

CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

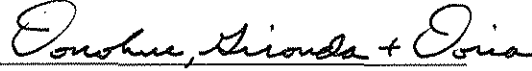
We have audited the accompanying financial statements of the City of Jersey City Employees' Retirement System ("the Plan") as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility 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, 2009 and 2008, and the changes in its financial status for the years ended June 30, 2009 and 2008 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 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 information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic 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
December 2, 2009

**CITY OF JERSEY CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2009 AND 2008**

This narrative and analysis of the City of Jersey City's Employees' Retirement System's ("The Plan") financial performance provides an overview of the Plan's financial activities for the fiscal years ended June 30, 2009 and 2008. 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 decreased by \$12,291,660 (-16.9%) and \$6,834,437 (-8.6%) as of June 30, 2009 and June 30, 2008, respectively. The decreases in both years, were primarily due to the poor performing financial markets.

Statement of Plan Net Assets

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash and Short-term Investments	\$ 10,974,250	\$ 8,589,498	\$ 6,279,359
Receivables	131,650	141,867	143,569
Investments	49,910,282	64,552,375	73,269,705
Liabilities	<u>(690,202)</u>	<u>(666,100)</u>	<u>(240,556)</u>
Net Assets Held in Trust	<u>\$ 60,325,980</u>	<u>\$ 72,617,640</u>	<u>\$ 79,452,077</u>

Fiscal Year 2009 compared to 2008 The cash and short-term investment balance of \$10,974,250 as of June 30, 2009 experienced an increase of \$2,384,752 (27.8%), which reflects the pension manager, Steve McGuire, holding approximately \$2,800,000 more in cash and cash equivalents than the prior year. The investments decreased by \$14,642,093 (22.7%), which reflects the equity managers holding \$12,379,012 (29.2%) less in equity securities. This is primarily due to the poor performing equity markets for the year ended June 30, 2009. The Plan had \$14,118,569 in net depreciation on investments.

Fiscal Year 2008 compared to 2007 The cash and short-term investment balance of \$8,589,498 as of June 30, 2008 experienced an increase of \$2,310,139 (36.7%), which reflects the equity money managers, as a group, holding about 48% more cash on hand than the prior year. The pension manager, Steve McGuire, was holding approximately 9% more cash on hand. Total investments of \$64,552,375 as of June 30, 2008 experienced a decrease of \$8,717,330 or 11.9%. This was due to poor performance in the financial markets. The Plan had \$8,279,791 in net depreciation on investments.

**CITY OF JERSEY CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2009 AND 2008**

Statement of Changes in Plan Net Assets

	2009	2008	2007
Contributions	\$ 7,784,287	\$ 7,346,707	\$ 4,987,558
Net Investment (Loss) Income	(12,380,262)	(6,372,489)	11,179,757
Total Additions	<u>(4,595,975)</u>	<u>974,218</u>	<u>16,167,315</u>
Benefit Payments	7,383,408	7,248,087	7,169,050
Other Deductions	312,277	560,568	707,484
Total Deductions	<u>7,695,685</u>	<u>7,808,655</u>	<u>7,876,534</u>
Net (Decrease) Increase	<u>\$ (12,291,660)</u>	<u>\$ (6,834,437)</u>	<u>\$ 8,290,781</u>

Fiscal Year 2009 compared to 2008 Total additions to net assets of (\$4,595,975) for the year ended June 30, 2009 decreased by \$5,570,193, due almost entirely to the net investment loss for the year widening by approximately 6 million. Benefit payments increased slightly from the year ended June 30, 2008 due mostly to the cost of living increase passed on to retirees.

Fiscal Year 2008 compared to 2007 Total additions to net assets of \$974,218 for the year ended June 30, 2008 decreased by \$15,193,097, due almost entirely to the net investment loss for the year. Net investment income decreased by \$17,552,246. Benefit payments increased slightly from the year ended June 30, 2007 due mostly to the cost of living increase passed on to retirees. Only 4 people took retirement during the year ended June 30, 2008.

**CITY OF JERSEY CITY EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2009 AND 2008**

Investment Allocation

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

	2009	%	2008	%	2007	%
Cash and Short-term Investments	\$10,974,250	18.0%	\$ 8,589,498	11.7%	\$ 6,279,359	7.9%
U.S. Government Obligations	3,809,910	6.3%	5,096,275	7.0%	7,230,615	9.1%
Mortgage Backed Securities	1,376,665	2.2%	1,488,854	2.0%	1,612,785	2.0%
Corporate Obligations	12,101,817	19.9%	13,045,575	17.8%	11,854,036	14.9%
Equities	30,070,922	49.4%	42,449,933	58.0%	49,746,988	62.5%
Participants' Loans	2,550,968	4.2%	2,471,738	3.5%	2,825,281	3.6%
Total Cash and Investments	\$60,884,532	100.0%	\$73,141,873	100.0%	\$79,549,064	100.0%

The plan had an unusually high percentage of its assets in cash or cash equivalents at year end, and had significantly lower percentage of its investments in equities, under 50%. The Plan had realized losses approaching 10 million dollars at fiscal year end June 30, 2009 versus slightly more than 2 million dollars in realized gains at fiscal year end June 30, 2008. The plan did recoup some of these losses in the period after the audit through the period ended October 31, 2009.

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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Assets		
Cash and Short-term investments	<u>\$ 10,974,250</u>	<u>\$ 8,589,498</u>
Receivables		
Accrued Interest and Dividends Receivable	<u>131,650</u>	<u>141,867</u>
Total Receivables	<u>131,650</u>	<u>141,867</u>
Investments at Fair Value		
U.S. Government Obligations	3,809,910	5,096,275
Mortgage Backed Securities	1,376,665	1,488,854
Corporate Obligations	12,101,817	13,045,575
Equities	30,070,922	42,449,933
Participants' Loans	<u>2,550,968</u>	<u>2,471,738</u>
Total Investments	<u>49,910,282</u>	<u>64,552,375</u>
 Total Assets	 <u>61,016,182</u>	 <u>73,283,740</u>
 Liabilities		
Accounts Payable	39,110	59,398
Benefits Payable	<u>651,092</u>	<u>606,702</u>
Total Liabilities	<u>690,202</u>	<u>666,100</u>
 Net Assets Held in Trust for Pension Benefits (A schedule of funding progress is presented on page 16)	 <u>\$ 60,325,980</u>	 <u>\$ 72,617,640</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Additions		
Contributions		
Employer	\$ 5,230,349	\$ 4,841,949
Employees	2,553,938	2,504,758
Total Contributions	<u>7,784,287</u>	<u>7,346,707</u>
Investment (Loss) Income		
Net (depreciation) appreciation in fair value of investments	(14,118,569)	(8,279,791)
Interest	803,186	1,090,223
Dividends	1,147,704	1,148,586
Insurance from employee loans	18,966	13,081
	<u>(12,148,713)</u>	<u>(6,027,901)</u>
Less investment expense	231,549	344,588
Net investment (loss)	<u>(12,380,262)</u>	<u>(6,372,489)</u>
Total Additions	<u>(4,595,975)</u>	<u>974,218</u>
Deductions		
Benefits	7,383,408	7,248,087
Refunds of contributions	120,576	342,982
Administrative expense	180,528	206,041
Employee loan exonerated - deceased member	11,173	11,545
Total Deductions	<u>7,695,685</u>	<u>7,808,655</u>
Net (Decrease)	(12,291,660)	(6,834,437)
Net assets held in trust for pension benefits		
Beginning of year	<u>72,617,640</u>	<u>79,452,077</u>
End of year	<u>\$ 60,325,980</u>	<u>\$ 72,617,640</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, 2009 AND 2008**

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 Security Global Investors 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, 2008. 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, 2009 AND 2008**

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 retiree'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, 2009 AND 2008**

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 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, 2009 and 2008, respectively was .046% and 1.59%.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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, 2009 and 2008, 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 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

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Actuarial Present Value of Accumulated Plan Benefits (Continued)

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, 2008 the period covered by the latest actuarial report, are as follows:

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 plan experience.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Actuarial Present Value of Accumulated Plan Benefits (Continued)

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, 2008, there was an unfunded accrued liability of \$ 70,945,308. On the basis of this valuation, it was recommended that the City contribute to the Plan for the plan year commencing January 1, 2009, 17.01% of the salaries of the members or an estimated \$5,599,249.

Payment of Benefits

Benefits payments to participants are recorded upon distribution.

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, 2009 and 2008, the City contributed \$5,230,349 and \$4,841,949, 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, 2009 and 2008, were provided by the City through budget appropriations.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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, 2009 and 2008, 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, 2009 and 2008.

NOTE 6: INVESTMENTS

The fair-value of investments at June 30, 2009 and 2008, consist of the following:

	2009		2008	
	Market	Cost	Market	Cost
Investments determined by quoted market price:				
U.S. Government and Agency Obligations and Mortgage Backed Securities	5,186,575	4,328,475	6,585,129	5,949,405
Corporate Obligations	12,101,817	15,306,923	13,045,575	15,027,103
Common Stock	30,070,922	35,309,936	42,449,933	44,457,090
Investments determined at estimated fair-value:				
Participants' Loans Receivable	2,550,968	2,550,968	2,471,738	2,471,738
Totals	49,910,282	57,496,302	64,552,375	67,905,336

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 6: INVESTMENTS (Continued)

During the years ended June 30, 2009 and 2008, the Plan's investments (decreased) in value by \$(14,118,569) and \$(8,279,791), respectively, due to the changes in unrealized gains and (losses) and realized gains and (losses) as follows:

	2009	2008
Investments determined by quoted market price:		
U.S. Government and Agency Obligations	\$ 222,376	\$ 414,663
Corporate Obligations	(1,223,578)	(1,264,564)
Common Stocks	(3,231,857)	(9,492,188)
Unrealized (losses) on investments	\$ (4,233,059)	\$ (10,342,089)
Realized (losses) gains on investments	(9,885,510)	2,062,298
Net Depreciation on investments	\$ (14,118,569)	\$ (8,279,791)

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. 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." Additionally, 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, 2008 the Plan has collected \$148,571 of premiums on loans issued and exonerated \$197,580 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, 2009 and 2008**

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%
January 1, 2008	76,388,275	147,333,583	70,945,308	51.8%	32,926,273	215.5%

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 December 31, 1998 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, 2009 and 2008**

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage Contributed
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%
2008	5,151,443	94%
2009	5,826,552	90%

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 for those two years.

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
JUNE 30, 2009 AND 2008**

NOTE 1: ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS USED FOR THE 1-1-2008 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 2008 actuarial valuation follows.

Valuation date	January 1, 2008
Actuarial cost method	<i>Projected Unit Credit</i>
Amortization method	Level Percent, Open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment and rate of return	8.25%
Projected salary increases	4.0%
Cost-of-living adjustments	100% of the assumed CPI increases of 3.0%
Inflation rate	3.0%

SUPPLEMENTARY INFORMATION

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

**EQUITIES
June 30, 2009**

Description	# of Shares	Investment at Cost	Market Value
Abercrombie & Fitch Co	3,226	\$ 84,874	\$ 81,908
Activision Buzzard, Inc	28,317	269,615	357,644
ADC Telecommunications Inc	6,736	37,986	53,619
Air Products & Chem	4,122	302,834	266,240
Alleghany Corp Del	304	82,123	82,384
Allegheny Energy, Inc	1,139	26,972	29,215
American Electric Power Inc	8,550	293,944	247,010
American Express	5,775	184,564	134,211
AmerisourceBergen Corp.	3,697	73,842	65,585
Ameriprise Financial Inc	4,106	96,849	99,653
Anadarko Pete Corp	2,800	96,059	127,092
Apple Inc	2,443	281,309	347,956
Arch Coal Inc	5,682	174,323	87,332
AT & T Inc	13,100	343,557	325,404
Baker Hughes, Inc.	3,375	109,345	122,985
Bally Technologies	2,514	69,934	75,219
Blue Coat Systems Inc	8,709	140,235	144,047
Boston Scientific Corp	25,175	370,244	255,275
Bristol Myers Squibb Co	9,400	199,580	190,914
Burlington Northern Santa Fe CA Inc.	4,863	452,416	357,625
	6,550	115,295	114,167
Cephalon, Inc.	1,783	113,051	101,007
Chevron Corp	5,825	374,550	385,900
Chimera Investment Corp	11,045	35,788	38,547
Ciena Corp	9,710	100,966	100,499
Cognizant Tech Solutions Corp	13,219	302,263	352,947
Comcast Corp	15,800	333,467	228,942
Comerica Inc	3,292	77,603	69,626
Commscope Inc	2,314	28,345	60,766
Comstock Res Inc	2,401	83,059	79,353
Constellation Brands Inc	6,916	81,773	87,695
Continental Resources Inc	2,631	82,211	73,010
Con-way Inc.	2,036	39,522	71,891
Corning Inc	16,034	241,736	257,506
Crown Castle International	5,374	85,223	129,083
Cullen Frost Bankers Inc	1,237	58,071	57,050
CVS Caremark Corp	17,101	594,946	545,009
Davita Inc	1,760	89,619	87,049
Dean Foods Co	9,450	213,327	181,346
Dell Inc	17,650	348,342	242,335
Devon Energy Corp	2,100	127,258	114,450
Dr Pepper Snapple Group	3,873	63,889	82,069
Emerson Elec Co	8,237	351,580	266,879
Energizer Holdings Inc	1,272	76,392	66,449
Estee Lauder, Inc.	4,050	111,864	132,314
Exco Resources Inc	11,585	140,569	149,678
Finisar Corp	71,186	259,381	40,576
Flextronics International LTD	37,453	369,661	153,932
Forest Laboratories Inc	2,322	48,794	58,305
GAP Inc Com	14,475	265,780	237,390
Gamestop Corp	4,410	130,285	97,064
General Electric	13,250	445,998	155,290
Goldman Sachs	1,850	222,625	272,764
Goodrich Corp.	5,665	253,352	283,080
Google Inc Class A	908	412,446	382,804
Guess Inc	3,157	107,550	81,387
H&R Block, Inc.	5,900	85,274	101,657
Hain Celestial Group Inc	6,752	99,927	105,399

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
EQUITIES
June 30, 2009**

Description	# of Shares	Investment at Cost	Market Value
Hartford Finl Svcs Group Inc	2,600	18,539	30,862
Hewlett Pakard Co	3,452	98,404	133,420
Hologic Inc	21,627	393,349	307,924
Home Depot	9,300	231,256	220,941
Honeywell Intl Inc	15,238	686,137	478,473
Hub Group Inc	1,707	35,260	35,232
IBM Corp	3,650	310,132	381,133
Integra Life Sciences Holding Corp	4,304	102,814	114,099
Intel Corp	35,578	591,094	588,816
Interpublic Group Cos Inc Com	12,250	139,577	61,863
Invesco LTD	4,025	52,963	71,725
ITT Corp	5,434	247,787	241,813
Jack in the Box Inc	2,822	73,328	63,354
JB Hunt Transport Services Inc.	2,108	52,279	64,399
JPMorgan Chase & Co	21,688	716,870	739,778
Kansas City Southern Inds	7,903	172,956	127,317
KBR Inc	6,436	164,825	118,680
Kimberly Clark Corp	6,325	387,558	331,620
KLA Tencor Corp	6,400	126,025	161,600
Kohls Corp	5,795	217,102	247,736
Kraft Foods Inc	11,850	397,860	300,279
Laboratory Corp Amer Hldgs	2,271	161,243	153,951
Lazard LTD	4,100	112,674	110,372
Legg Mason Inc	4,403	91,872	107,345
Lennar Corp	16,770	131,889	162,501
Lincoln National Corp	2,229	29,288	38,361
LSI Corp Com	4,375	16,766	19,950
Magellan Health Svcs Inc	4,401	179,469	144,441
Marathon Oil Corp	6,425	171,672	193,585
Marvell Technology Group	8,694	73,810	100,151
Mattel Inc	13,850	254,013	222,293
Maxim Integrated Prods Inc	6,826	93,392	107,100
Meadwestvaco Corp	11,500	338,556	188,715
Microsoft Corp	11,359	251,943	270,003
Millicom INTL Cellular SA NEW	1,852	124,894	104,194
Monsanto Co New	3,635	323,796	270,226
Motorola Inc	26,675	352,989	176,855
NBTY Inc	3,567	69,419	100,304
NASDAQ STK MTK Inc Com	2,559	89,611	54,532
Nike Inc Cl B	3,521	190,216	182,317
NII Holdings Inc Cl B	8,274	220,097	157,785
Novell Inc	13,282	84,299	60,167
O Reilly Automotive Inc	1,395	36,268	53,122
Omnicom Group Com	8,861	218,326	279,830
On Semiconductor Corp	15,623	119,884	107,174
OSI Pharmaceuticals Inc	1,413	46,653	39,889
Owens Illinois Inc	6,343	114,752	177,667
Pactiv Corp	3,402	46,555	73,823
Peabody Energy Corp	8,385	289,073	252,892
Peoples United Financial Inc	4,019	68,585	60,566
Pepsico Inc	5,379	290,552	295,630
Petrohawk Energy Corp	3,883	76,166	86,591
Pfizer Inc Com Stk	34,641	727,047	519,615
Pharmaceutical Product Dev Inc	4,037	83,724	93,739
Phillips Van Heusen Corp	1,484	24,621	42,576
Pinnacle Entmt Inc	9,449	132,082	78,491
PMC Sierra Inc	11,699	66,819	93,124
Qualcomm Inc	8,590	379,254	388,268

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
EQUITIES
June 30, 2009**

Description	# of Shares	Investment at Cost	Market Value
Qwest Communications Intl Inc	67,100	316,521	278,465
Ralcorp Holdings Inc	1,264	69,122	77,003
Range Resources Corp	2,069	76,520	85,677
Regal Entertainment Group Class A	6,929	128,086	92,086
Regions Financial Corp	16,972	69,147	68,567
Renaissance RE Holdings LTD	1,508	76,871	70,182
Republic Services Inc	3,146	67,307	76,794
RF Micro Devices Inc	17,352	54,283	65,244
Sara Lee Corp	11,975	157,248	116,876
SAVVIS Inc-New	8,666	262,777	99,312
SBA Communications Corp	5,867	142,348	143,976
Scana Corp	2,244	71,707	72,863
Seagate Technology	11,899	42,232	124,464
Starbucks Corp	20,543	247,807	285,342
Suntrust Banks Inc	10,904	145,566	177,729
Target Corp	6,873	229,857	271,277
Tenet Healthcare Corp Com	44,775	281,691	126,266
Teva	7,596	341,704	374,787
Tiffany Co	1,737	48,874	44,050
Time Warner Inc Com	9,266	357,008	233,410
Total System Services Inc	6,561	156,969	87,852
Transocean LTD	5,275	471,118	391,880
Travelers Cos Inc	9,150	393,841	375,516
Tyco Electronics LTD	12,750	356,209	237,023
Tyco International LTD New Com	7,950	326,791	206,541
Ultra Petroleum Corp	2,594	107,829	101,166
United States Steel Corp	4,400	125,872	157,256
Urban Outfitters Inc	4,291	71,528	89,639
Valero Energy Corp	5,625	169,286	95,006
ValueClick Inc	8,709	147,651	91,619
VF Corp	1,094	59,579	60,553
Wal Mart Stores Inc	5,974	320,075	289,381
Waste Mgmt Inc	4,475	152,959	126,016
Watson Pharmaceuticals Inc	8,375	277,255	282,154
XTO Energy Inc	8,180	307,623	311,987
Exchange Traded Funds (ETF's)			
iShares Tr MSCI Japan ETF	50,000	697,870	471,500
iShares TR MSCI EAFE IDX ETF	22,000	1,629,762	1,007,820
iShares TR MSCI Small Cap ETF	5,900	288,097	176,941
SPDR MSCI ACWI ETF	20,000	783,400	506,800
Vanguard Pacific ETF	10,000	624,055	462,400
Vanguard European Stock ETF	23,000	1,578,820	926,440
Vanguard Emr Mkt Stock ETF	14,000	497,380	445,480
Vanguard Euro Pacific Stock ETF	14,000	618,520	399,840
	<u>1,487,257</u>	<u>\$ 35,309,936</u>	<u>\$ 30,070,922</u>

**CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
U.S. GOVERNMENT AND MORTGAGE BACKED SECURITIES
June 30, 2009**

<u>DESCRIPTION</u>	<u>MATURITY 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	\$ 1,516,260
U.S. Treasury Bond Strip Prin Pmt	2/15/2020	8.500	2,000,000	890,000	1,293,100
United States Treasury Notes	1/31/2011	0.875	1,000,000	1,000,000	1,000,550
				\$ 2,887,054	\$ 3,809,910
Mortgage Backed Securities:					
Government National Mortgage Association Pool	9/15/2016	9.000	22,969	\$ 22,489	\$ 24,875
Federal National Mortgage Association Pool	1/1/2017	8.500	9,904	9,817	10,802
Federal National Mortgage Association Pool	8/1/2022	7.500	11,803	11,807	12,876
Federal National Mortgage Association Pool	10/1/2023	6.000	17,415	17,587	18,321
Federal National Mortgage Association Pool	10/1/2023	6.000	119,216	117,670	125,417
Government National Mortgage Association Pool	10/15/2023	6.000	66,178	66,194	69,615
Government National Mortgage Association Pool	10/15/2023	6.000	22,369	24,496	23,532
GCMO BOAMS	5/25/2034	5.500	500,000	483,125	389,410
Government National Mortgage Association II	9/1/2035	5.000	689,313	688,236	701,817
				\$ 1,441,421	\$ 1,376,665
Total U.S. Government and Mortgage Backed Securities				\$ 4,328,475	\$ 5,186,575

CITY OF JERSEY CITY
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS
CORPORATE OBLIGATIONS
June 30, 2009

DESCRIPTION	MATURITY	RATE (%)	UNITS	INVESTMENT AT COST	INVESTMENT AT MARKET
Preferred Equities:					
Aegon NV	N/a	6.375	20,000	\$ 500,000	\$ 290,000
AT&T Inc.	2/15/2056	6.375	20,000	500,000	509,800
Barclays PLC	N/a	6.625	20,000	500,000	352,000
CBS Corp.	3/27/2056	6.750	20,000	500,000	342,800
Citigroup CAP XIV	6/30/2066	6.875	20,000	500,000	369,000
Entergy ARK 1st MTG	4/1/2032	6.700	20,000	500,000	519,600
GE Capital Corp.	1/28/2035	Var.	20,000	500,000	440,000
GE Capital Corp.	2/6/2047	6.050	20,000	500,000	439,800
GMAC LLC	2/7/2033	7.250	20,000	500,000	283,000
Lehman Brothers Holding CAP V	4/22/2053	6.000	10,000	250,000	1,800
Merrill Lynch CAP TR II	6/15/2062	6.450	20,000	500,000	320,400 *
Prudential Fin	6/15/2038	9.000	20,000	500,000	471,600
USB CAP VIII	12/29/2065	6.350	20,000	500,000	435,800 **
Wachovia CAP IV	3/15/2037	6.375	20,000	500,000	380,000 **
Wells Fargo CAP XI	6/15/2067	6.250	20,000	500,000	399,800
				7,250,000	5,555,400
Exchange Traded Funds (ETF's):					
Vanguard Bond Index-Total Bond Market	N/A	N/A	10,000	772,500	776,900
Corporate Obligations:					
AT&T Corp. Note	3/15/2029	6.500	250,000	249,688	238,950
Bank of America Corp. SUB	11/15/2023	5.600	500,000	500,000	423,780
Bank of New York MTN	3/15/2018	5.270	500,000	500,000	490,905
Ford Motor Credit Co.	7/16/2031	7.450	500,000	507,500	295,000
General Electric Cap Corp.	1/15/2016	5.250	215,000	215,000	208,718
General Electric Cap Corp.	2/15/2020	5.625	800,000	800,000	741,304
General Electric Cap Corp. Note	2/18/2011	Var.	500,000	500,000	475,485
Goldman Sachs Corp.	2/15/2034	6.345	500,000	462,500	403,380
John Hancock Life Ins. MTN	4/15/2018	5.000	500,000	500,000	485,490
Lehman Brothers Holdings Inc.	2/22/2023	6.250	250,000	247,500	36,875
Lehman Notes Program	2/11/2013	5.000	250,000	250,000	36,875
Lehman Notes Program	2/11/2015	5.250	250,000	250,000	36,875
McGraw Hill Co MTN	11/15/2017	5.900	500,000	503,735	478,675
Morgan Stanley Interest Reset Global MTN	9/1/2020	Var.	700,000	700,000	484,232
Prudential Financial Inc. Infltn. Linked Retail MTN	11/2/2020	Var.	500,000	500,000	334,365
Toyota MTR CR Corp.	1/24/2017	4.125	600,000	598,500	598,608
				7,284,423	5,769,517
Total				\$ 15,306,923	\$ 12,101,817

* 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, 2009**

Amount	Amount	Amount	Amount	Amount	Amount	Amount
\$ 20,802	\$ 20,604	\$ 3,965	\$ 8,851	\$ 2,727	\$ 2,462	\$ 2,628
14,542	50,708	8,651	2,206	3,645	7,825	2,743
12,948	19,394	2,860	5,878	4,224	735	5,499
6,606	37,365	1,247	10,173	4,869	3,115	254
10,214	1,144	15,971	10,270	3,441	24,520	2,463
22,314	2,360	410	7,025	2,551	13,731	8,521
1,391	8,565	9,190	5,007	9,150	15,409	4,018
1,087	9,935	3,412	4,191	9,026	2,269	4,180
2,860	2,859	1,619	1,779	2,987	3,387	951
9,563	745	2,826	4,022	7,845	5,458	25,306
18,963	6,876	5,280	1,605	3,717	5,045	2,879
21,892	20,344	9,887	143	2,144	3,507	5,227
10,838	19,002	453	988	3,490	371	565
7,277	565	13,053	16,739	8,969	654	19,034
1,370	2,041	27,622	7,810	703	7,389	25,795
635	1,138	6,202	40,166	8,790	4,631	18,113
9,336	4,415	2,942	13,112	2,462	4,358	4,692
1,842	2,454	27,735	27,224	4,697	499	13,122
2,101	14,308	473	6,120	17,728	3,265	1,122
9,919	3,932	2,150	3,158	1,250	2,741	2,495
4,449	556	5,093	5,726	12,160	2,953	4,640
4,178	6,831	994	1,492	16,769	9,751	3,777
29,315	6,748	14,003	13,191	2,132	17,471	12,576
5,742	12,794	3,939	2,753	20,371	15,664	2,188
23,146	2,325	7,205	810	2,013	3,213	2,285
14,491	1,333	1,146	9,398	1,407	2,502	9,371
1,055	5,235	8,218	14,219	332	5,078	5,657
22,874	3,530	5,954	258	5,130	7,666	7,937
2,979	4,167	4,386	8,145	5,044	1,384	1,369
6,713	1,507	6,953	19,981	4,031	681	14,123
2,960	22,954	2,450	3,071	55,488	3,643	6,420
304	15,288	18,408	3,571	650	7,225	6,953
608	1,787	2,939	4,719	18,376	2,973	5,415
339	3,197	12,313	793	10,643	17,822	4,571
1,405	4,407	3,404	3,765	758	19,526	3,143
482	2,451	1,848	10,353	3,512	4,669	2,548
4,614	581	6,449	10,809	5,108	273	2,509
26,845	5,209	2,952	2,029	4,601	1,428	2,545
3,745	2,155	18,364	4,993	12,698	3,067	2,392
58,811	9,949	5,933	794	4,753	2,223	13,777
249	1,621	1,740	7,115	4,140	3,073	1,812
340	38,989	6,573	7,432	5,447	4,492	16,791
4,734	33,531	984	2,770	5,820	1,902	6,653
7,203	32,371	1,797	4,149	1,011	4,075	13,559
831	21,221	11,162	15,784	14,522	10,413	11,596
8,854	7,813	9,595	1,202	572	357	18,730
5,802	10,642	29,939	955	14,063	22,216	
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\$ 429,568	\$ 487,946	\$ 340,689	\$ 336,744	\$ 335,966	\$ 287,111	\$ 332,944
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						\$ 2,550,968