

DEPARTMENT OF
THE TREASURY
John E. McCormac, CPA
State Treasurer

DIVISION OF PENSIONS
AND BENEFITS
Frederick J. Beaver
Director

JUDICIAL RETIREMENT
SYSTEM OF NEW JERSEY

STATE HOUSE COMMISSION
as of June 30, 2002

JAMES E. MCGREEVEY
Governor

JOHN E. McCORMAC
State Treasurer

Senator Walter J. Kavanaugh

Senator Bernard F. Kenny, Jr.

Assemblyman Anthony Impreveduto

Assemblyman Michael J. Doherty

Charlene Holzbaur
Director and State Comptroller
Office of Management and Budget
Department of the Treasury

FREDERICK J. BEAVER
Secretary

BUCK CONSULTANTS, INC.
Actuaries and Consultants



State of New Jersey
DIVISION OF PENSIONS AND BENEFITS
PO Box 295 • Trenton, NJ 08625-0295

TO THE HONORABLE
JAMES E. MCGREEVEY
GOVERNOR of the STATE OF NEW JERSEY

Dear Governor McGreevey:

The Commission for the

JUDICIAL RETIREMENT SYSTEM

is pleased to present the Fiscal Year 2002 Annual Report
in accordance with the provisions of N.J.S.A. 43:6A-29.

Respectfully submitted,

A handwritten signature in cursive script that reads "Frederick J. Beaver".

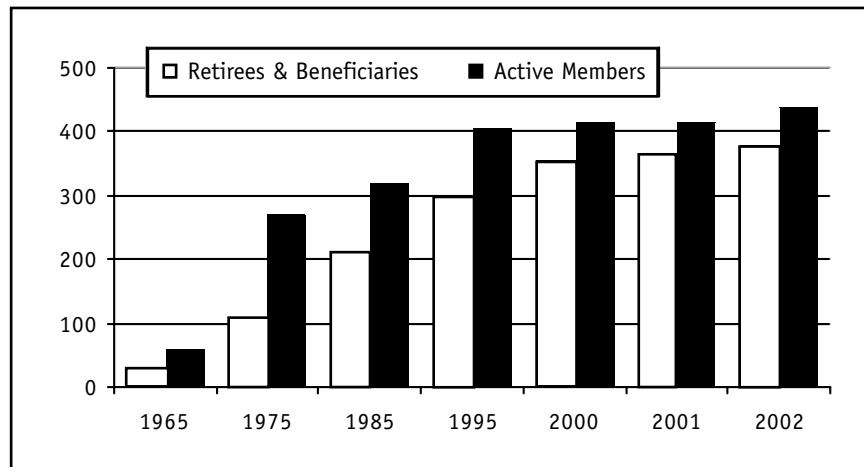
FREDERICK J. BEAVER
Secretary

SIGNIFICANT LEGISLATION

There were no significant changes in legislation governing the State of New Jersey Judicial Pension Fund during fiscal year 2002.

MEMBERSHIP

- As of June 30, 2002, the active membership of the System totaled 436.
- There were 379 retirees and beneficiaries receiving annual pensions totaling \$23,778,160. (This includes cost-of-living increases paid under the provisions of the Pension Adjustment Act).
- There were no death benefits paid during fiscal year 2002.
- The System's assets totaled \$308,154,530 at the close of the fiscal year 2002.



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

Independent Auditors' Report

State House Commission
State of New Jersey
Judicial Retirement System

We have audited the accompanying statements of fiduciary net assets of the State of New Jersey Judicial Retirement System (the System) as of June 30, 2002 and 2001, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the System'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 financial position of the State of New Jersey Judicial Retirement System as of June 30, 2002 and 2001, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, as of July 1, 2000.

Management's Discussion and Analysis and the supplementary information included in the schedule of funding progress and schedule of employer contributions are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of changes in fiduciary net assets by fund is presented for purposes of additional analysis and is not a required part of the financial statements of the System. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

September 6, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

Judicial Retirement System

June 30, 2002 and 2001

Our discussion and analysis of the Judicial Retirement System (the System)'s financial performance provides an overview of the System's financial activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the basic financial statements and financial statement footnotes which follow this discussion.

FINANCIAL HIGHLIGHTS

- Net assets held in trust for pension benefits decreased by \$50,514,314 as a result of this year's operations from \$356,290,354 to \$305,776,040.
- Additions for the year were (\$25,851,148), which are comprised of member and employer pension contributions of \$2,903,465 and investment losses of (\$28,754,613).
- Deductions for the year were \$24,663,166, which are comprised of benefit and refund payments of \$24,622,202 and administrative expenses of \$40,964.
- The System utilized net assets (excess assets above the required funding level) to meet this year's normal pension contribution requirements.

THE STATEMENTS OF FIDUCIARY NET ASSETS AND THE STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

This annual report consists of two financial statements: *The Statements of Fiduciary Net Assets* and *The Statements of Changes in Fiduciary Net Assets*. These financial statements report information about the System and about its activities to help you assess whether the System, as a whole, has improved or declined as a result of the year's activities. The financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned and expenses are recorded in the year they are incurred, regardless of when cash is received or paid.

The Statements of Fiduciary Net Assets show the balances in all of the assets and liabilities of the System at the end of the fiscal year. The difference between assets and liabilities represents the System's fiduciary net assets. Over time, increases or decreases in the System's fiduciary net assets provide one indication of whether the financial health of the System is improving or declining. *The Statements of Changes in Fiduciary Net Assets* show the results of financial operations for the year. The statements provide an explanation for the change in the System's fiduciary net assets since the prior year. These two financial statements should be reviewed along with the information contained in the financial statement footnotes, including the required supplementary schedules, to determine whether the System is becoming financially stronger or weaker.

FINANCIAL ANALYSIS

STATEMENTS OF FIDUCIARY NET ASSETS

The System's assets mainly consist of cash, investments and contributions due from members and participating employers. Between fiscal year 2001 and 2002, total assets decreased by \$50,318,108 from \$358,472,638 to \$308,154,530. The decrease in total assets is mainly due to a loss in the fair value of the System's investments and an increase in benefit payments. During the year, the System had an estimated investment loss of 9.0%.

Liabilities consist of pension and death benefit payments owed to members and beneficiaries, noncontributory group insurance premiums owed to the System's insurance provider, and other payables. Total liabilities increased by \$196,206 or 9.0% over last year from \$2,182,284 to \$2,378,490. This is mainly due to an increase in retire-

ment and insurance benefit payments. In addition, accruals for insurance benefit payments include three months of premium charges and increased by \$314,831.

Net assets held in trust for pension benefits decreased by \$50,514,314 or 14.2% primarily due to the investment loss realized by the System.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

	2002	2001	Increase(Decrease)
Member Contributions	\$ 2,323,835	\$ 1,818,915	\$ 504,920
Employer Contributions	579,630	173,556	406,074
Investment & Other	(28,754,613)	(40,392,369)	11,637,756
Totals	\$ (25,851,148)	\$ (38,399,898)	\$ 12,548,750

Additions primarily consist of member and employer contributions and earnings from investment activities. Member contributions rose 27.8% due to normal salary increases and increased membership. There was an increase in the number of transfers from other retirement systems which accounts for the increase in employer contributions.

This year is the fourth consecutive year that the State has not been required to make pension contributions to the System. The normal contributions have been funded using net assets (excess assets above the required funding level). Net assets have been available mainly due to Pension Security legislation passed in 1997. This legislation authorized the New Jersey Economic Development Authority to issue bonds and to use the proceeds from the bond sale to eliminate the State's portion of the unfunded accrued liabilities of the retirement systems. The System received bond proceeds of \$100,903,385 in 1997. This influx of funds, coupled with investment returns in the late 1990s, has produced excess net assets which have been utilized to cover the normal contributions from 1999 through 2002.

For the second consecutive year, the System had an investment loss. In fiscal year 2002, the total investment loss for all pension funds was estimated to be 9.0% compared to 10.4% in the prior year.

DEDUCTIONS FROM FIDUCIARY NET ASSETS

	2002	2001	Increase(Decrease)
Benefits	\$ 24,586,223	\$ 22,869,542	\$ 1,716,681
Refunds & Adjustments	35,979	10,715	25,264
Administrative Expenses	40,964	33,078	7,886
Totals	\$ 24,663,166	\$ 22,913,335	\$ 1,749,831

Deductions are mainly comprised of pension benefit payments to retirees and beneficiaries, refunds of contributions to former members and administrative costs incurred by the System. Benefit payments increased by 7.5% primarily because more members are receiving benefits. Refunds increased due to the payment of an active death benefit in the current year. Administrative expenses have increased mainly due to contractual increases in salaries and higher fringe benefit costs.

RETIREMENT SYSTEM AS A WHOLE

The overall funded ratio of 101.8% indicates that the System has assets sufficient to meet its benefit obligations now and in the future.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

The financial report is designed to provide our members, customers, investors and other interested parties with a general overview of the System's finances and to show the System's accountability for the money it receives. 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
JUDICIAL RETIREMENT SYSTEM
 Statements of Fiduciary Net Assets
 June 30, 2002 and 2001

	2002	2001
Assets:		
Cash	\$ 17,102	1,500,722
Investments, at fair value:		
Cash Management Fund	8,337,177	4,854,381
Common Pension Fund A	134,746,225	170,161,193
Common Pension Fund B	77,935,219	81,463,351
Common Pension Fund D	62,466,728	66,915,289
Mortgages	22,236,513	30,791,492
Total investments	305,721,862	354,185,706
Receivables:		
Contributions:		
Members	64,740	59,959
Accrued interest and dividends	1,766,016	1,936,623
Members' loans	584,810	621,744
Other	—	167,884
Total receivables	2,415,566	2,786,210
Total assets	308,154,530	358,472,638
Liabilities:		
Accounts payable and accrued expenses	326,955	263,380
Retirement benefits payable	2,051,535	1,918,904
Total liabilities	2,378,490	2,182,284
Net assets:		
Held in trust for pension benefits	\$ 305,776,040	356,290,354

See schedule of funding progress on page 14.

See accompanying notes to financial statements.

**STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM**

Statements of Changes in Fiduciary Net Assets
Years ended June 30, 2002 and 2001

	2002	2001
Additions:		
Contributions:		
Members	\$ 2,323,835	1,818,915
Employers	579,630	173,556
Total contributions	2,903,465	1,992,471
Investment income:		
Net (depreciation) appreciation in fair value of investments	(38,868,925)	(52,329,714)
Interest	8,070,739	9,985,036
Dividends	2,070,705	1,980,716
	(28,727,481)	(40,363,962)
Less investment expense	27,132	28,407
Net investment income	(28,754,613)	(40,392,369)
Total additions	(25,851,148)	(38,399,898)
Deductions:		
Benefits	24,586,223	22,869,542
Refunds of contributions	35,979	10,715
Administrative expenses	40,964	33,078
Total deductions	24,663,166	22,913,335
Change in net assets	(50,514,314)	(61,313,233)
Net assets - Beginning of year	356,290,354	417,603,587
Net assets - End of year	\$ 305,776,040	356,290,354

See accompanying notes to financial statements.

**STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM**

Notes to Financial Statements
June 30, 2002 and 2001

(1) DESCRIPTION OF THE SYSTEM

The State of New Jersey Judicial Retirement System (the System) is a single-employer contributory defined benefit plan which was established as of June 1, 1973, under the provisions of N.J.S.A. 43:6A and amended and supplemented by Chapter 470, P.L. 1981. The System is included along with other state-administered pension trust and agency funds in the basic financial statements of the State of New Jersey.

The System's designated purpose is to provide retirement, death and disability benefits to its members. Membership in the System is mandatory for all members of the state judiciary in the State of New Jersey. The System's State House Commission is primarily responsible for its administration.

According to State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

Vesting and Benefit Provisions:

The vesting and benefit provisions are set by N.J.S.A. 43:6A and amended and supplemented by Chapter 470, P.L. 1981. The System provides retirement benefits as well as death and disability benefits. Retirement benefits for age and years of service are as follows:

<u>AGE</u>	<u>YEARS OF JUDICIAL SERVICE</u>	<u>BENEFIT AS A PERCENTAGE OF FINAL SALARY</u>
70	10	75%
65	15	75
60	20	75

<u>JUDICIAL AGE</u>	<u>YEARS OF JUDICIAL SERVICE</u>	<u>YEARS OF PUBLIC AND JUDICIAL SERVICE</u>	<u>BENEFIT AS A PERCENTAGE OF FINAL SALARY</u>
65	5	15	50%
60	5	20	50

Retirement benefits are also available at age 60 with five years of judicial service and 15 years in the aggregate of public service, or at age 60 while serving as a judge with the benefit determined to be 2% of final salary, as defined, for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years. Deferred and early retirement benefits are also available.

STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM
Notes to Financial Statements, Continued

(1) DESCRIPTION OF THE SYSTEM, Continued

Membership and Contributing Employers:

Membership in the System consisted of the following at June 30:

	2001	2000
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	370	362
Active members:		
Vested	209	196
Non-vested	209	218
Total active members	418	414
Total	788	776

The State of New Jersey is the only contributing employer of this System.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The System is accounted for using an economic resources measurement focus. The System that focuses on total economic resources employs the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs.

The accrual basis of accounting is used for measuring financial position and changes in fiduciary net assets of the System. Under this method, revenues are recorded in the accounting period in which they are earned and deductions are recorded at the time the liabilities are incurred. The financial statements of the System conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contributions Plans" and No. 26, "Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans." Plan assets are recorded at fair value. Employer contributions are recognized when payable to the System. Benefits and refunds are recognized when payable in accordance with the terms of the System.

New Accounting Standards Adopted:

Effective July 1, 2000, the Division adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*

Statement No. 37 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM
Notes to Financial Statements, Continued

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Statement No. 34 (as amended by Statement No. 37) requires as required supplementary information Management's Discussion and Analysis which includes an analytical overview of the System's financial activities.

Investment Valuation:

Investments, including short-term investments (State of New Jersey Cash Management Funds), are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

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 State of New Jersey Division of Investment administers three common pension funds which are utilized by the System. A brief description of each common pension fund is as follows:

Common Pension Fund A - The operations of Common Pension Fund A are governed by the provisions of Article 62 of the State of New Jersey Investment Council regulations for the purpose of investing in corporate common stocks, securities convertible into corporate common stocks or covered call options.

Common Pension Fund B - The operations of Common Pension Fund B are governed by the provisions of Article 63 of the State of New Jersey Investment Council regulations for the purpose of investing in fixed income and debt securities.

Common Pension Fund D - The operations of Common Pension Fund D are governed by the provisions of Article 67 of the State of New Jersey Investment Council regulations for the purpose of investing in international debt and equity securities, currencies, currency futures, and options.

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, Common Pension Fund A, Common Pension Fund B and Common Pension Fund D. 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 purchase, sale, receipt of income, and other transactions affecting investments are governed by custodial agreements between the System, through the State Treasurer, and custodian banks as agents for the System. 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.

GASB Statement No. 3 requires disclosure of the level of custodial risk assumed by the System. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. As of June 30, 2002 and 2001, all investments held by the System (other

STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM
Notes to Financial Statements, Continued

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

than mortgages and the State of New Jersey Cash Management Funds which are not categorized) are classified as Category 1.

Federal securities are maintained at Federal Reserve Banks in Philadelphia and New York through the custodian banks in trust for the System. A significant portion of corporate equity and debt securities are maintained by the Depository Trust Company (DTC) through the custodian banks in trust for the System. The custodian banks as agents for the System maintain internal accounting records identifying the securities maintained by the Federal Reserve Banks and the DTC as securities owned by or pledged to the System.

Securities not maintained by the Federal Reserve Banks or DTC are in the name of a designated nominee representing the securities of the System, which establishes the System's unconditional right to the securities.

Members' Loans:

Chapter 25, P.L. of 1997 which was enacted on March 7, 1997, allows active contributing members to borrow against their accumulated deductions in the System. Any member who has at least three years of service in the System may borrow up to 50% of their accumulated member contributions. Repayment of loan balances is deducted from payroll checks and bears an interest rate of 4%. 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.

Administrative Expenses:

The System is administered by the State of New Jersey Division of Pensions and Benefits. Administrative expenses are paid by the System to the State of New Jersey, Department of the Treasury and are included in the accompanying statements of changes in fiduciary net assets.

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, 2002, which include funding for the July 1, 2002 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 contribution policy is set by N.J.S.A. 43:6A and requires contributions by active members and the State of New Jersey. Plan member and employer contributions may be amended by State of New Jersey legisla-

STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM
Notes to Financial Statements, Continued

(3) CONTRIBUTIONS, Continued

tion. 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. The State of New Jersey is required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

Legislation passed in 1997 (Chapter 115, P.L. 1997) provided for the use of actuarially determined excess valuation assets to offset the required normal contributions of the State of New Jersey. Through fiscal year 2002, excess valuation assets may be used to the extent possible to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation.

As a result of Chapter 115, P.L. 1997, the State of New Jersey was not required to make a contribution to the System for the years ended June 30, 2002 and 2001 as excess valuation assets were available to fund the actuarially determined normal cost.

(4) FUNDS

The System maintains the following legally required funds:

Members' Annuity Savings Fund (2002 - \$19,977,330; 2001 - \$17,485,352)

The Members' Annuity Savings Fund is credited with all contributions made by active members of the System.

Contingent Reserve Fund (2002 - \$162,101,405; 2001 - \$218,719,193)

The Contingent Reserve Fund is credited with the contributions of the State of New Jersey. Interest earnings, after crediting the Members' Annuity Savings Fund and the Retirement Reserve Fund, as required, are also credited to this account. Additionally, payments for life insurance premiums are made from this Fund.

Retirement Reserve Fund (2002 - \$123,697,305; 2001 - \$120,085,809)

The Retirement Reserve Fund is the account from which retirement benefits other than life insurance premiums, including cost-of-living benefits, are paid. Upon retirement of a member, accumulated contributions together with accumulated interest are transferred to the Retirement Reserve Fund from the Members' Annuity Savings Fund. Any reserves needed to fund the balance of the retirement benefit are transferred from the Contingent Reserve Fund. Annually, interest as determined by the State Treasurer (8.75% for 2001 and 2000) is credited to the Retirement Reserve Fund.

(5) INCOME TAX STATUS

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

**STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM**

Required Supplementary Information

Schedule of Funding Progress

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)
June 30, 1996	\$ 283,199,734	\$ 283,199,734	\$ —	100.0%	\$ 47,587,950	0.0%
June 30, 1997	317,289,094	295,150,638	(22,138,456)	107.5%	46,912,950	(47.2%)
June 30, 1998	333,437,794	305,779,217	(27,658,577)	109.0%	48,196,350	(57.4%)
June 30, 1999	352,858,160	313,873,659	(38,984,501)	112.4%	48,886,350	(79.7%)
June 30, 2000	374,486,433	350,920,345	(23,566,088)	106.7%	55,514,214	(42.5%)
June 30, 2001	379,592,346	372,760,069	(6,832,277)	101.8%	57,800,334	(11.8%)

**STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM**

Required Supplementary Information, Continued
Schedule of Funding Progress - Additional Actuarial Information

Significant actuarial methods and assumptions used in the most recent June 30, 2001 and 2000 actuarial valuations included the following:

	June 30, 2001	June 30, 2000
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year average of market value	5 year average of market value
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	31 years	32 years
Actuarial assumptions:		
Interest rate	8.75%	8.75%
Salary range	5.95%	5.95%
Cost-of-living adjustments	2.40%	2.40%

**STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM**

Required Supplementary Information, Continued
Schedule of Employer Contributions

YEAR ENDED JUNE 30,	ANNUAL REQUIRED CONTRIBUTION	EMPLOYER CONTRIBUTIONS ⁽¹⁾	PERCENTAGE CONTRIBUTED
1997	\$ 18,406,865	\$ 110,483,753 ⁽²⁾	600.2%
1998	14,658,095	13,478,708	92.0%
1999	13,416,851	—	0.0%
2000	13,407,153	—	0.0%
2001	12,816,557	—	0.0%
2002	15,575,602	—	0.0%

Notes to Schedule:

(1) Employer contributions exclude contributions received from other pension funds for certain judges who transferred their eligible prior service credit to the Judicial Retirement System.

In accordance with Chapter 115, P.L. 1997, available excess valuation assets were used to fund required employer contributions.

(2) For the year ended June 30, 1997, the employer contributions exceeded the annual required contributions as a result of legislation that was enacted (Chapter 114, P.L. 1997), authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.

**STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM**

Schedule of Changes in Fiduciary Net Assets by Fund
Year ended June 30, 2002

	MEMBERS' ANNUITY SAVINGS AND ACCUMULATIVE INTEREST FUND	CONTINGENT RESERVE FUND	RETIREMENT RESERVE FUND	TOTAL
Additions:				
Contributions:				
Members	\$ 2,323,835	—	—	2,323,835
Employers	—	579,630	—	579,630
Total contributions	2,323,835	579,630	—	2,903,465
Distribution of net investment income	1,217,713	(40,479,834)	10,507,508	(28,754,613)
Total additions	3,541,548	(39,900,204)	10,507,508	(25,851,148)
Deductions:				
Benefits	—	808,064	23,778,159	24,586,223
Refunds of contributions	35,979	—	—	35,979
Administrative expenses	—	40,964	—	40,964
Total deductions	35,979	849,028	23,778,159	24,663,166
Net increase (decrease) before transfers among reserves	3,505,569	(40,749,232)	(13,270,651)	(50,514,314)
Transfers among reserves:				
Retirements	(1,013,591)	(15,868,556)	16,882,147	—
Net increase (decrease)	2,491,978	(56,617,788)	3,611,496	(50,514,314)
Net assets held in trust for pension benefits:				
Beginning of year	17,485,352	218,719,193	120,085,809	356,290,354
End of year	\$ 19,977,330	162,101,405	123,697,305	305,776,040

This page is intentionally blank.

This page is intentionally blank.

This page is intentionally blank.