



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

Financial Statements and Supplementary Schedules

June 30, 2015

(With Independent Auditors' Report Thereon)

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

Financial Statements and Supplementary Schedules

June 30, 2015

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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, 2015, 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, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.



***Emphasis of 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, 2015 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 Governmental Accounting Standards Board 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 opinions 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  
March 8, 2016

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015

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, 2015. 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 decreased by \$1.9 billion as a result of this year's operations, from \$87.3 billion to \$85.4 billion.
- Additions for the year are \$14.6 billion, which are comprised of member, employer, nonemployer and employer specific pension contributions of \$11.2 billion and investment income of \$3.4 billion.
- Deductions for the year are \$16.5 billion, which are comprised of benefit and refund payments of \$16.4 billion and administrative expenses of \$52.3 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.

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015

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, nonemployer and employer specific 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>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 9,388,816	74,798,145	(65,409,329)
Receivables	2,428,479,945	2,376,288,542	52,191,403
Investments	83,606,669,808	86,062,907,529	(2,456,237,721)
Securities lending collateral	1,060,832,090	1,475,934,227	(415,102,137)
Members' loans	1,157,974,931	1,033,107,655	124,867,276
Total assets	<u>88,263,345,590</u>	<u>91,023,036,098</u>	<u>(2,759,690,508)</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	899,264,872	841,506,608	57,758,264
Retirement benefits payable	828,772,890	786,118,182	42,654,708
Noncontributory group life insurance premiums payable	27,443,236	26,422,962	1,020,274
Administrative expense payable	20,504,604	—	20,504,604
Cash overdraft	424,213	—	424,213
Securities lending collateral and rebates payable	1,059,479,792	1,474,629,754	(415,149,962)
Contributory life insurance payable	—	556,155,444	(556,155,444)
Total liabilities	<u>2,835,889,607</u>	<u>3,684,832,950</u>	<u>(848,943,343)</u>
Net position	<u>\$ 85,427,455,983</u>	<u>87,338,203,148</u>	<u>(1,910,747,165)</u>

**STATE OF NEW JERSEY  
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Management's Discussion and Analysis

(Unaudited)

June 30, 2015

Assets of the pension trust and other postemployment benefit plans consist of cash and cash equivalents, investments, contributions due from members, participating employer and nonemployers, accrued interest and dividends on investments, other receivables, securities lending collateral, and members' loans. Between State fiscal years 2014 and 2015, total assets decreased by \$2.8 billion or 3.0%. This is primarily due to a decrease of \$2.5 billion in the fair value of investable assets due to benefit payments exceeding revenues and investment returns being lower than the returns in fiscal year 2014.

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, administrative expense 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 decreased by \$848.9 million or 23.0%. This is due to a decrease in securities lending collateral and rebates payable of \$415.1 million and a decrease of \$433.8 million in all other payables.

Net position of the pension trust and other postemployment benefit plans decreased by \$1.9 billion or 2.2%.

**Summary of Fiduciary Net Position  
Agency Funds**

	<b>2015</b>	<b>2014</b>	<b>Increase</b>
Assets	\$ 81,363,133	78,066,982	3,296,151
Liabilities	81,363,133	78,066,982	3,296,151
Net position	\$ —	—	—

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 2014 and 2015, total assets increased by \$3.3 million or 4.2%. This is attributable to the increased amount invested in the Cash Management Fund (CMF) of \$4.9 million, offset by a decrease of \$1.6 million in cash and cash equivalents.

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 NCGI 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 2014 and 2015, total liabilities increased by \$3.3 million or 4.2%. This was comprised of a \$26 thousand increase in liabilities in PAF, a \$3.8 million increase in liabilities in DEP, and a \$0.5 million decrease in ABP liabilities.



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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015

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

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>
<b>Additions:</b>			
Member contributions	\$ 2,651,633,067	2,515,059,384	136,573,683
Employer contributions	7,900,744,380	7,315,089,724	585,654,656
Nonemployer contributions	615,834,289	423,012,101	192,822,188
Employer specific contributions	46,538,152	98,815,766	(52,277,614)
Net investment income	3,341,282,108	12,374,632,568	(9,033,350,460)
Total additions	<u>14,556,031,996</u>	<u>22,726,609,543</u>	<u>(8,170,577,547)</u>
<b>Deductions:</b>			
Benefits	16,210,276,964	15,359,288,555	850,988,409
Contributory life insurance payments	—	96,799,412	(96,799,412)
Refunds of contributions	204,178,357	183,747,830	20,430,527
Administrative expenses	52,323,840	48,111,042	4,212,798
Total deductions	<u>16,466,779,161</u>	<u>15,687,946,839</u>	<u>778,832,322</u>
Changes in net position	<u>\$ (1,910,747,165)</u>	<u>7,038,662,704</u>	<u>(8,949,409,869)</u>

Additions of the pension trust and other postemployment benefit plans consist of member, employer, nonemployer and employer specific contributions and earnings from investment activities. There was a decrease of \$8.2 billion or 35.9% in total additions, attributable to a decrease in net investment income of \$9.0 billion and a net increase of \$862.8 million in member, employer, nonemployer and employer specific contributions in State fiscal year 2015 as compared to State fiscal year 2014.

Member contributions increased by \$136.6 million overall, of which a \$98.2 million increase was attributable to the other postemployment benefit funds and a \$38.4 million increase was attributable to the pension trust funds. In the State Health Benefit Program (SHBP) – State, the member contributions increased by \$99.6 million or 34.1%, in SHBP – Local, the member contributions decreased slightly by \$0.7 million or 1.2%, and in SHBP – Education, the member contributions decreased slightly by \$0.8 million or 1.4%. Active employee contributions in SHBP - State increased as a result of Chapter 78, P.L. 2011 premium share requirements and rate increases in plan year 2015. In SHBP – Local and SHBP – Education, the slight decrease in member contributions was due to a reduction in active membership. In plan year 2015, the active employee group rate for SHBP – State increased by 8.0%, in SHBP – Local the increase was 8.1%, and in SHBP – Education the increase was 10.3%.

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For the pension trust funds, the increase in member contributions is attributable to the higher member contribution rate for the Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Judicial Retirement System (JRS) pension trust funds as required in Chapter 78, P.L. 2011.

The State contributed \$892.6 million to the pension trust funds in State fiscal year 2015. It was composed of \$680.6 million of normal cost and \$212.0 million of supplemental appropriation. The contributions were as follows: \$504.3 million to TPAF, \$195.1 million to PERS, \$139.3 million to the Police & Firemen's Retirement System (PFRS), \$16.5 million to JRS, and \$37.4 million to the State Police Retirement System (SPRS).

State NCGI contributions for the State fiscal year totaling \$75.3 million were as follows: \$36.3 million for TPAF, \$29.7 million for PERS, \$7.6 million for PFRS, \$0.5 million for JRS, and \$1.2 million for SPRS. Between State fiscal years 2014 and 2015, the State's contribution toward noncontributory group life insurance decreased by \$1.1 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 increased per the actuarial valuation as of July 1, 2013. For PERS, the amount accrued in State fiscal year 2014 for normal contribution, accrued liability, and NCGI was \$821.6 million and was due on April 1, 2015. For State fiscal year 2015, the total amount accrued was \$859.7 million and is due April 1, 2016. For PFRS, the total amount accrued in State fiscal year 2014 for normal contributions, accrued liability, and NCGI was \$767.8 million and was due April 1, 2015. For State fiscal year 2015, the total amount accrued was \$813.0 million and is due April 1, 2016.

SHBP – State employer contributions increased by \$54.7 million. For SHBP – Local, employer contributions increased by \$70.8 million. For SHBP – Education, employer contributions increased by \$266.6 million. These increases are primarily attributable to rate increases effective January 1, 2014 and 2015.

Net investment income for the pension trust funds and other postemployment benefit plans as a whole decreased by \$9.0 billion or 73.0%. Fiscal year 2015 was a challenging investment year for public equity and fixed income markets. Positive returns for U.S. equities were offset by negative returns outside the U.S. due to a strong U.S. dollar, slowing economic growth in China, and weak commodity prices. The end of the Federal Reserve's quantitative easing program, along with expectations for less accommodative monetary policy and higher targeted interest rates were reflected in subpar fixed income returns. Alternative asset classes, led by real estate and private equity, outperformed global stocks and fixed income. Private equity benefited from low interest rates, rising valuations and strong exit markets. Real estate yields remained attractive relative to other asset classes, leading to continued strong capital inflows and yield compression across property types and geographic regions.

**STATE OF NEW JERSEY**  
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Management's Discussion and Analysis

(Unaudited)

June 30, 2015

In reference to Schedule of Investment Returns – Annual Money-Weighted Rate of Return, Net of Investment Expense (see Required Supplementary Information Schedule 3), the fiscal year 2015 rate was 4.05% compared to 16.64% of the prior year. It was based on Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*.

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 2014 and 2015, benefit payments increased by \$851.0 million or 5.5% due to an increase in the number of retirees receiving retirement and other benefits. The number of refunds processed increased by \$20.4 million or 11.1% compared to last year. Administrative expenses increased by \$4.2 million or 8.8%.

The change in net position of \$8.9 billion was mainly attributable to the decrease in investment income when comparing State fiscal year 2015 to State fiscal year 2014.

**Investment Performance**

The rates of return (i.e. investment performance, which includes income and changes in the fair value of investments) for TPAF, PERS, PFRS, JRS, SPRS, Consolidated Police and Firemen's Pension Fund and Prison Officers' Pension Fund, collectively, the Pension Funds, and various market indices are as follows:

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015

	Year ended June 30	
	2015	2014
Total rate of return (%):		
Total Pension Funds	4.14%	16.72%
Absolute Return Hedge Funds	3.79	1.55
Risk Mitigation	3.79	1.55
Cash Equivalents	0.85	0.92
Short Term Cash Equivalents	0.18	N/A <sup>(1)</sup>
TIPS	(2.35)	4.29
US Treasuries	1.61	(0.12)
Total Liquidity	(0.26)	1.11
Investment Grade Credit	2.23	7.02
High Yield Fixed Income	2.88	15.53
Credit Oriented Hedge Funds	0.79	11.97
Debt Related Private Equity	10.63	13.71
Debt Related Real Estate	8.23	13.20
Total Income	2.89	10.11
Commodities and Other Real Assets	(20.85)	9.32
Private Real Assets	1.28	N/A
Real Estate	15.48	17.04
Total Real Return	5.37	13.76
US Equity	7.48	26.23
Non-US Developed Markets Equity	(3.81)	23.31
Emerging Markets Equity	(7.11)	13.62
Equity Oriented Hedge Funds	7.41	12.55
Buyout/Venture Capital Funds	18.75	26.25
Total Global Growth	4.97	23.13
Police and Fire Mortgage Program	2.44	4.23
Returns of Various Market Indices (%):		
S&P Composite 1500 Index	7.31	24.70
S&P 500 Index	7.42	24.61
Dow Jones Industrial Average	7.21	15.56
Barclays U.S. Government/Credit Index	1.69	4.28
Barclays Long Government/Credit Index	1.94	10.77
MSCI EAFE - Net (Developed Non-US)	(4.22)	23.57
MSCI Emerging Market Free - Net	(5.12)	14.31
HFRI Fund of Funds Index <sup>(3)</sup>	6.10	5.10
NCREIF Property Index <sup>(2)</sup>	12.98	12.74
Cambridge Private Equity Index <sup>(2)</sup>	10.55	18.90
U.S. Treasury bills (3 month)	0.02	0.04

<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.

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(Unaudited)

June 30, 2015

**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, 2014 and 2015, 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 was 37.5%, and the net pension liability as a percentage of covered payroll was 529.7%. For the prior year, the combined state and local ratios of plan fiduciary net position as a percentage of the total pension liability was 42.5%, and the net pension liability as a percentage of covered payroll was 443.7%.

For SHBP – Local, total revenues recognized exceeded total expenses incurred by \$36.7 million, increasing the surplus at the beginning of the year from \$257.4 million to \$294.1 million at year end. This increase was 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. Similarly, for SHBP – Education, total revenues recognized exceeded total expenses incurred by \$13.4 million, increasing the surplus at the beginning of the year from \$131.5 million to \$144.9 million at year end. For SHBP – State, total revenues recognized exceeded total expenses incurred by \$20.2 million, reducing the deficit at the beginning of the year from \$141.8 million to \$121.6 million at year end. This small reduction in the deficit was due to favorable claims experience.

For the other postemployment benefit plans for State fiscal year 2015, based on the current actuarial valuation dated July 1, 2014, the State had a \$24.5 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 \$40.6 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 \$19.7 billion UAAL for SHBP – State active and retired members and a \$33.3 billion UAAL for SHBP – Education employees and retirees. Major factors that contributed to the increase in the UAAL include the following: (1) the State continues to fund post-retirement medical benefits on a pay-as-you-go basis as opposed to funding on an actuarial reserve basis; (2) new mortality assumption tables were utilized in the July 1, 2014 valuation which assume longer life expectancies as compared to the prior mortality assumptions; and (3) trend rates used to project retiree prescription drug costs were increased based on recent poor experience and projected future increases in retiree prescription drug costs. SHBP – Local fiscal year 2015 UAAL for OPEB based on the same actuarial valuation was \$16.4 billion and, for the prior year actuarial valuation, the liability was \$13.8 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.

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

Management's Discussion and Analysis

(Unaudited)

June 30, 2015

**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.

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

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2015

	<b>Pension Trust and Other Postemployment Benefit Plans</b>	<b>Agency Funds</b>
	<hr/>	<hr/>
Assets:		
Cash and cash equivalents	\$ 9,388,816	1,100,212
Receivables:		
Contributions:		
Members	190,852,595	—
Employers	2,191,150,231	426,251
Accrued interest and dividends	4,363,138	—
Securities sold in transit	17,466,901	—
Other	24,647,080	35,787,139
	<hr/>	<hr/>
Total receivables	2,428,479,945	36,213,390
	<hr/>	<hr/>
Investments, at fair value:		
Cash Management Fund	1,893,308,716	44,049,531
Common Pension Fund D	51,222,834,892	—
Common Pension Fund E	25,921,246,067	—
Common stocks	210,119,031	—
Mortgages	840,098,565	—
Domestic equities	1,690,548,942	—
International equities	328,042,823	—
Domestic fixed income	1,448,063,095	—
International fixed income	52,407,677	—
	<hr/>	<hr/>
Total investments	83,606,669,808	44,049,531
	<hr/>	<hr/>
Securities lending collateral	1,060,832,090	—
Members' loans	1,157,974,931	—
	<hr/>	<hr/>
Total assets	88,263,345,590	81,363,133
	<hr/>	<hr/>
Liabilities:		
Accounts payable and accrued expenses	899,264,872	78,035,619
Retirement benefits payable	828,772,890	—
Noncontributory group life insurance premiums payable	27,443,236	—
Administrative expense payable	20,504,604	—
Cash overdraft	424,213	326,400
Assets held for local contributing employers	—	2,350,663
Pension adjustment payroll payable	—	175,351
Due to State of New Jersey	—	217,470
Due to other funds	—	257,630
Securities lending collateral and rebates payable	1,059,479,792	—
	<hr/>	<hr/>
Total liabilities	2,835,889,607	81,363,133
	<hr/>	<hr/>
Net position:		
Restricted for pension and other postemployment benefits	\$ 85,427,455,983	—
	<hr/> <hr/>	<hr/> <hr/>

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, 2015

	Defined Benefit Pension Plans								Defined Contribution Pension Plans				Other Postemployment Benefit Plans			Total
	Judicial Retirement System	Prison Officers' Pension Fund	State Police Retirement System	Consolidated Police and Firemen's Pension Fund	Teachers' Pension and Annuity Fund	Police and Firemen's Retirement System	Public Employees' Retirement System	Central Pension Fund	Alternate Benefit Long-term Disability Fund	New Jersey State Employees Deferred Compensation Plan	Defined Contribution Retirement Plan	Supplemental Annuity Collective Trust	State Health Benefit Program Fund State	State Health Benefit Program Fund Local	State Health Benefit Program Fund Education	
<b>Assets:</b>																
Cash and cash equivalents	\$ 129,439	204,808	1,218,409	86,110	2,305,252	2,282,551	389,872	44,403	—	13,848	24,937	—	1,064,614	440,833	1,183,740	9,388,816
<b>Receivables:</b>																
Contributions:																
Members	315,037	—	1,056,221	—	80,079,148	47,026,382	58,691,867	—	—	—	—	369,116	1,252,238	1,141,174	921,412	190,852,595
Employers	49,025	—	247,407	—	34,158,260	988,189,776	997,609,057	—	—	—	—	—	25,738,270	82,722,754	62,435,682	2,191,150,231
Accrued interest and dividends	146	4	151	8	3,012	3,403,162	5,520	1	—	672,162	—	278,972	—	—	—	4,363,138
Securities sold in transit	—	—	—	—	—	17,466,901	—	—	—	—	—	—	—	—	—	17,466,901
Other	2,247,577	54,418	275,103	397,028	4,931,424	5,766,449	7,338,822	—	1,550,000	—	—	—	653,922	459,987	972,350	24,647,080
Total receivables	2,611,785	54,422	1,578,882	397,036	119,171,844	1,061,852,670	1,063,645,266	1	1,550,000	672,162	—	648,088	27,644,430	84,323,915	64,329,444	2,428,479,945
<b>Investments, at fair value:</b>																
Cash Management Fund	7,914,882	6,557,907	29,092,618	2,163,866	384,497,341	243,030,252	321,199,236	769	82,645	21,404,495	3,204,914	905,810	106,033,357	369,178,243	398,042,381	1,893,308,716
Common Pension Fund D	135,248,837	—	1,213,236,046	—	16,583,641,041	15,300,971,183	17,989,737,785	—	—	—	—	—	—	—	—	51,222,834,892
Common Pension Fund E	70,551,166	—	625,060,781	—	8,682,210,214	7,535,806,030	9,007,617,876	—	—	—	—	—	—	—	—	25,921,246,067
Common stocks	—	—	—	—	—	—	—	—	—	—	—	210,119,031	—	—	—	210,119,031
Mortgages	—	—	—	—	—	840,098,565	—	—	—	—	—	—	—	—	—	840,098,565
Domestic equities	—	—	—	—	—	—	—	—	—	1,690,548,942	—	—	—	—	—	1,690,548,942
International equities	—	—	—	—	—	—	—	—	—	328,042,823	—	—	—	—	—	328,042,823
Domestic fixed income	—	—	—	—	—	—	—	—	—	1,448,063,095	—	—	—	—	—	1,448,063,095
International fixed income	—	—	—	—	—	—	—	—	—	52,407,677	—	—	—	—	—	52,407,677
Total investments	213,714,885	6,557,907	1,867,389,445	2,163,866	25,650,348,596	23,919,906,030	27,318,554,897	769	82,645	3,540,467,032	3,204,914	211,024,841	106,033,357	369,178,243	398,042,381	83,606,669,808
Securities lending collateral	2,801,022	—	25,126,289	—	343,449,530	316,885,258	372,569,991	—	—	—	—	—	—	—	—	1,060,832,090
Members' loans	838,263	—	15,218,604	—	247,772,712	320,129,331	574,016,021	—	—	—	—	—	—	—	—	1,157,974,931
Total assets	220,095,394	6,817,137	1,910,531,629	2,647,012	26,363,047,934	25,621,055,840	29,329,176,047	45,173	1,632,645	3,541,153,042	3,229,851	211,672,929	134,742,401	453,942,991	463,555,565	88,263,345,590
<b>Liabilities:</b>																
Accounts payable and accrued expenses	210	708	77,038	—	66,386,024	4,887,810	93,727,796	20,369	—	1,247,489	1,611	135,687	255,563,989	159,467,600	317,748,541	899,264,872
Retirement benefits payable	4,413,919	110,160	17,253,857	217,505	337,238,435	184,105,304	284,798,925	24,804	—	—	—	609,981	—	—	—	828,772,890
Noncontributory group life insurance premiums payable	49,025	—	247,407	—	5,511,853	6,685,530	14,949,421	—	—	—	—	—	—	—	—	27,443,236
Administrative expense payable	51,417	1,701	149,958	1,557	6,102,345	2,036,967	10,037,943	—	—	—	—	—	796,019	388,457	938,240	20,504,604
Cash overdraft	—	—	—	—	—	—	—	—	—	—	—	424,213	—	—	—	424,213
Securities lending collateral and rebates payable	2,797,452	—	25,094,259	—	343,011,717	316,481,308	372,095,056	—	—	—	—	—	—	—	—	1,059,479,792
Total liabilities	7,312,023	112,569	42,822,519	219,062	758,250,374	514,196,919	775,609,141	45,173	—	1,247,489	1,611	1,169,881	256,360,008	159,856,057	318,686,781	2,835,889,607
<b>Net position:</b>																
Restricted for pension and other postemployment benefits	\$ 212,783,371	6,704,568	1,867,709,110	2,427,950	25,604,797,560	25,106,858,921	28,553,566,906	—	1,632,645	3,539,905,553	3,228,240	210,503,048	(121,617,607)	294,086,934	144,868,784	85,427,455,983

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, 2015

	<b>Pension Trust and Other Postemployment Benefit Plans</b>
Additions:	
Contributions:	
Members	\$ 2,651,633,067
Employers	7,900,744,380
Non-employer	615,834,289
Employer specific	46,538,152
Total contributions	11,214,749,888
Investment income:	
Net increase in fair value of investments	1,552,595,116
Interest	1,788,822,789
Dividends	14,764,547
	3,356,182,452
Less investment expense	14,900,344
Net investment income	3,341,282,108
Total additions	14,556,031,996
Deductions:	
Benefits	16,210,276,964
Refunds of contributions	204,178,357
Administrative and miscellaneous expenses	52,323,840
Total deductions	16,466,779,161
Change in net position	(1,910,747,165)
Net position restricted for pension and other postemployment benefits:	
Beginning of year	87,338,203,148
End of year	\$ 85,427,455,983

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, 2015

	Defined Benefit Pension Plans							Defined Contribution Pension Plans				Other Postemployment Benefit Plans			Total	
	Judicial Retirement System	Prison Officers' Pension Fund	State Police Retirement System	Consolidated Police and Firemen's Pension Fund	Teachers' Pension and Annuity Fund	Police and Firemen's Retirement System	Public Employees' Retirement System	Central Pension Fund	Alternate Benefit Long-term Disability Fund	New Jersey State Employees Deferred Compensation Plan	Defined Contribution Retirement Plan	Supplemental Annuity Collective Trust	State Health Benefit Program Fund State	State Health Benefit Program Fund Local		State Health Benefit Program Fund Education
<b>Additions:</b>																
Contributions:																
Members	\$ 6,310,124	—	22,315,431	—	740,296,265	386,991,641	805,232,235	—	186,999,797	—	6,003,908	392,058,372	52,547,496	52,877,798	2,651,633,067	
Employers	17,031,026	—	38,527,297	—	807,246	883,776,917	1,085,237,214	231,150	1,550,000	—	2,046,770	1,925,134,226	1,279,987,154	2,666,415,380	7,900,744,380	
Non-employers	—	—	—	—	539,796,289	76,038,000	—	—	—	—	—	—	—	—	615,834,289	
Employer specific	2,081,523	698,360	222,557	1,577,751	4,476,040	26,963,211	10,496,496	22,214	—	—	—	—	—	—	46,538,152	
Total contributions	25,422,673	698,360	61,065,285	1,577,751	1,285,375,840	1,373,769,769	1,900,965,945	253,364	1,550,000	186,999,797	2,046,770	6,003,908	2,317,192,598	1,332,534,650	2,719,293,178	11,214,749,888
<b>Investment income:</b>																
Net increase (decrease) in fair value of investments	4,113,081	(452)	35,950,418	(270)	512,147,543	372,976,317	492,515,109	—	(25)	122,980,412	(55)	11,940,482	(4,233)	(10,698)	(12,513)	1,552,595,116
Interest	4,381,441	8,776	39,695,724	3,157	558,668,862	551,216,608	633,521,190	97	1,656	118,040	3,552	1,119	191,961	555,525	455,081	1,788,822,789
Dividends	—	—	—	—	—	—	—	—	—	10,250,107	—	4,514,440	—	—	—	14,764,547
	8,494,522	8,324	75,646,142	2,887	1,070,816,405	924,192,925	1,126,036,299	97	1,631	133,348,559	3,497	16,456,041	187,728	544,827	442,568	3,356,182,452
Less investment expense	18,881	1,969	113,363	2,689	4,753,479	1,594,249	8,209,186	—	—	206,528	—	—	—	—	—	14,900,344
Net investment income	8,475,641	6,355	75,532,779	198	1,066,062,926	922,598,676	1,117,827,113	97	1,631	133,142,031	3,497	16,456,041	187,728	544,827	442,568	3,341,282,108
Total additions	33,898,314	704,715	136,598,064	1,577,949	2,351,438,766	2,296,368,445	3,018,793,058	253,461	1,551,631	320,141,828	2,050,267	22,459,949	2,317,380,326	1,333,079,477	2,719,735,746	14,556,031,996
<b>Deductions:</b>																
Benefits	52,430,016	1,377,505	206,409,675	2,445,627	3,957,207,798	2,197,072,186	3,303,159,729	233,290	1,550,000	175,989,353	844,050	20,710,344	2,293,781,694	1,294,747,415	2,702,318,282	16,210,276,964
Refunds of contributions	—	—	83,950	—	57,795,789	8,392,111	137,886,336	20,171	—	—	—	—	—	—	—	204,178,357
Administrative and miscellaneous expenses	168,762	5,843	351,723	8,003	13,890,080	4,531,012	23,761,860	—	—	464,129	—	—	3,428,411	1,673,063	4,040,954	52,323,840
Total deductions	52,598,778	1,383,348	206,845,348	2,453,630	4,028,893,667	2,209,995,309	3,464,807,925	253,461	1,550,000	176,453,482	844,050	20,710,344	2,297,210,105	1,296,420,478	2,706,359,236	16,466,779,161
Change in net position	(18,700,464)	(678,633)	(70,247,284)	(875,681)	(1,677,454,901)	86,373,136	(446,014,867)	—	1,631	143,688,346	1,206,217	1,749,605	20,170,221	36,658,999	13,376,510	(1,910,747,165)
<b>Net position restricted for pension and other postemployment benefits:</b>																
Beginning of year	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	—	1,631,014	3,396,217,207	2,022,023	208,753,443	(141,787,828)	257,427,935	131,492,274	87,338,203,148
End of year	\$ 212,783,371	6,704,568	1,867,709,110	2,427,950	25,604,797,560	25,106,858,921	28,553,566,906	—	1,632,645	3,539,905,553	3,228,240	210,503,048	(121,617,607)	294,086,934	144,868,784	85,427,455,983

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2015

**(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:

<u>Plan Name</u>	<u>Type of Plan</u>
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 with special funding situation

The Division oversees the following agency funds:

<u>Agency Fund</u>
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, 2015

**(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, 1960.
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.

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

Notes to Financial Statements

June 30, 2015

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, 2015:

	<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	586	98	3,511	124	98,230	44,252	166,637	12
Inactive plan members entitled to but not yet receiving benefits	4	—	—	—	210	51	703	—
Active plan members	<u>404</u>	<u>—</u>	<u>2,676</u>	<u>—</u>	<u>153,452</u>	<u>40,359</u>	<u>259,161</u>	<u>—</u>
Total	<u>994</u>	<u>98</u>	<u>6,187</u>	<u>124</u>	<u>251,892</u>	<u>84,662</u>	<u>426,501</u>	<u>12</u>
Contributing employers	1	1	1	52	26	585	1,710	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.

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

Notes to Financial Statements

June 30, 2015

*Pension Plans' Boards and Composition*

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

	<b>SPRS</b>	<b>TPAF</b>	<b>PFRS</b>	<b>PERS</b>
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	5	7	11	9

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

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 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

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

Notes to Financial Statements

June 30, 2015

member contribution rate was 8.12% in State fiscal year 2015. The State's contribution is based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

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 consecutive 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, 2015. 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's contribution is based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

The vesting and benefit provisions are set by N.J.S.A. 53:5A. SPRS provides retirement benefits 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 contributions. Mandatory retirement is at age 55. Voluntary retirement is prior to age 55 with 20 years of credited service. Benefit is an annual retirement allowance equal to the greater of (a), (b), or (c), as follows: (a) 50% of final compensation; (b) 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. (c) For members as of August 29, 1985 who would not have 20 years of service by age 55, benefit as defined in (a) above. For members as of

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August 29, 1985 who would have 20 years of service but would not have 25 years of service at age 55, benefit as defined in (a) above plus 3% for each year of service.

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, 2015. 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 6.92% in State fiscal year 2015. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

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 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 with 25 or more years of service credit, 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.



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PFRS

The contribution policy is set by N.J.S.A. 43:16A 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 8.5% to 10% in October 2011. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

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:

<b>Tier</b>	<b>Definition</b>
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 6.92% in State fiscal year 2015. 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 from 8.5% of base salary to 10%. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

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.

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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 with 25 or more years of service credit 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 age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. 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.

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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.

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*Plan Membership*

At June 30, 2015, membership in the defined contribution pension plans consisted of the following based on the information within the Division's database:

<u>Plan</u>	<u>Members</u>
ABPLTD	173
NJSEDCP	49,992
DCRP	36,808
SACT	3,193

*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 \$18,000 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

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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 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.

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*Plan Membership and Contributing Employers*

Membership and contributing employers of the defined benefit OPEB plans consisted of the following at June 30, 2015:

	<b>Active</b>	<b>Retired</b>	<b>Total</b>	<b>Contributing Employers</b>
SHBP - State	108,544	62,805	171,349	1
SHBP - Local	44,975	38,219	83,194	590
SHBP - Education	210,343	133,833	344,176	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 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, \$1.3 billion and \$2.7 billion for State fiscal year 2015, 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.

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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 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

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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, CPFPF, TPAF, PFRS, PERS, CPF, ABPLTD, NJSEDCP, DCRP, and SACT.

*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, CPFPF, TPAF, PFRS and PERS) and two defined contribution pension plans (SACT and certain accounts in NJSEDCP). 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, absolute return strategy funds, and global diversified credit 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



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Capitalization Equity Fund, and NJSEDCP Cash Management Fund) were closed to new contributions on December 31, 2005. 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.
- 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) and global diversified credit 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 alternative investment funds and global diversified credit funds are long term and illiquid in nature which can prevent the investment from being readily marketable. Alternative investments and global diversified credit 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 and global diversified credit funds, 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

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Treasurer. For 2015, the interest rate was 5.25%. There was 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 6). Additionally, State Health Benefit Program Funds – State, Local and Education administrative expenses are included in administrative expenses in the 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 Fund E is obligated, under certain private equity, real estate, real asset, absolute return strategy, 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, 2015, the Common Pension Fund E had unfunded commitments totaling approximately \$8.2 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.

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**(k) Accounting Pronouncements Applicable to the Division, Issued but Not Yet Effective**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. GASB 72 will be effective for periods beginning after June 15, 2015. The Division is currently evaluating the impact of GASB 72 for its 2016 financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68. GASB 73 will be effective for periods beginning after June 15, 2015. The Division is currently evaluating the impact of GASB 73 for its 2016 financial statements.

In June 2015, the GASB issued Statement No 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). GASB 74 provides new requirements for the stand-alone reporting of other post-employment benefit (OPEB) plans or trusts. As compared to current requirements, the requirements in GASB 74 generally would incorporate changes in actuarial provisions, as well as enhanced note disclosures and required supplementary information in the stand-alone OPEB plan financial statements. GASB 74 will be effective for periods beginning after June 15, 2016. The Division is currently evaluating the impact of GASB 74 for its 2017 financial statements.

**(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, 2015 are as follows:

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPF</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>
Total pension liability \$	970,025,483	7,226,313	4,643,817,556	10,218,402	89,182,662,000	47,517,765,905	74,723,698,562
Plan fiduciary net position	<u>212,783,371</u>	<u>6,704,568</u>	<u>1,867,709,110</u>	<u>2,427,950</u>	<u>25,604,797,560</u>	<u>25,106,858,921</u>	<u>28,553,566,906</u>
Net pension liability \$	<u>757,242,112</u>	<u>521,745</u>	<u>2,776,108,446</u>	<u>7,790,452</u>	<u>63,577,864,440</u>	<u>22,410,906,984</u>	<u>46,170,131,656</u>
Plan fiduciary net position as a percentage of the total pension liability	21.94%	92.78%	40.22%	23.76%	28.71%	52.84%	38.21%

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The total pension liability was determined by actuarial valuations as of July 1, 2014, which was rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods in the measurement:

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPF</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>
Inflation rate	3.04%	3.04%	3.04%	3.04%	2.50%	3.04%	3.04%
Salary increases:							
Through 2021	2.50%	N/A	3.45%	N/A	Varies based on experience	2.60 - 9.48% based on age	2.15 - 4.40% based on age
Thereafter	3.50%	N/A	4.45%	N/A	Varies based on experience	3.60 - 10.48% based on age	3.15 - 5.40% based on age
Investment rate of return	7.90%	3.80%	7.90%	3.80%	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, 2010 - June 30, 2013	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.

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*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, 2015 (see the discussion of the pension plans' investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPPF</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>
Cash	1.04%	1.04%	1.04%	1.04%	0.53%	1.04%	1.04%
U.S. Treasuries	1.64%	—	1.64%	—	—	1.64%	1.64%
U.S. government bonds	—	—	—	—	1.39%	—	—
U.S. credit bonds	—	—	—	—	2.72%	—	—
Investment grade credit	1.79%	—	1.79%	—	—	1.79%	1.79%
Mortgages	1.62%	—	1.62%	—	2.54%	1.62%	1.62%
High yield bonds	4.03%	—	4.03%	—	4.57%	4.03%	4.03%
Inflation-indexed bonds	3.25%	—	3.25%	—	1.47%	3.25%	3.25%
Broad U.S. equities	8.52%	—	8.52%	—	5.63%	8.52%	8.52%
Developed foreign equities	6.88%	—	6.88%	—	6.22%	6.88%	6.88%
Emerging market equities	10.00%	—	10.00%	—	8.46%	10.00%	10.00%
Private equity	12.41%	—	12.41%	—	9.15%	12.41%	12.41%
Hedge funds/Absolute return	4.72%	—	4.72%	—	—	4.72%	4.72%
MultiStrategy	—	—	—	—	4.59%	—	—
Equity hedge	—	—	—	—	5.68%	—	—
Distressed	—	—	—	—	4.30%	—	—
Real estate (property)	6.83%	—	6.83%	—	3.97%	6.83%	6.83%
Commodities	5.32%	—	5.32%	—	3.58%	5.32%	5.32%
Timber	—	—	—	—	4.09%	—	—
Farmland	—	—	—	—	4.61%	—	—
Global Debt excluding U.S.	-0.40%	—	-0.40%	—	—	-0.40%	-0.40%
Real estate investment trusts	5.12%	—	5.12%	—	—	5.12%	5.12%

*Discount Rate*

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

<u>Plan</u>	<u>Discount Rate</u>
JRS	4.08%
POPF	3.80%
SPRS	4.64%
CPFPPF	3.80%
TPAF	4.13%
PFRS	5.79%
PERS	4.90%

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

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPPF</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>
Period of projected benefit payments for which the following rates were applied:							
Long-term expected rate of return	Through June 30, 2022	Not applicable	Through June 30, 2033	Not applicable	Through June 30, 2027	Through June 30, 2045	Through June 30, 2033
Municipal Bond rate*	From July 1, 2022 and thereafter	All periods	From July 1, 2033 and thereafter	All periods	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 3.80%. 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:

<u>Plan (rates used)</u>	<u>At 1% decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
JRS (3.08%, 4.08%, 5.08%)	\$ 869,159,680	757,242,112	662,771,679
POPF (2.80%, 3.80%, 4.80%)	880,826	521,745	196,015
SPRS (3.64%, 4.64%, 5.64%)	3,479,367,045	2,776,108,446	2,209,811,272
CPFPPF (2.80%, 3.80%, 4.80%)	8,213,139	7,790,452	7,403,670
TPAF (3.13%, 4.13%, 5.13%)	75,559,915,440	63,577,864,440	53,254,610,440
PFRS (4.79%, 5.79%, 6.79%)	29,053,805,391	22,410,906,984	16,996,545,615
PERS (3.90%, 4.90%, 5.90%)	55,702,235,475	46,170,131,656	38,191,749,890

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**(4) Investments**

The Plans' investments (including investments held directly by the Common Pension Funds) as of June 30, 2015 are as follows:

	<b>Total</b>	<b>Select Pension Trust Funds<sup>(4)</sup></b>	<b>Other Funds<sup>(3)</sup></b>
Cash management funds	\$ 1,937,358,247	994,456,102	942,902,145
Domestic equities	24,354,087,874	22,453,419,901	1,900,667,973
International equities	14,318,088,974	13,990,046,151	328,042,823
Domestic fixed income	11,629,247,993	10,181,184,898	1,448,063,095
Absolute return strategy funds	9,822,870,487	9,822,870,487	—
Private equity funds	7,473,103,168	7,473,103,168	—
Real estate funds	3,115,666,450	3,115,666,450	—
Global diversified credit funds	2,281,758,554	2,281,758,554	—
International fixed income <sup>(1)</sup>	2,314,347,622	2,261,939,945	52,407,677
Real assets	1,594,443,344	1,594,443,344	—
Police and Firemen's mortgages	840,098,565	840,098,565	—
Opportunistic private equity investments	203,305,831	203,305,831	—
Put options	5,690,700	5,690,700	—
Other <sup>(2)</sup>	3,760,651,530	3,760,651,530	—
	<u>\$ 83,650,719,339</u>	<u>78,978,635,626</u>	<u>4,672,083,713</u>

<sup>(1)</sup> Primarily US dollar denominated securities

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

<sup>(3)</sup> Includes CPF, ABPLTD, DCRP, NJSEDCP, SACT, OPEB plans, and Agency Funds

<sup>(4)</sup> 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, 2015 for JRS, POPF, CPFPF, SPRS, TPAF, PFRS and PERS, collectively known as the Pension Funds, is as follows:

<b>Asset Class</b>	<b>Target</b>
Absolute return/risk mitigation	4.00%
Total risk mitigation	4.00%
Cash equivalents	5.00%
U.S. Treasury TIPS	1.50%
U.S. Treasuries	1.75%
Total liquidity	8.25%
Investment grade credit	10.00%
Public high yield	2.00%
Global diversified credit	3.50%
Credit oriented hedge funds	4.00%
Debt related private equity	1.00%
Debt related real estate	1.00%
Police and Firemen's Mortgage Program	1.10%
Total income	22.60%
Commodities	1.00%
Private real asset	2.00%
Equity related real estate	4.25%
Total real return	7.25%
U.S. equity	27.25%
Non-U.S. developed markets equity	12.00%
Emerging markets equity	6.40%
Equity oriented hedge funds	4.00%
Buyouts/venture capital	8.25%
Total global growth	57.90%
Total	100.00%

The asset allocation policy is reviewed on at least an annual fiscal year basis.



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***Rate of Return***

The annual money-weighted rate of return for the Pension Funds was 4.05% for the fiscal year ended June 30, 2015. 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 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. 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 Pension Funds as of June 30, 2015 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 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.

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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.

The NJSEDCP Equity Fund and the NJSEDCP Small Capitalization Equity Fund are invested in equity 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 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. Not more than 10% of the market value of the NJSEDCP Equity Fund or the NJSEDCP Small Capitalization Equity Fund can be invested in these 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 outstanding. 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. Corporate fixed income obligations must have a minimum credit rating of Baa3, BBB- and BBB- as measured by Moody's, S&P, and Fitch, respectively. The total amount of corporate 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.

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. For SACT, not more than 10% of the market value of the fund can be invested in the equity 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.

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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, 2015. 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	
Corporate obligations	\$ 622,662	883,398	1,539,938	1,438,154	604,210	597,892	321,730	911	63	6,008,958
United States Treasury TIPS	1,671,570	—	—	—	—	—	—	—	—	1,671,570
Foreign government obligations	411,443	1,142,819	95,724	3,871	873	279	—	—	—	1,655,009
United States Treasury bonds	1,526,758	—	—	—	—	—	—	—	—	1,526,758
Federal agency obligations	332,297	—	271,967	—	—	—	—	—	—	604,264
International corporate obligations	25,174	9,608	258,936	98,876	96,278	79,323	18,093	—	—	586,288
Bank loans	—	—	—	—	32,754	53,139	14,263	—	—	100,156
Mortgages (FHLMC/FNMA/GNMA)	363,286	—	—	—	—	—	—	—	—	363,286
SBA pass through certificates	20,349	—	—	—	—	—	—	—	—	20,349
Asset backed securities	47,211	4,377	439	—	1,478	1,129	560	242	—	55,436
Other	51,764	436,826	197,433	446	—	—	—	—	—	686,469
	<u>\$ 5,072,514</u>	<u>2,477,028</u>	<u>2,364,437</u>	<u>1,541,347</u>	<u>735,593</u>	<u>731,762</u>	<u>354,646</u>	<u>1,153</u>	<u>63</u>	<u>13,278,543</u>

	Standard and Poor's rating								Totals
	AAA	AA	A	BBB	BB	B	CCC	D	
Corporate obligations	\$ —	10,854	1,747	224,689	30,763	2,928	1,203	3,745	275,929
Federal agency obligations	—	265	—	—	—	—	—	—	265
International corporate obligations	—	—	—	—	12,375	8,757	—	—	21,132
Asset backed securities	7,825	6,400	948	—	—	—	—	289	15,462
Other	—	45,237	17,807	—	—	—	—	—	63,044
	<u>\$ 7,825</u>	<u>62,756</u>	<u>20,502</u>	<u>224,689</u>	<u>43,138</u>	<u>11,685</u>	<u>1,203</u>	<u>4,034</u>	<u>375,832</u>

The tables do not include certain domestic and international corporate obligations and certain exchange traded funds (ETFs) totaling \$289,221,227 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 \$840,098,565, and investment in the Cash Management Fund totaling \$1,937,358,247, 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, 2015, 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 A.

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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, 2015. 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	\$ 410,420	2,335,632	2,579,785	990,005	6,315,842
United States Treasury TIPS	—	623,719	1,047,851	—	1,671,570
Foreign government obligations	—	638,760	800,715	215,534	1,655,009
United States Treasury bonds	175,034	716,657	584,419	50,648	1,526,758
Police and Firemen's mortgage program	—	933	22,139	817,027	840,099
Federal agency obligations	2,701	206,965	373,393	21,470	604,529
International corporate obligations	59,975	173,196	297,226	80,280	610,677
Bank loans	424	30,433	71,113	—	101,970
Mortgages (FHLMC/FNMA/GNMA)	72	1,129	12,581	349,504	363,286
SBA pass through certificates	—	20,349	—	—	20,349
Asset backed securities	—	1,771	7,606	65,679	75,056
Other	110,811	122,743	128,788	636,208	998,550
	\$ <u>759,437</u>	<u>4,872,287</u>	<u>5,925,616</u>	<u>3,226,355</u>	<u>14,783,695</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, 2015 (expressed in U.S. dollars):

<u>Currency</u>	<u>Equities</u>	<u>Fixed income</u>	<u>Alternative investments</u>	<u>Total fair value</u>
Australian dollar	\$ 512,736,305	—	—	512,736,305
Brazilian real	257,955,677	—	—	257,955,677
Canadian dollar	649,139,864	81,507,569	—	730,647,433
Chilean peso	2,326,922	—	—	2,326,922
Columbian peso	845,899	1,438,074	—	2,283,973
Czech koruna	52,585,333	—	—	52,585,333
Danish krone	135,312,208	—	—	135,312,208
Egyptian pound	345,848	—	—	345,848
Euro	2,193,258,122	458,698	627,948,657	2,821,665,477
Hong Kong dollar	746,243,220	—	—	746,243,220
Hungarian forint	20,267,286	—	—	20,267,286
Indonesian rupiah	103,356,150	—	—	103,356,150
Japanese yen	1,694,214,342	—	—	1,694,214,342
Malaysian ringgit	26,251,260	—	—	26,251,260
Mexican peso	87,275,095	—	—	87,275,095
New Taiwan dollar	22,766,697	—	—	22,766,697
Norwegian krone	63,382,583	—	—	63,382,583
Pakistan rupee	28,942,696	—	—	28,942,696
Philippine peso	58,543,046	—	—	58,543,046
Polish zloty	54,930,633	—	—	54,930,633
Pound sterling (U.K.)	1,528,592,023	—	176,633,939	1,705,225,962
Qutari rial	1,396,946	—	—	1,396,946
Singapore dollar	102,903,990	—	—	102,903,990
South African rand	256,278,997	—	—	256,278,997
South Korean won	410,167,473	—	—	410,167,473
Swedish krona	218,564,647	—	—	218,564,647
Swiss franc	779,654,343	—	—	779,654,343
Thailand baht	95,945,334	—	—	95,945,334
Turkish lira	74,127,850	—	—	74,127,850
UAE dirham	4,576,453	—	—	4,576,453
Other	23,194,763	—	—	23,194,763
	<u>\$ 10,206,082,005</u>	<u>83,404,341</u>	<u>804,582,596</u>	<u>11,094,068,942</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, 2015, the net position of Common Pension Fund E includes receivables of \$351 million related to the secondary sale of real estate funds and redemption of hedge funds.

**(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, 2015, 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 provide 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, 2015 (in thousands).

	<b>Rating</b>		
	<b>Aaa/AAA</b>	<b>Not rated</b>	<b>Totals</b>
Repurchase agreements	\$ 841,000	—	841,000
State Street institutional liquid reserves fund	—	250,000	250,000
Cash overdraft	—	(31,648)	(31,648)
	<u>\$ 841,000</u>	<u>218,352</u>	<u>1,059,352</u>

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, 2015, the pension funds had outstanding loaned investment securities with an aggregate market value of \$1,028,118,684 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 pension funds (JRS, SPRS, TPAF, PFRS, and PERS) invest in derivative securities through the Common Pension Funds. A derivative security is an investment whose value is derived from other financial instruments such as commodity prices, bonds and stock prices, or a market index. The Common Pension Funds' derivative securities are considered investment derivative instruments. The fair value of all derivative securities is reported in the statement of fiduciary net position, and the change in fair value is recorded in the statement of changes in fiduciary net position as net increase in fair value of investments.

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Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk includes, but is not limited to, the possibility that a change in interest rate risk, foreign currency risk or the value of the underlying securities will cause the value of a financial instrument to decrease or become more costly to settle. The market or the value of underlying security, or securities, risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing limits as to the types, amounts and degree of risk that the Common Pension Funds may undertake as set forth in the Council Regulations.

The Common Pension Funds may use financial futures to replicate an underlying security or indices they wish to hold in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, the Common Pension Funds may use future contracts to improve the yield or adjust the duration of the fixed income portfolio or may sell futures contracts to hedge the portfolio. A financial futures contract is an agreement between a buyer and a seller that is based on a referenced item, such as financial indices, or interest rates or a financial instrument such as equity or fixed income securities, physical commodities or currencies. Futures contracts may call for physical delivery of specified quantity of the underlying asset of a specified price (futures or strike price) and date, or be settled in cash. Future contracts must be traded on a securities exchange or over the counter market. The net change in the future contracts value is settled daily in cash with the exchanges. The cash to fulfill these obligations is held in a margin account. As the market value of the futures contract varies from the original contract price, a gain or loss is paid to or received from the clearinghouse and recognized in the statement of changes in fiduciary net position. The Common Pension Funds had no investments in futures at June 30, 2015.

Foreign currency forward contracts are used as a means to hedge against currency risks in the Common Pension Fund. Foreign currency forward 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. Foreign currency forward contracts are marked to market on a daily basis with the change in fair value included in investment income in the statement of changes in fiduciary net position.

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 or 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.

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As of June 30, 2015, Common Pension Fund's derivative investments included foreign currency forward contracts and options:

	<b>Notional value (local currency)</b>	<b>Receivable</b>	<b>Payable</b>	<b>Change in fair value</b>
Foreign currency forward contracts:				
Buy:				
Pound sterling	100,000,000	\$ 157,233,405	158,260,000	(1,026,595)
Sell:				
Euro	325,000,000	360,322,000	362,682,242	(2,360,242)
Japanese yen	35,000,000,000	288,875,466	286,540,299	2,335,167
Pound sterling	100,000,000	<u>149,345,000</u>	<u>157,233,405</u>	<u>(7,888,405)</u>
Total Forward contracts		<u>\$ 955,775,871</u>	<u>964,715,946</u>	<u>(8,940,075)</u>
		<b>Fair value</b>	<b>Change in fair</b>	
Options:				
Purchased Options:				
Put	2,092,784,255	\$ 5,690,700	(1,612,398)	
Written Options:				
Put	2,092,784,255	(3,052,350)	1,266,851	
Call	<u>275,367,733</u>	<u>(2,231,131)</u>	<u>1,801,945</u>	
Total Options	<u>4,460,936,243</u>	<u>\$ 407,219</u>	<u>1,456,398</u>	

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, 2015, the remaining receivable balances related to Chapter 19, P.L. 2009 were \$140.7 million and \$47.8 million for PFRS and PERS, respectively.

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June 30, 2015

**(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, 2014.

	<u>SHBP – State</u>	<u>SHBP – Local</u>	<u>SHBP – Education</u>
Actuarial value of assets	\$ —	—	—
Actuarial accrued liability	24,470,500,000	16,408,500,000	40,575,700,000
Unfunded (overfunded) actuarial accrued liability	24,470,500,000	16,408,500,000	40,575,700,000
Funded ratio	—	—	—
Covered payroll	\$ 7,554,955,233	3,067,600,000	12,526,744,767
Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll	323.90%	534.90%	323.90%

*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, 2014 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 pre-Medicare PPO medical benefits, this amount initially is 7.5% and decreases to a 5.0% long-term trend rate after five years. For post-65 PPO medical benefits, the trend rate is 5.0%. For HMO medical benefits, the trend rate is initially 7.0% and decreases to a 5.0% long-term trend rate after four years. For prescription drug benefits, the initial trend rate is 13.0% decreased to a 5.0% long-term trend rate after eight

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June 30, 2015

years. For the Medicare Part B reimbursement, the trend rate is 5.0%. This reflects the known underlying cost of the Part B premium.

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 (\$53,742,671); SPRS (\$188,252,687); TPAF (\$11,199,306,391); PFRS (\$3,510,869,351); PERS (\$13,430,119,120)***

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 (\$-50,433,481); SPRS (\$835,694,402); TPAF (\$-21,101,427,906); PERS (\$-12,922,527,043)***

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 (\$209,474,181); SPRS (\$843,762,021); TPAF (\$35,506,919,075); PFRS (\$22,829,348,125); PERS (\$27,761,492,779)***

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 2015) is credited to the Retirement Reserve.

***Retirement Reserve – POPF (\$6,704,568)***

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 (\$20,840,242); PERS – Local (\$63,104,676)***

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 (\$-1,254,198,797)***

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 – CPFPP (\$2,427,950)***

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

***Alternate Benefit – Long Term Disability Reserve (\$1,632,645)***

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

***Benefit Enhancement Reserve – PERS – Local (\$221,377,374)***

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 (\$-121,617,607)***

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

***SHBP Reserve Fund – Local (\$294,086,934)***

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 (\$144,868,784)***

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, 2015 are as follows:

	<u>Pension Reserves</u>	<u>Other Postemployment Benefit Plan Reserves</u>
Members' Annuity Savings Reserve and Accumulated Interest Reserve	\$ 28,382,290,220	—
Contingent Reserve	(33,238,694,028)	—
Retirement Reserve	87,157,700,749	—
Non-Contributory Group Insurance Premium Reserve	83,944,918	—
Pension Accumulation Reserve	(1,254,198,797)	—
Pension Reserve	2,427,950	—
Alternate Benefit - Long Term Disability Reserve	1,632,645	—
SHBP Reserve	—	317,338,111
Benefit Enhancement Reserve	221,377,374	—
Variable Accumulation Reserve (N.J.S.A.: DCRP (43:15C-1), NJSEDCP (52:18A-164), SACT (52:18A-109))	3,716,857,660	—
Variable Benefits Reserve (N.J.S.A.: SACT 52:18A-109)	36,779,181	—
Total	<u>\$ 85,110,117,872</u>	<u>317,338,111</u>

**(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 and Related Ratios - Defined Benefit Pension Plans

Judicial Retirement System

(Unaudited)

June 30, 2015

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 30,702,986	32,123,341
Interest on total pension liability	41,473,055	40,332,123
Effect of economic/demographic (gains) or losses	(1,733,197)	—
Effect of assumptions changes or inputs	49,187,372	26,907,821
Transfers from other systems	2,081,523	—
Benefit payments	<u>(52,430,016)</u>	<u>(49,604,080)</u>
Net change in total pension liability	69,281,723	49,759,205
Total pension liability-beginning	<u>900,743,760</u>	<u>850,984,555</u>
Total pension liability-ending (a)	<u>\$ 970,025,483</u>	<u>900,743,760</u>
Plan fiduciary net pension:		
Contributions-employer	\$ 17,031,026	15,874,857
Contributions-employee	6,310,124	5,096,577
Net investment income	8,475,641	34,448,036
Transfers from other systems	2,081,523	—
Benefit payments, including refunds of employee contributions	(52,430,016)	(49,604,080)
Administrative expense	<u>(168,762)</u>	<u>(162,372)</u>
Net change in Plan fiduciary net position	(18,700,464)	5,653,018
Plan fiduciary net position-beginning	231,483,835	225,830,817
Plan fiduciary net position-ending (b)	<u>212,783,371</u>	<u>231,483,835</u>
Plan's net pension liability-ending (a)-(b)	<u>\$ 757,242,112</u>	<u>669,259,925</u>
Plan fiduciary net position as a percentage of the total pension liability	21.94%	25.70%
Covered-employee payroll	\$ 66,028,491	67,810,110
Net pension liability as a percentage of covered-employee payroll	1146.84%	986.96%

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

**Notes to Schedule:**

*Changes in benefit terms:* None

*Changes in assumptions:*

Discount rate as of June 30, 2015 4.08%

Discount rate as of June 30, 2014 4.58%

See accompanying independent auditors' report.



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DIVISION OF PENSIONS AND BENEFITS**

Required Supplementary Information

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

Prison Officers' Pension Fund

(Unaudited)

June 30, 2015

	<b>2015</b>	<b>2014</b>
Total pension liability:		
Service cost	\$ —	—
Interest on total pension liability	331,362	401,659
Effect of economic/demographic (gains) or losses	(296,620)	—
Effect of assumptions changes or inputs	163,490	129,449
Transfers from other systems	—	—
Benefit payments	(1,377,505)	(1,583,408)
Net change in total pension liability	(1,179,273)	(1,052,300)
Total pension liability-beginning	8,405,586	9,457,886
Total pension liability-ending (a)	\$ 7,226,313	8,405,586
Plan fiduciary net pension:		
Contributions-employer	\$ 698,360	793,174
Net investment income	6,355	7,368
Benefit payments, including refunds of employee contributions	(1,377,505)	(1,583,408)
Administrative expense	(5,843)	(5,853)
Net change in Plan fiduciary net position	(678,633)	(788,719)
Plan fiduciary net position-beginning	7,383,201	8,171,920
Plan fiduciary net position-ending (b)	6,704,568	7,383,201
Plan's net pension liability-ending (a)-(b)	\$ 521,745	1,022,385
Plan fiduciary net position as a percentage of the total pension liability	92.78%	87.84%
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A

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

**Notes to Schedule:**

*Changes in benefit terms:* None

*Changes in assumptions:*

Discount rate as of June 30, 2015 3.80%

Discount rate as of June 30, 2014 4.29%

*Adjustments to June 30, 2014 reported amounts:*

In the previous year, the net pension liability for POPF was recorded using a discount rate of 5.00%. However, the discount rate should have been 4.29%, which is the Bond Buyer Go 20-Bond Municipal Bond Index. This adjustment is reflected in the 2014 figures above. The net pension liability was also adjusted to reflect benefits previously excluded in the form of cost of living adjustments due to retirees in effect prior to the Chapter 78, P.L. 2011 that are funded on an annual basis by the respective employers.

See accompanying independent auditors' report.

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

Required Supplementary Information

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

State Police Retirement System

(Unaudited)

June 30, 2015

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 93,740,921	93,623,020
Interest on total pension liability	216,980,562	209,010,706
Effect of economic/demographic (gains) or losses	35,245,543	—
Effect of assumptions changes or inputs	258,002,875	92,686,900
Transfers from other systems	222,557	—
Benefit payments	<u>(206,493,625)</u>	<u>(197,958,938)</u>
Net change in total pension liability	397,698,833	197,361,688
Total pension liability-beginning	<u>4,246,118,723</u>	<u>4,048,757,035</u>
Total pension liability-ending (a)	<u>\$ 4,643,817,556</u>	<u>4,246,118,723</u>
Plan fiduciary net pension:		
Contributions-employer	\$ 38,527,297	36,436,923
Contributions-employee	22,315,431	24,034,496
Net investment income	75,532,779	287,098,217
Transfers from other systems	222,557	—
Benefit payments, including refunds of employee contributions	(206,493,625)	(197,958,938)
Administrative expense	<u>(351,723)</u>	<u>(280,026)</u>
Net change in Plan fiduciary net position	(70,247,284)	149,330,672
Plan fiduciary net position-beginning	1,937,956,394	1,788,625,722
Plan fiduciary net position-ending (b)	<u>1,867,709,110</u>	<u>1,937,956,394</u>
Plan's net pension liability-ending (a)-(b)	<u>\$ 2,776,108,446</u>	<u>2,308,162,329</u>
Plan fiduciary net position as a percentage of the total pension liability	40.22%	45.64%
Covered-employee payroll	\$ 262,496,289	262,063,829
Net pension liability as a percentage of covered-employee payroll	1057.58%	880.76%

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

**Notes to Schedule:**

*Changes in benefit terms:* None

*Changes in assumptions:*

Discount rate as of June 30, 2015 4.64%  
Discount rate as of June 30, 2014 5.12%

*Other changes in assumptions:*

New assumptions related to future increases in Social Security Wage Base and the 401(a)(17) compensation limit have been added as follows:

401(a)(17) Pay Limit: \$260,000 for 2014, increasing 3.00% per annum, compounded annually  
Social Security Wage Base: \$117,000 for 2014, increasing 4.00% per annum, compounded annually

See accompanying independent auditors' report.

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

Required Supplementary Information

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

Consolidated Police and Firemen's Pension Fund

(Unaudited)

June 30, 2015

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ —	—
Interest on total pension liability	504,066	632,080
Effect of economic/demographic (gains) or losses	(993,528)	—
Effect of assumptions changes or inputs	193,719	163,528
Benefit payments	<u>(2,445,627)</u>	<u>(2,942,035)</u>
Net change in total pension liability	(2,741,370)	(2,146,427)
Total pension liability-beginning	<u>12,959,772</u>	<u>15,106,199</u>
Total pension liability-ending (a)	<u>\$ 10,218,402</u>	<u>12,959,772</u>
Plan fiduciary net pension:		
Contributions-employer	\$ 1,577,751	1,900,831
Net investment income	198	585
Benefit payments, including refunds of employee contributions	(2,445,627)	(2,942,035)
Administrative expense	<u>(8,003)</u>	<u>(9,566)</u>
Net change in Plan fiduciary net position	(875,681)	(1,050,185)
Plan fiduciary net position-beginning	3,303,631	4,353,816
Plan fiduciary net position-ending (b)	<u>2,427,950</u>	<u>3,303,631</u>
Plan's net pension liability-ending (a)-(b)	<u>\$ 7,790,452</u>	<u>9,656,141</u>
Plan fiduciary net position as a percentage of the total pension liability	23.76%	25.49%
Covered-employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A

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

**Notes to Schedule:**

*Changes in benefit terms:* None

*Changes in assumptions:*

Discount rate as of June 30, 2015 3.80%

Discount rate as of June 30, 2014 4.29%

*Adjustments to June 30, 2014 reported amounts:*

In the previous year, the net pension liability for CPFPPF was recorded using a discount rate of 2.52%. However, the discount rate should have been 4.29%, which is the Bond Buyer Go 20-Bond Municipal Bond Index. This adjustment is reflected in the 2014 figures above. The net pension liability was also adjusted to reflect benefits previously excluded in the form of cost of living adjustments due to retirees in effect prior to the Chapter 78, P.L. 2011 that are funded on an annual basis by the respective employers.

See accompanying independent auditors' report.

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

Required Supplementary Information

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

Teachers' Pension and Annuity Fund

(Unaudited)

June 30, 2015

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 2,022,411,197	1,870,901,832
Interest on total pension liability	3,797,032,970	3,794,362,523
Effect of economic/demographic (gains) or losses	365,228,279	(24,898,221)
Effect of assumptions changes or inputs	5,913,556,000	2,614,173,709
Transfers from other systems	4,117,141	—
Benefit payments	(4,015,003,587)	(3,837,859,513)
Net change in total pension liability	8,087,342,000	4,416,680,330
Total pension liability-beginning	<u>81,095,320,000</u>	<u>76,678,639,670</u>
Total pension liability-ending (a)	<u>\$ 89,182,662,000</u>	<u>81,095,320,000</u>
Plan fiduciary net pension:		
Contributions-employer	\$ 807,246	4,688,045
Contributions-non-employer	539,796,289	423,012,101
Contributions-employee	740,296,265	716,183,306
Net investment income	1,066,062,926	4,100,273,453
Transfers from other systems	4,117,141	—
Other	358,899	—
Benefit payments, including refunds of employee contributions	(4,015,003,587)	(3,837,859,513)
Administrative expense	(13,890,080)	(12,170,971)
Net change in Plan fiduciary net position	(1,677,454,901)	1,394,126,421
Plan fiduciary net position-beginning	27,282,252,461	25,888,126,040
Plan fiduciary net position-ending (b)	<u>25,604,797,560</u>	<u>27,282,252,461</u>
Plan's net pension liability-ending (a)-(b)	<u>\$ 63,577,864,440</u>	<u>53,813,067,539</u>
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%
Covered-employee payroll	\$ 10,162,263,470	10,038,792,896
Net pension liability as a percentage of covered-employee payroll	625.63%	536.05%

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

**Notes to Schedule:**

*Changes in benefit terms:* None

*Changes in assumptions:*

Discount rate as of June 30, 2015 4.13%  
Discount rate as of June 30, 2014 4.68%

See accompanying independent auditors' report.

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

Required Supplementary Information

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

Police and Firemen's Retirement System

(Unaudited)

June 30, 2015

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 994,248,683	1,079,166,175
Interest on total pension liability	2,680,664,300	2,535,619,539
Effect of economic/demographic (gains) or losses	(215,122,438)	—
Effect of assumptions changes or inputs	3,755,474,472	649,814,155
Transfers from other systems	800,782	—
Benefit payments	<u>(2,205,464,297)</u>	<u>(2,105,829,011)</u>
Net change in total pension liability	5,010,601,502	2,158,770,858
Total pension liability-beginning	<u>42,507,164,403</u>	<u>40,348,393,545</u>
Total pension liability-ending (a)	<u>\$ 47,517,765,905</u>	<u>42,507,164,403</u>
Plan fiduciary net pension:		
Contributions-employer	\$ 883,776,917	858,047,628
Contributions-non-employer	76,038,000	—
Contributions-employee	386,991,641	385,660,096
Net investment income	922,598,676	3,381,553,869
Transfers from other systems	800,782	—
Employer specific contributions - additional contribution	535,424	—
Employer specific contributions - delayed appropriation	865,936	—
Employer specific contributions - delayed enrollments	224,629	—
Employer specific contributions - retroactive	24,536,440	—
Benefit payments, including refunds of employee contributions	<u>(2,205,464,297)</u>	<u>(2,105,829,011)</u>
Administrative expense	<u>(4,531,012)</u>	<u>(3,884,342)</u>
Net change in Plan fiduciary net position	86,373,136	2,515,548,240
Plan fiduciary net position-beginning	25,020,485,785	22,504,937,545
Plan fiduciary net position-ending (b)	<u>25,106,858,921</u>	<u>25,020,485,785</u>
Plan's net pension liability-ending (a)-(b)	<u>\$ 22,410,906,984</u>	<u>17,486,678,618</u>
Plan fiduciary net position as a percentage of the total pension liability	52.84%	58.86%
Covered-employee payroll	\$ 3,682,677,356	3,678,910,266
Net pension liability as a percentage of covered-employee payroll	608.55%	475.32%

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

**Notes to Schedule:**

*Changes in benefit terms:* None

*Changes in assumptions:*

Discount rate as of June 30, 2015 5.79%  
Discount rate as of June 30, 2014 6.32%

*Other changes in assumptions:*

Demographic assumptions with respect to non-vested withdrawal, disability, service retirement, active death, salary increase rates and inactive mortality were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study and approved by the Board of Trustees at the February 9, 2015 Board Meeting.

See accompanying independent auditors' report.

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

Required Supplementary Information

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

Public Employees' Retirement System

(Unaudited)

June 30, 2015

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 1,523,631,386	1,592,214,831
Interest on total pension liability	3,647,688,354	3,506,486,225
Effect of economic/demographic (gains) or losses	1,050,795,158	—
Effect of assumptions changes or inputs	4,091,557,460	1,222,437,554
Transfers from other systems	1,651,542	—
Benefit payments	<u>(3,441,046,065)</u>	<u>(3,259,290,114)</u>
Net change in total pension liability	6,874,277,835	3,061,848,496
Total pension liability-beginning	<u>67,849,420,727</u>	<u>64,787,572,231</u>
Total pension liability-ending (a)	<u>\$ 74,723,698,562</u>	<u>67,849,420,727</u>
Plan fiduciary net pension:		
Contributions-employer	\$ 1,085,237,214	917,689,000
Contributions-employee	805,232,235	797,818,225
Net investment income	1,117,827,113	4,102,964,869
Transfers from other systems	1,651,542	—
Employer specific contributions - additional contribution	111,824	—
Employer specific contributions - delayed appropriation	1,664,415	—
Employer specific contributions - delayed enrollments	594,843	—
Employer specific contributions - retroactive	6,504,878	—
Other	(31,006)	—
Benefit payments, including refunds of employee contributions	(3,441,046,065)	(3,259,290,114)
Administrative expense	<u>(23,761,860)</u>	<u>(21,756,019)</u>
Net change in Plan fiduciary net position	(446,014,867)	2,537,425,961
Plan fiduciary net position-beginning	28,999,581,773	26,462,155,812
Plan fiduciary net position-ending (b)	<u>28,553,566,906</u>	<u>28,999,581,773</u>
Plan's net pension liability-ending (a)-(b)	<u>\$ 46,170,131,656</u>	<u>38,849,838,954</u>
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%
Covered-employee payroll	\$ 11,441,433,226	11,448,531,265
Net pension liability as a percentage of covered-employee payroll	403.53%	339.34%

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

**Notes to Schedule:**

*Changes in benefit terms:* None

*Changes in assumptions:*

Discount rate as of June 30, 2015 4.90%

Discount rate as of June 30, 2014 5.39%

*Other changes in assumptions:*

New assumptions related to future increases in Social Security Wage Base and the 401(a)(17) compensation limit have been added as follows:

401(a)(17) Pay Limit: 3.00% per annum

Social Security Wage Base: 4.00% per annum

See accompanying independent auditors' report.

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

Required Supplementary Information

Schedule of Employer Contributions - Defined Benefit Pension Plans

(Unaudited)

	<b>Actuarially determined contribution</b>	<b>Actual employer contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered payroll</b>	<b>Contribution as a percentage of covered payroll</b>
<b>Judicial Retirement System</b>					
Year ended June 30:					
2015	\$ 45,136,504	17,031,026	28,105,478	66,028,491	25.79%
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
<b>Prison Officers' Pension Fund</b>					
Year ended June 30:					
2015	\$ —	—	—	N/A	N/A
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
<b>State Police Retirement System</b>					
Year ended June 30:					
2015	\$ 110,904,703	38,527,297	72,377,406	262,496,289	14.68%
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

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

Required Supplementary Information

Schedule of Employer Contributions - Defined Benefit Pension Plans

(Unaudited)

	<b>Actuarially determined contribution</b>	<b>Actual employer contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered payroll</b>	<b>Contribution as a percentage of covered payroll</b>
<b>Consolidated Police and Firemen's Pension Fund</b>					
Year ended June 30:					
2015	\$ —	—	—	N/A	N/A
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
<b>Teachers' Pension and Annuity Fund</b>					
Year ended June 30:					
2015	\$ 2,306,611,715	539,796,289	1,766,815,426	10,162,263,470	5.31%
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
<b>Police and Firemen's Retirement System</b>					
Year ended June 30:					
2015	\$ 1,217,110,411	941,950,336	275,160,075	3,682,677,356	25.58%
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



**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:					
2015	\$ 1,935,315,246	1,067,584,583	867,730,663	11,441,433,226	9.33%
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

See accompanying independent auditors' report.

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

Schedule of Employer Contributions - Defined Benefit Pension Plans

Last 10 Fiscal Years

(Unaudited)

**Notes to Schedule:**

*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>CPFPE</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	3.04%	3.04%	3.04%	3.04%	2.50%	3.04%	3.04%
Projected salary increase 2012-2021	2.50%	N/A^	3.45%	N/A^	Varies based on experience	2.60 - 9.48% based on age	2.15 - 4.40% based on age
Thereafter	3.50%	N/A^	4.45%	N/A^	Varies based on experience	3.60 - 10.48% based on age	3.15 - 5.40% based on age
Projected COLAs	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Investment rate of return	7.90%	3.80%	7.90%	3.80%	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, where applicable, the local employer's contribution revenue recorded in fiscal year 2015 that is due in fiscal year 2016 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) made during the year, including contributions to the Non-Contributory Group Life Insurance Premium Fund.

See accompanying independent auditors' report.

**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>CPFPP</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>
Year ended June 30:							
2015	4.05%	0.09%	4.05%	0.34%	4.05%	4.05%	4.05%
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.

**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) actuarial accrued liability (b - a)	Funded ratio (a / b)	Covered payroll (c)	Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll * (b - a) / c
<b>State Health Benefit Program – State</b>						
July 1, 2014	\$	—	24,470,500,000	—%	\$ 7,554,955,233	323.9%
July 1, 2013	—	—	19,746,700,000	—	7,811,194,620	252.8
July 1, 2012	—	—	19,319,700,000	—	7,695,193,894	251.1
July 1, 2011	—	—	18,077,800,000	—	7,491,835,889	241.3
<b>State Health Benefit Program – Local</b>						
July 1, 2014	\$	—	16,408,500,000	—%	\$ 3,067,600,000	534.9%
July 1, 2013	—	—	13,804,500,000	—	3,156,000,000	437.4
July 1, 2012	—	—	12,378,100,000	—	2,937,000,000	421.4
July 1, 2011	—	—	11,127,000,000	—	2,831,000,000	393.0
<b>State Health Benefit Program – Education</b>						
July 1, 2014	\$	—	40,575,700,000	—%	\$ 12,526,744,767	323.9%
July 1, 2013	—	—	33,253,400,000	—	13,153,105,380	252.8
July 1, 2012	—	—	32,182,900,000	—	12,818,706,106	251.1
July 1, 2011	—	—	30,871,900,000	—	12,794,864,111	241.3

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 2014 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, 2014

For pre-Medicare PPO medical benefits, this amount initially is 7.5% and decreases to a 5.0% long-term trend rate after five years. For post-65 PPO medical benefits, the trend rate is 5.0%. For HMO medical benefits, the trend rate is initially 7.0% and decreases to a 5.0% long-term trend rate after four years. For prescription drug benefits, the initial trend rate is 13.0% decreased to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. This reflects the known underlying cost of the Part B premium.

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, 2015	\$ 2,396,900,000	613,079,000	25.6%
Year ended June 30, 2014	1,935,100,000	569,367,000	29.4
Year ended June 30, 2013	1,911,400,000	562,698,000	29.4
Year ended June 30, 2012	1,802,200,000	505,481,000	28.0
<b>State Health Benefit Program – Local</b>			
Year ended June 30, 2015	\$ 1,535,100,000	396,900,000	25.9%
Year ended June 30, 2014	1,324,400,000	369,600,000	27.9
Year ended June 30, 2013	1,200,700,000	322,300,000	26.8
Year ended June 30, 2012	1,098,200,000	274,800,000	25.0
<b>State Health Benefit Program – Education</b>			
Year ended June 30, 2015	\$ 4,034,800,000	1,032,021,000	25.6%
Year ended June 30, 2014	3,346,800,000	984,733,000	29.4
Year ended June 30, 2013	3,238,900,000	953,502,000	29.4
Year ended June 30, 2012	3,115,800,000	873,919,000	28.0

<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, 2015

	<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>
Personnel services:									
Salaries and wages	\$ 105,971	2,257	117,321	3,189	5,593,394	1,472,525	9,472,973	188,559	16,956,189
Employee benefits	35,445	991	48,680	1,546	2,439,893	586,081	4,042,784	75,651	7,231,071
Total personnel services	141,416	3,248	166,001	4,735	8,033,287	2,058,606	13,515,757	264,210	24,187,260
Professional services:									
Actuarial services	5,751	536	34,901	672	220,441	483,264	467,927	—	1,213,492
Data processing	3,926	366	23,824	458	975,467	329,889	1,656,125	14,033	3,004,088
Information systems	8,019	798	45,244	1,016	2,195,525	562,470	3,803,760	—	6,616,832
Other professional (1)	2,298	214	14,171	268	571,735	196,018	971,788	170,000	1,926,492
Medical reviews (exams/hearings)	—	—	8,757	—	329,544	452,725	829,769	—	1,620,795
Elections	—	—	—	—	—	43,053	95,208	—	138,261
Internal audit and legal	1,867	174	11,329	218	463,879	156,877	787,564	86	1,421,994
Total professional services	21,861	2,088	138,226	2,632	4,756,591	2,224,296	8,612,141	184,119	15,941,954
Communication:									
Travel	8	1	50	1	5,045	4,548	8,091	—	17,744
Telephone	362	34	2,200	42	90,067	30,459	152,913	2,800	278,877
Postage	870	80	5,277	102	216,058	73,068	366,818	1,000	663,273
Motor pool	8	1	51	1	2,081	704	3,533	—	6,379
Printing and office	449	42	2,726	53	111,631	37,753	189,525	—	342,179
Total communication	1,697	158	10,304	199	424,882	146,532	720,880	3,800	1,308,452
Miscellaneous:									
Office space	3,525	329	21,395	412	876,011	296,255	1,487,272	—	2,685,199
Maintenance	33	3	203	4	8,302	2,807	14,095	—	25,447
Equipment	182	17	1,102	21	45,120	15,258	76,604	—	138,304
Other services and charges	—	—	—	—	—	—	—	12,000	12,000
Total miscellaneous	3,740	349	22,700	437	929,433	314,320	1,577,971	12,000	2,860,950
Total administrative expenses	\$ 168,714	5,843	337,231	8,003	14,144,193	4,743,754	24,426,749	464,129	44,298,616

(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, 2015

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPP</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>	<u>NJSEDCP</u>	<u>Total</u>
Investment expense \$	18,881	1,969	113,363	2,689	4,753,479	1,594,249	8,209,186	206,528	14,900,344

See accompanying independent auditors' report.



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

Schedule of Expenses for Consultants

Year ended June 30, 2015

	<u>JRS</u>	<u>POPF</u>	<u>SPRS</u>	<u>CPFPF</u>	<u>TPAF</u>	<u>PFRS</u>	<u>PERS</u>	<u>Total</u>
Actuarial:								
Buck Consultants	\$ 5,751	536	34,901	672	—	483,264	467,927	993,051
Milliman	—	—	—	—	220,441	—	—	220,441
Medical reviews (exams/hearings)	—	—	8,757	—	329,544	452,725	829,769	1,620,795
Board elections:								
Global support	—	—	—	—	—	43,053	95,208	138,261
Total expenses for consultants	<u>\$ 5,751</u>	<u>536</u>	<u>43,658</u>	<u>672</u>	<u>549,985</u>	<u>979,042</u>	<u>1,392,904</u>	<u>2,972,548</u>

See accompanying independent auditors' report.

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

Schedule of Fiduciary Net Position  
Fiduciary Funds

June 30, 2015

	<b>Pension Trust Funds</b>	<b>Other Postemployment Benefit Plans</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 6,699,629	2,689,187	9,388,816
<b>Receivables:</b>			
<b>Contributions:</b>			
Members	187,537,771	3,314,824	190,852,595
Employers	2,020,253,525	170,896,706	2,191,150,231
Accrued interest and dividends	4,363,138	—	4,363,138
Securities sold in transit	17,466,901	—	17,466,901
Other	22,560,821	2,086,259	24,647,080
	<b>2,252,182,156</b>	<b>176,297,789</b>	<b>2,428,479,945</b>
<b>Investments, at fair value:</b>			
Cash Management Fund	1,020,054,735	873,253,981	1,893,308,716
Common Pension Fund D	51,222,834,892	—	51,222,834,892
Common Pension Fund E	25,921,246,067	—	25,921,246,067
Common stocks	210,119,031	—	210,119,031
Mortgages	840,098,565	—	840,098,565
Domestic equities	1,690,548,942	—	1,690,548,942
International equities	328,042,823	—	328,042,823
Domestic fixed income	1,448,063,095	—	1,448,063,095
International fixed income	52,407,677	—	52,407,677
	<b>82,733,415,827</b>	<b>873,253,981</b>	<b>83,606,669,808</b>
Securities lending collateral	1,060,832,090	—	1,060,832,090
Members' loans	1,157,974,931	—	1,157,974,931
	<b>87,211,104,633</b>	<b>1,052,240,957</b>	<b>88,263,345,590</b>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	166,484,742	732,780,130	899,264,872
Retirement benefits payable	828,772,890	—	828,772,890
Noncontributory group life insurance premiums payable	27,443,236	—	27,443,236
Administrative expense payable	18,381,888	2,122,716	20,504,604
Cash overdraft	424,213	—	424,213
Securities lending collateral and rebates payable	1,059,479,792	—	1,059,479,792
	<b>2,100,986,761</b>	<b>734,902,846</b>	<b>2,835,889,607</b>
<b>Net position:</b>			
Restricted for pension and other postemployment benefits	\$ 85,110,117,872	317,338,111	85,427,455,983

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, 2015

	<b>Pension Trust Funds</b>	<b>Other Postemployment Benefit Plans</b>	<b>Total</b>
Additions:			
Contributions:			
Members	\$ 2,154,149,401	497,483,666	2,651,633,067
Employers	2,029,207,620	5,871,536,760	7,900,744,380
Non-employer	615,834,289	—	615,834,289
Employer specific	46,538,152	—	46,538,152
Total contributions	<u>4,845,729,462</u>	<u>6,369,020,426</u>	<u>11,214,749,888</u>
Investment income:			
Net increase (decrease) in fair value of investments	1,552,622,560	(27,444)	1,552,595,116
Interest	1,787,620,222	1,202,567	1,788,822,789
Dividends	14,764,547	—	14,764,547
	<u>3,355,007,329</u>	<u>1,175,123</u>	<u>3,356,182,452</u>
Less investment expense	14,900,344	—	14,900,344
Net investment income	<u>3,340,106,985</u>	<u>1,175,123</u>	<u>3,341,282,108</u>
Total additions	<u>8,185,836,447</u>	<u>6,370,195,549</u>	<u>14,556,031,996</u>
Deductions:			
Benefits	9,919,429,573	6,290,847,391	16,210,276,964
Refunds of contributions	204,178,357	—	204,178,357
Administrative and miscellaneous expenses	43,181,412	9,142,428	52,323,840
Total deductions	<u>10,166,789,342</u>	<u>6,299,989,819</u>	<u>16,466,779,161</u>
Change in net position	(1,980,952,895)	70,205,730	(1,910,747,165)
Net position restricted for pension and other postemployment benefits:			
Beginning of year	<u>87,091,070,767</u>	<u>247,132,381</u>	<u>87,338,203,148</u>
End of year	<u>\$ 85,110,117,872</u>	<u>317,338,111</u>	<u>85,427,455,983</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, 2015

	<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	\$ 129,439	204,808	1,218,409	86,110	2,305,252	2,282,551	389,872	6,616,441
<b>Receivables:</b>								
Contributions:								
Members	315,037	—	1,056,221	—	80,079,148	47,026,382	58,691,867	187,168,655
Employers	49,025	—	247,407	—	34,158,260	988,189,776	997,609,057	2,020,253,525
Accrued interest and dividends	146	4	151	8	3,012	3,403,162	5,520	3,412,003
Securities sold in transit	—	—	—	—	—	17,466,901	—	17,466,901
Other	2,247,577	54,418	275,103	397,028	4,931,424	5,766,449	7,338,822	21,010,821
<b>Total receivables</b>	<b>2,611,785</b>	<b>54,422</b>	<b>1,578,882</b>	<b>397,036</b>	<b>119,171,844</b>	<b>1,061,852,670</b>	<b>1,063,645,266</b>	<b>2,249,311,905</b>
<b>Investments, at fair value:</b>								
Cash Management Fund	7,914,882	6,557,907	29,092,618	2,163,866	384,497,341	243,030,252	321,199,236	994,456,102
Common Pension Fund D	135,248,837	—	1,213,236,046	—	16,583,641,041	15,300,971,183	17,989,737,785	51,222,834,892
Common Pension Fund E	70,551,166	—	625,060,781	—	8,682,210,214	7,535,806,030	9,007,617,876	25,921,246,067
Mortgages	—	—	—	—	—	840,098,565	—	840,098,565
<b>Total investments</b>	<b>213,714,885</b>	<b>6,557,907</b>	<b>1,867,389,445</b>	<b>2,163,866</b>	<b>25,650,348,596</b>	<b>23,919,906,030</b>	<b>27,318,554,897</b>	<b>78,978,635,626</b>
Securities lending collateral	2,801,022	—	25,126,289	—	343,449,530	316,885,258	372,569,991	1,060,832,090
Members' loans	838,263	—	15,218,604	—	247,772,712	320,129,331	574,016,021	1,157,974,931
<b>Total assets</b>	<b>220,095,394</b>	<b>6,817,137</b>	<b>1,910,531,629</b>	<b>2,647,012</b>	<b>26,363,047,934</b>	<b>25,621,055,840</b>	<b>29,329,176,047</b>	<b>83,453,370,993</b>
<b>Liabilities:</b>								
Accounts payable and accrued expenses	210	708	77,038	—	66,386,024	4,887,810	93,727,796	165,079,586
Retirement benefits payable	4,413,919	110,160	17,253,857	217,505	337,238,435	184,105,304	284,798,925	828,138,105
Noncontributory group life insurance premiums payable	49,025	—	247,407	—	5,511,853	6,685,530	14,949,421	27,443,236
Administrative expense payable	51,417	1,701	149,958	1,557	6,102,345	2,036,967	10,037,943	18,381,888
Securities lending collateral and rebates payable	2,797,452	—	25,094,259	—	343,011,717	316,481,308	372,095,056	1,059,479,792
<b>Total liabilities</b>	<b>7,312,023</b>	<b>112,569</b>	<b>42,822,519</b>	<b>219,062</b>	<b>758,250,374</b>	<b>514,196,919</b>	<b>775,609,141</b>	<b>2,098,522,607</b>
<b>Net position restricted for pensions</b>	<b>\$ 212,783,371</b>	<b>6,704,568</b>	<b>1,867,709,110</b>	<b>2,427,950</b>	<b>25,604,797,560</b>	<b>25,106,858,921</b>	<b>28,553,566,906</b>	<b>81,354,848,386</b>

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, 2015

	<u>Judicial Retirement System</u>	<u>Prison Officers' Pension Fund</u>	<u>State Police Retirement System</u>	<u>Consolidated Police and Firemen's Pension Fund</u>	<u>Teachers' Pension and Annuity Fund</u>	<u>Police and Firemen's Retirement System</u>	<u>Public Employees' Retirement System</u>	<u>Total</u>
Additions:								
Contributions:								
Members:								
State	\$ 6,310,124	—	22,315,431	—	740,296,265	52,636,087	317,328,033	1,138,885,940
Local	—	—	—	—	—	334,355,554	487,904,202	822,259,756
Employers:								
State	17,031,026	—	38,527,297	—	807,246	70,820,878	225,505,410	352,691,857
Local	—	—	—	—	—	812,956,039	859,731,804	1,672,687,843
Non-employers	—	—	—	—	539,796,289	76,038,000	—	615,834,289
Employer specific	2,081,523	698,360	222,557	1,577,751	4,476,040	26,963,211	10,496,496	46,515,938
Total contributions	<u>25,422,673</u>	<u>698,360</u>	<u>61,065,285</u>	<u>1,577,751</u>	<u>1,285,375,840</u>	<u>1,373,769,769</u>	<u>1,900,965,945</u>	<u>4,648,875,623</u>
Investment income:								
Net increase (decrease) in fair value of investments	4,113,081	(452)	35,950,418	(270)	512,147,543	372,976,317	492,515,109	1,417,701,746
Interest	4,381,441	8,776	39,695,724	3,157	558,668,862	551,216,608	633,521,190	1,787,495,758
	8,494,522	8,324	75,646,142	2,887	1,070,816,405	924,192,925	1,126,036,299	3,205,197,504
Less investment expense	18,881	1,969	113,363	2,689	4,753,479	1,594,249	8,209,186	14,693,816
Net investment income	<u>8,475,641</u>	<u>6,355</u>	<u>75,532,779</u>	<u>198</u>	<u>1,066,062,926</u>	<u>922,598,676</u>	<u>1,117,827,113</u>	<u>3,190,503,688</u>
Total additions	<u>33,898,314</u>	<u>704,715</u>	<u>136,598,064</u>	<u>1,577,949</u>	<u>2,351,438,766</u>	<u>2,296,368,445</u>	<u>3,018,793,058</u>	<u>7,839,379,311</u>
Deductions:								
Benefits:								
Benefit expense - retirement allowances	51,904,990	1,377,505	205,240,378	2,445,627	3,920,924,263	2,161,647,846	3,229,729,400	9,573,270,009
Noncontributory group insurance expense	525,026	—	1,169,297	—	36,283,535	35,424,340	73,430,329	146,832,527
Refunds of contributions	—	—	83,950	—	57,795,789	8,392,111	137,886,336	204,158,186
Administrative and miscellaneous expenses	168,762	5,843	351,723	8,003	13,890,080	4,531,012	23,761,860	42,717,283
Total deductions	<u>52,598,778</u>	<u>1,383,348</u>	<u>206,845,348</u>	<u>2,453,630</u>	<u>4,028,893,667</u>	<u>2,209,995,309</u>	<u>3,464,807,925</u>	<u>9,966,978,005</u>
Change in net position	(18,700,464)	(678,633)	(70,247,284)	(875,681)	(1,677,454,901)	86,373,136	(446,014,867)	(2,127,598,694)
Net position restricted for pensions:								
Beginning of year	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
End of year	<u>\$ 212,783,371</u>	<u>6,704,568</u>	<u>1,867,709,110</u>	<u>2,427,950</u>	<u>25,604,797,560</u>	<u>25,106,858,921</u>	<u>28,553,566,906</u>	<u>81,354,848,386</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, 2015

	<b>Health Benefit Program Fund State</b>	<b>Prescription Drug Program Fund State</b>	<b>Total State Health Benefit Program Fund State</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 969,688	94,926	1,064,614
<b>Receivables:</b>			
<b>Contributions:</b>			
Members	720,522	531,716	1,252,238
Employers	25,738,431	(161)	25,738,270
Other	81,716	572,206	653,922
<b>Total receivables</b>	<b>26,540,669</b>	<b>1,103,761</b>	<b>27,644,430</b>
<b>Investments, at fair value:</b>			
Cash Management Fund	77,448,627	28,584,730	106,033,357
<b>Total investments</b>	<b>77,448,627</b>	<b>28,584,730</b>	<b>106,033,357</b>
<b>Total assets</b>	<b>104,958,984</b>	<b>29,783,417</b>	<b>134,742,401</b>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	222,150,614	33,413,375	255,563,989
Administrative expense payable	796,019	—	796,019
<b>Total liabilities</b>	<b>222,946,633</b>	<b>33,413,375</b>	<b>256,360,008</b>
<b>Net position:</b>			
Restricted for other postemployment benefits	\$ (117,987,649)	(3,629,958)	(121,617,607)

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, 2015

	<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	\$ 272,735,794	119,322,578	392,058,372
Employers	1,434,627,398	490,506,828	1,925,134,226
Total contributions	<u>1,707,363,192</u>	<u>609,829,406</u>	<u>2,317,192,598</u>
<b>Investment income:</b>			
Net increase (decrease) in fair value of investments	2,929	(7,162)	(4,233)
Interest	122,048	69,913	191,961
Net investment income	<u>124,977</u>	<u>62,751</u>	<u>187,728</u>
Total additions	<u>1,707,488,169</u>	<u>609,892,157</u>	<u>2,317,380,326</u>
<b>Deductions:</b>			
Benefits	1,659,090,399	634,691,295	2,293,781,694
Administrative expenses	3,428,411	—	3,428,411
Total deductions	<u>1,662,518,810</u>	<u>634,691,295</u>	<u>2,297,210,105</u>
Change in net position	44,969,359	(24,799,138)	20,170,221
<b>Net position restricted for other postemployment benefits:</b>			
Beginning of year	<u>(162,957,008)</u>	<u>21,169,180</u>	<u>(141,787,828)</u>
End of year	<u>\$ (117,987,649)</u>	<u>(3,629,958)</u>	<u>(121,617,607)</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, 2015

	<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	\$ 117,365	323,468	440,833
Receivables:			
Contributions:			
Members	735,003	406,171	1,141,174
Employers	70,533,247	12,189,507	82,722,754
Other	31,370	428,617	459,987
Total receivables	<u>71,299,620</u>	<u>13,024,295</u>	<u>84,323,915</u>
Investments, at fair value:			
Cash Management Fund	<u>287,397,965</u>	<u>81,780,278</u>	<u>369,178,243</u>
Total investments	<u>287,397,965</u>	<u>81,780,278</u>	<u>369,178,243</u>
Total assets	<u>358,814,950</u>	<u>95,128,041</u>	<u>453,942,991</u>
Liabilities:			
Accounts payable and accrued expenses	143,246,600	16,221,000	159,467,600
Administrative expense payable	<u>388,457</u>	—	<u>388,457</u>
Total liabilities	<u>143,635,057</u>	<u>16,221,000</u>	<u>159,856,057</u>
Net position:			
Restricted for other postemployment benefits	<u>\$ 215,179,893</u>	<u>78,907,041</u>	<u>294,086,934</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, 2015

	<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	\$ 34,666,203	17,881,293	52,547,496
Employers	1,021,272,396	258,714,758	1,279,987,154
Total contributions	1,055,938,599	276,596,051	1,332,534,650
<b>Investment income:</b>			
Net decrease in fair value of investments	(9,743)	(955)	(10,698)
Interest	465,804	89,721	555,525
Net investment income	456,061	88,766	544,827
Total additions	1,056,394,660	276,684,817	1,333,079,477
<b>Deductions:</b>			
Benefits	996,336,797	298,410,618	1,294,747,415
Administrative expenses	1,673,063	—	1,673,063
Total deductions	998,009,860	298,410,618	1,296,420,478
Changes in net position	58,384,800	(21,725,801)	36,658,999
<b>Net position restricted for other postemployment benefits:</b>			
Beginning of year	156,795,093	100,632,842	257,427,935
End of year	\$ 215,179,893	78,907,041	294,086,934

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, 2015

	<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	\$ 298,345	885,395	1,183,740
<b>Receivables:</b>			
<b>Contributions:</b>			
Members	515,824	405,588	921,412
Employers	48,889,036	13,546,646	62,435,682
Other	51,483	920,867	972,350
Total receivables	49,456,343	14,873,101	64,329,444
<b>Investments, at fair value:</b>			
Cash Management Fund	359,058,659	38,983,722	398,042,381
Total investments	359,058,659	38,983,722	398,042,381
Total assets	408,813,347	54,742,218	463,555,565
<b>Liabilities:</b>			
Accounts payable and accrued expenses	280,056,546	37,691,995	317,748,541
Administrative expense payable	938,240	—	938,240
Total liabilities	280,994,786	37,691,995	318,686,781
<b>Net position:</b>			
Restricted for other postemployment benefits	\$ 127,818,561	17,050,223	144,868,784

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, 2015

	<b>Health Benefit Program Fund Education</b>	<b>Prescription Drug Program Fund Education</b>	<b>Total State Health Benefit Program Fund Education</b>
<b>Additions:</b>			
Contributions:			
Members	\$ 31,175,956	21,701,842	52,877,798
Employers	2,136,174,603	530,240,777	2,666,415,380
Total contributions	2,167,350,559	551,942,619	2,719,293,178
Investment income:			
Net decrease in fair value of investments	(11,081)	(1,432)	(12,513)
Interest	403,192	51,889	455,081
Net investment income	392,111	50,457	442,568
Total additions	2,167,742,670	551,993,076	2,719,735,746
<b>Deductions:</b>			
Benefits	2,105,320,572	596,997,710	2,702,318,282
Administrative expenses	4,040,954	—	4,040,954
Total deductions	2,109,361,526	596,997,710	2,706,359,236
Change in net position	58,381,144	(45,004,634)	13,376,510
Net position restricted for other postemployment benefits:			
Beginning of year	69,437,417	62,054,857	131,492,274
End of year	\$ 127,818,561	17,050,223	144,868,784

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, 2015

	<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	\$ 528,538	560,467	11,207	1,100,212
<b>Receivables:</b>				
State related employer contributions	—	426,251	—	426,251
Other	34,362,245	641	1,424,253	35,787,139
Total receivables	<u>34,362,245</u>	<u>426,892</u>	<u>1,424,253</u>	<u>36,213,390</u>
<b>Investments, at fair value:</b>				
Cash Management Fund	1,171,987	1,838,470	41,039,074	44,049,531
Total investments	<u>1,171,987</u>	<u>1,838,470</u>	<u>41,039,074</u>	<u>44,049,531</u>
Total assets	<u>\$ 36,062,770</u>	<u>2,825,829</u>	<u>42,474,534</u>	<u>81,363,133</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 35,887,485	—	42,148,134	78,035,619
Cash overdraft	—	—	326,400	326,400
Assets held for local contributing employers	—	2,350,663	—	2,350,663
Pension adjustment payroll payable	—	175,351	—	175,351
Due to State of New Jersey	175,285	42,185	—	217,470
Due to other funds	—	257,630	—	257,630
Total liabilities	<u>\$ 36,062,770</u>	<u>2,825,829</u>	<u>42,474,534</u>	<u>81,363,133</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, 2015

	<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	\$ 879,142	—	94,826,539	95,705,681
Employers	184,029,617	2,081,933	37,308,360	223,419,910
Total contributions	<u>184,908,759</u>	<u>2,081,933</u>	<u>132,134,899</u>	<u>319,125,591</u>
Investment income:				
Net decrease in fair value of investments	(356)	(77)	(1,463)	(1,896)
Interest	3,678	2,586	54,751	61,015
Total investment income	<u>3,322</u>	<u>2,509</u>	<u>53,288</u>	<u>59,119</u>
Total additions	<u>184,912,081</u>	<u>2,084,442</u>	<u>132,188,187</u>	<u>319,184,710</u>
Deductions:				
Benefits	184,720,028	2,361,868	129,245,526	316,327,422
Refunds of contributions	192,053	(277,426)	2,942,661	2,857,288
Total deductions	<u>184,912,081</u>	<u>2,084,442</u>	<u>132,188,187</u>	<u>319,184,710</u>
Change in net position	—	—	—	—
Net position – beginning of year	—	—	—	—
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 Fund

June 30, 2015

	<b>State</b>	<b>Local</b>	<b>Total Agency Fund – Dental Expense Program Fund</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ —	11,207	11,207
<b>Receivables:</b>			
Other	1,391,268	32,985	1,424,253
Total receivables	1,391,268	32,985	1,424,253
<b>Investments, at fair value:</b>			
Cash Management Fund	29,387,552	11,651,522	41,039,074
Total investments	29,387,552	11,651,522	41,039,074
Total assets	\$ 30,778,820	11,695,714	42,474,534
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 30,452,420	11,695,714	42,148,134
Cash overdraft	326,400	—	326,400
Total liabilities	\$ 30,778,820	11,695,714	42,474,534

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 Fund

Year ended June 30, 2015

	<u>State</u>	<u>Local</u>	<u>Total Agency Fund – Dental Expense Program Fund</u>
Additions:			
Contributions:			
Members	\$ 52,965,864	41,860,675	94,826,539
Employers	<u>32,337,236</u>	<u>4,971,124</u>	<u>37,308,360</u>
Total contributions	<u>85,303,100</u>	<u>46,831,799</u>	<u>132,134,899</u>
Investment income:			
Net decrease in fair value of investments	(1,390)	(73)	(1,463)
Interest	<u>38,655</u>	<u>16,096</u>	<u>54,751</u>
Total investment income	<u>37,265</u>	<u>16,023</u>	<u>53,288</u>
Total additions	<u>85,340,365</u>	<u>46,847,822</u>	<u>132,188,187</u>
Deductions:			
Benefits	82,541,145	46,704,381	129,245,526
Refunds of contributions	<u>2,799,220</u>	<u>143,441</u>	<u>2,942,661</u>
Total deductions	<u>85,340,365</u>	<u>46,847,822</u>	<u>132,188,187</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, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets:				
Cash and cash equivalents	\$ 1,089,144	163,239,013	163,799,619	528,538
Receivables:				
Other	31,946,931	34,362,245	31,946,931	34,362,245
Investments, at fair value:				
Cash Management Fund	3,564,683	184,304,215	186,696,911	1,171,987
Total assets	<u>\$ 36,600,758</u>	<u>381,905,473</u>	<u>382,443,461</u>	<u>36,062,770</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 36,596,836	36,515,294	37,224,645	35,887,485
Due to State of New Jersey	3,922	175,285	3,922	175,285
Total liabilities	<u>\$ 36,600,758</u>	<u>36,690,579</u>	<u>37,228,567</u>	<u>36,062,770</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, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 634,586	1,506,789	1,580,908	560,467
<b>Receivables:</b>				
State related employer contributions	546,046	1,764,012	1,883,807	426,251
Other	2,449	9,421	11,229	641
<b>Investments, at fair value:</b>				
Cash Management Fund	<u>1,616,653</u>	<u>2,301,020</u>	<u>2,079,203</u>	<u>1,838,470</u>
Total assets	<u>\$ 2,799,734</u>	<u>5,581,242</u>	<u>5,555,147</u>	<u>2,825,829</u>
<b>Liabilities:</b>				
Assets held for local contributing employers	\$ 2,597,165	120	246,622	2,350,663
Pension adjustment payroll payable	206,027	2,306,251	2,336,927	175,351
Due to State of New Jersey	73,109	42,185	73,109	42,185
Due to other funds	<u>(76,567)</u>	<u>1,599,946</u>	<u>1,265,749</u>	<u>257,630</u>
Total liabilities	<u>\$ 2,799,734</u>	<u>3,948,502</u>	<u>3,922,407</u>	<u>2,825,829</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 Fund – Total

June 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets:				
Cash and cash equivalents	\$ 1,047,815	35,639,132	36,675,740	11,207
Receivables:				
Other	3,606,153	138,530,206	140,712,106	1,424,253
Investments, at fair value:				
Cash Management Fund	34,012,522	187,425,286	180,398,734	41,039,074
Total assets	<u>\$ 38,666,490</u>	<u>361,594,624</u>	<u>357,786,580</u>	<u>42,474,534</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 38,666,490	42,905,570	39,423,926	42,148,134
Cash overdraft	—	326,400	—	326,400
Total liabilities	<u>\$ 38,666,490</u>	<u>43,231,970</u>	<u>39,423,926</u>	<u>42,474,534</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 Fund – State

June 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets:				
Cash and cash equivalents	\$ 1,006,442	28,462,398	29,468,840	—
Receivables:				
Other	3,596,468	91,909,220	94,114,420	1,391,268
Investments, at fair value:				
Cash Management Fund	<u>22,855,306</u>	<u>135,043,058</u>	<u>128,510,812</u>	<u>29,387,552</u>
Total assets	<u>\$ 27,458,216</u>	<u>255,414,676</u>	<u>252,094,072</u>	<u>30,778,820</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 27,458,216	31,425,345	28,431,141	30,452,420
Cash overdraft	<u>—</u>	<u>326,400</u>	<u>—</u>	<u>326,400</u>
Total liabilities	<u>\$ 27,458,216</u>	<u>31,751,745</u>	<u>28,431,141</u>	<u>30,778,820</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 Fund – Local

June 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets:				
Cash and cash equivalents	\$ 41,373	7,176,734	7,206,900	11,207
Receivables:				
Other	9,685	46,620,986	46,597,686	32,985
Investments, at fair value:				
Cash Management Fund	11,157,216	52,382,228	51,887,922	11,651,522
Total assets	<u>\$ 11,208,274</u>	<u>106,179,948</u>	<u>105,692,508</u>	<u>11,695,714</u>
Liabilities:				
Accounts payable and accrued expenses	<u>\$ 11,208,274</u>	<u>11,480,225</u>	<u>10,992,785</u>	<u>11,695,714</u>
Total liabilities	<u>\$ 11,208,274</u>	<u>11,480,225</u>	<u>10,992,785</u>	<u>11,695,714</u>

See accompanying independent auditors' report.