

CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM**

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Statement of Plan Net Assets, June 30, 2007 and 2006	6
Statement of Changes in Plan Net Assets for the Years ended June 30, 2007 and 2006	7
Notes to the Financial Statements	8-16
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	17
Schedule of Employer Contributions	18
Notes to Required Supplementary Schedules	19
SUPPLEMENTARY INFORMATION	
Schedule of Investments-Equities	20-22
Schedule of Investments-U.S. Government and Mortgage Backed Securities	23
Schedule of Investments-Corporate Obligations	24
Schedule of Investments-Participant Loans Receivable	25

FINANCIAL SECTION

DONOHUE, GIRONDA & DORIA

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA
Linda P. Kish, CPA, RMA
Tammy L. Zucca, CPA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000

60 Court Street—Suite 3
Hackensack, NJ 07601
(201) 342-5005

Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Pension Commission
City of Jersey City
Jersey City, New Jersey


We have audited the accompanying statement of plan net assets of the City of Jersey City Employees' Retirement System (the "Plan") as of June 30, 2007 and 2006, and the related statement of changes in plan net assets for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of June 30, 2007 and 2006, and the changes in its financial status for the years ended June 30, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Plan's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The required supplementary schedules of funding progress and schedule of employer contributions as well as the supplementary schedules of investments and participants' loans receivable, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DONOHUE, GIRONDA & DORIA
Certified Public Accountants

Bayonne, New Jersey
November 16, 2007

**CITY OF JERSEY CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2007 AND 2006**

This narrative and analysis of the City of Jersey City's Employees' Retirement System's ("JCERS" or the "Plan") financial performance provides an overview of the Plan's financial activities for the fiscal years ended June 30, 2007 and 2006. This discussion and analysis is intended to be read in conjunction with the Plan's financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

The Plan's net assets held in trust increased by \$2,047,264 (3.0%) as of June 30, 2006 and by \$8,290,781 (11.7%) as of June 30, 2007. The increase over the past two years has been directly related to stronger performing equity markets.

Statement of Plan Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash and Short-term Investments	\$ 6,279,359	\$ 5,976,219	\$ 4,883,921
Receivables	143,569	160,072	247,600
Investments	73,269,705	65,270,173	64,237,999
Liabilities	<u>(240,556)</u>	<u>(245,168)</u>	<u>(255,488)</u>
Net Assets Held in Trust	<u>\$ 79,452,077</u>	<u>\$ 71,161,296</u>	<u>\$ 69,114,032</u>

The cash and short-term investments balance of \$6,279,359 as of June 30, 2007 experienced an increase of \$303,140 (5.1%), which reflects the equity money managers, as a group, holding about \$658,000 less cash on hand than the prior year. The pension manager, Steve McGuire, is holding approximately \$964,000 more cash on hand. Total investments of \$73,269,705 as of June 30, 2007 experienced an increase of \$7,999,532(12.3%), which was due to continued positive returns in the equity markets, the Plan had \$9,606,075 in net appreciation on investments.

**CITY OF JERSEY CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2007 AND 2006**

Statement of Changes in Plan Net Assets

	2007	2006	2005
Contributions	\$ 4,987,558	\$ 4,827,914	\$ 4,486,819
Net Investment Income	11,179,757	4,715,320	5,200,474
Total Additions	16,167,315	9,543,234	9,687,293
Benefit Payments	7,169,050	6,995,188	6,215,078
Other Deductions	707,484	500,782	626,404
Total Deductions	7,876,534	7,495,970	6,841,482
Net Increase	\$ 8,290,781	\$ 2,047,264	\$ 2,845,811

Total additions to net assets of \$16,167,315 for the year ended June 30, 2007 increased by \$6,624,081 (69.4%), due almost entirely to higher net investment income, the vast majority of which was appreciation in investments. Benefit payments increased slightly from the year ended June 30, 2006 due mostly to the cost of living increase passed on to retirees. Other deductions increased \$206,702 (41.3%) due primarily to increases in refunds to members and investment expenses.

The table below summarizes the Plan's cash and investment allocation:

	2007	%	2006	%
Cash and Short-term Investments	\$ 6,279,359	7.9%	\$ 5,976,219	8.4%
U.S. Government Obligations	7,230,615	9.1%	7,454,325	10.5%
Mortgage Backed Securities	1,612,785	2.0%	1,287,035	1.8%
Corporate Obligations	11,854,036	14.9%	9,831,673	13.8%
Equities	49,746,988	62.5%	43,693,525	61.3%
Participants' Loans	2,825,281	3.5%	3,003,615	4.2%
Total Cash and Investments	\$ 79,549,064	99.9%	\$ 71,246,392	100.0%

The plan has reduced its exposure to fixed income investments (including cash), decreasing overall from 34.5% to 25.7% and dramatically increasing its exposure to equities.

**CITY OF JERSEY CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2007 AND 2006**

CONTACTING RETIREMENT SYSTEM FINANCIAL MANAGEMENT

This financial report is designed to provide our members, beneficiaries, investors and other interested parties with a general overview of the Plan's finances. If you have questions about this report or need additional financial information, contact the Jersey City Employees' Retirement System, One Journal Square Plaza, Jersey City, New Jersey 07306.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Assets		
Cash and Short-term investments	\$ 6,279,359	\$ 5,976,219
Receivables		
Accrued Interest and Dividends Receivable	143,569	160,072
Total Receivables	<u>143,569</u>	<u>160,072</u>
Investments at Fair Value		
U.S. Government Obligations	7,230,615	7,454,325
Mortgage Backed Securities	1,612,785	1,287,035
Corporate Obligations	11,854,036	9,831,673
Equities	49,746,988	43,693,525
Participants' Loans	2,825,281	3,003,615
Total Investments	<u>73,269,705</u>	<u>65,270,173</u>
Total Assets	<u>79,692,633</u>	<u>71,406,464</u>
Liabilities		
Accounts Payable	63,754	56,571
Benefits Payable	176,802	188,597
Total Liabilities	<u>240,556</u>	<u>245,168</u>
Net Assets Held in Trust for Pension Benefits (A schedule of funding progress is presented on page 17)	<u>\$ 79,452,077</u>	<u>\$ 71,161,296</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Additions		
Contributions		
Employer	\$ 2,570,955	\$ 2,490,940
Employees	2,416,603	2,336,974
Total Contributions	<u>4,987,558</u>	<u>4,827,914</u>
Investment Income		
Net appreciation in fair value of investments	9,606,075	3,299,197
Interest	978,857	861,876
Dividends	951,644	819,149
Insurance from employee loans	12,056	9,694
	<u>11,548,632</u>	<u>4,989,916</u>
Less investment expense	368,875	274,596
Net investment income	<u>11,179,757</u>	<u>4,715,320</u>
Total Additions	<u>16,167,315</u>	<u>9,543,234</u>
Deductions		
Benefits	7,169,050	6,995,188
Refunds of contributions	463,471	325,901
Administrative expense	213,279	174,881
Employee loan exonerated - deceased member	30,734	-
Total Deductions	<u>7,876,534</u>	<u>7,495,970</u>
Net Increase	8,290,781	2,047,264
Net assets held in trust for pension benefits		
Beginning of year	<u>71,161,296</u>	<u>69,114,032</u>
End of year	<u>\$ 79,452,077</u>	<u>\$ 71,161,296</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1: PLAN DESCRIPTION

The following brief description of the City of Jersey City Employees' Retirement System (the "Plan"), is provided for the purpose of general information only. Participants should refer to the Plan agreement for more complete information.

General

The City of Jersey City Employees' Retirement System became effective February 22, 1965, under N.J.S.A. 43:13-22.50, et.seq. Legislation was approved amending the Employees' Retirement System on May 9, 1990. The Plan was also amended on August 19, 1996 to increase pension benefits.

The Plan is supported by joint contributions of the members and the City of Jersey City (the "City"). The Plan's activities are administered by a Pension Commission, which consists of the Mayor, Chief Financial Officer, two elected employee representatives, and one appointed citizen member. Provident Bank, Citigroup, Inc., Trust Company of the West and Merrill Lynch are designated custodians of the Plan's investments. Penn Capital, Trust Company of the West and Nationwide Separate Accounts, LLC are the discretionary trustees. The Plan is required by State Statute to have an actuarial evaluation of its financial condition at least once every five years. The most recent completed actuarial evaluation was as of January 1, 2006. Under Governmental Accounting Standards Board (GASB) Statement # 25, the Plan is required to have an actuarial valuation performed at least biennially.

The Plan is a defined benefit pension plan covering certain employees of the City. Employees who were members of the former pension systems prior to the effective date of the Plan automatically became members. All permanent employees (except police, fire and board of education employees) hired after February 22, 1965, and under the age of 40 at the date of employment must become members of the Plan. In addition, temporary employees hired after October 7, 1984, with one year's temporary service, under the age of 40 at the date of employment, must also become members of the Plan. Employees of the City who are not eligible to become members of the Plan are covered under the Public Employees' Retirement System which is managed by the State of New Jersey.

Under the existing statute, the Plan is intended to comply with Internal Revenue

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1: PLAN DESCRIPTION (Continued)

Code Section 414 (h) and as such is exempt from both federal and state taxes. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

Pension Benefits

For the purpose of this section "final salary" for benefit purposes is to be defined as the average annual salary during the member's final 3 years of service or for any 3 fiscal years of membership providing the largest possible benefit to the member or beneficiary.

On August 19, 1996, the Plan was amended. Participants are eligible to receive normal retirement benefits upon completion of 20 years of service and attainment of age 60. Benefits under the Plan are calculated on the basis of 55% of final salary, plus 1% of the final salary for each year in excess of 20 years. The minimum annual pension is \$3,600.

Participants are eligible for retirement benefits upon attaining age 60 with less than 20 years of service. Benefits under the Plan are calculated on the basis of 2% of the retirant's final salary for each year of creditable service. The minimum annual pension is \$3,600.

For members electing early retirement, prior to age 60, with 25 years of credited service, benefits under the Plan equal 55% of final salary reduced by 1/12 of 1% for each month that the member is less than age 60. The minimum annual pension is \$3,600.

Pension benefits partially vest after 10 years of credited service. If a member has completed 10 years of credited service, and is separated from service either voluntarily or involuntarily, prior to age 60, the member may elect to receive a lump-sum distribution of their own contributions, or to receive a deferred pension commencing at age 60. The deferred pension is equal to 55% of the member's final salary multiplied by the ratio of years of credited service to years of credited service which would have been attained had the member continued to age 60. The minimum annual pension is \$3,600.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1: PLAN DESCRIPTION (Continued)

Disability and Death Benefits

Any member who has 5 or more years of creditable service and has become permanently disabled may retire on a disability pension computed on the basis of 50% of their final salary plus 1% for each year of creditable service in excess of 20 years. The minimum annual pension is \$3,600.

Any member who becomes permanently disabled as a result of the performance of their regular duties during employment may retire on a disability pension. The pension is equal to two-thirds of final salary. The minimum annual pension is \$3,600.

In the event of the member's death, there is a survivorship benefit to the member's surviving spouse of 50% of the member's final salary provided the member was employed by the City for a period of five years. In the case of no surviving spouse, other dependents receive a benefit to a lesser extent.

Death of a retirant will result in the surviving spouse, minor children or dependent parents, receiving a survivorship benefit equal to 50% of the retirant's pension at retirement, not less than \$3,600.

Cost of Living Adjustment

Beginning in the year 1990, the Plan instituted a cost of living adjustment on all benefits equal to 60% of the U.S. Labor Department Consumer Price Index beginning on the 25th month following retirement and receipt of a pension or survivorship benefit. On June 12, 2003 the New Jersey State Senate passed a bill S357 which amended the rate at which pension participants paid back loans taken against their pension accounts. Prior to this legislation the rate was the greater of the current U.S. Treasury Bills or 10%. The bill would require the rate "to be fixed annually, as of January 1 of each calendar year, equal to the average of the daily rates of interest based on daily trades paid on 30-year U.S. Treasury bonds for the preceding November, or 10%, whichever is less."

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1: PLAN DESCRIPTION (Continued)

Cost of Living Adjustment (Continued)

Additionally, the bill increased the rate of pension adjustment from "3/5 of the percentum of change in the Consumer Price Index for each year from the retirement year index." The bill changes the rate of the pension adjustment to equal the percent change of the Consumer Price Index using 1988 as the index for all retirees prior to 1989. The cost of living adjustment effective February 1, 2004 was various amounts depending on the year of retirement. It ranged from a cumulative amount of 52.735 % for pensioners retiring in 1988 and prior to 1.592% for pensioners retiring in 2002. The effective rate as of February 1, 2007 and 2006, respectively was 2.61% and 2.114%.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting. The plan has adopted Governmental Accounting Standards Board (GASB) Statement No. 34.

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuations and Income Recognition

The Plan's investments are accounted for at fair market value at June 30, 2007 and 2006, in accordance with generally accepted accounting principles, and the provisions of GASB No. 25. Portfolio securities for which market quotations are not readily available, are valued at fair value. Many factors are considered in arriving at that fair market value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stocks are valued

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Valuations and Income Recognition (Continued)

at the quoted market price of the issuer's unrestricted common stock less an appropriate discount. If a quoted price for unrestricted common stock of the issuer is not available, restricted common stocks are valued at a multiple of current earnings less an appropriate discount. The multiple chosen is consistent with multiple of similar companies based on current market prices. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service that employees have rendered. Accumulated plan benefits are expected to be paid to (a) retired or terminated employees, or their beneficiaries; (b) beneficiaries of employees who have died; and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation during their last three years of credited service. The accumulated plan benefits for active employees are based on their average compensation during the three years ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances, retirement, death, disability, and termination of employment, are included to the extent that they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of the Plan benefits is determined by Buck Consultants, and it is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits, to reflect the time value of money (through discounts for interest), and the probability of payment (by means of decrements, such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

Significant actuarial assumptions underlying the actuarial present value of accumulated plan benefits at January 1, 2006 the period covered by the latest actuarial report, are as follows:

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Actuarial Present Value of Accumulated Plan Benefits (Continued)

Interest Rate

8.25% per annum, compounded annually.

Mortality Basis

According to the RP-2000 Mortality Table.

Retirement

A retirement scale which varies by attained age, based on the experience of the Plan.

Withdrawal Age

A withdrawal scale which varies by attained age, based on the experience of the Plan.

The foregoing actuarial assumptions are based on the presumptions that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Unfunded Accrued Liability

Based on the actuary report prepared for January 1, 2006, there was an unfunded accrued liability of \$ 63,493,555. On the basis of this valuation, it was recommended that the City contribute to the Plan for the plan year commencing January 1, 2007, 16.85% of the salaries of the members or an estimated \$5,035,627.

Payment of Benefits

Benefits payments to participants are recorded upon distribution.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 3: FUNDING POLICY

Each member, from the period prior to the effective date of the Plan, is required to contribute 6% to 8.5% of gross payroll. The contribution percentage varies with the member's age at the time of appointment.

Each active member, who became a member after the effective date of the Plan, is required to contribute from 6.2% to 10.15% of their salary. The contribution percentage varies with the member's age on the date of entry to the Plan.

During the years ended June 30, 2007 and 2006, the City contributed \$2,570,955 and \$2,490,940, respectively to the Plan. Although it has not expressed any intention to do so, the City has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to legislation.

The City's funding practice is to fund current costs, annually. The service costs for the years ended June 30, 2007 and 2006, were provided by the City through budget appropriations.

NOTE 4: PLAN TERMINATION

In the event the Plan terminates, the net assets of the Plan will be allocated to provide benefits in the following order:

- Benefits attributable to employee contributions.
- Benefits the retirees or their beneficiaries have been receiving.
- Benefits vested.
- All other non-vested benefits.

NOTE 5: PENSION BENEFITS PAYABLE

Pension benefits payable at June 30, 2007 and 2006, are due to payments which are made on the first of each month representing the benefits payment for the preceding month. Accordingly, these amounts have been accrued at June 30, 2007 and 2006.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 6: INVESTMENTS

The fair-value of investments at June 30, 2007 and 2006, consist of the following:

	2007		2006	
	Market	Cost	Market	Cost
Investments determined by quoted market price:				
U.S. Government and Agency Obligations and Mortgage Backed Securities	8,843,400	8,622,338	8,741,360	7,622,809
Corporate Obligations	11,854,036	12,571,000	9,831,673	10,571,000
Common Stock	49,746,988	42,261,957	43,693,525	40,671,844
Investments determined at estimated fair-value:				
Participants' Loans Receivable	<u>2,825,281</u>	<u>2,825,281</u>	<u>3,003,615</u>	<u>3,003,615</u>
Totals	<u><u>73,269,705</u></u>	<u><u>66,280,576</u></u>	<u><u>65,270,173</u></u>	<u><u>61,869,268</u></u>

During the years ended June 30, 2007 and 2006, the Plan's change in unrealized gains on investments increased and (depreciated) in value by \$3,588,224 and \$3,585,454, respectively, as follows:

	2007	2006
Investments determined by quoted market price:		
U.S. Government and Agency Obligations	\$ (897,489)	\$ (418,552)
Corporate Obligations	22,363	(657,247)
Common Stocks	<u>4,463,350</u>	<u>(2,509,655)</u>
	<u><u>\$ 3,588,224</u></u>	<u><u>\$ (3,585,454)</u></u>

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 7: PENDING LITIGATION

There is no litigation of any significant amount pending against the Plan.

NOTE 8: PENSION LOANS

Effective September 1, 1987, a pension loan program was made available to qualified participants. The loans are secured by the participants' vested contributions. An insurance fee, which is charged to each member granted a loan under the program, is recognized as income when the loan originates. If the borrower dies while there is an outstanding loan balance, the loan is forgiven and is charged against current deductions. As of June 30, 2007 the Plan has collected \$132,616 of premiums on loans issued and exonerated \$186,035 of loans. The Plan increased the insurance premium rate it charges on loans from 1% of the loan to 1.1% at the June 20, 2007 meeting effective July 1, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2007 and 2006**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
December 31, 1998	\$ 74,891,384	\$ 71,818,448	\$ (3,072,936)	104.3%	\$ 27,273,116	-11.3%
June 30, 2001	65,681,958	77,899,103	12,217,145	84.3%	23,506,648	52.0%
January 1, 2006	69,884,505	133,378,060	63,493,555	52.4%	28,743,034	220.9%

Note: The City of Jersey City Employees Retirement System has had actuarial valuations performed at least every five years, but also when there were significant changes within the plan. As of the issuance of this audit, the actuarial report will be performed every two years, so as to comply with Governmental Accounting Standards Board (GASB) Statement # 25.

The prior actuarial valuation, performed by Buck with different actuarial assumptions, showed the plan as being fully funded with no unfunded actuarial accrued liability. Due to investment performance under the assumed rate, increased early retirements and changes in actuarial valuation methods and assumptions the plan now shows a significant unfunded actuarial accrued liability.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2007 and 2006**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999	\$ 370,914	100%
2000	370,915	100%
2001	350,000	100%
2002	1,979,260	100%
2003	2,080,000	100%
2004	2,185,000	100%
2005	2,310,195	100%
2006	3,680,819	68%
2007	5,039,020	51%

Note: The 2006 and 2007 contribution amounts were not calculated and given to the Plan and the City until September 11, 2007. Hence, the significant under funding of the annual required contributions. The City is planning on significantly increasing their contributions for the year ended June 30, 2008.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
JUNE 30, 2007 AND 2006**

NOTE 1: ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS USED FOR THE 1-1-2006 ACTUARIAL VALUATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the January 1 2006 actuarial valuation follows.

Valuation date	January 1, 2006
Actuarial cost method	<i>Projected Unit Credit</i>
Asset valuation method	Market value
Actuarial assumptions:	
Investment and rate of return	8.25%
Cost-of-living adjustments	100% of CPI

SUPPLEMENTARY INFORMATION

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
EQUITIES
June 30, 2007**

Description	# of Shares	Investment at Cost	Market Value
3M Company	6,197	527,786	537,838
Adobe Sys Del PV	7,753	299,971	311,283
Advanced Medical Optics Inc	6,276	239,894	218,907
Aetna Inc	7,600	298,117	375,440
Affiliated Managers Group	1,170	113,898	150,649
Air Products & Chem	5,080	358,541	408,280
Alcatel Lucent Sponsored ADR	36,832	534,024	515,648
Alleghany Corp Del	294	82,630	119,511
Allegheny Tech, Inc	3,460	379,529	362,885
American Electric Power Inc	9,300	314,441	418,872
American Express	12,321	515,144	753,799
American Intl Group Inc	5,000	312,948	350,150
Ameristar Casinos Inc	7,652	173,879	265,830
Apache Corp	4,784	390,265	390,327
Apple Inc	4,069	309,159	402,854
Arch Coal Inc	4,811	173,781	167,423
Arris Group Inc.	11,745	158,209	206,595
AT & T Inc	16,000	413,155	664,000
Avon Products Inc	13,100	395,479	481,425
Bally Technologies	8,055	139,717	212,813
Barr Pharmaceuticals, Inc	3,197	159,786	160,585
Bauch & Lomb, Inc.	1,820	97,179	126,381
BEBE Stores, Inc.	5,696	95,497	91,193
Boeing Company	5,406	493,310	519,841
Boston Scientific Corp	17,200	296,590	263,848
Boyd Gaming Corp.	2,624	110,288	129,075
Capital One Financial Corp	2,900	238,632	227,476
Celanese Corporation Ser A	4,136	84,352	160,394
Chapter Communications CL A	42,005	143,371	170,120
Checkfree Corp.	4,363	157,768	175,393
Cheesecake Factory Inc	5,123	132,255	125,616
Chevron Corp	7,000	441,676	589,680
Circuit City Group, Com	13,700	246,889	206,596
CISCO Systems, Inc	19,099	501,210	531,907
Citadel Broadcasting Co	869	4,492	5,605
Citigroup Inc Com	6,400	329,121	328,256
Citizens Communication	7,694	100,884	117,487
Clear Channel Communications	11,300	350,466	427,366
Cognizant Tech Solutions A	4,737	317,323	355,275
Comcast CRP NEW Class A SPL	19,794	536,943	553,440
Comcast Corp	16,550	356,982	465,386
Commscope Inc	2,179	65,235	127,145
Comstock Res Inc	6,247	185,785	187,223
Cononcophillips	6,694	394,181	525,479
Corning Inc	22,051	466,066	563,403
Crown Castle International	6,799	203,777	246,600
CSX Corp	12,400	202,741	558,992
Digital Realty TR Inc	4,620	180,988	174,082
Disney Walt Co Com Stk	11,320	336,357	386,465
DRS Technologies Inc	3,055	146,870	174,960
Dynegy Inc New Class A	21,264	110,495	200,732
Emerson Elec co	10,904	380,273	510,307
Equinix Inc	1,761	145,605	161,079
Ereliant Energy Inc.	5,752	87,509	155,016
Fannie Mae	9,200	488,771	601,036
Felcor Lodging TR Inc	7,498	160,252	195,173
Finisar Corp	63,430	227,607	239,765
Gamestop Corp New Class A	4,138	89,717	161,796
GAP Inc Com	5,900	113,223	112,690

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
EQUITIES
June 30, 2007**

Description	# of Shares	Investment at Cost	Market Value
Gaylord Entertainment Co	4,383	199,479	235,104
General Cable Corp	1,629	49,561	123,397
General Electric	18,624	682,664	712,927
General Motors Corp	8,600	217,621	325,080
Gilead Sciences Inc Com	13,260	351,588	514,487
Global Payments Inc	3,697	143,047	146,586
Goldman Sachs Group	2,416	404,448	523,668
Google Inc Class A	1,013	418,097	529,495
Grant Prideco Inc	2,567	114,991	138,182
Helmerich & Payne, Inc	1,776	63,333	62,906
Hewlett Pakard Co	7,952	153,516	354,818
Hilton Hotel Corp	10,970	293,218	367,166
Honeywell Intl Inc	8,300	280,974	467,124
Hospitality PPTYS Trust SBI	2,758	122,381	114,429
IBM Corp	5,400	442,225	568,350
Iconix Brand Group, Inc	5,640	123,154	125,321
Intel Corp	25,600	499,614	608,256
Interpublic Group Cos Inc Com	17,900	197,219	204,060
JB Hunt Transport Services Inc.	6,064	144,971	177,796
JPMorgan Chase & Co	13,652	406,435	661,439
Kansas City Southern Inds	5,334	132,385	200,238
KBR Inc	6,970	185,985	182,823
Kimberly Clark Corp	6,000	360,636	401,340
Kraft Foods Inc	16,900	556,135	595,725
Laboratory Corp Amer Hldgs	2,058	130,813	161,059
Lazard Ltd (Class A)	1,746	74,349	78,622
Leap Wireless Internation Inc	1,771	83,576	149,650
Legg Mason, Inc	2,900	297,756	285,302
Lifepoint Hosps Inc	3,613	118,185	139,751
Louisiana PAC Corp Com	11,100	231,599	210,012
LSI Corp Com	22,600	188,517	169,726
Macy's Inc Com	4,448	147,529	176,941
Magellan Health Svcs Inc	4,110	169,162	190,992
Mattel Inc	11,400	206,944	288,306
Meadwestvaco Corp	12,400	363,930	437,968
Memc Electrical Materials inc	9,309	530,712	568,966
Merrill Lynch & Co Inc	6,900	380,139	576,702
Microsemi Corp	7,161	138,065	171,506
Millennium Pharmaceuticals	27,200	271,927	287,504
Millicom INTL Cellular SA NEW	1,817	128,187	166,510
Mirant Corp	2,403	62,598	102,488
Monsanto Co New Del Com	6,961	322,057	470,146
Montplelier RE Holdings LTD USD	8,638	159,143	160,149
Morgan Stanley	6,211	512,646	520,979
NASDAQ STK MTK Inc Com	5,918	174,037	175,824
National Cinemedia Inc	4,604	118,932	128,958
Nordstrom Inc	7,153	404,437	365,661
Novell Inc	21,085	142,389	164,252
Office Depot Inc	6,400	138,181	193,920
Omnicare Inc	7,780	362,168	280,547
On Semiconductor Corp	15,213	121,341	163,083
Owens Illinois Inc New	3,762	58,706	131,670
P F Changs China Bistro, Inc	4,946	188,211	174,099
Penn National Gaming Inc	2,721	109,174	163,505
Pepsico Inc	5,966	331,214	386,895
Petsmart Inc	4,449	115,656	144,370
Pfizer Inc Com Stk	18,700	498,946	478,159
Pinnacle Entrmt Inc	7,716	221,556	217,205
PMC Sierra Inc	29,462	181,513	227,741

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
EQUITIES
June 30, 2007**

Description	# of Shares	Investment at Cost	Market Value
Pride International Inc (DEL)	2,895	86,213	108,447
Qualcomm Inc	9,625	346,988	417,629
Qwest Communications Intl Inc	67,100	292,841	650,870
Regal Entertainment Group Class A	5,410	105,014	118,641
Renaissance RE Holdings LTD	2,394	126,084	148,404
Rowan Companies Inc	5,893	231,784	241,495
SAVVIS Inc-New	2,038	78,876	100,901
SBA Communications Corp	8,229	193,219	276,412
Solectron Corp	82,390	305,644	303,195
Sony Corp	7,300	263,837	375,001
Southwestern Energy CO DEL	3,464	156,560	154,148
St Jude Medical Inc	9,347	393,004	387,807
St Paul Travelers Cos Inc	10,300	444,724	551,050
Sunrise Senior Living Inc	3,236	102,701	129,408
Target Corp Com	6,228	318,377	396,101
Tenet Healthcare Corp Com	52,100	478,307	339,171
Time Warner Telecom Inc CL A	37,453	673,191	780,253
Titanium Metals Corp (NEW)	5,284	186,674	168,560
Tyco International LTD New Com	12,300	364,345	415,617
Ultra Petroleum Corp CAD	2,604	147,777	143,845
United Rentals Inc	3,141	72,906	102,208
Universal Health Services Inc Class B	2,279	118,368	140,159
U-Store-It Trust	6,423	124,588	105,273
W R Berkley Corp.	2,637	84,523	85,808
Walgreen Co	8,595	393,975	374,226
Waste Mgmt Inc	5,200	177,064	203,060
Watson Pharmaceuticals Inc	12,200	398,323	396,866
Wesco International Inc	1,730	110,992	104,579
Whole Foods MKT, Inc	4,240	207,508	162,392
Wyndham Worldwide Corp	4,260	141,483	154,468
Zimmer Holdings Inc Com	4,456	342,218	378,270
Exchange Traded Funds (ETF's)			
iShares Tr MSCI Japan ETF	34,000	477,870	493,340
iShares TR MSCI EAFE IDX ETF	18,000	1,306,969	1,453,857
iShares TR MSCI Emerg Mkt ETF	3,000	298,790	394,950
SPDR MSCI ACWI ETF	20,000	783,400	818,800
Vanguard Emr Mkt Stock ETF	7,000	497,380	639,030
Vanguard Pacific Stock ETF	10,000	624,055	705,200
Vanguard European Stock ETF	19,000	1,266,380	1,450,270
Total		<u>42,261,957</u>	<u>49,746,988</u>

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
U.S. GOVERNMENT AND MORTGAGE BACKED SECURITIES
June 30, 2007**

<u>DESCRIPTION</u>	<u>MATURITY</u>	<u>RATE (%)</u>	<u>UNITS</u>	<u>INVESTMENT AT COST</u>	<u>INVESTMENT AT MARKET</u>
U. S. Government Obligations:					
U.S. Treasury Strip	2/15/2017	N/A	2,000,000	\$ 997,054	\$ 1,229,780
U.S. Treasury Bond Strip Prin Pmt	2/15/2020	8.500	2,000,000	890,000	1,038,680
FHLM NT Zero Coupon	11/21/2035	N/A	4,000,000	553,880	572,040
United States Treasury Notes	5/31/2009	4.875	1,000,000	998,125	999,690
Federal Home Loan Bank	4/8/2013	5.000	1,000,000	1,000,000	973,440
Federal Home Loan Mortgage Corp.	1/15/2015	5.000	500,000	497,500	480,975
Federal Home Loan Mortgage	2/18/2015	5.000	500,000	497,500	480,560
Federal Home Loan Mortgage Corp.	6/15/2016	5.000	500,000	500,000	475,920
Federal National Mortgage Association	4/2/2018	4.000	500,000	500,000	490,625
Federal National Mortgage Association Strip Coup	4/21/2020	5.000	500,000	500,000	488,905
				\$ 6,934,059	\$ 7,230,615
Mortgage Backed Securities:					
Government National Mortgage Association Pool	9/15/2016	9.000	40,200	\$ 39,359	\$ 43,022
Federal National Mortgage Association Pool	1/1/2017	8.500	11,734	11,632	12,434
Federal National Mortgage Association Pool	8/1/2022	7.500	19,956	19,963	20,862
Federal National Mortgage Association Pool	10/1/2023	6.000	24,109	24,347	23,971
Federal National Mortgage Association Pool	10/2/2023	6.000	129,482	127,803	128,740
Government National Mortgage Association Pool	10/15/2023	6.000	73,971	73,991	73,849
Government National Mortgage Association Pool	10/15/2023	6.000	28,221	30,904	28,175
GCMO BOAMS	5/25/2034	5.500	500,000	483,125	453,615
Government National Mortgage Association II	9/1/2035	5.000	878,527	877,155	828,117
				\$ 1,688,279	\$ 1,612,785
Total U.S. Government and Mortgage Backed Securities				\$ 8,622,338	\$ 8,843,400

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
CORPORATE OBLIGATIONS
June 30, 2007**

DESCRIPTION	MATURITY	RATE (%)	UNITS	INVESTMENT AT COST	INVESTMENT AT MARKET
Preferred Equities:					
Aegon NV	N/a	6.375	20,000	\$ 500,000	\$ 487,200
AT&T Inc.	2/15/2056	6.375	20,000	500,000	492,600
Barclays PLC	N/a	6.625	20,000	500,000	511,000
CBS Corp.	3/27/2056	6.750	20,000	500,000	487,600
Citigroup CAP XIV	6/30/2066	6.875	20,000	500,000	512,600
Entergy ARK 1st MTG	4/1/2032	6.700	20,000	500,000	497,600
GE Capital Corp.	1/28/2035	Var.	20,000	500,000	464,000
GE Capital Corp.	2/6/2047	6.050	20,000	500,000	488,000
GMAC LLC	2/7/2033	7.250	20,000	500,000	463,800
Lehman Brothers Holding CAP V	4/22/2053	6.000	10,000	250,000	227,500
Merrill Lynch CAP TR II	6/15/2062	6.450	20,000	500,000	484,000 *
USB CAP VIII	12/29/2065	6.350	20,000	500,000	476,000
Wachovia CAP IV	3/15/2037	6.375	20,000	500,000	479,600 **
Wells Fargo CAP XI	6/15/2067	6.250	20,000	500,000	487,000
				\$ 6,750,000	\$ 6,558,500
Corporate Obligations:					
Bank of America Corp. SUB	11/15/2023	5.600	500,000	\$ 500,000	\$ 457,255
Bank of New York MTN	3/15/2018	5.270	500,000	500,000	460,200
Ford Motor Credit Co.	7/16/2031	7.450	500,000	507,500	399,375
General Electric Cap Corp.	1/15/2016	5.250	215,000	215,000	205,106
General Electric Cap Corp.	2/15/2020	5.625	800,000	800,000	756,560
General Electric Cap Corp. Note	2/18/2011	Var.	500,000	500,000	489,630
John Hancock Life Ins. MTN	4/15/2018	5.000	500,000	500,000	460,610
Lehman Notes Program	2/11/2013	5.000	250,000	250,000	236,327
Lehman Notes Program	2/11/2015	5.250	250,000	250,000	233,785
Morgan Stanley Interest Reset Global MTN	9/1/2020	Var.	700,000	700,000	605,276
Prudential Financial Inc. Infltn. Linked Retail M	11/2/2020	Var.	500,000	500,000	418,880
Toyota MTR CR Corp.	1/24/2017	4.125	600,000	598,500	572,532
				\$ 5,821,000	\$ 5,295,536
Total				\$ 12,571,000	\$ 11,854,036

* Maturity extension features exist, which may extend the maturity by 25 years if invoked by issuer

** Maturity extension features exist, which may extend the maturity by 30 years if invoked by issuer

CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
PARTICIPANT LOANS RECEIVABLE
June 30, 2007

Amount	Amount	Amount	Amount	Amount	Amount	Amount
\$ 356	\$ 971	\$ 3,191	\$ 9,864	\$ 2,172	\$ 2,382	\$ 1,891
297	6,662	1,648	8,438	5,323	6,512	11,158
1,378	14,025	1,205	6,038	9,543	11,885	1,876
2,275	1,057	12,276	28,488	16,615	4,170	2,353
5,283	17,115	7,383	15,535	18,989	3,255	7,261
7,043	18,479	15,849	13,896	7,334	12,824	1,346
3,780	13,122	952	7,772	14,166	4,378	15,498
8,079	2,942	12,441	4,598	7,352	172	2,301
1,376	1,250	15,164	8,541	6,209	21,705	4,058
4,283	6,794	16,689	6,648	2,679	2,197	12,609
757	17,006	5,492	5,179	4,036	6,535	4,884
5,011	8,713	14,999	2,966	15,187	5,858	455
3,485	311	45,361	11,842	2,441	1,734	1,635
955	3,548	1,741	3,205	10,758	10,721	13,328
5,930	15,247	13,754	31,837	4,728	9,261	3,948
9,150	10,958	13,038	7,408	16,087	3,655	2,835
1,470	10,624	12,448	13,033	5,666	11,516	6,122
7,684	6,495	5,066	4,763	13,184	8,516	2,808
8,660	8,762	5,055	5,339	9,849	1,361	13,958
10,800	7,937	11,072	1,217	26,193	600	2,353
3,076	23,030	3,525	12,102	4,292	4,515	4,185
11,886	1,680	26,860	13,474	13,958	13,745	4,239
226	10,591	3,613	12,713	4,613	9,241	2,050
17,161	1,412	980	7,863	2,063	10,868	4,936
7,080	23,407	4,184	2,205	4,056	15,095	3,925
18,310	7,090	16,575	4,769	12,263	9,825	3,001
13,497	8,669	9,539	3,993	1,899	1,230	5,207
4,833	1,247	12,283	3,624	6,327	17,415	2,394
121	390	10,598	21,864	16,559	5,806	19,542
8,962	6,019	6,077	19,803	6,354	4,118	4,129
6,678	787	7,894	15,223	4,540	12,190	6,829
3,961	12,571	6,404	2,127	9,577	4,200	12,502
3,685	3,084	12,195	7,566	10,917	20,356	19,246
9,026	322	16,918	14,878	8,554	21,818	6,022
1,849	6,754	20,474	9,270	10,618	2,787	7,765
1,014	8,942	9,560	12,597	4,286	25,714	986
9,775	564	5,900	28,912	14,618	2,439	16,037
4,304	4,846	1,898	2,285	20,064	5,321	15,762
4,342	10,900	7,755	13,703	8,936	3,173	3,791
6,670	6,496	12,524	2,097	10,502	5,866	9,072
8,470	15,896	1,883	31,323	1,366	2,195	7,179
7,510	2,584	1,548	2,382	18,014	10,659	25,844
5,564	12,227	8,774	11,346	4,991	431	1,265
559	332	17,568	18,205	7,239	4,379	
5,206	5,555	9,085	7,344	5,406	3,279	
10,749	304	1,960	4,027	1,633	14,751	
1,157	12,442	12,439	9,335	1,343	3,459	
2,234	9,649	2,736	8,949	4,469	30,916	
10,710	4,550	7,282	1,362	28,675	16,711	
10,548	1,316	16,688	5,085	4,852	2,997	
<u>\$ 287,215</u>	<u>\$ 375,674</u>	<u>\$ 490,543</u>	<u>\$ 507,033</u>	<u>\$ 451,495</u>	<u>\$ 414,736</u>	<u>\$ 298,585</u>
						<u>\$ 2,825,281</u>