613,720,992	1,287,550,059	37,514
Net position restricted for pension and other postemployment benefits	\$ 231,483,835	7,383,201	1,937,956,394	3,303,631	27,282,252,461	25,020,485,785	28,999,581,773	—

See accompanying notes to financial statements.



**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds – Pension Trust and Other Postemployment Benefit Plans  
June 30, 2014

	<b>Defined Contribution Pension Plans</b>				<b>Other Postemployment Benefit Plans</b>			<b>Total</b>
	<b>Alternate Benefit Long-term Disability Fund</b>	<b>New Jersey State Employees Deferred Compensation Plan</b>	<b>Defined Contribution Retirement Plan</b>	<b>Supplemental Annuity Collective Trust</b>	<b>State Health Benefit Program Fund State</b>	<b>State Health Benefit Program Fund Local</b>	<b>State Health Benefit Program Fund Education</b>	
<b>Assets:</b>								
Cash and cash equivalents	\$ —	12,231	75	280,714	24,143,707	8,964,793	30,849,906	74,798,145
<b>Receivables:</b>								
Contributions:								
Members	—	—	—	399,369	999,600	990,696	876,023	205,252,697
Employers	—	—	—	—	38,541,214	71,942,509	66,249,318	2,119,326,567
Non-employer	—	—	—	—	—	—	—	15,838,737
Accrued interest and dividends	—	1,106,841	—	241,056	—	—	—	7,374,594
Securities sold in transit	—	1,846,549	—	—	—	—	—	8,147,162
Other	1,382,696	—	—	—	1,027,081	1,885,978	2,530,800	20,348,785
<b>Total receivables</b>	<b>1,382,696</b>	<b>2,953,390</b>	<b>—</b>	<b>640,425</b>	<b>40,567,895</b>	<b>74,819,183</b>	<b>69,656,141</b>	<b>2,376,288,542</b>
<b>Investments, at fair value:</b>								
Cash Management Fund	248,318	49,139,345	2,161,204	576,519	37,610,815	324,394,982	331,221,944	2,920,228,847
Common Pension Fund D	—	—	—	—	—	—	—	54,450,415,842
Common Pension Fund E	—	—	—	—	—	—	—	24,259,086,014
Common Stocks	—	—	—	208,514,953	—	—	—	208,514,953
Mortgages	—	—	—	—	—	—	—	877,681,882
Domestic equities	—	1,610,523,142	—	—	—	—	—	1,610,523,142
International equities	—	330,745,275	—	—	—	—	—	330,745,275
Domestic fixed income	—	1,399,262,959	—	—	—	—	—	1,399,262,959
International fixed income	—	6,448,615	—	—	—	—	—	6,448,615
<b>Total investments</b>	<b>248,318</b>	<b>3,396,119,336</b>	<b>2,161,204</b>	<b>209,091,472</b>	<b>37,610,815</b>	<b>324,394,982</b>	<b>331,221,944</b>	<b>86,062,907,529</b>
Securities lending collateral	—	—	—	—	—	—	—	1,475,934,227
Members' loans	—	—	—	—	—	—	—	1,033,107,655
<b>Total assets</b>	<b>1,631,014</b>	<b>3,399,084,957</b>	<b>2,161,279</b>	<b>210,012,611</b>	<b>102,322,417</b>	<b>408,178,958</b>	<b>431,727,991</b>	<b>91,023,036,098</b>
<b>Liabilities:</b>								
Accounts payable and accrued expenses	—	2,867,750	139,256	116,554	244,110,245	150,751,023	300,235,717	841,506,608
Retirement benefits payable	—	—	—	1,142,614	—	—	—	786,118,182
Noncontributory group life insurance premiums payable	—	—	—	—	—	—	—	26,422,962
Securities lending collateral and rebates payable	—	—	—	—	—	—	—	1,474,629,754
Contributory life insurance payable	—	—	—	—	—	—	—	556,155,444
<b>Total liabilities</b>	<b>—</b>	<b>2,867,750</b>	<b>139,256</b>	<b>1,259,168</b>	<b>244,110,245</b>	<b>150,751,023</b>	<b>300,235,717</b>	<b>3,684,832,950</b>
<b>Net position restricted for pension and other postemployment benefits</b>	<b>\$ 1,631,014</b>	<b>3,396,217,207</b>	<b>2,022,023</b>	<b>208,753,443</b>	<b>(141,787,828)</b>	<b>257,427,935</b>	<b>131,492,274</b>	<b>87,338,203,148</b>

See accompanying notes to financial statements.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2014

	<u><b>Pension Trust and Other Postemployment Benefit Plans</b></u>
Additions:	
Contributions:	
Members	\$ 2,515,059,384
Employers	7,315,089,724
Non-employer	423,012,101
Other	98,815,766
Total contributions	<u>10,351,976,975</u>
Investment income:	
Net increase in fair value of investments	11,221,086,258
Interest	1,154,888,297
Dividends	13,448,338
	<u>12,389,422,893</u>
Less investment expense	14,790,325
Net investment income	<u>12,374,632,568</u>
Total additions	<u>22,726,609,543</u>
Deductions:	
Benefits	15,359,288,555
Contributory life insurance payments	96,799,412
Refunds of contributions	183,747,830
Administrative and miscellaneous expenses	48,111,042
Total deductions	<u>15,687,946,839</u>
Change in net position	7,038,662,704
Net position restricted for pension and other postemployment benefits:	
Beginning of year, as restated (note 2(k))	<u>80,299,540,444</u>
End of year	<u><u>\$ 87,338,203,148</u></u>

See accompanying notes to financial statements.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Combining Statement of Changes In Fiduciary Net Position  
Fiduciary Funds – Pension Trust and Other Postemployment Benefit Plans

Year ended June 30, 2014

	<b>Defined Benefit Pension Plans</b>							
	<b>Judicial Retirement System</b>	<b>Prison Officers' Pension Fund</b>	<b>State Police Retirement System</b>	<b>Consolidated Police and Firemen's Pension Fund</b>	<b>Teachers' Pension and Annuity Fund</b>	<b>Police and Firemen's Retirement System</b>	<b>Public Employees' Retirement System</b>	<b>Central Pension Fund</b>
<b>Additions:</b>								
<b>Contributions:</b>								
Members	\$ 5,096,577	—	24,034,496	—	716,183,306	385,660,096	797,818,225	—
Employers	15,874,857	—	36,436,923	11,740	4,688,045	858,047,628	917,689,000	204,750
Non-employers	—	—	—	—	423,012,101	—	—	—
Other	—	793,175	—	1,889,091	40,469,573	—	55,641,713	22,214
Total contributions	<u>20,971,434</u>	<u>793,175</u>	<u>60,471,419</u>	<u>1,900,831</u>	<u>1,184,353,025</u>	<u>1,243,707,724</u>	<u>1,771,148,938</u>	<u>226,964</u>
<b>Investment income:</b>								
Net increase in fair value of investments	31,728,514	622	262,436,905	273	3,743,233,928	3,026,512,808	3,706,234,967	—
Interest	2,738,410	8,981	24,770,959	3,643	361,885,108	356,609,349	405,477,946	89
Dividends	—	—	—	—	—	—	—	—
	<u>34,466,924</u>	<u>9,603</u>	<u>287,207,864</u>	<u>3,916</u>	<u>4,105,119,036</u>	<u>3,383,122,157</u>	<u>4,111,712,913</u>	<u>89</u>
Less investment expense	<u>18,888</u>	<u>2,235</u>	<u>109,647</u>	<u>3,331</u>	<u>4,665,570</u>	<u>1,568,288</u>	<u>8,239,931</u>	<u>—</u>
Net investment income	<u>34,448,036</u>	<u>7,368</u>	<u>287,098,217</u>	<u>585</u>	<u>4,100,453,466</u>	<u>3,381,553,869</u>	<u>4,103,472,982</u>	<u>89</u>
Total additions	<u>55,419,470</u>	<u>800,543</u>	<u>347,569,636</u>	<u>1,901,416</u>	<u>5,284,806,491</u>	<u>4,625,261,593</u>	<u>5,874,621,920</u>	<u>227,053</u>
<b>Deductions:</b>								
Benefits	49,550,862	1,583,408	197,610,737	2,942,035	3,789,290,002	2,096,755,393	3,133,601,845	212,040
Contributory life insurance payments	—	—	—	—	40,649,586	—	56,149,826	—
Refunds of contributions	53,218	—	348,201	—	48,569,511	9,073,618	125,688,269	15,013
Administrative and miscellaneous expenses	162,372	5,853	280,026	9,566	12,170,971	3,884,342	21,756,019	—
Total deductions	<u>49,766,452</u>	<u>1,589,261</u>	<u>198,238,964</u>	<u>2,951,601</u>	<u>3,890,680,070</u>	<u>2,109,713,353</u>	<u>3,337,195,959</u>	<u>227,053</u>
Net increase (decrease)	<u>5,653,018</u>	<u>(788,718)</u>	<u>149,330,672</u>	<u>(1,050,185)</u>	<u>1,394,126,421</u>	<u>2,515,548,240</u>	<u>2,537,425,961</u>	<u>—</u>
<b>Net position restricted for pension and other postemployment benefits:</b>								
Beginning of year, as restated (note 2(k))	<u>225,830,817</u>	<u>8,171,919</u>	<u>1,788,625,722</u>	<u>4,353,816</u>	<u>25,888,126,040</u>	<u>22,504,937,545</u>	<u>26,462,155,812</u>	<u>—</u>
End of year	<u>\$ 231,483,835</u>	<u>7,383,201</u>	<u>1,937,956,394</u>	<u>3,303,631</u>	<u>27,282,252,461</u>	<u>25,020,485,785</u>	<u>28,999,581,773</u>	<u>—</u>

See accompanying notes to financial statements.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Combining Statement of Changes In Fiduciary Net Position  
Fiduciary Funds – Pension Trust and Other Postemployment Benefit Plans

Year ended June 30, 2014

	<b>Defined Contribution Pension Plans</b>				<b>Other Postemployment Benefit Plans</b>			<b>Total</b>
	<b>Alternate Benefit Long-term Disability Fund</b>	<b>New Jersey State Employees Deferred Compensation Plan</b>	<b>Defined Contribution Retirement Plan</b>	<b>Supplemental Annuity Collective Trust</b>	<b>State Health Benefit Program Fund State</b>	<b>State Health Benefit Program Fund Local</b>	<b>State Health Benefit Program Fund Education</b>	
<b>Additions:</b>								
<b>Contributions:</b>								
Members	\$ —	181,051,805	—	5,907,412	292,452,484	53,211,178	53,643,805	2,515,059,384
Employers	1,382,696	—	1,409,544	—	1,870,389,106	1,209,175,752	2,399,779,683	7,315,089,724
Non-employers	—	—	—	—	—	—	—	423,012,101
Other	—	—	—	—	—	—	—	98,815,766
Total contributions	<u>1,382,696</u>	<u>181,051,805</u>	<u>1,409,544</u>	<u>5,907,412</u>	<u>2,162,841,590</u>	<u>1,262,386,930</u>	<u>2,453,423,488</u>	<u>10,351,976,975</u>
<b>Investment income:</b>								
Net increase in fair value of investments	27	412,874,377	231	38,003,941	10,229	23,522	25,914	11,221,086,258
Interest	1,595	2,224,673	2,019	1,483	179,203	437,727	547,112	1,154,888,297
Dividends	—	9,231,161	—	4,217,177	—	—	—	13,448,338
	<u>1,622</u>	<u>424,330,211</u>	<u>2,250</u>	<u>42,222,601</u>	<u>189,432</u>	<u>461,249</u>	<u>573,026</u>	<u>12,389,422,893</u>
Less investment expense	—	182,435	—	—	—	—	—	14,790,325
Net investment income	<u>1,622</u>	<u>424,147,776</u>	<u>2,250</u>	<u>42,222,601</u>	<u>189,432</u>	<u>461,249</u>	<u>573,026</u>	<u>12,374,632,568</u>
Total additions	<u>1,384,318</u>	<u>605,199,581</u>	<u>1,411,794</u>	<u>48,130,013</u>	<u>2,163,031,022</u>	<u>1,262,848,179</u>	<u>2,453,996,514</u>	<u>22,726,609,543</u>
<b>Deductions:</b>								
Benefits	1,400,000	149,393,111	359,385	17,638,584	2,148,141,681	1,227,259,388	2,543,550,084	15,359,288,555
Contributory life insurance payments	—	—	—	—	—	—	—	96,799,412
Refunds of contributions	—	—	—	—	—	—	—	183,747,830
Administrative and miscellaneous expenses	—	482,277	—	—	3,509,855	1,712,809	4,136,952	48,111,042
Total deductions	<u>1,400,000</u>	<u>149,875,388</u>	<u>359,385</u>	<u>17,638,584</u>	<u>2,151,651,536</u>	<u>1,228,972,197</u>	<u>2,547,687,036</u>	<u>15,687,946,839</u>
Net increase (decrease)	<u>(15,682)</u>	<u>455,324,193</u>	<u>1,052,409</u>	<u>30,491,429</u>	<u>11,379,486</u>	<u>33,875,982</u>	<u>(93,690,522)</u>	<u>7,038,662,704</u>
<b>Net position restricted for pension and other postemployment benefits:</b>								
Beginning of year, as restated (note 2(k))	1,646,696	2,940,893,014	969,614	178,262,014	(153,167,314)	223,551,953	225,182,796	80,299,540,444
End of year	<u>\$ 1,631,014</u>	<u>3,396,217,207</u>	<u>2,022,023</u>	<u>208,753,443</u>	<u>(141,787,828)</u>	<u>257,427,935</u>	<u>131,492,274</u>	<u>87,338,203,148</u>

See accompanying notes to financial statements.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Notes to Financial Statements

June 30, 2014

**(1) Description of the Plans**

**(a) Organization**

The State of New Jersey, Division of Pensions and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). The following is a list of the benefit plans which have been included in the basic financial statements of the Division, collectively referred to as the Plans:

Defined benefit pension plans:

Judicial Retirement System (JRS)	Single-employer
Prison Officers' Pension Fund (POPF)	Single-employer
State Police Retirement System (SPRS)	Single-employer
Consolidated Police and Firemen's Pension Fund (CPFPF)	Cost-sharing multiple-employer with special funding situation
Teachers' Pension and Annuity Fund (TPAF)	Cost-sharing multiple-employer with special funding situation
Police and Firemen's Retirement System (PFRS)	Cost-sharing multiple-employer
Public Employees' Retirement System (PERS)	Cost-sharing multiple-employer
Central Pension Fund (CPF)	Single-employer

Defined contribution pension plans:

Alternate Benefit Long-term Disability Fund (ABPLTD)	Single-employer
New Jersey State Employees Deferred Compensation Plan (NJSEDCP)	Single-employer
Defined Contribution Retirement Plan (DCRP)	Multiple-employer
Supplemental Annuity Collective Trust (SACT)	Multiple-employer

Defined benefit other postemployment benefit plans:

State Health Benefit Program Fund - State (SHBP - State)	Single-employer
State Health Benefit Program Fund - Local (SHBP - Local)	Cost-sharing multiple-employer
State Health Benefit Program Fund - Education (SHBP - Education)	Cost-sharing multiple-employer

The Division oversees the following agency funds:

**Agency Fund**

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Pension Adjustment Fund (PAF)  
 Alternate Benefit Program (ABP)  
 Dental Expense Program Fund - State (DEP - State)  
 Dental Expense Program Fund - Local (DEP - Local)

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Notes to Financial Statements

June 30, 2014

**(b) Defined Benefit Pension Plans**

Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. Below is a summary description of each defined benefit pension plan administered by the Division:

<b>Plan</b>	<b>Established as of</b>	<b>Legislation</b>	<b>Membership</b>
JRS	June 1, 1973	N.J.S.A. 43:6A	All members of the State Judiciary.
POPF*	January 1, 1941	N.J.S.A. 43:7	Various employees in the state penal institutions appointed prior to January 1,
SPRS	July 1, 1965	N.J.S.A. 53:5A	All uniformed officers and troopers of the Division of State Police.
CPFPF*	January 1, 1952	N.J.S.A. 43:16	County and municipal police and firemen appointed prior to July 1, 1944.
TPAF	January 1, 1955	N.J.S.A. 18A:66	Substantially all teachers or members of the professional staff certified by the State Board of Examiners and employees of the Department of Education, who have titles that are unclassified, professional and certified.
PFRS	July 1, 1944	N.J.S.A. 43:16A	Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944.
PERS	January 1, 1955	N.J.S.A. 43:15A	Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.
CPF	Various	Various	The CPF is a "pay-as-you-go" benefit plan. The CPF's designated purpose is to provide retirement allowances under the following series of noncontributory pension acts: Veterans Act Pensioners (N.J.S.A. 43:4-1 to 4-6), Health Pension Act (N.J.S.A. 43:5-1 to 5-4), Pension to Widows of Governors (N.J.S.A. 43:8-2), Disabled Veterans Pension; Surviving Spouse of Veterans (N.J.S.A. 38:18-1 to 18-2 and N.J.S.A. 38:18A-1) and Special Act (N.J.S.A. 43:5A to 5A-1).

\* Represents a closed plan.

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The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for JRS, SPRS, TPAF, PFRS, and PERS, once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30 year projection period.

*Plan Membership and Contributing Employers*

Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2014:

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPF</u>	<u>TPAF*</u>	<u>PFRS</u>	<u>PERS</u>	<u>CPF</u>
Inactive plan members or beneficiaries currently receiving benefits	561	110	3,409	149	94,822	42,576	160,716	10
Inactive plan members entitled to but not yet receiving benefits	4	—	—	—	276	55	730	—
Active plan members	<u>397</u>	<u>—</u>	<u>2,522</u>	<u>—</u>	<u>152,812</u>	<u>40,106</u>	<u>266,526</u>	<u>—</u>
Total	<u><u>962</u></u>	<u><u>110</u></u>	<u><u>5,931</u></u>	<u><u>149</u></u>	<u><u>247,910</u></u>	<u><u>82,737</u></u>	<u><u>427,972</u></u>	<u><u>10</u></u>
Contributing employers	1	1	1	53	26	585	1,707	1

\* In addition to the State, who is the sole payer of regular employer contributions to the fund, TPAF's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program and continue to pay towards their incurred liability.

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*Pension Plans' Boards and Composition*

The table below represents the composition and source of selection for the Plan's boards:

	<u>SPRS</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>
Appointments by:				
Governor	2	2	5	2
Treasurer	1	1	1	1
Superintendent of the State Police	2	—	—	—
Elected by Board or Members	—	4	5	6
Total	<u>5</u>	<u>7</u>	<u>11</u>	<u>9</u>

POPF, CPFPF and CPF are managed by the Division. General responsibility for JRS is vested with the State House Commission.

*Contribution Requirements and Benefit Provisions*

Significant Legislation

For State of New Jersey contributions to JRS, SPRS, TPAF, PFRS and PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plans on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2014, the State was required to make a minimum contribution representing 3/7<sup>th</sup> of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation for each plan.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PFRS and PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provisions of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of all retirement systems.

The following are specific contribution requirements and benefit provisions related to each defined benefit plan:

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. Members enrolled on January 1, 1996 or after, contribute at 3% on their entire



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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. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate is being increased from 3% to 12%, phased-in over seven years for members hired or reappointed after June 28, 2011. In October 2011, the member contribution rate for new members increased. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The member contribution rate was 6.84% in State fiscal year 2014. The State of New Jersey contribution amount is based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

The vesting and benefit provisions are set by N.J.S.A. 43:6A. JRS provides retirement benefits as well as death and disability benefits. Retirement is mandatory at age 70. Service retirement benefits are available to members who have reached certain ages and various years of service. Benefits of 75% of final salary are available to members at age 70 with 10 or more years of judicial service; members between ages 65-69 with 15 or more years of judicial service or between ages 60-64 with 20 or more years of judicial service. Benefits of 50% of final salary are available to those with both judicial service and non-judicial service for which five or more consecutive years were judicial service. These benefits are available at age 65 or older with 15 years or more of aggregate service or age 60 or older with 20 or more years of aggregate service. Benefits of 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years are 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.

Early retirement benefits of 2% of final salary for each year of service up to 25 years and 1% of final salary for each year over 25 years is available to members who retire before age 60, have 5 or more consecutive years of judicial service, and 25 or more years in aggregate public service. The amount of benefits is actuarially reduced for the number of months remaining until the member reaches age 60.

POPF

There are no active members in POPF. Additionally, based on the recent actuarial valuation, there was no normal cost or accrued liability contribution required by the State for the fiscal year ended June 30, 2014. The vesting and benefit provisions were set by N.J.S.A. 43:7.

SPRS

The contribution policy is set by N.J.S.A. 53:5A and requires contributions by active members and the State of New Jersey. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 7.5% to 9% in October 2011. The State of New Jersey contribution amount is based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

The vesting and benefit provisions are set by N.J.S.A. 53:5A. SPRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, as defined and members are always fully vested in their own contributions. Mandatory retirement is at age 55. Service retirement benefits are a life annuity equal to the greater of the following: (a) 50% of final compensation; (b) for

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members retiring due to mandatory retirement, 50% of final compensation, plus 3% for each year of service in excess of 20 years up to 25 years to a maximum of 65% 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 25 years with 1% for every year over 25 years.

CPFPPF

There are no active members in CPFPPF. Additionally, based on the recent actuarial valuation, there was no normal cost or accrued liability contribution required by the State for the fiscal year ended June 30, 2014. The vesting and benefit provisions were set by N.J.S.A. 43:16.

TPAF

The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State of New Jersey contribution amount is based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. 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 TPAF. 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.

The following represents the membership tiers for TPAF:

<b>Tier</b>	<b>Definition</b>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4

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members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

PFRS

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10% in October 2011.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. 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.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits 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. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits 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.

PERS

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased

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from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. 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 PERS.

The following represents the membership tiers for PERS:

<b>Tier</b>	<b>Definition</b>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

CPF

The State of New Jersey makes an annual appropriation payment to CPF to pay current year benefits. The contribution requirements were established by the statutes mentioned in the previous table and are not actuarially determined.

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

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**(c) Defined Contribution Pension Plans**

The Division administers four defined contribution plans to certain members as further discussed below:

<b>Plan</b>	<b>Established as of</b>	<b>Legislation</b>	<b>Membership</b>
ABPLTD	1965 through 1968	NJAC 17:7	Substantially all full-time employees of the State of New Jersey after completing twelve months of continuous full-time employment in an Alternate Benefit Plan eligible position.
NJSEDCP	June 19, 1978	Chapter 39, P.L. 1978, amended by Chapter 449, P.L. 1985, effective January 14, 1986, and further amended by Chapter 116, P.L. 1997, effective June 6, 1997	Any state employee who is a member of a state-administered retirement system or an employee of an eligible state agency, authority, commission or instrumentality of state government provided the employee has at least 12 continuous months of employment, and any individual employed through a Governor's appointment.
DCRP	July 1, 2007	Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010	State or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in SPRS or PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually.
SACT	1963	Chapter 123, P.L. 1963, amended by Chapter 90, P.L. 1965	Active members of several state-administered retirement systems to provide specific benefits to supplement the guaranteed benefits that are provided by their basic retirement system.

*Plan Membership*

At June 30, 2014, membership in the defined contribution pension plans consisted of the following based on the information within the Division's database:

<b>Plan</b>	<b>Members</b>
ABPLTD	145
NJSEDCP	47,793
DCRP	28,270
SACT	3,300

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*Contribution Requirements and Benefit Provisions*

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.

Members who are totally disabled due to an occupational or nonoccupational condition are eligible to receive a regular monthly benefit equal to 60% of the base salary earned over the twelve-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.

NJSEDCP

Participants may defer between 1% and 100% of their salary, less any Internal Revenue Code (IRC) Section 414(h) reductions or \$17,500 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.

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

DCRP

State and local government employers contribute 3% of the employees’ base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

SACT

Participants contribute through payroll deductions and may contribute from 1% to 100% 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

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limitations and qualify for tax-sheltered treatment permitted under Section 403(b) of the IRC. Participants are always fully vested for the accumulated units in their accounts.

Upon retirement, a participant receives a life annuity benefit or may elect to receive a benefit paid as a single cash payment or various forms of monthly 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/her account under the Trust as a lump-sum settlement.

**(d) Other Postemployment Benefit (OPEB) Plans**

The Division administers the defined benefit OPEB plans as further described below:

<u>Plan</u>	<u>Established as of</u>	<u>Legislation</u>	<u>Membership</u>
SHBP - State SHBP - Local	1961	Title 52, Article 14- 17.25 et seq	Offers medical and prescription drug coverage to qualified State and local government public employees, retirees, and eligible dependents; and dental coverage to qualified State and local government/education public employees, retirees, and their eligible dependents. Local employers must adopt a resolution to participate in the SHBP.
SHBP - Education	2007	Title 52, Article 14- 17.46 et seq	Offers medical and prescription drug coverage to qualified local education public employees, retirees, and eligible dependents. Local education employers must adopt a resolution to participate in the SHBP.

*Plan Membership and Contributing Employers*

Membership and contributing employers of the defined benefit OPEB plans consisted of the following at June 30, 2014:

	<u>Active</u>	<u>Retired</u>	<u>Total</u>	<u>Contributing Employers</u>
SHBP - State	114,464	60,528	174,992	1
SHBP - Local	47,533	36,374	83,907	589
SHBP - Education	231,652	129,387	361,039	1

*Contribution Requirements and Benefit Provisions*

Contributions to pay for the health benefit premiums of participating employees in SHBP – State, Local and Education (including the prescription drug programs (PDP)) are collected from the State of New Jersey, participating local employers, active and retired members, and former active and retired

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members who have elected to participate under the rules of the Consolidated Omnibus Budget Reconciliation Act (COBRA). The State of New Jersey provides contributions for State employees through State appropriations. These appropriations are generally distributed to SHBP – State on a monthly basis. Local and Education employers remit employer contributions on a monthly basis. Active and retired member contributions are generally received on a monthly basis.

The State, employers participating in SHBP – Local and employers participating in SHBP – Education made contributions of \$1.9 billion, \$1.2 billion and \$2.4 billion for State fiscal year 2014, respectively.

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions are being phased in over a four-year period for those employed prior to June 28, 2011 with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the four-year phase-in does not apply, and contributions based on the full percentage rate of contribution are required. Under Chapter 78, certain future retirees eligible for state-paid health care coverage at retirement are also required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

SHBP – State provides medical coverage to qualified active and retired participants. Under Chapter 136, P.L. 1977, the State of New Jersey pays for the health insurance coverage of all enrolled retired State employees (regardless of age) whose pensions are based upon 25 years or more of credited service or a disability retirement regardless of years of service. Retirees who are not eligible for state-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. The PDP was established in December 1974, under N.J.S.A. 52:14-17.29 to provide coverage to employees and their eligible dependents for drugs which under federal or State law may be dispensed only upon a prescription written by a physician. State employees are eligible for PDP coverage after 60 days of employment.

SHBP – Local provides medical coverage to qualified local active and retired participants. Partially funded benefits are also provided to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage under the provisions of Chapter 330, P.L. 1997. Also, local employees are eligible for the PDP coverage after 60 days of employment.

SHBP – Education provides medical coverage to qualified local education active and retired participants. Members of TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement receive state-paid post-retirement medical coverage. Under the provisions of Chapter 126, P.L. 1992, the program also provides state-paid coverage to members of PERS and ABP who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state-paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their



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former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

**(e) Agency Funds**

The Division oversees PAF, ABP and DEP (State and Local) as agency funds. For PAF, the Division utilizes the annual appropriation payment from the State to pay the cost of living adjustment (COLA) benefits to retirees and beneficiaries of POPF, CPFPPF and CPF. For ABP, the Division collects, from the State, the contributions related to the employer portion of the plan and remits it to the pension providers (insurance and mutual fund companies) on behalf of the participating employees at the State and county colleges. For DEP, the Division receives employer contributions from the State and local employers and from active and retired employees to pay premiums to the plan.

**(2) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

The financial statements include all funds which are administered by the Division over which operating controls are with the individual Plan governing Boards and/or the State of New Jersey. The financial statements of the Plans are included in the financial statements of the State of New Jersey; however, the accompanying financial statements are intended to present solely the funds listed above which are administered by the Division and not the State of New Jersey as a whole.

**(b) Measurement Focus and Basis of Accounting**

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust and other postemployment benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Fiduciary Funds**

The Division reports the following types of funds:

*Pension trust and other postemployment benefit plans* – Account for monies received for, expenses incurred by and the net position available for plan benefits of the various public employee retirement systems and health benefit programs. The pension trust funds include JRS, POPF, SPRS, CPFPPF, TPAF, PFRS, PERS, CPF, ABLTDF, NJSEDCP, DCRP, and SACT.

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*Agency funds* – Agency funds are used to account for the assets that the Division holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

**(c) Receivables**

Receivables consist primarily of member and employer contributions and other amounts that are legally required to be due to the Plans.

**(d) Capital Assets**

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

**(e) Investments**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of seven of the defined benefit pension plans (JRS, POPF, SPRS, CPFPPF, TPAF, PFRS and PERS) and two defined contribution pension plans (NJSEDCP and SACT). The Division of Investment accounts included in the Division of Pensions and Benefits report are: Common Pension Fund D and Common Pension Fund E (collectively known as the Common Pension Funds), Police and Firemen's Mortgage Program accounts, and other investments owned directly by the seven defined benefit pension plans. Common Pension Fund D invests primarily in global equity and fixed income securities. Common Pension Fund E invests primarily in alternative investments, which includes private equity, real estate, real asset, global diversified credit, and absolute return strategy funds. The Police and Firemen's Retirement System includes a mortgage loan program administered by the New Jersey Housing and Mortgage Finance Agency that provides participants with mortgages from the program at rates which are fixed by formula. The law establishing the program provides that the pension fund may not sell the mortgages, and no independent market exists for them.

Prudential Retirement is the third-party administrator for the NJSEDCP. Prudential Retirement provides recordkeeping, administration services and access to 22 investments through a combination of their separate account product offerings and retail branded mutual funds. The four state-managed investments options (NJSEDCP Fixed Income Fund, NJSEDCP Equity Fund, NJSEDCP Small Capitalization Equity Fund and NJSEDCP Cash Management Fund) were closed during the fiscal year to new investments. On August 1, 2014, the NJSEDCP Fixed Income Fund and the NJSEDCP Cash Management Fund were closed. On December 15, 2014, the NJSEDCP Equity Fund and the NJSEDCP Small Capitalization Fund were opened to new contributions. The Board of the NJSEDCP is the fiduciary for the investments of the Plan. The Division of Pensions and Benefits maintains its administrative oversight functions for the Plan.

Investments are reported at fair value as follows:

- U.S. Government and Agency, Sovereign and Corporate obligations – prices quoted by a major dealer in such securities.
- Police and Firemen's mortgages – estimated market prices obtained from an independent broker.

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- Domestic and Foreign Equity Securities, Exchanged Traded Funds, Forward Foreign Exchange Contracts – closing prices as reported on the primary market or exchange on which they trade.
- Money Market Instruments – amortized cost which approximates fair value.
- Cash Management Fund – closing net position on the last day of trading during the period as determined by the Transfer Agent.
- Alternative investments (private equity, real estate, real asset, and absolute return strategy funds) – Fair values for the individual funds are based upon the net asset values provided by external investment managers. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. The most significant input into the net asset value of an entity is the value of its investment holdings. The net asset value is provided by the general partner and/or investment manager and reviewed by management. The net asset values are audited annually. The strategy of private equity and real estate funds are long term and illiquid in nature which can prevent the investment from being readily marketable. Hedge funds may be subject to redemption restrictions which can limit distributions and restrict the ability of a limited partner to exit a partnership. For alternative investments, the realized value received upon the sale of these investments in the open market might be different than the fair value reported in the accompanying financial statements.
- Common Pension Funds – net position of the fund on the last day of the period as determined by the custodian.

Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. Net increase in the fair value of investments includes the net realized and unrealized gains (losses) on investments.

**(f) *Members' Loans***

Members of JRS, SPRS, TPAF, PFRS, and PERS who have at least three years of service in these plans may borrow up to 50% of their accumulated member contributions. Repayment of loan balances is deducted from payroll checks and bears a commercially reasonable interest rate as set by the State Treasurer. For 2014 the interest rate is 5.25%. There is an \$8 processing fee per loan. 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.

**(g) *Administrative Expenses***

Administrative expenses are paid by the plans to the State of New Jersey, Department of the Treasury and are included in the accompanying financial statements.

In certain funds (JRS, SPRS, TPAF, PFRS and PERS) miscellaneous expenses and reimbursements from the fund that comprise various adjustments to member and employer accounts are incorporated into the administrative expense amounts included in the accompanying financial statements. These miscellaneous items are not part of the supplementary information included in the Schedule of Administrative Expenses (Schedule 7). Additionally, State Health Benefit Program Funds – State, Local and Education administrative expenses are included in administrative expenses in the

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accompanying financial statements but are not included in the supplementary information in Schedule 6.

**(h) *Income Tax Status***

Based on Internal Revenue Service (IRS) determination letters received in January 2012 for JRS, POPF, SPRS, TPAF, and PERS and in June 2012 for CPFPPF and PFRS, the seven pension funds comply with the qualification requirements of the Internal Revenue Code (IRC). The ABP and DCRP received a determination letter that they comply with the qualification requirements of the IRC in September 2012 and January 2013, respectively.

NJSEDCP and SACT are eligible plans as described in Section 457 and Section 401(a) of the IRC, respectively.

**(i) *Commitments***

The Common Pension Funds are obligated, under certain private equity, real estate, real asset, and absolute return strategy alternative investment and global diversified credit fund agreements to make additional capital contributions up to contractual levels over the investment period specified for each investment. As of June 30, 2014, the Common Pension Funds had unfunded commitments totaling approximately \$9.31 billion.

**(j) *Use of Estimates***

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

**(k) *Adoption of Accounting Pronouncements***

The Division adopted GASB No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* (GASB Statement No. 67). GASB Statement No. 67 applies to pension plans that administer pension benefits for governments through a trust or equivalent arrangement that meets certain specified criteria. GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the net pension liability of employers for benefits provided through the pension plan, about which information is required to be presented. While the adoption of GASB Statement No. 67 determined the requirements for financial accounting, reporting and disclosures, it does not impact the funding of the Plans, which is determined by State statute.

In connection with the implementation of GASB Statement No. 67, the Division changed its accounting for certain contributions receivable from the State related to Early Retirement Incentive (ERI) programs and contributory life insurance for active plan members. Previously, the Division recognized contributions receivable from the State in the TPAF and PERS plan for previously enacted ERI programs that were considered due pursuant to formal commitments. GASB Statement No. 67

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changed the criteria for recognizing receivables to limit recognition only to amounts that are due pursuant to legal requirements. The Division also changed the accounting for assets held on behalf of active plan members for contributory life insurance to recognize amounts due to plan members as a liability, which were previously reported in net position. These changes in accounting resulted in the following adjustments:

	<b>TPAF</b>	<b>PERS</b>
Net position restricted for pension:		
Beginning of year, as previously reported	\$ 26,059,372,741	27,920,036,174
Reduction of ERI contributions receivable	(34,007,248)	(1,073,566,812)
Increase in liability for assets held for contributory life insurance	(137,239,453)	(384,313,550)
Net position restricted for pension:		
Beginning of year, as restated	\$ 25,888,126,040	26,462,155,812

**(3) Employers' Net Pension Liability – Defined Benefit Plans**

*Components of Net Pension Liability*

The components of the net pension liability of the participating employers for the defined benefit plans at June 30, 2014 are as follows:

	<b>JRS</b>	<b>POPF</b>	<b>SPRS</b>	<b>CPFPF</b>	<b>TPAF</b>	<b>PFRS</b>	<b>PERS</b>
Total pension liability	\$ 900,743,760	4,176,636	4,246,118,723	5,053,131	81,095,320,000	42,507,164,403	67,849,420,727
Plan fiduciary net position	231,483,835	7,383,201	1,937,956,394	3,303,631	27,282,252,461	25,020,485,785	28,999,581,773
Net pension liability (asset)	\$ 669,259,925	(3,206,565)	2,308,162,329	1,749,500	53,813,067,539	17,486,678,618	38,849,838,954
Plan fiduciary net position as a percentage of the total pension liability (asset)	25.70%	176.77%	45.64%	65.38%	33.64%	58.86%	42.74%

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The total pension liability was determined by actuarial valuations as of July 1, 2013, which was rolled forwarded to June 30, 2014, using the following actuarial assumptions, applied to all periods in the measurement:

	<b>JRS</b>	<b>POPF</b>	<b>SPRS</b>	<b>CPEPF</b>	<b>TPAF</b>	<b>PFRS</b>	<b>PERS</b>
Inflation rate	3.01%	3.01%	3.01%	3.01%	2.50%	3.01%	3.01%
Salary increases:							
2012-2021	2.50%	N/A	3.45%	N/A	Varies based on experience	2.00%	2.00%
Thereafter	3.50%	N/A	4.45%	N/A	Varies based on experience	1.00%	1.00%
Investment rate of return	7.90%	5.00%	7.90%	2.00%	7.90%	7.90%	7.90%
Mortality rate table	RP-2000	RP-2000	RP-2000	RP-2000	RP-2000	RP-2000	RP-2000
Period of actuarial experience study upon which actuarial assumptions were based	July 1, 2008 - June 30, 2011	N/A	July 1, 2008 - June 30, 2011	N/A	July 1, 2009 - June 30, 2012	July 1, 2007 - June 30, 2010	July 1, 2008 - June 30, 2011

N/A - This is a closed plan, therefore there are no active employees.

Adjustments for mortality improvements are based on Society of Actuaries Scale AA.

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 (see the discussion of the pension plans' investment policy) are summarized in the following table:

<b>Asset Class</b>	<b>JRS</b>	<b>POPF</b>	<b>SPRS</b>	<b>CPEPF</b>	<b>TPAF</b>	<b>PFRS</b>	<b>PERS</b>
Cash	0.08%	0.08%	0.08%	0.08%	0.05%	0.08%	0.08%
Core Bonds	2.49%	—	2.49%	—	1.38%	2.49%	2.49%
Intermediate-Term Bonds	2.26%	—	2.26%	—	2.60%	2.26%	2.26%
Mortgages	2.17%	—	2.17%	—	2.84%	2.17%	2.17%
High Yield Bonds	4.82%	—	4.82%	—	4.15%	4.82%	4.82%
Inflation-Indexed Bonds	3.51%	—	3.51%	—	1.30%	3.51%	3.51%
Broad US Equities	8.22%	—	8.22%	—	5.88%	8.22%	8.22%
Developed Foreign Equities	8.12%	—	8.12%	—	6.05%	8.12%	8.12%
Emerging Market Equities	9.91%	—	9.91%	—	8.90%	9.91%	9.91%
Private Equity	13.02%	—	13.02%	—	9.15%	13.02%	13.02%
Hedge Funds / Absolute Return	4.92%	—	4.92%	—	3.85%	4.92%	4.92%
Real Estate (Property)	5.80%	—	5.80%	—	4.43%	5.80%	5.80%
Commodities	5.35%	—	5.35%	—	3.60%	5.35%	5.35%

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*Discount Rate*

The discount rate used to measure the total pension liabilities of the plans were as follows:

Plan	Discount Rate
JRS	4.58%
POPF	5.00%
SPRS	5.12%
CPFPPF	2.52%
TPAF	4.68%
PFRS	6.32%
PERS	5.39%

The following table represents the crossover period, if applicable, for each defined benefit plan:

	JRS	POPF	SPRS	CPFPPF	TPAF	PFRS	PERS
Period of projected benefit payments for which the following rates were applied:							
Long-term expected rate of return	Through June 30, 2021	All periods	Through June 30, 2032	Through June 30, 2024	Through June 30, 2027	Through June 30, 2045	Through June 30, 2033
Municipal Bond rate*	From July 1, 2021 and thereafter	Not applicable	From July 1, 2032 and thereafter	From July 1, 2024 and thereafter	From July 1, 2027 and thereafter	From July 1, 2045 and thereafter	From July 1, 2033 and thereafter

\* The municipal bond return rate used is 4.29%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

*Sensitivity of Net Pension Liability*

The following presents the net pension liability of each plan calculated using the discount rates as disclosed above as well as what each plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

Plan (rates used)	At 1% decrease	At current discount rate	At 1% increase
JRS (3.58%, 4.58%, 5.58%)	\$ 769,235,285	669,259,925	584,383,046
POPF (4.00%, 5.00%, 6.00%)	(3,005,725)	(3,206,565)	(3,388,711)
SPRS (4.12%, 5.12%, 6.12%)	2,927,246,593	2,308,162,329	1,806,733,074
CPFPPF (1.52%, 2.52%, 3.52%)	1,961,528	1,749,500	1,555,945
TPAF (3.68%, 4.68%, 5.68%)	64,722,984,539	53,813,067,539	44,738,870,539
PFRS (5.32%, 6.32%, 7.32%)	23,072,855,582	17,486,678,618	12,872,088,327
PERS (4.39%, 5.39%, 6.39%)	47,326,289,075	38,849,838,953	31,735,758,503

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**(4) Investments**

The Plans' investments (including investments held directly by the Common Pension Funds) as of June 30, 2014 are as follows:

	<u>Total</u>	<u>Select Pension Trust Funds<sup>(4)</sup></u>	<u>Other Funds<sup>(3)</sup></u>
Cash management funds	\$ 2,959,422,705	2,174,869,598	784,553,107
Domestic equities	23,571,546,727	21,752,508,632	1,819,038,095
International equities	15,802,625,511	15,471,880,236	330,745,275
Domestic fixed income	13,060,090,230	11,664,238,746	1,395,851,484
International fixed income <sup>(1)</sup>	2,245,819,546	2,235,959,456	9,860,090
Global diversified credit funds	2,258,552,442	2,258,552,442	—
Police and Firemen's mortgages	877,681,882	877,681,882	—
Private equity funds	7,215,132,897	7,215,132,897	—
Real estate funds	3,227,386,007	3,227,386,007	—
Absolute return strategy funds	8,762,437,355	8,762,437,355	—
Real assets	1,739,253,845	1,739,253,845	—
Opportunistic private equity investments	143,810,690	143,810,690	—
Put options	972,250	972,250	—
Futures contracts	(703,126)	(703,126)	—
Other <sup>(2)</sup>	4,238,072,426	4,238,072,426	—
	<u>\$ 86,102,101,387</u>	<u>81,762,053,336</u>	<u>4,340,048,051</u>

(1) Primarily US dollar denominated securities

(2) Includes assets (other than investments) and liabilities included in the net position of the Common Pension Funds

(3) Includes CPF, ABPLTD, DCRP, NJSEDCP, SACT, OPEB, and Agency Funds

(4) Includes JRS, POPF, SPRS, CPFPF, TPAF, PFRS, and PERS

New Jersey State statute provides for a State Investment Council (Council) and a Director. Investment authority is vested in the Director of the Division of Investment and the role of the Council is to formulate investment policies. The Council issues regulations which establish guidelines for permissible investments for the Common Pension Funds managed by the Division of Investment, which include global equity investments, non-convertible preferred stocks, covered call options, put options, futures contracts, obligations of the U.S. Treasury, government agencies, corporations, international governments and agencies, global diversified credit investments, swap transactions, state and municipal general obligations, public authority revenue obligations, collateralized notes and mortgages, commercial paper, certificates of deposit, repurchase agreements, money market funds, private equity funds, real estate funds, other real assets, absolute return strategy funds, and the State of New Jersey Cash Management Fund (CMF). The CMF is a short-term cash fund and is open to state and certain non-state participants.



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The Plans' investment in the CMF is not evidenced by securities that exist in physical or book entry form held by the funds.

The asset allocation policy as of June 30, 2014 for the Common Pension Funds is as follows:

<b>Asset Class</b>	<b>Target</b>
Absolute return/risk mitigation	4.50%
Total risk mitigation	4.50%
Cash equivalents	6.00%
Short term cash equivalents	0.00%
U.S. Treasury TIPS	2.50%
U.S. Treasuries	1.00%
Total liquidity	9.50%
Investment grade credit	11.20%
High yield fixed income	5.50%
Credit oriented hedge funds	3.75%
Debt related private equity	1.25%
Real estate - debt	1.30%
Police and Firemen's Mortgage Program	1.20%
Total income	24.20%
Commodities and other real assets	2.50%
Real estate	3.20%
Total real return	5.70%
U.S. equity	25.90%
Non-U.S. developed markets equity	12.70%
Emerging markets equity	6.50%
Equity oriented hedge funds	4.00%
Buyouts/venture capital	7.00%
Total global growth	56.10%
Total	100.00%

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***Rate of Return***

The annual money-weighted rate of return for the defined benefit plans, excluding CPFPP and POPF, is 16.64%. For CPFPP and POPF, the annual money-weighted rate of return is 0.02% and 0.09%, respectively. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amounts of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

***Deposit and Investment Risk Disclosure***

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

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of issuers and debt instruments is evaluated by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corporation (S&P), and Fitch Ratings (Fitch). Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. There are no restrictions in the amount that can be invested in United States Treasury and government agency obligations. The Division did not hold directly more than 5% of net position in any one issuer as of June 30, 2014. Council regulations require minimum credit ratings for certain categories of fixed income obligations held directly by the various funds and limit the amount that can be invested in any one issuer or issue.

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The credit ratings and limits for the Common Pension Funds as of June 30, 2014 are as follows:

Category	Minimum rating <sup>(1)</sup>			Limitation of issuer's outstanding debt/stock	Limitation of issue	Other limitations
	Moody's	S&P	Fitch			
Certificates of deposit						Split rating allowable. Cannot exceed 10% of issuer's primary capital. Not more than 5% of pension fund assets can be invested in any one issuer and affiliated entities.
Domestic	A3/P-1	A-/A-1	A-/F1	—	—	
International	Aa3/P-1	AA-/A-1	AA-/F1	—	—	
Collateralized notes and mortgages	Baa3	BBB-	BBB-	—	25%	Not more than 5% of pension fund assets can be invested in this category. Not more than 5% of pension fund assets can be invested in any one issuer and affiliated entities.
Commercial paper	P-1	A-1	F1	—	—	Split rating allowable. Not more than 5% of pension fund assets can be invested in any one issuer and affiliated entities.
Global debt obligations	Baa3	BBB-	BBB-	10%	—	Not more than 5% of pension fund assets can be invested in any one issuer and affiliated entities.
Global diversified credit investments:						Not more than 7% of pension fund assets can be invested in this category. Not more than 5% of pension fund assets can be invested in any one issuer and affiliated entities.
Direct bank loans	Baa3	BBB-	BBB-	10%	—	
Funds	Baa3	BBB-	BBB-	—	—	
International government and agency obligations	Baa3	BBB-	BBB-	25%	25%	Not more than 5% of the pension fund assets can be invested in this category.

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Category	Minimum rating <sup>(1)</sup>			Limitation of issuer's outstanding debt/stock	Limitation of issue	Other limitations
	Moody's	S&P	Fitch			
Money market funds	—	—	—	—	—	Not more than 5% of pension fund assets can be invested in money market funds; limited to 5% of shares or units outstanding.
Mortgage backed pass-through securities	A3	A-	A-	—	—	Not more than 10% of pension fund assets can be invested in mortgage backed securities.
senior debt securities	—	—	—	—	25%	
Nonconvertible preferred stocks	Baa3	BBB-	BBB-	10%	25%	Not more than 5% of pension fund assets can be invested in any one issuer and affiliated entities.
Repurchase agreements						
Bank or trust company	—	—	—	—	—	—
Broker	P-1	A-1	F1	—	—	—
State, municipal and public authority obligations	A3	A-	A-	10%	10%	Not more than 2% of pension fund assets can be invested in debt of any one obligor.
Swap transactions	Baa2	BBB	BBB	—	—	Notional value of net exposure to any one counterparty shall not exceed 1% of pension fund assets. Notional value of all swap transactions shall not exceed 5% of pension fund assets but may be increased to 10% for a fixed period of time.

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

Up to 8% of the market value of the combined assets of the Common Pension Funds may be invested in global debt obligations, collateralized notes and mortgages, global diversified credit investments, nonconvertible preferred stock, and mortgage-backed pass-through securities that do not meet the minimum credit rating requirements set forth above.

The total amount of a particular class of stock directly purchased of any one entity by the Common Pension Funds cannot exceed 10% of that class of stock outstanding. The total amount of shares or interests directly purchased or acquired of any one exchange traded fund or global, regional or country fund by the Common Pension Funds shall not exceed 10% of the total shares outstanding or interests of such fund.

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The above table does not include the four state managed investment options or the funds managed by Prudential Retirement for the NJSEDCP or SACT.

The NJSEDCP Fixed Income Fund is invested in fixed income securities having a maturity of one year or more. The NJSEDCP Equity Fund and the NJSEDCP Small Capitalization Equity Fund are invested in equities securities that are denominated in U.S. dollars that trade on a securities exchange in the United States or the over-the-counter market. The NJSEDCP Cash Management Fund is invested in the State of New Jersey Cash Management Fund or fixed income securities maturing in less than one year as permitted by Council regulations. The NJSEDCP Fixed Income Fund, the NJSEDCP Equity Fund and the NJSEDCP Small Capitalization Equity Fund may hold up to 25% of their assets either in short-term fixed income securities, as permitted by the Council regulations, or in CMF. With respect to equities, not more than 10% of the market value of the NJSEDCP Equity Fund and the NJSEDCP Small Capitalization Equity Fund can be invested in any equity and fixed income obligations of any one issuer and affiliated entities. The total amount of a particular class of stock directly purchased or acquired of any one entity cannot exceed 5% of that class of stock. The total amount of shares directly purchased or acquired of any one exchange-traded fund shall not exceed 5% of the total shares outstanding of such fund. There are no restrictions in the amount that can be invested in U.S. treasury and government agency obligations. Not more than 10% of the market value of the NJSEDCP Fixed Income Fund can be invested in the fixed income obligations of any one issuer and affiliated entities, and must have a minimum rating of Baa3, BBB-, and BBB- as measured by Moody's, S&P, and Fitch, respectively. The total amount of debt issues directly purchased or acquired cannot exceed 10% of the outstanding long term debt of the issuer.

The funds managed by Prudential Retirement investments for the NJSEDCP consist of a number of individual investment managers, which individually have investment guidelines that they comply with and follow. For Prudential Retirement, the NJSEDCP is a participant directed program offering a range of diversified investment alternatives. The options that include bond investments are diversified by sector and number of securities held, mitigating undue concentration of both credit and foreign currency risks as well as interest rate risk.

For SACT, not more than 10% of the market value of the fund can be invested in the equity and fixed income obligations of any one issuer and affiliated entities. The total amount of shares directly purchased or acquired of any one exchange-traded fund shall not exceed 5% of the total shares outstanding of such fund. The total amount of a particular class of stock directly purchased or acquired of any one entity shall not exceed 5% of that class of stock outstanding. SACT can only invest in equity securities denominated in U.S. dollars that are traded on a securities exchange in the United States or over-the-counter market.

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For securities in the fixed income portfolio, the following tables disclose aggregate market value, by major credit quality rating category as of June 30, 2014. The tables include the fixed income securities held directly by the Common Pension Funds, as well as those managed by Prudential Retirement. The first table includes fixed income securities rated by Moody's. The second table discloses Standard & Poor's ratings for fixed income securities not rated by Moody's (in thousands).

	Moody's rating										Totals
	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	C	P-1	
Corporate obligations	\$ 674,767	1,248,835	2,290,049	2,014,269	541,082	593,231	383,513	2,563	379	1,261	7,749,949
Foreign government obligations	707,160	1,501,152	44,024	7,004	7	—	—	—	—	—	2,259,347
United States Treasury tips	1,612,017	—	—	—	—	—	—	—	—	—	1,612,017
United States Treasury bonds	1,355,679	—	—	—	—	—	—	—	—	—	1,355,679
Federal agency obligations	237,791	125	—	—	—	—	—	—	—	—	237,916
Bank loans	—	—	—	2,567	35,408	65,791	30,405	—	—	—	134,171
SBA pass through certificates	86,527	—	—	—	—	—	—	—	—	—	86,527
Mortgages (FHLMC/FNMA/GNMA)	343,116	—	—	—	—	—	—	—	—	—	343,116
Asset Backed Securities	29,717	9,766	3,367	109	445	173	322	77	—	—	43,976
Other	64,497	457,746	265,717	236	2	—	—	—	—	—	788,198
	<u>\$ 5,111,271</u>	<u>3,217,624</u>	<u>2,603,157</u>	<u>2,024,185</u>	<u>576,944</u>	<u>659,195</u>	<u>414,240</u>	<u>2,640</u>	<u>379</u>	<u>1,261</u>	<u>14,610,896</u>

	Standard and Poor's rating							Totals
	AA	A	BBB	BB	B	CCC	D	
Corporate obligations	\$ —	116,786	140,419	20,012	12,108	4,646	22	293,993
Bank loans	—	—	—	778	—	2,027	—	2,805
Other	57,781	18,024	—	—	—	—	—	75,805
	<u>\$ 57,781</u>	<u>134,810</u>	<u>140,419</u>	<u>20,790</u>	<u>12,108</u>	<u>6,673</u>	<u>22</u>	<u>372,603</u>

The tables do not include certain domestic and international corporate obligations and certain exchange traded funds (ETFs) totaling \$322,411,555 which invest in an underlying portfolio of fixed income securities and do not have a Moody's or Standard & Poor's rating. The above tables also do not include Police and Firemen's mortgages totaling \$877,681,882, and investment in the Cash Management Fund totaling \$2,959,422,705, 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 are limited to a term of one year or less. Repurchase agreements must mature within 30 days. Council regulations permit the pension funds to enter into foreign exchange contracts for the purpose of hedging the international portfolio. As of June 30, 2014, the credit ratings of the counterparties to the forward currency contracts held by the Common Pension Funds had a Moody's credit rating of no less than A3.

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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 as of June 30, 2014. The table includes investments held directly by the Common Pension Funds, as well as those held by Prudential Retirement (in thousands).

<b>Fixed income investment type</b>	<b>Maturities in years</b>				<b>Total fair value</b>
	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>	
Corporate obligations	\$ 120,624	2,996,783	3,489,725	1,451,689	8,058,821
Foreign government obligations	11,202	559,249	1,432,500	257,097	2,260,048
United States Treasury tips	—	984,381	625,740	1,896	1,612,017
United States Treasury bonds	58,526	1,024,238	229,552	43,363	1,355,679
Police and Firemen's mortgage program	—	1,559	23,696	852,427	877,682
Federal agency obligations	1,026	12,730	202,512	22,627	238,895
Bank loans	2,476	16,101	119,153	—	137,730
SBA pass through certificates	—	39,302	47,225	—	86,527
Mortgages (FHLMC/FNMA/GNMA)	15	1,569	4,786	336,746	343,116
Asset backed obligations	164	1,668	3,407	112,567	117,806
Other	95,504	1,320	108,867	889,580	1,095,271
	<u>\$ 289,537</u>	<u>5,638,900</u>	<u>6,287,163</u>	<u>3,967,992</u>	<u>16,183,592</u>

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The Common Pension Funds invest in global markets. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Common Pension Funds and funds managed by Prudential Retirement had the following foreign currency exposure as of June 30, 2014 (expressed in U.S. dollars):

Currency	Equities	Fixed income	Alternative investments	Total fair value
Australian dollar	\$ 651,632,478	—	—	651,632,478
Brazilian real	345,106,161	—	—	345,106,161
Canadian dollar	931,390,211	106,175,586	—	1,037,565,797
Chilean peso	2,284,215	—	—	2,284,215
Czech koruna	55,260,820	—	—	55,260,820
Danish krone	130,334,315	—	—	130,334,315
Egyptian pound	297,448	—	—	297,448
Euro	2,641,409,746	—	567,610,013	3,209,019,759
Hong Kong dollar	701,527,080	—	—	701,527,080
Hungarian forint	26,057,800	—	—	26,057,800
Indonesian rupiah	89,929,675	—	—	89,929,675
Israeli shekel	9,550,402	—	—	9,550,402
Japanese yen	1,695,610,766	—	—	1,695,610,766
Malaysian ringgit	56,852,166	—	—	56,852,166
Mexican peso	111,394,181	—	—	111,394,181
New Taiwan dollar	20,938,461	—	—	20,938,461
Norwegian krone	54,543,240	—	—	54,543,240
Pakistan rupee	21,154,894	—	—	21,154,894
Philippine peso	57,921,904	—	—	57,921,904
Polish zloty	72,060,320	—	—	72,060,320
Pound sterling (U.K.)	1,835,747,186	—	109,539,010	1,945,286,196
Singapore dollar	128,101,477	—	—	128,101,477
South African rand	236,557,816	—	—	236,557,816
South Korean won	537,047,395	—	—	537,047,395
Swedish krona	260,512,522	—	—	260,512,522
Swiss franc	883,978,426	—	—	883,978,426
Thailand baht	83,832,468	—	—	83,832,468
Turkish lira	83,792,338	—	—	83,792,338
US dollar	251,391,262	—	—	251,391,262
Other	15,056,307	—	—	15,056,307
	<u>\$ 11,991,273,480</u>	<u>106,175,586</u>	<u>677,149,023</u>	<u>12,774,598,089</u>



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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, speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Council regulations provide that not more than 38% of the market value of the pension funds can be invested in alternative investments, with limits on the individual investment categories of real estate (9%), real assets (7%), private equity (12%) and absolute return strategy (15%).

Not more than 5% of the market value invested through direct investments, separate accounts, fund-of-funds, commingled funds, co-investments and joint ventures in global diversified credit, private equity, real asset and absolute return strategy investments, plus outstanding commitments, may be committed to any one partnership or investment. These investments cannot comprise more than 20% of any one investment managers' total assets.

As of June 30, 2014, the net position of Common Pension Fund E includes receivables of \$431 million related to the secondary sale of certain private equity and real estate funds, of which \$22 million is due by January 2015 and the balance due over the course of three years.

**(5) Securities Lending Collateral**

The State Investment Council policies permit the Common Pension Funds and several of the direct pension plan portfolios to participate in securities lending programs, whereby securities are loaned to brokers or other borrowers and, in return, the pension funds have rights to the collateral received. All of the publicly traded securities held in Common Pension Funds, 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. Collateral is marked to market daily and adjusted as needed to maintain the required minimum level.

For loans of U.S. government securities or sovereign debt issued by non-U.S. governments, in the event that the market value of the collateral falls below 100% of the market value of the outstanding loaned securities to an individual borrower, or the market value of the collateral of all loans of such securities falls below the collateral requirement, 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 together with collateral previously delivered meets the collateral requirements.

For loans of all other types of securities, in the event that the market value of the collateral falls below the collateral requirement of either 102% or 105% (depending on whether the securities are denominated in U.S. dollars or a foreign currency, respectively) 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, 2014, the Common Pension Funds had no aggregate credit risk exposure to borrowers because the collateral amount held by the Common Pension Funds exceeded the market value of the securities on loan.

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The contracts with the Common Pension Funds' securities lending agent require them to indemnify the Common Pension Funds if the brokers or other borrowers fail to return the securities and provides that collateral securities may be sold in the event of a borrower default. The Common Pension Funds are also indemnified for any loss of principal or interest on collateral invested in repurchase agreements. The Common Pension Funds cannot participate in any dividend reinvestment program or vote with respect to any securities that are on loan on the applicable record date. The securities loans can be terminated by notification by either the borrower or the Common Pension Funds. The term to maturity of the securities loans is generally matched with the term to maturity of the investment of the cash collateral.

The securities lending collateral is subject to various risks. Among these risks are custodial credit risk, credit risk, concentration of credit risk, and interest rate risk. Securities lending collateral is invested in repurchase agreements, the maturities of which cannot exceed 30 days. The collateral for repurchase agreements is limited to obligations of the U.S. Government or certain U.S. Government agencies, collateralized notes and mortgages and corporate obligations meeting certain minimum rating criteria. Total exposure to any individual issuer is limited consistent with internal policies for funds managed by the Division of Investment.

For securities exposed to credit risk in the collateral portfolio, the following table discloses aggregate fair value, by major credit quality rating category as of June 30, 2014 (in thousands).

	<b>Rating</b>		
	<b>Aaa/AAA</b>	<b>Not rated</b>	<b>Totals</b>
Repurchase agreements	\$ 1,268,063	—	1,268,063
Cash	—	206,459	206,459
	\$ 1,268,063	206,459	1,474,522

Custodial credit risk for investments is the risk that in the failure of the counterparty to the transaction, the pension funds will not recover the value of the investments that are in the possession of an outside party. The repurchase agreement's underlying securities are held in the pension funds' name.

As of June 30, 2014, the pension funds had outstanding loaned investment securities with an aggregate market value of \$1,437,903,075 and did not hold any noncash collateral. There were no borrowers or lending agent default losses, and no recoveries or prior period losses during the year.

**(6) Derivatives**

The Division of Investment, from time to time, utilizes forward foreign currency contracts, a derivative security, as a means to hedge against currency risks in the Common Pension Funds' foreign equity and fixed income portfolios. 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.

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The fair value of foreign forward currency contracts held directly by the Common Pension Funds as of June 30, 2014 was as follows:

Forward currency receivable	\$	420,951,477
Forward currency payable		<u>423,362,591</u>
Net unrealized loss	\$	<u><u>(2,411,114)</u></u>

The Common Pension Funds utilize covered call and put options in an effort to add value to or reduce the risk level in the portfolio. 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 Common Pension Funds enter into covered calls when it writes (or sells) call options on underlying stocks held by the Common Pension Funds or stock indices. The Common Pension Funds enter into covered put options when it purchases put options on underlying stocks held by the Common Pension Funds or stock indices. The Common Pension Fund enters into put spreads when it purchases put options while simultaneously writing put options on the same underlying securities of indices at a lower strike price. The purchaser of put options pays a premium at the outset of the agreement and stands to gain from an unfavorable change (i.e., a decrease) in the price of the instrument underlying the option. The writer of call options receives a premium at the outset of the agreement and may bear the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option. Futures are contractual agreements to buy or sell a particular commodity or financial instrument at a pre-determined price in the future.

The Common Pension Funds had written call and put options as of June 30, 2014 on 11,920,000 shares, and these options had a fair value of \$7,914,500. As of June 30, 2014 the Common Pension Funds owned 25,650 put option contracts and 2,500 futures contracts with a fair value of \$972,250 and (\$703,126), respectively.

The fair values of all derivative instruments as of June 30, 2014 are included within the net position of the Common Pension Funds in the Division's statement of fiduciary net position. The change in fair value for all derivative instruments from State fiscal year 2013 to State fiscal year 2014 was \$6,325,353 and is included as a component of the net increase in fair value of investments in the Division's statement of changes in fiduciary net position.

Certain of the 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 Pension Funds may have additional exposure to derivatives primarily through limited liability vehicles such as limited partnerships and commingled investment funds

**(7) Local Employer's Contributions under Chapter 19, P.L. 2009**

As discussed in Note 1, in the fiscal year ended June 30, 2009, the State passed Chapter 19, P.L. 2009 to allow local employers of PFRS and PERS to contribute 50% of the normal and accrued liability contributions amounts, while deferring the remaining amount for a 15 year period with payments beginning in the fiscal year ended June 30, 2012. At June 30, 2014, the remaining receivable balances related to Chapter 19, P.L. 2009 were \$151.5 million and \$51.8 million for PFRS and PERS, respectively.

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**(8) OPEB Plans Funded Status**

The following represents the funded status of each of the State Health Benefit Plans as of the most recent actuarial valuation date of July 1, 2013.

	<u>SHBP – State</u>	<u>SHBP – Local</u>	<u>SHBP – Education</u>
Actuarial value of assets	\$ —	—	—
Actuarial accrued liability	19,746,700,000	13,804,500,000	33,253,400,000
Unfunded (overfunded) actuarial accrued liability	19,746,700,000	13,804,500,000	33,253,400,000
Funded ratio	—	—	—
Covered payroll	\$ 7,811,194,620	3,156,000,000	13,153,105,380
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	252.80%	437.40%	252.80%

*Actuarial Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, and these amounts and assumptions are subject to continual revision as actual results are compared to past expectations. Calculations are based on the benefits provided under the terms of the plan in effect and the pattern of cost sharing between employees and the employer. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. A summary of the significant actuarial methods and assumptions used by SHBP – State, SHBP – Local, and SHBP – Education as of the most recent actuarial date of July 1, 2013 are as follows:

	<u>SHBP – State</u>	<u>SHBP – Local</u>	<u>SHBP – Education</u>
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	30 years	30 years
Actuarial assumptions:			
Interest rate	4.50% (assuming no prefunding)	4.50% (assuming no prefunding)	4.50% (assuming no prefunding)
Salary range	N/A	N/A	N/A
Cost-of-living adjustments	N/A	N/A	N/A

OPEB used the projected unit credit as actuarial cost method. The actuarial assumptions for OPEB included 4.50% for investment rate of return.

For medical benefits, the healthcare cost trend rate assumption initially is at 8.0% and decreases to a 5.0% long-term trend rate for all medical benefits after 7 years, except for NJ Direct Post-65 whose rate assumption is 5.0% throughout 7 years. For prescription drug benefits, the initial healthcare cost trend rate assumption

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is 8.0%, decreasing to a 5.0% long-term trend rate after 7 years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 5.0% throughout 7 years

Refer to schedules 4 and 5 for multi-year required supplementary information related to these OPEB plans.

**(9) Reserves**

The Plans maintain the following legally required reserves as follows (amounts indicated in parenthesis represent net position restricted for the respective reserve as indicated):

***Members' Annuity Savings Reserve and Accumulative Interest Reserve – JRS (\$50,759,400); SPRS (\$180,510,879); TPAF (\$10,695,781,560); PFRS (\$3,443,410,393); PERS (\$12,907,747,792)***

The Members' Annuity Savings Reserve (New Jersey Statutes Annotated (NJSA): JRS 43:6A- 34.1 and 34.2; SPRS 53:5A-35; TPAF 18A:66-19 and 25; PFRS 43:16A-16; PERS 43:15A-25 and 33) is credited with all contributions made by active members of the Plans. Interest earned on member contributions is credited to the Accumulative Interest Reserve, which is applied to JRS, TPAF and PERS. Member withdrawals are paid out of these Reserves.

***Contingent Reserve – JRS (\$-21,229,167); SPRS (\$882,821,808); TPAF (\$-17,591,284,897); PERS (\$-10,431,059,055);***

The Contingent Reserve (NJSA: JRS 43:6A-33; SPRS 53:5A-34; TPAF 18A:66-18; PERS 43:15A-24) is credited with the contributions of contributing employers. Interest earnings, after crediting the Accumulative Interest Reserve and Retirement Reserve, as required, are credited to this account. Additionally, payments for administrative and miscellaneous expenses are made from this Reserve.

***Retirement Reserve– JRS (\$201,953,602); SPRS (\$874,623,707); TPAF (\$34,177,755,798); PFRS (\$21,179,798,929); PERS (\$26,212,975,765)***

The Retirement Reserve (NJSA: JRS 43:6A-34; SPRS 53:5A-36; TPAF 18A:66-21; PFRS 43:16A-16; PERS 43:15A-27) is the account from which retirement benefits including COLA adjustments are paid. Upon retirement of a member, accumulated contributions together with accumulated interest are transferred to the Retirement Reserve from the Members' Annuity Savings Reserve and Accumulative Interest Reserve. Any additional reserves needed to fund the balance of the retirement benefit are transferred from the Contingent Reserve or Pension Accumulation Reserve. Annually, interest as determined by the State Treasurer (7.90% for State fiscal year 2014) is credited to the Retirement Reserve.

***Retirement Reserve– POPF (\$7,383,201)***

The Retirement Reserve (NJSA: POPF 43:7-13) is credited with State of New Jersey contributions and investment income. In addition, all benefits are paid from this account.

***Non-Contributory Group Insurance Premium Reserve – PFRS – Local (\$11,460,337); PERS – Local (\$58,573,109)***

The Non-Contributory Group Insurance Premium Reserve (NJSA: PFRS 43:16A-56; PERS 43:15A-91) represents the accumulation of employer group life insurance contributions in excess of premiums disbursed

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to the insurance carrier since the inception of the noncontributory death benefit program plus reserves held by the insurance carrier. Members are eligible by statute for the noncontributory group life insurance plan in the first year of membership. TPAF, PFRS – State and PERS – State show a zero balance as these premium expenses are funded on a monthly basis.

***Pension Accumulation Reserve – PFRS (\$385,816,126)***

The Pension Accumulation Reserve (NJSA: PFRS 43:16A-16) is credited with the contributions of the State of New Jersey and other employers. Interest earnings, after crediting the Retirement Reserve, as required, are credited to this account. Additionally, payments for administrative and miscellaneous expenses are made from this Reserve.

***Pension Reserve – CPFPPF (\$3,303,631)***

The Pension Reserve (NJSA: CPFPPF 43:16-5) is credited with State of New Jersey contributions and investment income.

***Alternate Benefit – Long Term Disability Reserve (\$1,631,014)***

The reserve balance of the ABPLTD (NJSA: 18A:66-177) is available for future payments to participants.

***Benefit Enhancement Reserve – PERS – Local (\$251,344,162)***

The Benefit Enhancement Reserve (NJSA: 43:15A-22) is a special reserve 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 reserve was established in 2002 and credited with excess assets equivalent to member contributions for State fiscal years 2000 and 2001 by transferring reserves in the Contingent Reserve to the Benefit Enhancement Reserve. Additional transfers will be made, as required, to maintain a reserve balance equal to the present value of expected additional normal contributions due to the increased benefits.

***SHBP Reserve Fund – State (\$-141,787,828)***

The State uses this fund (NJSA: SHBP 52:14-17.42) to cover claims payments.

***SHBP Reserve Fund – Local (\$257,427,935)***

The net position of SHBP – Local (NJSA: SHBP 52:14-17.42) are available to pay claims of future periods. These reserves are maintained by the fund to stabilize rates and to meet unexpected increase in claims.

***SHBP Reserve Fund – Education (\$131,492,274)***

The net position of SHBP – Education (NJSA: SHBP 52:14-17.42) are available to pay claims of future periods. These reserves are maintained by the fund to stabilize rates and to meet unexpected increase in claims.

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Various reserve balances as of June 30, 2014 are as follows:

	<b>Pension Reserves</b>	<b>Other Postemployment Benefit Plan Reserves</b>
Members' Annuity Savings Reserve and Accumulated Interest Reserve	\$ 27,278,210,024	—
Contingent Reserve	(27,160,751,311)	—
Retirement Reserve	82,654,491,002	—
Non-Contributory Group Insurance Premium Reserve	70,033,446	—
Pension Accumulation Reserve	385,816,126	—
Pension Reserve	3,303,631	—
Alternate Benefit - Long Term Disability Reserve	1,631,014	—
SHBP Reserve	—	247,132,381
Benefit Enhancement Reserve	251,344,162	—
Variable Accumulation Reserve (N.J.S.A.: DCRP (43:15C-1), NJDESCP (52:18A-164), SACT (52:18A-109))	3,572,397,117	—
Variable Benefits Reserve (N.J.S.A.: SACT 52:18A-109)	34,595,556	—
Total	\$ 87,091,070,767	247,132,381

**(10) Contingencies**

The Division is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the Division's financial statements.

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Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Defined Benefit Pension Plans

(Unaudited)

June 30, 2014

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPF</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>
Total pension liability:							
Service cost	\$ 32,123,341	—	93,623,020	—	1,870,901,832	1,079,166,175	1,592,214,831
Interest on total pension liability	40,332,123	217,931	209,010,706	154,758	3,794,362,523	2,535,619,539	3,506,486,225
Effect of economic/demographic (gains) or losses	—	—	—	—	(24,898,221)	—	—
Effect of assumptions changes or inputs	26,907,821	—	92,686,900	73,637	2,614,173,709	649,814,155	1,222,437,554
Benefit payments	(49,604,080)	(790,233)	(197,958,938)	(1,052,944)	(3,837,859,513)	(2,105,829,011)	(3,259,290,114)
Net change in total pension liability	49,759,205	(572,302)	197,361,688	(824,549)	4,416,680,330	2,158,770,858	3,061,848,496
Total pension liability-beginning	850,984,555	4,748,938	4,048,757,035	5,877,680	76,678,639,670	40,348,393,545	64,787,572,231
Total pension liability-ending (a)	<u>\$ 900,743,760</u>	<u>4,176,636</u>	<u>4,246,118,723</u>	<u>5,053,131</u>	<u>81,095,320,000</u>	<u>42,507,164,403</u>	<u>67,849,420,727</u>
Plan fiduciary net pension:							
Contributions-employer	\$ 15,874,857	—	36,436,923	—	4,688,045	858,047,628	917,689,000
Contributions-non-employer	—	—	—	—	423,012,101	—	—
Contributions-employee	5,096,577	—	24,034,496	—	716,183,306	385,660,096	797,818,225
Net investment income	34,448,036	7,368	287,098,217	12,325	4,100,273,453	3,381,553,869	4,102,964,869
Benefit payments, including refunds of employee contributions	(49,604,080)	(790,233)	(197,958,938)	(1,052,944)	(3,837,859,513)	(2,105,829,011)	(3,259,290,114)
Administrative expense	(162,372)	(5,853)	(280,026)	(9,566)	(12,170,971)	(3,884,342)	(21,756,019)
Net change in Plan fiduciary net position	5,653,018	(788,718)	149,330,672	(1,050,185)	1,394,126,421	2,515,548,240	2,537,425,961
Plan fiduciary net position-beginning	225,830,817	8,171,919	1,788,625,722	4,353,816	25,888,126,040	22,504,937,545	26,462,155,812
Plan fiduciary net position-ending (b)	<u>231,483,835</u>	<u>7,383,201</u>	<u>1,937,956,394</u>	<u>3,303,631</u>	<u>27,282,252,461</u>	<u>25,020,485,785</u>	<u>28,999,581,773</u>
Plan's net pension liability (asset)-ending (a)-(b)	<u>\$ 669,259,925</u>	<u>(3,206,565)</u>	<u>2,308,162,329</u>	<u>1,749,500</u>	<u>53,813,067,539</u>	<u>17,486,678,618</u>	<u>38,849,838,954</u>
Plan fiduciary net position as a percentage of the total pension liability	25.70%	176.77%	45.64%	65.38%	33.64%	58.86%	42.74%
Covered-employee payroll	\$ 67,810,110	N/A	262,063,829	N/A	10,038,792,896	3,678,910,266	11,448,531,265
Net pension liability as a percentage of covered-employee payroll	986.96%	N/A	880.76%	N/A	536.05%	475.32%	339.34%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See accompanying independent auditors' report and notes to required supplementary information.



**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Required Supplementary Information

Schedule of Employer Contributions - Defined Benefit Pension Plans

(Unaudited)

	<u>Actuarially determined contribution</u>	<u>Actual employer contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contribution as a percentage of covered payroll</u>
<b>Judicial Retirement System</b>					
Year ended June 30:					
2014	\$ 43,922,167	15,874,681	28,047,486	67,810,110	23.41%
2013	45,415,467	12,308,227	33,107,240	67,497,660	18.24
2012	42,475,660	5,969,713	36,505,947	67,437,125	8.85
2011	38,450,553	651,718	37,798,835	71,746,413	0.91
2010	32,540,704	1,032,857	31,507,847	70,133,372	1.47
2009	29,809,782	1,696,843	28,112,939	67,159,516	2.53
2008	27,171,100	12,913,890	14,257,210	63,144,685	20.45
2007	25,174,191	12,741,898	12,432,293	62,492,250	20.39
2006	23,212,502	7,972,000	15,240,502	60,506,750	13.18
2005	22,525,773	6,162,076	16,363,697	61,576,750	10.01
<b>Prison Officers' Pension Fund</b>					
Year ended June 30:					
2014	\$ —	—	—	N/A	N/A
2013	—	—	—	N/A	N/A
2012	—	—	—	N/A	N/A
2011	—	—	—	N/A	N/A
2010	—	—	—	N/A	N/A
2009	—	—	—	N/A	N/A
2008	—	—	—	N/A	N/A
2007	—	—	—	N/A	N/A
2006	—	—	—	N/A	N/A
2005	—	—	—	N/A	N/A
<b>State Police Retirement System</b>					
Year ended June 30:					
2014	\$ 105,093,378	36,379,273	68,714,105	262,063,829	13.88%
2013	99,876,582	27,777,047	72,099,535	283,219,927	9.81
2012	98,869,662	13,545,607	85,324,055	275,219,752	4.92
2011	114,120,061	2,201,604	111,918,457	289,980,657	0.76
2010	91,411,237	1,018,200	90,393,037	287,267,502	0.35
2009	86,385,254	5,574,860	80,810,394	281,087,566	1.98
2008	78,761,279	36,443,502	42,317,777	275,301,995	13.24
2007	56,502,006	29,268,194	27,233,812	263,220,592	11.12
2006	47,196,900	12,941,000	34,255,900	241,813,372	5.35
2005	37,943,519	187,909	37,755,610	223,552,154	0.08

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Required Supplementary Information

Schedule of Employer Contributions - Defined Benefit Pension Plans

(Unaudited)

	<u>Actuarially determined contribution</u>	<u>Actual employer contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contribution as a percentage of covered payroll</u>
<b>Consolidated Police and Firemen's Pension Fund</b>					
Year ended June 30:					
2014	\$ 864,041	—	864,041	N/A	N/A
2013	1,095,632	896,883	198,749	N/A	N/A
2012	1,240,860	174,000	1,066,860	N/A	N/A
2011	528,714	—	528,714	N/A	N/A
2010	1,678,690	—	1,678,690	N/A	N/A
2009	1,824,798	1,256,000	568,798	N/A	N/A
2008	2,388,591	523,000	1,865,591	N/A	N/A
2007	8,474,210	1,784,000	6,690,210	N/A	N/A
2006	13,854,805	6,397,000	7,457,805	N/A	N/A
2005	14,329,212	7,046,000	7,283,212	N/A	N/A
<b>Teachers' Pension and Annuity Fund</b>					
Year ended June 30:					
2014	\$ 2,158,287,358	392,035,985	1,766,251,373	10,038,792,896	3.91%
2013	2,331,811,395	647,059,335	1,684,752,060	9,779,212,916	6.62
2012	2,269,823,968	317,927,358	1,951,896,610	9,682,318,739	3.28
2011	2,123,175,951	30,655,332	2,092,520,619	10,025,401,658	—
2010	1,796,358,016	33,199,655	1,763,158,361	9,747,020,060	—
2009	1,601,478,508	95,863,972	1,505,614,536	9,419,083,203	1.02
2008	1,550,503,836	695,275,811	855,228,025	9,077,628,813	7.66
2007	1,407,249,580	690,794,259	716,455,321	8,748,623,186	7.90
2006	1,177,674,055	94,226,363	1,083,447,692	8,454,072,109	1.11
2005	883,460,483	—	883,460,483	8,047,272,269	—
<b>Police and Firemen's Retirement System</b>					
Year ended June 30:					
2014	\$ 1,150,719,106	880,431,697	270,287,409	3,678,910,266	23.93%
2013	1,279,412,723	895,743,379	383,669,344	3,656,218,573	24.50
2012	1,238,132,402	826,461,015	411,671,387	3,649,416,297	22.65
2011	1,337,424,856	889,724,548	447,700,308	3,720,534,369	23.91
2010	1,161,763,447	758,722,185	403,041,262	3,673,674,523	20.65
2009	1,048,234,663	716,491,044	331,743,619	3,596,254,177	19.92
2008	960,856,263	780,799,395	180,056,868	3,459,839,699	22.57
2007	801,216,011	550,911,183	250,304,828	3,278,999,899	16.80
2006	676,774,386	334,527,583	342,246,803	3,101,807,870	10.78
2005	516,685,223	182,067,496	334,617,727	2,975,265,463	6.12

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Required Supplementary Information

Schedule of Employer Contributions - Defined Benefit Pension Plans

(Unaudited)

	<u>Actuarially determined contribution</u>	<u>Actual employer contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contribution as a percentage of covered payroll</u>
<b>Public Employees' Retirement System</b>					
Year ended June 30:					
2014	\$ 1,797,073,081	941,023,184	856,049,897	11,448,531,265	8.22%
2013	1,911,359,009	1,087,389,140	823,969,869	11,433,091,635	9.51
2012	1,895,158,413	976,093,907	919,064,506	11,609,042,726	8.41
2011	1,824,391,081	832,016,186	992,374,895	11,981,354,783	6.94
2010	1,422,475,763	640,282,996	782,192,767	11,995,447,141	5.34
2009	1,285,791,399	627,989,949	657,801,450	11,815,800,825	5.31
2008	1,145,564,136	646,690,366	498,873,770	11,418,467,816	5.66
2007	762,290,568	457,860,138	304,430,430	10,983,873,428	4.17
2006	256,055,116	142,066,208	113,988,908	10,444,293,814	1.36
2005	144,443,248	57,380,225	87,063,023	9,892,178,852	0.58

See accompanying independent auditors' report and notes to required supplementary information.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Required Supplementary Information

Schedule of Investment Returns - Defined Benefit Pension Plans  
Annual Money-Weighted Rate of Return, Net of Investment Expense  
(Unaudited)

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPF</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>
Year ended June 30: 2014	16.64%	0.09%	16.64%	0.02%	16.64%	16.64%	16.64%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See accompanying independent auditors' report and notes to required supplementary information.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**  
Notes to the Required Supplementary Information  
Last 10 Fiscal Years

*Changes in benefit terms:* None

*Changes in assumptions:* The discount rate changed from the rate as of June 30, 2013 to the rate as of June 30, 2014, in accordance with GASB Statement No. 67.

*Method and assumptions used in calculations of employers' actuarially determined contributions:* The actuarially determined contributions are calculated as of July 1 preceding the fiscal year in which the contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates in the Schedule of Employer Contributions.

	<b>JRS</b>	<b>POPF</b>	<b>SPRS</b>	<b>CPFPF</b>	<b>TPAF</b>	<b>PFRS</b>	<b>PERS</b>
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, open	Level Dollar, open	Level Dollar, open	Level Dollar, open	Level Dollar, open	Level Dollar, open	Level Dollar, open
Remaining amortization period	30 years	30 years	30 years	30 years	30 years	30 years	30 years
Asset valuation method	Five-year average of market values	Five-year average of market values	Five-year average of market values	Five-year average of market values	20% of the difference between the expected Actuarial Value and market value is recognized each year	Five-year average of market values	Five-year average of market values
Inflation	3.01%	3.01%	3.01%	3.01%	2.50%	3.01%	3.01%
Projected salary increase 2012-2021	2.50%	N/A^	3.45%	N/A^	Varies based on experience	2.00%	2.00%
Thereafter	3.50%	N/A^	4.45%	N/A^	Varies based on experience	1.00%	1.00%
Projected COLAs	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Investment rate of return	7.90%	5.00%	7.90%	2.00%	7.90%	7.90%	7.90%

\* Pursuant to the provisions of Chapter 78, P.L. 2011, cost of living adjustment (COLA) increases were suspended for all current and future retirees of all retirement systems.

^ This is a closed plan, therefore there are no active employees.

*Contributions:* Contributions reported on Schedule 1 include actual contributions by State and local employers (where applicable), transfers from other Systems, administrative loan fees and contributions to the Non-Contributory Group Insurance Premium Fund. Contributions reported on Schedule 2 represent actual contributions by the State and local employers (where applicable) including contributions to the Non-Contributory Group Life Insurance Premium Fund.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Required Supplementary Information  
Other Post-Employment Benefits Schedule of Funding Progress - Defined Benefit  
(Unaudited)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (overfunded) 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)	
<b>State Health Benefit Program – State</b>							
July 1, 2011	\$	—	18,077,800,000	18,077,800,000	—%	\$ 7,491,835,889	241.3%
July 1, 2012		—	19,319,700,000	19,319,700,000	—	7,695,193,894	251.1
July 1, 2013		—	19,746,700,000	19,746,700,000	—	7,811,194,620	252.8
<b>State Health Benefit Program – Local</b>							
July 1, 2011	\$	—	11,127,000,000	11,127,000,000	—%	\$ 2,831,000,000	393.0%
July 1, 2012		—	12,378,100,000	12,378,100,000	—	2,937,000,000	421.4
July 1, 2013		—	13,804,500,000	13,804,500,000	—	3,156,000,000	437.4
<b>State Health Benefit Program – Education</b>							
July 1, 2011	\$	—	30,871,900,000	30,871,900,000	—%	\$ 12,794,864,111	241.3%
July 1, 2012		—	32,182,900,000	32,182,900,000	—	12,818,706,106	251.1
July 1, 2013		—	33,253,400,000	33,253,400,000	—	13,153,105,380	252.8

\* Required disclosure at adoption of standard.

See accompanying independent auditors' report.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Required Supplementary Information

Other Post-Employment Benefits Schedule of Funding Progress – Additional Actuarial Information

(Unaudited)

Significant actuarial methods and assumptions used in the most recent 2013 actuarial valuation include the following:

	<u>State Health Benefit Program Funds</u>
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	30 years
Actuarial assumptions:	
Interest rate	4.50% (assuming no prefunding)
Salary range	N/A
Cost-of-living adjustments	N/A
Valuation date	July 1, 2013

For medical benefits, the healthcare cost trend rate assumption initially is at 8.0% and decreases to a 5.0% long-term trend rate for all medical benefits after 7 years, except for NJ Direct Post-65 whose rate assumption is 5.0% through 7 years. For prescription drug benefits, the initial healthcare cost assumption is 8.0%, decreasing to a 5.0% long-term trend rate after 7 years. For Medicare Part B reimbursement, the healthcare cost trend rate assumption is 5.0% throughout 7 years.

See accompanying independent auditors' report.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Required Supplementary Information

Other Post-Employment Benefits Schedule of Employer Contributions - Defined Benefit

(Unaudited)

	<u>Annual required contribution<sup>(1)</sup></u>	<u>Employer contributions</u>	<u>Percentage contributed</u>
<b>State Health Benefit Program – State</b>			
Year ended June 30, 2012	\$ 1,802,200,000	505,481,000	28.0%
Year ended June 30, 2013	1,911,400,000	562,698,000	29.4
Year ended June 30, 2014	1,935,100,000	569,367,000	29.4
<b>State Health Benefit Program – Local</b>			
Year ended June 30, 2012	\$ 1,098,200,000	274,800,000	25.0%
Year ended June 30, 2013	1,200,700,000	322,300,000	26.8
Year ended June 30, 2014	1,324,400,000	369,600,000	27.9
<b>State Health Benefit Program – Education</b>			
Year ended June 30, 2012	\$ 3,115,800,000	873,919,000	28.0%
Year ended June 30, 2013	3,238,900,000	953,502,000	29.4
Year ended June 30, 2014	3,346,800,000	984,733,000	29.4

*Notes to schedule:*

<sup>(1)</sup> *The annual required contribution reflects a 30-year, 4.0% annual increasing amortization of the unfunded actuarial accrued liability. Based on expected benefit payments plus retiree drug subsidy for the applicable fiscal year end.*

See accompanying independent auditors' report.



**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Schedule of Administrative Expenses

Year ended June 30, 2014

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPPF</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>	<u>NJSEDCP</u>	<u>Total</u>
Personnel services:									
Salaries and wages	\$ 93,697	2,388	102,409	4,023	4,942,306	1,161,733	8,626,066	179,776	15,112,398
Employee benefits	47,196	1,181	50,846	1,921	2,487,534	581,360	4,261,322	90,549	7,521,909
Total personnel services	140,893	3,569	153,255	5,944	7,429,840	1,743,093	12,887,388	270,325	22,634,307
Professional services:									
Actuarial services	5,035	524	30,218	717	402,839	424,947	443,151	—	1,307,431
Data processing	3,721	418	21,135	768	931,276	309,410	1,747,706	14,652	3,029,086
Information systems	4,826	540	26,580	1,040	1,306,995	415,897	2,234,581	—	3,990,459
Other professional (1)	854	89	5,351	122	215,781	74,854	373,571	181,500	852,122
Medical reviews (exams/hearings)	—	—	10,625	—	254,117	506,128	973,777	—	1,744,647
Elections	—	—	—	—	—	67,042	22,000	—	89,042
Internal audit and legal	1,814	189	10,888	258	456,528	153,113	788,415	—	1,411,205
Total professional services	16,250	1,760	104,797	2,905	3,567,536	1,951,391	6,583,201	196,152	12,423,992
Communication:									
Travel	3	—	73	—	3,412	4,297	6,839	—	14,624
Telephone	342	36	2,051	49	86,012	28,847	148,541	2,800	268,678
Postage	662	69	3,971	94	166,502	55,842	287,546	1,000	515,686
Printing and office	466	48	2,796	66	117,242	39,321	202,474	—	362,413
Total communication	1,473	153	8,891	209	373,168	128,307	645,400	3,800	1,161,401
Miscellaneous:									
Office space	3,157	328	18,949	450	794,561	266,484	1,372,193	—	2,456,122
Maintenance	25	3	148	4	6,210	2,083	10,724	—	19,197
Equipment	382	40	2,293	54	96,167	32,253	166,078	—	297,267
Other services and charges	—	—	—	—	—	—	—	12,000	12,000
Total miscellaneous	3,564	371	21,390	508	896,938	300,820	1,548,995	12,000	2,784,586
Total administrative expenses	\$ 162,180	5,853	288,333	9,566	12,267,482	4,123,611	21,664,984	482,277	39,004,286

(1) Portion of consulting

See accompanying independent auditors' report.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Schedule of Investment Expenses

Year ended June 30, 2014

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPF</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>	<u>NJSEDCP</u>	<u>Total</u>
Investment expense \$	18,888	2,235	109,647	3,331	4,665,570	1,568,288	8,239,931	182,435	14,790,325

See accompanying independent auditors' report.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Schedule of Expenses for Consultants

Year ended June 30, 2014

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPP</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>	<u>Total</u>
Actuarial:								
Buck Consultants	\$ 5,035	524	30,218	717	—	424,947	443,151	904,592
Milliman	—	—	—	—	402,839	—	—	402,839
Medical reviews (exams/hearings)	—	—	10,625	—	254,117	506,128	973,777	1,744,647
Board elections:								
Global support	—	—	—	—	—	67,042	22,000	89,042
Total expenses for consultants	<u>\$ 5,035</u>	<u>524</u>	<u>40,843</u>	<u>717</u>	<u>656,956</u>	<u>998,117</u>	<u>1,438,928</u>	<u>3,141,120</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Schedule of Fiduciary Net Position  
Fiduciary Funds

June 30, 2014

	<b>Pension Trust Funds</b>	<b>Other Postemployment Benefit Plans</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets:			
Cash and cash equivalents	\$ 10,839,739	63,958,406	74,798,145
Receivables:			
Contributions:			
Members	202,386,378	2,866,319	205,252,697
Employers	1,942,593,526	176,733,041	2,119,326,567
Non-employer	15,838,737	—	15,838,737
Accrued interest and dividends	7,374,594	—	7,374,594
Securities sold in transit	8,147,162	—	8,147,162
Other	14,904,926	5,443,859	20,348,785
Total receivables	<u>2,191,245,323</u>	<u>185,043,219</u>	<u>2,376,288,542</u>
Investments, at fair value:			
Cash Management Fund	2,227,001,106	693,227,741	2,920,228,847
Common Pension Fund D	54,450,415,842	—	54,450,415,842
Common Pension Fund E	24,259,086,014	—	24,259,086,014
Common stocks	208,514,953	—	208,514,953
Mortgages	877,681,882	—	877,681,882
Domestic equities	1,610,523,142	—	1,610,523,142
International equities	330,745,275	—	330,745,275
Domestic fixed income	1,399,262,959	—	1,399,262,959
International fixed income	6,448,615	—	6,448,615
Total investments	<u>85,369,679,788</u>	<u>693,227,741</u>	<u>86,062,907,529</u>
Securities lending collateral	1,475,934,227	—	1,475,934,227
Member Loans	1,033,107,655	—	1,033,107,655
Total assets	<u>90,080,806,732</u>	<u>942,229,366</u>	<u>91,023,036,098</u>
Liabilities:			
Accounts payable and accrued expenses	146,409,623	695,096,985	841,506,608
Retirement benefits payable	786,118,182	—	786,118,182
Noncontributory group life insurance premiums payable	26,422,962	—	26,422,962
Securities lending collateral and rebates payable	1,474,629,754	—	1,474,629,754
Contributory life insurance payable	556,155,444	—	556,155,444
Total liabilities	<u>2,989,735,965</u>	<u>695,096,985</u>	<u>3,684,832,950</u>
Net position restricted for pension and other postemployment benefits	<u>\$ 87,091,070,767</u>	<u>247,132,381</u>	<u>87,338,203,148</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Schedule of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2014

	<b>Pension Trust Funds</b>	<b>Other Postemployment Benefit Plans</b>	<b>Total</b>
Additions:			
Contributions:			
Members	\$ 2,115,751,917	399,307,467	2,515,059,384
Employers	1,835,745,183	5,479,344,541	7,315,089,724
Non-employer	423,012,101	—	423,012,101
Other	98,815,766	—	98,815,766
Total contributions	<u>4,473,324,967</u>	<u>5,878,652,008</u>	<u>10,351,976,975</u>
Investment income:			
Net increase in fair value of investments	11,221,026,593	59,665	11,221,086,258
Interest	1,153,724,255	1,164,042	1,154,888,297
Dividends	13,448,338	—	13,448,338
	<u>12,388,199,186</u>	<u>1,223,707</u>	<u>12,389,422,893</u>
Less investment expense	<u>14,790,325</u>	<u>—</u>	<u>14,790,325</u>
Net investment income	<u>12,373,408,861</u>	<u>1,223,707</u>	<u>12,374,632,568</u>
Total additions	<u>16,846,733,828</u>	<u>5,879,875,715</u>	<u>22,726,609,543</u>
Deductions:			
Benefits	9,440,337,402	5,918,951,153	15,359,288,555
Contributory life insurance payments	96,799,412	—	96,799,412
Refunds of contributions	183,747,830	—	183,747,830
Administrative and miscellaneous expenses	38,751,426	9,359,616	48,111,042
Total deductions	<u>9,759,636,070</u>	<u>5,928,310,769</u>	<u>15,687,946,839</u>
Net increase (decrease)	7,087,097,758	(48,435,054)	7,038,662,704
Net position restricted for pension and other postemployment benefits:			
Beginning of year, as restated	<u>80,003,973,009</u>	<u>295,567,435</u>	<u>80,299,540,444</u>
End of year	<u>\$ 87,091,070,767</u>	<u>247,132,381</u>	<u>87,338,203,148</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Fiduciary Net Position Information  
Fiduciary Funds – Select Pension Trust Funds

June 30, 2014

	<b>Judicial Retirement System</b>	<b>Prison Officers' Pension Fund</b>	<b>State Police Retirement System</b>	<b>Consolidated Police and Firemen's Pension Fund</b>	<b>Teachers' Pension and Annuity Fund</b>	<b>Police and Firemen's Retirement System</b>	<b>Public Employees' Retirement System</b>	<b>Total</b>
<b>Assets:</b>								
Cash and cash equivalents	\$ 75,929	210,796	1,651,362	76,636	1,680,369	4,400,533	2,419,703	10,515,328
<b>Receivables:</b>								
Contributions:								
Members	281,763	—	1,048,627	—	85,470,751	48,132,659	67,053,209	201,987,009
Employers	22,525	—	82,060	—	26,366,436	948,434,909	967,687,596	1,942,593,526
Non-employers	—	—	—	—	15,838,737	—	—	15,838,737
Accrued interest and dividends	127	5	141	9	2,786	6,021,320	2,308	6,026,696
Securities sold in transit	—	—	—	—	—	6,300,613	—	6,300,613
Other	161,077	60,958	84,309	90,820	1,682,095	3,410,304	8,032,667	13,522,230
Total receivables	465,492	60,963	1,215,137	90,829	129,360,805	1,012,299,805	1,042,775,780	2,186,268,811
<b>Investments, at fair value:</b>								
Cash Management Fund	23,283,378	7,238,077	62,448,961	3,391,743	893,133,851	338,352,725	847,020,863	2,174,869,598
Common Pension Fund D	136,312,154	—	1,281,555,912	—	18,093,956,520	15,827,472,375	19,111,118,881	54,450,415,842
Common Pension Fund E	74,540,402	—	592,601,815	—	8,480,525,681	6,844,150,641	8,267,267,475	24,259,086,014
Mortgages	—	—	—	—	—	877,681,882	—	877,681,882
Total investments	234,135,934	7,238,077	1,936,606,688	3,391,743	27,467,616,052	23,887,657,623	28,225,407,219	81,762,053,336
Securities lending collateral	3,694,880	—	34,737,884	—	490,455,203	429,019,831	518,026,429	1,475,934,227
Members' loans	972,969	—	15,197,962	—	217,605,038	300,828,985	498,502,701	1,033,107,655
Total assets	239,345,204	7,509,836	1,989,409,033	3,559,208	28,306,717,467	25,634,206,777	30,287,131,832	86,467,879,357
<b>Liabilities:</b>								
Accounts payable and accrued expenses	7	2,621	76,935	—	59,346,872	4,499,815	79,344,603	143,270,853
Retirement benefits payable	4,147,222	124,014	16,586,462	255,577	322,685,555	172,731,088	268,423,346	784,953,264
Noncontributory group life insurance premiums payable	22,525	—	82,060	—	6,758,125	7,849,438	11,710,814	26,422,962
Securities lending collateral and rebates payable	3,691,615	—	34,707,182	—	490,021,724	428,640,651	517,568,582	1,474,629,754
Contributory life insurance payable	—	—	—	—	145,652,730	—	410,502,714	556,155,444
Total liabilities	7,861,369	126,635	51,452,639	255,577	1,024,465,006	613,720,992	1,287,550,059	2,985,432,277
Net position restricted for pensions	\$ 231,483,835	7,383,201	1,937,956,394	3,303,631	27,282,252,461	25,020,485,785	28,999,581,773	83,482,447,080

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Changes In Fiduciary Net Position Information  
Fiduciary Funds – Select Pension Trust Funds

Year ended June 30, 2014

	<b>Judicial Retirement System</b>	<b>Prison Officers' Pension Fund</b>	<b>State Police Retirement System</b>	<b>Consolidated Police and Firemen's Pension Fund</b>	<b>Teachers' Pension and Annuity Fund</b>	<b>Police and Firemen's Retirement System</b>	<b>Public Employees' Retirement System</b>	<b>Total</b>
<b>Additions:</b>								
<b>Contributions:</b>								
<b>Members:</b>								
State	\$ 5,096,577	—	24,034,496	—	716,183,306	53,618,958	318,083,247	1,117,016,584
Local	—	—	—	—	—	332,041,138	479,734,978	811,776,116
<b>Employers:</b>								
State	15,874,857	—	36,436,923	—	—	70,544,755	171,819,999	294,676,534
Local	—	—	—	11,740	4,688,045	787,502,873	745,869,001	1,538,071,659
Non-employers	—	—	—	—	423,012,101	—	—	423,012,101
Other	—	793,175	—	1,889,091	40,469,573	—	55,641,713	98,793,552
Total contributions	<u>20,971,434</u>	<u>793,175</u>	<u>60,471,419</u>	<u>1,900,831</u>	<u>1,184,353,025</u>	<u>1,243,707,724</u>	<u>1,771,148,938</u>	<u>4,283,346,546</u>
<b>Investment income:</b>								
Net increase in fair value of investments	31,728,514	622	262,436,905	273	3,743,233,928	3,026,512,808	3,706,234,967	10,770,148,017
Interest	2,738,410	8,981	24,770,959	3,643	361,885,108	356,609,349	405,477,946	1,151,494,396
	<u>34,466,924</u>	<u>9,603</u>	<u>287,207,864</u>	<u>3,916</u>	<u>4,105,119,036</u>	<u>3,383,122,157</u>	<u>4,111,712,913</u>	<u>11,921,642,413</u>
Less investment expense	18,888	2,235	109,647	3,331	4,665,570	1,568,288	8,239,931	14,607,890
Net investment income	<u>34,448,036</u>	<u>7,368</u>	<u>287,098,217</u>	<u>585</u>	<u>4,100,453,466</u>	<u>3,381,553,869</u>	<u>4,103,472,982</u>	<u>11,907,034,523</u>
Total additions	<u>55,419,470</u>	<u>800,543</u>	<u>347,569,636</u>	<u>1,901,416</u>	<u>5,284,806,491</u>	<u>4,625,261,593</u>	<u>5,874,621,920</u>	<u>16,190,381,069</u>
<b>Deductions:</b>								
<b>Benefits:</b>								
Benefit Expense - Retirement Allowances	49,010,181	1,583,408	196,462,464	2,942,035	3,755,010,521	2,054,143,288	3,062,651,112	9,121,803,009
Non Contributory Group Insurance Expense	540,681	—	1,148,273	—	34,279,481	42,612,105	70,950,733	149,531,273
Contributory Group Insurance Expense	—	—	—	—	40,649,586	—	56,149,826	96,799,412
Refunds of contributions	53,218	—	348,201	—	48,569,511	9,073,618	125,688,269	183,732,817
Administrative and miscellaneous expenses	162,372	5,853	280,026	9,566	12,170,971	3,884,342	21,756,019	38,269,149
Total deductions	<u>49,766,452</u>	<u>1,589,261</u>	<u>198,238,964</u>	<u>2,951,601</u>	<u>3,890,680,070</u>	<u>2,109,713,353</u>	<u>3,337,195,959</u>	<u>9,590,135,660</u>
Net increase/(decrease)	5,653,018	(788,718)	149,330,672	(1,050,185)	1,394,126,421	2,515,548,240	2,537,425,961	6,600,245,409
<b>Net position restricted for pensions:</b>								
Beginning of year, as restated	225,830,817	8,171,919	1,788,625,722	4,353,816	25,888,126,040	22,504,937,545	26,462,155,812	76,882,201,671
End of year	<u>\$ 231,483,835</u>	<u>7,383,201</u>	<u>1,937,956,394</u>	<u>3,303,631</u>	<u>27,282,252,461</u>	<u>25,020,485,785</u>	<u>28,999,581,773</u>	<u>83,482,447,080</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Fiduciary Net Position Information – Fiduciary Funds –  
State Health Benefit Program Fund – State

June 30, 2014

	<b>Health Benefit Program Fund State</b>	<b>Prescription Drug Program Fund State</b>	<b>Total State Health Benefit Program Fund State</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets:			
Cash and cash equivalents	\$ 664,505	23,479,202	24,143,707
Receivables:			
Contributions:			
Members	741,531	258,069	999,600
Employers	38,393,884	147,330	38,541,214
Other	3,405	1,023,676	1,027,081
Total receivables	<u>39,138,820</u>	<u>1,429,075</u>	<u>40,567,895</u>
Investments, at fair value:			
Cash Management Fund	<u>18,298,608</u>	<u>19,312,207</u>	<u>37,610,815</u>
Total investments	<u>18,298,608</u>	<u>19,312,207</u>	<u>37,610,815</u>
Total assets	<u>58,101,933</u>	<u>44,220,484</u>	<u>102,322,417</u>
Liabilities:			
Accounts payable and accrued expenses	<u>221,058,941</u>	<u>23,051,304</u>	<u>244,110,245</u>
Total liabilities	<u>221,058,941</u>	<u>23,051,304</u>	<u>244,110,245</u>
Net position restricted for other postemployment benefits	<u>\$ (162,957,008)</u>	<u>21,169,180</u>	<u>(141,787,828)</u>

See accompanying independent auditors' report.



**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Changes in Fiduciary Net Position Information – Fiduciary Funds –  
State Health Benefit Program Fund – State

Year ended June 30, 2014

	<b>Health Benefit Program Fund State</b>	<b>Prescription Drug Program Fund State</b>	<b>Total State Health Benefit Program Fund State</b>
<b>Additions:</b>			
<b>Contributions:</b>			
Members	\$ 221,150,884	71,301,600	292,452,484
Employers	1,416,611,818	453,777,288	1,870,389,106
Total contributions	<u>1,637,762,702</u>	<u>525,078,888</u>	<u>2,162,841,590</u>
<b>Investment income:</b>			
Net increase in fair value of investments	1,357	8,872	10,229
Interest	93,864	85,339	179,203
Net investment income	<u>95,221</u>	<u>94,211</u>	<u>189,432</u>
Total additions	<u>1,637,857,923</u>	<u>525,173,099</u>	<u>2,163,031,022</u>
<b>Deductions:</b>			
Benefits	1,631,215,479	516,926,202	2,148,141,681
Administrative expenses	3,509,855	—	3,509,855
Total deductions	<u>1,634,725,334</u>	<u>516,926,202</u>	<u>2,151,651,536</u>
Net increase	3,132,589	8,246,897	11,379,486
<b>Net position restricted for other postemployment benefits:</b>			
Beginning of year	<u>(166,089,597)</u>	<u>12,922,283</u>	<u>(153,167,314)</u>
End of year	<u>\$ (162,957,008)</u>	<u>21,169,180</u>	<u>(141,787,828)</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Fiduciary Net Position Information – Fiduciary Funds –  
State Health Benefit Program Fund – Local

June 30, 2014

	<b>Health Benefit Program Fund Local</b>	<b>Prescription Drug Program Fund Local</b>	<b>Total State Health Benefit Program Fund Local</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets:			
Cash and cash equivalents	\$ 563,694	8,401,099	8,964,793
Receivables:			
Contributions:			
Members	561,465	429,231	990,696
Employers	61,214,714	10,727,795	71,942,509
Other	2,750	1,883,228	1,885,978
Total receivables	<u>61,778,929</u>	<u>13,040,254</u>	<u>74,819,183</u>
Investments, at fair value:			
Cash Management Fund	<u>234,018,493</u>	<u>90,376,489</u>	<u>324,394,982</u>
Total investments	<u>234,018,493</u>	<u>90,376,489</u>	<u>324,394,982</u>
Total assets	<u>296,361,116</u>	<u>111,817,842</u>	<u>408,178,958</u>
Liabilities:			
Accounts payable and accrued expenses	<u>139,566,023</u>	<u>11,185,000</u>	<u>150,751,023</u>
Total liabilities	<u>139,566,023</u>	<u>11,185,000</u>	<u>150,751,023</u>
Net position restricted for other other employment benefits	<u>\$ 156,795,093</u>	<u>100,632,842</u>	<u>257,427,935</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Changes in Fiduciary Net Position Information – Fiduciary Funds –  
State Health Benefit Program Fund – Local

Year ended June 30, 2014

	<b>Health Benefit Program Fund Local</b>	<b>Prescription Drug Program Fund Local</b>	<b>Total State Health Benefit Program Fund Local</b>
<b>Additions:</b>			
<b>Contributions:</b>			
Members	\$ 35,774,082	17,437,096	53,211,178
Employers	968,062,135	241,113,617	1,209,175,752
Total contributions	1,003,836,217	258,550,713	1,262,386,930
<b>Investment income:</b>			
Net increase in fair value of investments	22,339	1,183	23,522
Interest	334,887	102,840	437,727
Net investment income	357,226	104,023	461,249
Total additions	1,004,193,443	258,654,736	1,262,848,179
<b>Deductions:</b>			
Benefits	978,808,352	248,451,036	1,227,259,388
Administrative expenses	1,712,809	—	1,712,809
Total deductions	980,521,161	248,451,036	1,228,972,197
Net increase	23,672,282	10,203,700	33,875,982
<b>Net position restricted for other postemployment benefits:</b>			
Beginning of year	133,122,811	90,429,142	223,551,953
End of year	\$ 156,795,093	100,632,842	257,427,935

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Fiduciary Net Position Information – Fiduciary Funds –  
State Health Benefit Program Fund – Education

June 30, 2014

	<b>Health Benefit Program Fund Education</b>	<b>Prescription Drug Program Fund Education</b>	<b>Total State Health Benefit Program Fund Education</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 297,205	30,552,701	30,849,906
<b>Receivables:</b>			
<b>Contributions:</b>			
Members	403,143	472,880	876,023
Employers	60,927,846	5,321,472	66,249,318
Other	788,307	1,742,493	2,530,800
Total receivables	62,119,296	7,536,845	69,656,141
<b>Investments, at fair value:</b>			
Cash Management Fund	282,247,633	48,974,311	331,221,944
Total investments	282,247,633	48,974,311	331,221,944
Total assets	344,664,134	87,063,857	431,727,991
<b>Liabilities:</b>			
Accounts payable and accrued expenses	275,226,717	25,009,000	300,235,717
Total liabilities	275,226,717	25,009,000	300,235,717
Net position restricted for other postemployment benefits	\$ 69,437,417	62,054,857	131,492,274

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Changes in Fiduciary Net Position Information – Fiduciary Funds –  
State Health Benefit Program Fund – Education

Year ended June 30, 2014

	<u>Health Benefit Program Fund Education</u>	<u>Prescription Drug Program Fund Education</u>	<u>Total State Health Benefit Program Fund Education</u>
Additions:			
Contributions:			
Members	\$ 32,240,319	21,403,486	53,643,805
Employers	<u>1,972,949,701</u>	<u>426,829,982</u>	<u>2,399,779,683</u>
Total contributions	<u>2,005,190,020</u>	<u>448,233,468</u>	<u>2,453,423,488</u>
Investment income:			
Net increase in fair value of investments	24,139	1,775	25,914
Interest	<u>440,522</u>	<u>106,590</u>	<u>547,112</u>
Net investment income	<u>464,661</u>	<u>108,365</u>	<u>573,026</u>
Total additions	<u>2,005,654,681</u>	<u>448,341,833</u>	<u>2,453,996,514</u>
Deductions:			
Benefits	2,057,541,328	486,008,756	2,543,550,084
Administrative expenses	<u>4,136,952</u>	<u>—</u>	<u>4,136,952</u>
Total deductions	<u>2,061,678,280</u>	<u>486,008,756</u>	<u>2,547,687,036</u>
Net decrease	(56,023,599)	(37,666,923)	(93,690,522)
Net position restricted for other postemployment benefits:			
Beginning of year	<u>125,461,016</u>	<u>99,721,780</u>	<u>225,182,796</u>
End of year	<u>\$ 69,437,417</u>	<u>62,054,857</u>	<u>131,492,274</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Balance Sheet Information  
Fiduciary Funds – Agency Funds

June 30, 2014

	<u>Alternate Benefit Program Fund</u>	<u>Pension Adjustment Fund</u>	<u>Dental Expense Program Fund</u>	<u>Total Agency Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,089,144	634,586	1,047,815	2,771,545
<b>Receivables:</b>				
State related employer contributions	—	546,046	—	546,046
Other contributions	31,946,931	2,449	3,606,153	35,555,533
Total receivables	<u>31,946,931</u>	<u>548,495</u>	<u>3,606,153</u>	<u>36,101,579</u>
<b>Investments, at fair value:</b>				
Cash Management Fund	3,564,683	1,616,653	34,012,522	39,193,858
Total investments	<u>3,564,683</u>	<u>1,616,653</u>	<u>34,012,522</u>	<u>39,193,858</u>
Total assets	<u>\$ 36,600,758</u>	<u>2,799,734</u>	<u>38,666,490</u>	<u>78,066,982</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 36,596,836	—	38,666,490	75,263,326
Assets held for local contributing employers	—	2,597,165	—	2,597,165
Pension adjustment payroll payable	—	206,027	—	206,027
Due to State of New Jersey	3,922	73,109	—	77,031
Due to other funds	—	(76,567)	—	(76,567)
Total liabilities	<u>\$ 36,600,758</u>	<u>2,799,734</u>	<u>38,666,490</u>	<u>78,066,982</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY  
DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Changes in Fiduciary Net Position Information  
Fiduciary Funds – Agency Funds

Year ended June 30, 2014

	<u>Alternate Benefit Program Fund</u>	<u>Pension Adjustment Fund</u>	<u>Dental Expense Program Fund</u>	<u>Total Agency Funds</u>
Additions:				
Contributions:				
Members	\$ 940,320	—	91,570,731	92,511,051
Employers	185,238,296	2,513,215	40,974,928	228,726,439
Total contributions	<u>186,178,616</u>	<u>2,513,215</u>	<u>132,545,659</u>	<u>321,237,490</u>
Investment income:				
Net increase in fair value of investments	389	130	3,184	3,703
Interest	3,711	2,920	42,235	48,866
Total investment income	<u>4,100</u>	<u>3,050</u>	<u>45,419</u>	<u>52,569</u>
Total additions	<u>186,182,716</u>	<u>2,516,265</u>	<u>132,591,078</u>	<u>321,290,059</u>
Deductions:				
Benefits	186,177,630	2,802,233	124,067,079	313,046,942
Refunds of contributions and to the general fund	5,086	(285,968)	8,523,999	8,243,117
Total deductions	<u>186,182,716</u>	<u>2,516,265</u>	<u>132,591,078</u>	<u>321,290,059</u>
Change in net position	—	—	—	—
Net position – beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net position – end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Balance Sheet Information  
Agency Fund – Dental Expense Program

June 30, 2014

	<b>State</b>	<b>Local</b>	<b>Total Agency Fund – Dental Expense Program</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,006,442	41,373	1,047,815
<b>Receivables:</b>			
Contributions	3,596,468	9,685	3,606,153
Total receivables	3,596,468	9,685	3,606,153
<b>Investments, at fair value:</b>			
Cash Management Fund	22,855,306	11,157,216	34,012,522
Total investments	22,855,306	11,157,216	34,012,522
Total assets	\$ 27,458,216	11,208,274	38,666,490
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 27,458,216	11,208,274	38,666,490
Total liabilities	\$ 27,458,216	11,208,274	38,666,490

See accompanying independent auditors' report.



**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Combining Schedule of Changes in Fiduciary Net Position Information  
Agency Fund – Dental Expense Program

Year ended June 30, 2014

	<u>State</u>	<u>Local</u>	<u>Total Agency Fund – Dental Expense Program</u>
Additions:			
Contributions:			
Members	\$ 52,530,772	39,039,959	91,570,731
Employers	36,765,149	4,209,779	40,974,928
Total contributions	<u>89,295,921</u>	<u>43,249,738</u>	<u>132,545,659</u>
Investment income:			
Net increase in fair value of investments	3,025	159	3,184
Interest	29,439	12,796	42,235
Total investment income	<u>32,464</u>	<u>12,955</u>	<u>45,419</u>
Total additions	<u>89,328,385</u>	<u>43,262,693</u>	<u>132,591,078</u>
Deductions:			
Benefits	82,057,132	42,009,947	124,067,079
Refunds of contributions and to the general fund	7,271,253	1,252,746	8,523,999
Total deductions	<u>89,328,385</u>	<u>43,262,693</u>	<u>132,591,078</u>
Change in net position	—	—	—
Net position – beginning of year	<u>—</u>	<u>—</u>	<u>—</u>
Net position – end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Schedule of Changes in Assets and Liabilities Information  
Agency Fund – Alternate Benefit Program Fund

June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets:				
Cash and cash equivalents	\$ 362,785	162,071,027	161,344,668	1,089,144
Receivables:				
Other contributions	30,598,386	31,946,931	30,598,386	31,946,931
Investments, at fair value:				
Cash Management Fund	1,344,122	188,539,284	186,318,723	3,564,683
Total assets	<u>\$ 32,305,293</u>	<u>382,557,242</u>	<u>378,261,777</u>	<u>36,600,758</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 32,149,700	38,926,619	34,479,483	36,596,836
Due to State of New Jersey	155,593	3,922	155,593	3,922
Total liabilities	<u>\$ 32,305,293</u>	<u>38,930,541</u>	<u>34,635,076</u>	<u>36,600,758</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Schedule of Changes in Assets and Liabilities Information  
Agency Fund – Pension Adjustment Fund

June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 516,472	1,861,720	1,743,606	634,586
<b>Receivables:</b>				
State related employer contributions	628,277	2,075,933	2,158,164	546,046
Other contributions	3,890	20,976	22,417	2,449
<b>Investments, at fair value:</b>				
Cash Management Fund	2,085,549	2,636,035	3,104,931	1,616,653
Total assets	<u>\$ 3,234,188</u>	<u>6,594,664</u>	<u>7,029,118</u>	<u>2,799,734</u>
<b>Liabilities:</b>				
Assets held for local contributing employers	\$ 2,861,776	196	264,807	2,597,165
Pension adjustment payroll payable	252,882	2,743,338	2,790,193	206,027
Due to State of New Jersey	95,036	73,109	95,036	73,109
Due to other funds	24,494	1,946,005	2,047,066	(76,567)
Total liabilities	<u>\$ 3,234,188</u>	<u>4,762,648</u>	<u>5,197,102</u>	<u>2,799,734</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Schedule of Changes in Assets and Liabilities Information  
Agency Fund – Dental Expense Program – Total

June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets:				
Cash and cash equivalents	\$ 693,643	38,226,348	37,872,176	1,047,815
Receivables:				
Other contributions	692,755	133,560,056	130,646,658	3,606,153
Investments, at fair value:				
Cash Management Fund	29,488,297	211,664,652	207,140,427	34,012,522
Total assets	<u>\$ 30,874,695</u>	<u>383,451,056</u>	<u>375,659,261</u>	<u>38,666,490</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 30,874,695	59,768,231	51,976,436	38,666,490
Total liabilities	<u>\$ 30,874,695</u>	<u>59,768,231</u>	<u>51,976,436</u>	<u>38,666,490</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Schedule of Changes in Assets and Liabilities Information  
Agency Fund – Dental Expense Program – State

June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets:				
Cash and cash equivalents	\$ 673,910	32,084,188	31,751,656	1,006,442
Receivables:				
Other contributions	675,779	90,310,627	87,389,938	3,596,468
Investments, at fair value:				
Cash Management Fund	19,724,945	166,400,605	163,270,244	22,855,306
Total assets	<u>\$ 21,074,634</u>	<u>288,795,420</u>	<u>282,411,838</u>	<u>27,458,216</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 21,074,634	50,914,277	44,530,695	27,458,216
Total liabilities	<u>\$ 21,074,634</u>	<u>50,914,277</u>	<u>44,530,695</u>	<u>27,458,216</u>

See accompanying independent auditors' report.

**STATE OF NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**

Schedule of Changes in Assets and Liabilities Information  
Agency Fund – Dental Expense Program – Local

June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Assets:				
Cash and cash equivalents	\$ 19,733	6,142,160	6,120,520	41,373
Receivables:				
Other contributions	16,976	43,249,429	43,256,720	9,685
Investments, at fair value:				
Cash Management Fund	9,763,352	45,264,047	43,870,183	11,157,216
Total assets	<u>\$ 9,800,061</u>	<u>94,655,636</u>	<u>93,247,423</u>	<u>11,208,274</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 9,800,061	8,853,954	7,445,741	11,208,274
Total liabilities	<u>\$ 9,800,061</u>	<u>8,853,954</u>	<u>7,445,741</u>	<u>11,208,274</u>

See accompanying independent auditors' report.