

**STATE OF NEW JERSEY  
CENTRAL PENSION FUND**

**Financial Statements and Schedule**

**June 30, 2001 and 2000**

**(With Independent Auditors' Report Thereon)**

KPMG  
New Jersey Headquarters  
150 John F. Kennedy Parkway  
Short Hills, NJ 07078

## **Independent Auditors' Report**

New Jersey State House Commission  
State of New Jersey

Central Pension Fund:

We have audited the accompanying statements of plan net assets of the State of New Jersey Central Pension Fund as of June 30, 2001 and 2000, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State of New Jersey Central Pension Fund as of June 30, 2001 and 2000, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/S/

**KPMG LLP**

September 7, 2001

**STATE OF NEW JERSEY  
CENTRAL PENSION FUND**

Statements of Plan Net Assets

June 30, 2001 and 2000

	<b>2001</b>	<b>2000</b>
<b>Assets:</b>		
Cash	\$ 45,336	43,050
Investments, at fair value:		
Cash Management Fund	11,672	3,931
Receivables:		
Accrued interest	35	120
Total receivables	35	120
Total assets	57,043	47,101
<b>Liabilities:</b>		
Accounts payable and accrued expenses	20,239	10,656
Retirement benefits payable	36,804	36,445
Total liabilities	57,043	47,101
Net assets held in trust for pension benefits	\$ —	—

See accompanying notes to financial statements.

**STATE OF NEW JERSEY  
CENTRAL PENSION FUND**

Statements of Changes in Plan Net Assets

Years ended June 30, 2001 and 2000

	<b>2001</b>	<b>2000</b>
<b>Revenues and additions:</b>		
Contributions:		
Employers	\$ 419,938	433,319
Pension Adjustment Fund	24,785	25,739
Total contributions	444,723	459,058
Investment income:		
Interest	4,680	4,301
Total revenues and additions	449,403	463,359
<b>Expenditures and deductions:</b>		
Benefits	429,170	453,566
Refunds of contributions	20,233	9,793
Total expenditures and deductions	449,403	463,359
Net increase	—	—
Net assets held in trust for pension benefits:		
Beginning of year	—	—
End of year	\$ —	—

See accompanying notes to financial statements.

**STATE OF NEW JERSEY  
CENTRAL PENSION FUND**

Notes to Financial Statements

June 30, 2001 and 2000

**(1) DESCRIPTION OF THE FUNDS**

The State of New Jersey Central Pension Fund (the Fund) is a "pay-as-you-go" single-employer defined benefit plan for payment of benefits under the various state statutes. The Fund is included along with other state-administered pension trust and agency funds in the general purpose financial statements of the State of New Jersey.

The Fund's designated purpose is to provide retirement allowances under the following series of noncontributory pensions acts: STATE OF NEW JERSEY

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
Special Act	N.J.S.A. 43:5A to 5A-1

Each of the various statutes comprising the Fund prescribes the condition for payment of such pension and designates the agencies or officers having the authority to grant pensions thereunder.

The New Jersey State House Commission and the New Jersey Department of Defense are responsible for determining who is eligible to participate in the Fund. At June 30, 2001 and 2000, the number of retirees and beneficiaries receiving benefits from the Fund totaled 367 and 376, respectively. There are no active employees covered by the Fund.

*Benefit Provisions*

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

*Pension Adjustment Program*

Pursuant to N.J.S.A. 43:3B, Health Act and Veterans Act pensioners receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in the dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement.

The cost-of-living increases are funded and paid from the State of New Jersey Pension Adjustment Fund which is maintained on a "pay-as-you-go" basis by state appropriation. These benefits are not funded through the Central Pension Fund.

## **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *Basis of Accounting*

The financial statements of the Fund are prepared on the accrual basis of accounting and conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans." Plan assets and liabilities are recorded at fair value. Employer contributions are recognized when payable to the Fund. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

### *Investment Valuation*

State of New Jersey Cash Management Fund units are stated at fair value.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Funds. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

The State of New Jersey Division of Investment, under the jurisdiction of the State Investment Council, has the investment responsibility for all funds administered by the State of New Jersey Division of Pensions and Benefits. All investments must conform to standards set by state law.

The purchase, sale, receipt of income, and other transactions affecting investments are governed by custodial agreements between the Fund, through the State Treasurer, and custodian banks as agents for the Fund. State laws and policies set forth the requirements of such agreements and other particulars as to the size of the custodial institutions, amount of the portfolio to be covered by the agreements, and other pertinent matters.

No investments held by the Fund are subject to GASB Statement No. 3, which requires that investments be categorized to indicate the level of risk assumed by the Fund.

### *Cash and Cash Equivalents*

GASB Statement No. 3 also requires that deposits held in financial institutions be categorized to indicate the level of risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 consists of deposits which are uninsured and uncollateralized.

Based upon aggregate collateral levels maintained for all state bank accounts as a whole, substantially all cash balances maintained in financial institutions as of June 30, 2001, which include funding for the July 1, 2001 retirement payroll, are designated Category 3.

The categorization of cash and cash equivalents for all state funds, including the pension trust funds, can be found in the notes to the general purpose financial statements of the State of New Jersey.

## **(3) CONTRIBUTIONS**

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

The contribution amount required and paid by the State of New Jersey for the fiscal years ended June 30, 2001 and 2000 was \$419,938 and \$433,319, respectively.

**(4) INCOME TAX STATUS**

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the Fund is a qualified plan as described in Section 401(a) of the Internal Revenue Code.