TO THE HONORABLE
CHRIS CHRISTIE
GOVERNOR of the STATE OF NEW JERSEY

Dear Governor Christie:

The Commission for the

JUDICIAL RETIREMENT SYSTEM

is pleased to present the Fiscal Year 2009 Annual Report in accordance with the provi-

Respectfully submitted,

Florence J. Sheppard
Secretary
SIGNIFICANT LEGISLATION

There were no significant changes in legislation governing the Judicial Retirement System of New Jersey during fiscal year 2009.

MEMBERSHIP

- As of June 30, 2009, the active membership of the System totaled 421.
- During fiscal year 2009, there were 498 retirees and beneficiaries receiving annual pensions totaling $37,125,164.
- The System’s assets totaled $284,076,511 at the close of the fiscal year 2009.
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, 2009 and 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System’s internal control over financial reporting. Accordingly, we express no such opinion. 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, 2009 and 2008, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 50, Pension Disclosures in 2008.

Management’s Discussion and Analysis and the supplementary information included in the schedule of funding progress and schedule of employer contributions (schedules 1 and 2) are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.
Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System’s basic financial statements. The 2009 schedule of changes in fiduciary net assets by fund (schedule 3) is presented for purposes of additional analysis and is not a required part of the basic financial statements of the System. Such information has been subjected to the auditing procedures applied in the audit of the 2009 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2009 basic financial statements taken as a whole.

February 26, 2010
Our discussion and analysis of the financial performance of the Judicial Retirement System (the System) provides an overview of the System’s financial activities for the fiscal years ended June 30, 2009 and 2008. Please read it in conjunction with the basic financial statements and financial statement footnotes, which follow this discussion.

Financial Highlights

2009 – 2008

- Net assets held in trust for pension benefits decreased by $89,367,454 as a result of fiscal year 2009’s operations from $349,995,790 to $260,628,336.
- Additions for the year were negative $51,500,425, which are comprised of member and employer pension contributions of $4,729,836 and an investment loss of $56,230,261.
- Deductions for the year were $37,867,029, which are comprised of benefit and refund payments of $37,665,006 and administrative expenses of $202,023.

2008 – 2007

- Net assets held in trust for pension benefits decreased by $22,354,758 as a result of fiscal year 2008’s operations from $372,350,548 to $349,995,790.
- Additions for the year were $13,470,767, which are comprised of member and employer pension contributions of $14,739,712 and an investment loss of $1,268,945.
- Deductions for the year were $35,825,525, which are comprised of benefit and refund payments of $35,612,602 and administrative expenses of $212,923.

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.

(Continued)
Financial Analysis

Summary of Fiduciary Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$284,076,511</td>
<td>$400,850,480</td>
<td>($116,773,969)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>23,448,175</td>
<td>50,854,690</td>
<td>($27,406,515)</td>
</tr>
<tr>
<td>Net assets</td>
<td>$260,628,336</td>
<td>$349,995,790</td>
<td>($89,367,454)</td>
</tr>
</tbody>
</table>

The System’s assets primarily consist of investments, securities lending collateral, accrued investment income and members’ loans receivable. Between fiscal years 2009 and 2008, total assets decreased by $116.8 million or 29.1% mainly due to a decrease in the fair value of investments and the securities lending collateral.

Liabilities consist of retirement benefits payable to retirees and beneficiaries, Noncontributory Group Insurance benefits (NCGI) payable, securities lending collateral and rebates payable and, classified under accounts payable and accrued expenses, liabilities of JRS 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 a net $27.4 million or 53.9% over last year due to a decrease in the securities lending collateral and rebates payable of $27.6 million and an increase of $0.2 million in retirement benefits payable and other payables.

Net assets held in trust for pension benefits decreased by $89.4 million or 25.5%.

Summary of Fiduciary Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$400,850,480</td>
<td>$447,752,493</td>
<td>($46,902,013)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>50,854,690</td>
<td>75,401,945</td>
<td>($24,547,255)</td>
</tr>
<tr>
<td>Net assets</td>
<td>$349,995,790</td>
<td>$372,350,548</td>
<td>($22,354,758)</td>
</tr>
</tbody>
</table>

The System’s assets primarily consist of investments, securities lending collateral, accrued investment income and members’ loans receivable. Between fiscal years 2008 and 2007, total assets decreased by $46.9 million or 10.5% mainly due to a decrease in the fair value of investments and the securities lending collateral.

Liabilities consist of retirement benefits payable to retirees and beneficiaries, NCGI payable, securities lending collateral and rebates payable and, classified under accounts payable and accrued expenses, liabilities of JRS 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 a net $24.5 million or 32.6% over last year due to a decrease in the securities lending collateral and rebates payable of $26.6 million and an increase of $2.0 million in retirement benefits payable due to full accrual of the July 1, 2008 payroll.

Net assets held in trust for pension benefits decreased by $22.4 million or 6.0%.

(Continued)
STATE OF NEW JERSEY  
JUDICIAL RETIREMENT SYSTEM  
Management’s Discussion and Analysis  
June 30, 2009 and 2008

Summary of Changes to Fiduciary Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>Increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member contributions</td>
<td>$3,032,945</td>
<td>1,825,726</td>
<td>1,207,219</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>1,696,891</td>
<td>12,913,986</td>
<td>(11,217,095)</td>
</tr>
<tr>
<td>Net investment loss</td>
<td>(56,230,261)</td>
<td>(1,268,945)</td>
<td>(54,961,316)</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>(51,500,425)</td>
<td>13,470,767</td>
<td>(64,971,192)</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>37,665,006</td>
<td>35,602,960</td>
<td>2,062,046</td>
</tr>
<tr>
<td>Refunds of contributions</td>
<td>—</td>
<td>9,642</td>
<td>(9,642)</td>
</tr>
<tr>
<td>Administrative and miscellaneous expenses</td>
<td>202,023</td>
<td>212,923</td>
<td>(10,900)</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>37,867,029</td>
<td>35,825,525</td>
<td>2,041,504</td>
</tr>
<tr>
<td><strong>Changes in net assets</strong></td>
<td>(89,367,454)</td>
<td>(22,354,758)</td>
<td>(67,012,696)</td>
</tr>
</tbody>
</table>

Additions primarily consist of member and employer contributions and earnings from investment activities. Member contributions increased by $1.2 million or 66.1% due to normal salary increases and transfers from other systems.

The State made a contribution of $1.16 million, which was received in September 2009 after the close of the fiscal year. The amount contributed for fiscal year 2009 was equal to 4.4% of the actuarially determined statutory amount.

Net investment income decreased by $55.0 million or 4.331.3% due to depreciation of investments.

The total investment return for all pension funds was estimated to be 14.27% loss compared to 2.66% loss in the prior year.

Deductions are mainly comprised of pension benefit payments to retirees and beneficiaries and administrative costs incurred by the System. Benefit payments increased by $2.1 million or 5.8% primarily due to the increased number of retired members that are receiving benefits. Administrative expenses decreased by 5.1%.
Summary of Changes to Fiduciary Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member contributions</td>
<td>$ 1,825,726</td>
<td>2,201,527</td>
<td>(375,801)</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>12,913,986</td>
<td>12,741,898</td>
<td>172,088</td>
</tr>
<tr>
<td>Net investment income (loss)</td>
<td>(1,268,945)</td>
<td>52,215,397</td>
<td>(53,484,342)</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>13,470,767</td>
<td>67,158,822</td>
<td>(53,688,055)</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>35,602,960</td>
<td>32,941,192</td>
<td>2,661,768</td>
</tr>
<tr>
<td>Refunds of contributions</td>
<td>9,642</td>
<td>—</td>
<td>9,642</td>
</tr>
<tr>
<td>Administrative and miscellaneous expenses</td>
<td>212,923</td>
<td>159,340</td>
<td>53,583</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>35,825,525</td>
<td>33,100,532</td>
<td>2,724,993</td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>$ (22,354,758)</td>
<td>34,058,290</td>
<td>(56,413,048)</td>
</tr>
</tbody>
</table>

Additions primarily consist of member and employer contributions and earnings from investment activities. Member contributions decreased by $0.4 million or 17.1% due to there being no interfund transfers for this fiscal year.

The State made a contribution of $11.96 million. The amount contributed in fiscal year 2008 was equal to 44.68% of the actuarially determined amount.

Net investment income decreased by $53.5 million or 102.4% due to a decrease in the net appreciation in fair value of investments.

The total investment return for all pension funds was estimated to be 2.66% loss compared to 17.1% gain in the prior year.

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 $2.7 million or 8.1% primarily due to the increased number of retired members that are receiving benefits. Administrative expenses increased by 33.6%.

**Retirement System as a Whole**

The overall funded ratios are 68.9% for fiscal year 2009 and 72.3% for fiscal year 2008.

**Contacting System Financial Management**

The financial report is designed to provide our members, beneficiaries, 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, 2009 and 2008**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$349,196</td>
<td>48,642</td>
</tr>
<tr>
<td>Securities lending collateral</td>
<td>20,017,557</td>
<td>47,742,690</td>
</tr>
<tr>
<td>Investments, at fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Management Fund</td>
<td>11,925,071</td>
<td>23,388,471</td>
</tr>
<tr>
<td>Common Pension Fund A</td>
<td>74,442,788</td>
<td>62,502,550</td>
</tr>
<tr>
<td>Common Pension Fund B</td>
<td>87,006,083</td>
<td>81,483,985</td>
</tr>
<tr>
<td>Common Pension Fund D</td>
<td>55,808,285</td>
<td>88,419,093</td>
</tr>
<tr>
<td>Common Pension Fund E</td>
<td>28,248,139</td>
<td>91,239,979</td>
</tr>
<tr>
<td>Mortgages</td>
<td>1,559,574</td>
<td>1,749,194</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td>258,989,940</td>
<td>348,783,272</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members</td>
<td>—</td>
<td>82,871</td>
</tr>
<tr>
<td>Employer</td>
<td>1,499,097</td>
<td>98,050</td>
</tr>
<tr>
<td>Accrued interest and dividends</td>
<td>2,140,768</td>
<td>2,773,756</td>
</tr>
<tr>
<td>Members’ loans</td>
<td>1,038,412</td>
<td>1,269,831</td>
</tr>
<tr>
<td>Other</td>
<td>41,541</td>
<td>51,368</td>
</tr>
<tr>
<td><strong>Total receivables</strong></td>
<td>4,719,818</td>
<td>4,275,876</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>284,076,511</td>
<td>400,850,480</td>
</tr>
</tbody>
</table>

### Liabilities and Net Assets

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>8,562</td>
<td>2,669</td>
</tr>
<tr>
<td>Retirement benefits payable</td>
<td>3,261,852</td>
<td>3,011,281</td>
</tr>
<tr>
<td>Noncontributory group insurance premiums payable</td>
<td>67,840</td>
<td>98,050</td>
</tr>
<tr>
<td>Securities lending collateral and rebates payable</td>
<td>20,109,921</td>
<td>47,742,690</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>23,448,175</td>
<td>50,854,690</td>
</tr>
</tbody>
</table>

**Net assets:**

| Held in trust for pension benefits               | $260,628,336 | 349,995,790 |

See accompanying notes to financial statements.
## STATE OF NEW JERSEY
### JUDICIAL RETIREMENT SYSTEM

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2009 and 2008

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members</td>
<td>$ 3,032,945</td>
<td>1,825,726</td>
</tr>
<tr>
<td>Employers</td>
<td>1,696,891</td>
<td>12,913,986</td>
</tr>
<tr>
<td><strong>Total contributions</strong></td>
<td>4,729,836</td>
<td>14,739,712</td>
</tr>
<tr>
<td>Investment income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net depreciation in fair value of investments</td>
<td>(63,342,467)</td>
<td>(14,752,713)</td>
</tr>
<tr>
<td>Interest</td>
<td>5,323,847</td>
<td>11,238,494</td>
</tr>
<tr>
<td>Dividends</td>
<td>1,802,402</td>
<td>2,257,571</td>
</tr>
<tr>
<td><strong>Less investment expense</strong></td>
<td>(56,216,218)</td>
<td>(1,256,648)</td>
</tr>
<tr>
<td><strong>Net investment loss</strong></td>
<td>(56,230,261)</td>
<td>(1,268,945)</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>(51,500,425)</td>
<td>13,470,767</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>37,665,006</td>
<td>35,602,960</td>
</tr>
<tr>
<td>Refunds of contributions</td>
<td>—</td>
<td>9,642</td>
</tr>
<tr>
<td>Administrative and miscellaneous expenses</td>
<td>202,023</td>
<td>212,923</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>37,867,029</td>
<td>35,825,525</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(89,367,454)</td>
<td>(22,354,758)</td>
</tr>
<tr>
<td>Net assets – Beginning of year</td>
<td>349,995,790</td>
<td>372,350,548</td>
</tr>
<tr>
<td>Net assets – End of year</td>
<td>$ 260,628,336</td>
<td>349,995,790</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM
Notes to Financial Statements
June 30, 2009 and 2008

(1) Description of the System

The State of New Jersey Judicial Retirement System (the System; JRS) 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.

In 2008, the System adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, Pension Disclosures.

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 JRS provides retirement benefits as well as death and disability benefits. Retirement benefits for age and years of service are as follows:

<table>
<thead>
<tr>
<th>Age</th>
<th>Years of judicial service</th>
<th>Benefit as a percentage of final salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>10</td>
<td>75%</td>
</tr>
<tr>
<td>65</td>
<td>15</td>
<td>75%</td>
</tr>
<tr>
<td>60</td>
<td>20</td>
<td>75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Years of judicial service</th>
<th>Years of public and judicial service</th>
<th>Benefit as a percentage of final salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>5</td>
<td>15</td>
<td>50%</td>
</tr>
<tr>
<td>60</td>
<td>5</td>
<td>20</td>
<td>50%</td>
</tr>
</tbody>
</table>

Retirement benefits are also available at age 60 with five years of judicial service plus 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.

(Continued)
**Membership and Contributing Employers**

Membership in the System consisted of the following at June 30, 2008 and 2007, the dates of the most recent actuarial valuations:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees and beneficiaries receiving benefits currently and terminated employees entitled to benefits but not yet receiving them</td>
<td>468</td>
<td>454</td>
</tr>
<tr>
<td>Active members:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vested</td>
<td>214</td>
<td>215</td>
</tr>
<tr>
<td>Nonvested</td>
<td>211</td>
<td>206</td>
</tr>
<tr>
<td>Total active members</td>
<td>425</td>
<td>421</td>
</tr>
<tr>
<td>Total</td>
<td>893</td>
<td>875</td>
</tr>
</tbody>
</table>

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 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*. Employer contributions are recognized when payable to the System. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

**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 plans (PERS, TPAF, JRS, PFRS, CPFPF, SPRS and POPF). The Division of Investment separately reports the assets, liabilities and net assets of the underlying investment portfolio of the seven defined benefit plans in its Pension Fund report. The Division of Investment accounts included in the Pension Fund report are: Common Fund A, Common Fund B, Common Fund D, Common Fund E, Police and Firemen’s Mortgage Program accounts and other investments owned directly by the seven defined benefit pension plans (the Pension Funds). Common Fund A invests primarily in domestic equity securities. Common Fund B invests primarily in domestic fixed income securities. Common Fund D invests primarily in foreign equity and fixed income securities. Common Fund E invests primarily in alternative investments which includes private equity, real assets and

(Continued)
absolute return strategy investments. 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 System may not sell the mortgages, and no independent market exists for them.

Investments are reported at fair value as follows:

- **U.S. Government and Agency, Foreign and Corporate obligations** – prices quoted by a major dealer in such securities.
- **Common Stock and Equity Funds, Foreign Equity Securities, 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 bid price on the last day of trading during the period as determined by the Transfer Agent.
- **Mortgages** – priced by a major dealer in such securities and reviewed by management for reasonableness.
- **Alternative investments (private equity, real estate, real asset, and absolute return strategy funds)** – estimated fair value provided by the general partner and/or investment manager and reviewed by management. The inputs into the determinations of fair value (particularly for private equity and real estate) require significant management judgment or estimation. Because by their very nature, alternative investments are not always readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the value that would be used if a ready market for such investments existed. The development of fair value is further complicated by (1) the current lack of liquidity in the financial system and (2) the extreme levels of volatility in the market for public equity in general and for debt securities linked to these asset classes. For these reasons, the realized value received upon the sale of these investments in the open market might be different than the fair value reported in the financial statements.

Investment transactions are accounted for on a trade or investment date basis. Gains and losses from investment transactions are determined by the average cost method. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date.

The net asset value of Common Funds A, B, D and E (Common Funds) is determined as of the close of the last day of business of each month. Purchases and redemptions of participants’ units are transacted each month within fifteen days subsequent to that time and are recorded at such net asset value.

Dividends and interest earned per unit are calculated monthly and distributed quarterly for Common Fund A and B. Dividends and interest earned per unit are calculated monthly for Common Fund D, and the income earned on Common Fund D units is reinvested. Income earned per unit is calculated monthly for Common Fund E, and the income earned on Common Fund E units is reinvested.

(Continued)
Securities Lending

The State Investment Council policies permit Common Funds A, B and D 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 securities held in Common Funds A, B and D, 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. For Common Funds A and B, in the event that the market value of the collateral falls below 101% of the market value of all the outstanding loaned securities to an individual borrower, 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, when added to the market value of the other collateral, shall equal 102% of the market value of the loaned securities. For Common Fund D, 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. The securities lending contracts do not allow the Common Funds to pledge or sell any collateral securities unless the borrower defaults. As of June 30, 2009 and 2008, the Common Funds have no aggregate credit risk exposure to brokers because the collateral amount held by the Common Funds exceeded the market value of the securities on loan.

The contracts with the Common Funds’ securities lending agent require them to indemnify the Common Funds if the brokers or other borrowers fail to return the securities or fail to pay the Common Funds for income distributions on the securities while they are on loan. The Common Fund D securities lending agent also indemnifies the Common Funds for any loss of principal or interest on the invested collateral. For any losses on the investment collateral in Common Funds A or B or other pension plan portfolios, the lending fee paid to the lending agent shall be reduced by 25% of the amount of such loss, up to an amount not to exceed 75% of the previous six months’ securities lending fees. The securities loans can be terminated by notification by either the borrower or the Common Funds. The term to maturity of the securities loans is generally matched with the term to maturity of the investment (or, in the case of floating rate notes, to the next interest rate reset date) of the cash collateral.

Derivatives

The Division of Investment, from time to time, utilizes forward foreign currency contracts, a derivative security, as a means to hedge against the currency risk in the Common Funds’ foreign equity and fixed income portfolios. Forward foreign currency 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. A derivative security is an investment whose payoff depends upon the value of other assets such as bond and stock prices, a market index, or commodity prices. 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 is the possibility that a change in market prices or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

(Continued)
The fair value of foreign forward currency contracts held directly by the Common Funds as of June 30, 2009 and 2008 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward currency receivable</td>
<td>$4,865,537,164</td>
<td>1,353,214,830</td>
</tr>
<tr>
<td>Forward currency payable</td>
<td>4,739,424,464</td>
<td>1,358,471,309</td>
</tr>
<tr>
<td>Net unrealized gain (loss)</td>
<td>126,112,700</td>
<td>(5,256,479)</td>
</tr>
</tbody>
</table>

The Common 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 Funds enter into covered calls when they write (or sell) call options on underlying stocks held by the Common Funds or stock indices. The Common Funds enter into covered put options when they purchase put options on underlying stocks held by the Common Funds or stock indices. 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 bears the risk of an unfavorable change (i.e., an increase) in the price of the instrument underlying the option. The Common Funds had written call options on 25,737,000 shares, and these options had a fair value of $10,862,850 as of June 30, 2009. The Common Funds had written call options on 5,661,100 shares with a fair value of $895,504 as of June 30, 2008. The Common Funds owned 10,295,000 put option contracts on the S&P 500 index with a fair value of $22,717,250 as of June 30, 2009. The Common Funds owned 880,000 put option contracts on the S&P 500 index with a fair value of $72,334,000 as of June 30, 2008. Put option contracts are included in investments in the accompanying financial statements.

Certain 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 Funds may have additional exposure to derivatives primarily through limited liability vehicles such as limited partnerships and commingled investment funds. The Common Funds recognize the fair value of all derivative instruments as either an asset or liability in the accompanying financial statements with the offsetting gains or losses recognized in earnings.
Members’ Loans

Members who have 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 a commercially reasonable interest rate. 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.

Under the Internal Revenue Service regulations effective January 1, 2004, the Division changed its pension loan repayment policy: Members who take multiple loans must repay the outstanding balance of the original loan, and all subsequent loans taken before the original loan is completely paid off, within a period not to exceed 5 years from the issuance of the first loan taken after January 1, 2004. Failure to repay the loan within the five-year period will result in the unpaid balance being declared a taxable distribution.

Chapter 92, P.L. 2007 eliminated the 4% fixed rate of interest for loans from the defined benefit plans and provided that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code and permitted that an administrative processing fee may be charged for such loans. As such, effective January 1, 2008, an $8.00 processing fee per loan was charged, and the new pension loan interest rate became 4.69% per year for year 2008 and 3.33% for year 2009.

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 financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

Funded Status and Funding Progress

The required supplementary information regarding the funded status and funding progress is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(Continued)
STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM

Notes to Financial Statements
June 30, 2009 and 2008

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under State statutes in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the June 30, 2008 and 2007 actuarial valuations, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the System. The actuarial assumptions included (a) 8.25% for investment rate of return and (b) 5.45% for projected salary increases as of June 30, 2008 and 2007.

<table>
<thead>
<tr>
<th>Actuarial valuation date</th>
<th>June 30, 2008</th>
<th>June 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial value of assets</td>
<td>$380,964,713</td>
<td>$379,364,939</td>
</tr>
<tr>
<td>Actuarial accrued liability</td>
<td>553,284,647</td>
<td>524,970,330</td>
</tr>
<tr>
<td>Unfunded actuarial accrued liability</td>
<td>172,319,934</td>
<td>145,605,391</td>
</tr>
<tr>
<td>Funded ratio</td>
<td>68.9%</td>
<td>72.3%</td>
</tr>
<tr>
<td>Covered payroll</td>
<td>$67,159,516</td>
<td>$63,144,685</td>
</tr>
<tr>
<td>Unfunded actuarial accrued liability as a percentage of covered payroll</td>
<td>256.6%</td>
<td>230.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actuarial cost method</th>
<th>Projected unit credit</th>
<th>Projected unit credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset valuation method</td>
<td>5 year average of market value</td>
<td>5 year average of market value</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level percent, open</td>
<td>Level percent, open</td>
</tr>
<tr>
<td>Payroll growth rate for amortization</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Remaining amortization period</td>
<td>30 years</td>
<td>30 years</td>
</tr>
</tbody>
</table>

**Actuarial assumptions:**
- Interest rate: 8.25% 8.25%
- Salary range: 5.45% 5.45%
- Cost-of-living adjustments: 1.80% 1.80%

(3) **Investments**

The System is invested in Common Fund A, Common Fund B, Common Fund D, Common Fund E, and other investments, including mortgage backed securities, which represent 0.45%, 0.40%, 0.45%, 0.35%, and 0.10%, respectively, of each investment total of the Pension Fund as of June 30, 2009.

The System is invested in Common Fund A, Common Fund B, Common Fund D, Common Fund E, and other investments, including mortgage backed securities, which represent 0.26%, 0.39%, 0.49%, 0.90%, and 0.12%, respectively, of each investment total of the Pension Fund as of June 30, 2008.

(Continued)
The Pension Funds’ investments as of June 30 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equities</td>
<td>$16,372,011,087</td>
<td>23,849,523,038</td>
</tr>
<tr>
<td>International equities</td>
<td>11,998,610,775</td>
<td>14,728,747,252</td>
</tr>
<tr>
<td>Domestic fixed income</td>
<td>20,694,709,131</td>
<td>20,276,259,245</td>
</tr>
<tr>
<td>International fixed income</td>
<td>30,760,749</td>
<td>2,913,035,116</td>
</tr>
<tr>
<td>Bank loan funds</td>
<td>1,027,830,211</td>
<td>—</td>
</tr>
<tr>
<td>Police and Fireman’s mortgages</td>
<td>1,367,881,305</td>
<td>1,288,049,378</td>
</tr>
<tr>
<td>Private equity funds</td>
<td>2,982,420,463</td>
<td>2,850,167,142</td>
</tr>
<tr>
<td>Real estate funds</td>
<td>1,588,971,807</td>
<td>1,916,228,663</td>
</tr>
<tr>
<td>Absolute return strategy funds</td>
<td>2,743,253,999</td>
<td>3,739,013,571</td>
</tr>
<tr>
<td>Real asset funds</td>
<td>547,120,061</td>
<td>975,518,400</td>
</tr>
<tr>
<td></td>
<td>$59,353,569,588</td>
<td>72,536,541,805</td>
</tr>
</tbody>
</table>

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 which include domestic and international equities and exchange traded funds, covered call and put options, equity futures contracts, obligations of the U.S. Treasury, government agencies, corporations, international governments and agencies, bank loans, interest rate swap transactions, credit default swaps, fixed income exchange traded funds, U.S. Treasury futures contracts, New Jersey State and Municipal general obligations, public authority revenue obligations, collateralized notes and mortgages, commercial paper, certificates of deposit, repurchase agreements, bankers acceptances, guaranteed income contracts, funding 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 nonstate participants.
The Pension Funds’ investment in the Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by the Pension Funds.

The System’s investments are subject to various risks. Among these risks are custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Each one of these risks is discussed in more detail below.

Custodial credit risk, as it relates to investments, is the risk that in the event of a bank failure, the Pension Funds will not be able to recover the value of investments or collateral securities that are in the possession of the third party. The Pension Funds’ investment securities are not exposed to custodial credit risk as they are held in segregated trust accounts in the name of the Pension Funds with the custodians.

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 Pension Funds and limit the amount that can be invested in any one issuer or issue.
Effective July 1, 2008, these limits were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum rating(1)</th>
<th>Limitation of issuer’s outstanding debt</th>
<th>Limitation of issue</th>
<th>Other limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate obligations</td>
<td>Baa3</td>
<td>BBB-</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not more than 5% of fund assets can be invested in debt and non-convertible preferred stock of one issuer (3)</td>
</tr>
<tr>
<td>International corporate obligations</td>
<td>Baa3</td>
<td>BBB-</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not more than 5% of fund assets can be invested in debt and non-convertible preferred stock of any one issuer (2)(3); not more than 10% of fund assets can be invested in this category</td>
</tr>
<tr>
<td>International government and agency obligations</td>
<td>Baa3</td>
<td>BBB-</td>
<td>25%</td>
<td>Greater of 25% or $10 million</td>
</tr>
<tr>
<td>Collateralized notes and mortgages</td>
<td>Baa3</td>
<td>BBB-</td>
<td>—</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not more than 5% of fund assets can be invested in any one issue; not more than 10% of fund assets (or 20% of Common Fund B assets) can be invested in this category</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>P-1</td>
<td>A-</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Certificates of deposit and Banker’s acceptances:</td>
<td></td>
<td></td>
<td></td>
<td>Certificates of deposit and banker’s acceptances cannot exceed 10% of issuer’s primary capital</td>
</tr>
<tr>
<td>Domestic</td>
<td>A3/P-1</td>
<td>A-/A-1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>International</td>
<td>Aa3/P-1</td>
<td>AA-/A-1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Credit default swap transactions (4)</td>
<td>A1</td>
<td>A+</td>
<td>—</td>
<td>Nominal value of net exposure to any one counterparty shall not exceed 10% of fund assets</td>
</tr>
<tr>
<td>Guaranteed income contracts and funding agreements</td>
<td>A3</td>
<td>A-</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Money market funds</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>Not more than 10% of fund assets can be invested in money market funds; limited to 5% of shares or units outstanding</td>
</tr>
</tbody>
</table>

(Continued)
<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum rating</th>
<th>Limitation of issuer's outstanding debt</th>
<th>Limitation of issue</th>
<th>Other limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swap transactions (5)</td>
<td>Moody’s A1</td>
<td>S&amp;P A+</td>
<td>Fitch A+</td>
<td>--</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>Aa3</td>
<td>AA-</td>
<td>AA-</td>
<td>--</td>
</tr>
<tr>
<td>NJ state &amp; municipal obligations</td>
<td>A3</td>
<td>A-</td>
<td>A-</td>
<td>10%</td>
</tr>
<tr>
<td>Public authority revenue obligations</td>
<td>A3</td>
<td>A-</td>
<td>A-</td>
<td>10%</td>
</tr>
<tr>
<td>Mortgage backed pass-through securities</td>
<td>A3</td>
<td>A-</td>
<td>A-</td>
<td>--</td>
</tr>
<tr>
<td>Mortgage backed senior debt securities</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>25%</td>
</tr>
<tr>
<td>Non-convertible preferred stocks of US corporations (4)</td>
<td>Baa3</td>
<td>BBB-</td>
<td>BBB-</td>
<td>10%</td>
</tr>
<tr>
<td>Bank loans (4)</td>
<td>Baa3</td>
<td>BBB-</td>
<td>BBB-</td>
<td>--</td>
</tr>
</tbody>
</table>

(1) Short term ratings (e.g. P-1, A-1, F1) are used for commercial paper and certificates of deposit.
(2) Prior to December 15, 2008, this restriction only applied to maturities exceeding 12 months.
(3) Prior to December 15, 2008, this restriction applied to debt only.
(5) Prior to December 15, 2008, the minimum rating requirements were A3 (Moody’s) and A- (S&P and Fitch).

Effective December 15, 2008, up to 5% of the market value of the combined assets of the pension and annuity funds may be invested in corporate obligations, international corporate obligations, collateralized notes and mortgages, bank loans, non-convertible preferred stock, and mortgage backed pass-through securities that do not meet the minimum credit rating requirements set forth above. Prior to that, the limitation excluded bank loans and non-convertible preferred stock.

(Continued)
Effective September 5, 2006 through June 30, 2008, the following limits were effective:

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum rating</th>
<th>Limitation of issuer's outstanding debt</th>
<th>Limitation of issue</th>
<th>Other limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate obligations</td>
<td>Baa3</td>
<td>BBB-</td>
<td>10%</td>
<td>Greater of 25% or $10 million</td>
</tr>
<tr>
<td>U.S. finance company debt and</td>
<td>Baa3</td>
<td>BBB-</td>
<td>10%</td>
<td>Greater of 25% or $10 million</td>
</tr>
<tr>
<td>International corporate</td>
<td>Baa3</td>
<td>BBB-</td>
<td>10%</td>
<td>Greater of 25% or $10 million</td>
</tr>
<tr>
<td>obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International government and</td>
<td>AA3</td>
<td>AA-</td>
<td>25%</td>
<td>Greater of 25% or $10 million</td>
</tr>
<tr>
<td>agency obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collateralized notes and</td>
<td>Baa3</td>
<td>BBB-</td>
<td>25%</td>
<td>Greater of 25% or $10 million</td>
</tr>
<tr>
<td>mortgages</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial paper</td>
<td>P-1</td>
<td>A-</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Certificates of deposit and</td>
<td>A3/P-1</td>
<td>A-/A-</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Banker's acceptances:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed income contracts</td>
<td>A3</td>
<td>A-</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>and funding agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>—</td>
<td>A-</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Certificates of deposit and banker's acceptances cannot exceed 10% of issuer's primary capital.

Not more than 10% of fund assets can be invested in any one issuer.

Not more than 5% of fund assets can be invested in any one issue; not more than 10% of fund assets (or 20% of Fund B assets) can be invested in this category.

Certificates of deposit and banker's acceptances cannot exceed 10% of issuer's primary capital.

Not more than 10% of fund assets can be invested in money market funds; limited to 5% of shares or units outstanding.

(Continued)
<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum rating(^1)</th>
<th>Limitation of issuer's outstanding debt</th>
<th>Limitation of issue</th>
<th>Other limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swap transactions</td>
<td>A3</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>Aa3, AA-</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>NJ state &amp; municipal obligations</td>
<td>A3</td>
<td>—</td>
<td>10%</td>
<td>—</td>
</tr>
<tr>
<td>Public authority revenue obligations</td>
<td>A3</td>
<td>—</td>
<td>10%</td>
<td>—</td>
</tr>
<tr>
<td>Mortgage backed pass-through securities</td>
<td>A3</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mortgage backed senior debt securities</td>
<td>—</td>
<td>—</td>
<td>25%</td>
<td>—</td>
</tr>
</tbody>
</table>

(1) Short term ratings (e.g., P-1, A-1, F-1) are used for commercial paper and certificates of deposit.

Effective August 20, 2007, up to 5% of the market value of the combined assets of the pension and annuity funds may be invested in corporate obligations, finance company debt, bank debentures, international corporate obligations, collateralized notes, and mortgages and mortgage backed pass-through securities that do not meet the minimum credit rating requirements set forth above; prior to that, the limitation was 5% of the market value of Common Fund B.
STATE OF NEW JERSEY  
JUDICIAL RETIREMENT SYSTEM  
Notes to Financial Statements  
June 30, 2009 and 2008

For securities in the fixed income portfolio, the following tables disclose aggregate market value, by major credit quality rating category as of June 30, 2009 and 2008. The first table of 2009 is for bonds rated by Moody’s. The second table of 2009 uses S&P ratings not rated by Moody’s.

<table>
<thead>
<tr>
<th>June 30, 2009</th>
<th>Moody’s rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In thousands)</td>
<td>Aaa</td>
</tr>
<tr>
<td>United States Treasury TIPS</td>
<td>$3,317,891</td>
</tr>
<tr>
<td>United States Treasury bonds</td>
<td>2,238,574</td>
</tr>
<tr>
<td>United States Treasury strips</td>
<td>664,234</td>
</tr>
<tr>
<td>United States Treasury notes</td>
<td>49,612</td>
</tr>
<tr>
<td>Title XI Merchant Marine notes</td>
<td>1,828</td>
</tr>
<tr>
<td>Government agency obligations</td>
<td>200,236</td>
</tr>
<tr>
<td>Government agency strips</td>
<td>522,265</td>
</tr>
<tr>
<td>Floating rate notes</td>
<td>11,294</td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>367,489</td>
</tr>
<tr>
<td>Convertible bonds</td>
<td>27,269</td>
</tr>
<tr>
<td>Federal farm credit/FHL bank bonds</td>
<td>74,151</td>
</tr>
<tr>
<td>Federal home loan discounted bonds</td>
<td>41,360</td>
</tr>
<tr>
<td>International corporate obligations</td>
<td>129,361</td>
</tr>
<tr>
<td>International bonds and notes</td>
<td>70,745</td>
</tr>
<tr>
<td>International floating rate notes</td>
<td></td>
</tr>
<tr>
<td>Foreign government obligations</td>
<td>29,885</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>11,131</td>
</tr>
<tr>
<td>RMBS/FHLMC/FNMA</td>
<td>618,437</td>
</tr>
<tr>
<td>Mortgages/FHLMC/FNMA/GNMA</td>
<td>139,418</td>
</tr>
<tr>
<td>Asset backed obligations</td>
<td>32,499</td>
</tr>
<tr>
<td>SBA pass-through certificates</td>
<td>170,599</td>
</tr>
<tr>
<td>Private export obligations</td>
<td>24,985</td>
</tr>
<tr>
<td>High yield structured notes</td>
<td></td>
</tr>
<tr>
<td>$8,564,198</td>
<td>1,970,547</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>June 30, 2009</th>
<th>Standard &amp; Poor’s rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In thousands)</td>
<td>A</td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>$26,627</td>
</tr>
<tr>
<td>Convertible bonds</td>
<td>—</td>
</tr>
<tr>
<td>International corporate obligations</td>
<td>—</td>
</tr>
<tr>
<td>Asset backed obligations</td>
<td>—</td>
</tr>
<tr>
<td>$26,627</td>
<td>2,181</td>
</tr>
</tbody>
</table>

The 2009 tables above do not include certain domestic and international corporate obligations including certain exchange traded funds (ETFs) totaling $239,029,550 which invest in an underlying portfolio of fixed income securities and do not have a Moody’s, Standard & Poor’s or Fitch rating. The Police and Firemen’s Mortgages and the Cash Management fund are unrated.

(Continued)
**STATE OF NEW JERSEY**
**JUDICIAL RETIREMENT SYSTEM**

Notes to Financial Statements

June 30, 2009 and 2008

<table>
<thead>
<tr>
<th>June 30, 2008</th>
<th>Moody’s rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aaa</td>
</tr>
<tr>
<td>United States Treasury TIPS</td>
<td>$3,573,893</td>
</tr>
<tr>
<td>United States Treasury bonds</td>
<td>3,914,404</td>
</tr>
<tr>
<td>United States Treasury strips</td>
<td>622,327</td>
</tr>
<tr>
<td>Title XI merchant marine notes</td>
<td>2,646</td>
</tr>
<tr>
<td>United States government agency</td>
<td>78,910</td>
</tr>
<tr>
<td>Federal home loan bank notes</td>
<td>—</td>
</tr>
<tr>
<td>and bonds</td>
<td>—</td>
</tr>
<tr>
<td>Federal home loan discounted bonds</td>
<td>—</td>
</tr>
<tr>
<td>Floating rate notes</td>
<td>—</td>
</tr>
<tr>
<td>Tennessee Valley Authority strips</td>
<td>—</td>
</tr>
<tr>
<td>Domestic corporate obligations</td>
<td>428,516</td>
</tr>
<tr>
<td>Domestic corporate discounted obligations</td>
<td>105,177</td>
</tr>
<tr>
<td>International corporate obligations</td>
<td>—</td>
</tr>
<tr>
<td>Real estate investment trust obligations</td>
<td>—</td>
</tr>
<tr>
<td>Finance company debt</td>
<td>385,235</td>
</tr>
<tr>
<td>Foreign government obligations</td>
<td>1,077,186</td>
</tr>
<tr>
<td>Foreign government discount obligations</td>
<td>879,287</td>
</tr>
<tr>
<td>Adjustable rate municipal bonds</td>
<td>31,000</td>
</tr>
<tr>
<td>International bonds and notes</td>
<td>298,755</td>
</tr>
<tr>
<td>Remic/FHLMC</td>
<td>546,377</td>
</tr>
<tr>
<td>Remic/FNMA</td>
<td>50,543</td>
</tr>
<tr>
<td>SBA pass-through certificates</td>
<td>100,373</td>
</tr>
<tr>
<td>GNMA mortgage backed certificates</td>
<td>148,306</td>
</tr>
<tr>
<td>FHLMC mortgage backed certificates</td>
<td>440,058</td>
</tr>
<tr>
<td>FNMA mortgage backed certificates</td>
<td>448,589</td>
</tr>
<tr>
<td>Asset backed obligations</td>
<td>63,791</td>
</tr>
<tr>
<td>Private export obligations</td>
<td>85,742</td>
</tr>
<tr>
<td>Exchange traded securities</td>
<td>—</td>
</tr>
</tbody>
</table>

| $13,603,394 | 1,576,405 | 4,314,577 | 3,282,774 | 90,580 | 132,599 | 149,160 |

The 2008 table does not include certain exchange traded funds (ETFs) totaling $39,805,000 which invest in an underlying portfolio of fixed income securities and do not have a Moody’s rating. The Police and Firemen’s Mortgages and the Cash Management fund are unrated.

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 and bankers acceptances are limited to a term of one year or less. Repurchase agreements must mature within 30 days. The investment in guaranteed income contracts and funding agreements is limited to a term of 10 years or less.
The following tables summarize 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, 2009 and 2008:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>June 30, 2009</th>
<th>Maturities in years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total fair value</td>
<td>Less than 1</td>
</tr>
<tr>
<td>United States Treasury TIPS</td>
<td>$3,317,891</td>
<td>—</td>
</tr>
<tr>
<td>United States Treasury bonds</td>
<td>2,238,574</td>
<td>—</td>
</tr>
<tr>
<td>United States Treasury strips</td>
<td>664,234</td>
<td>—</td>
</tr>
<tr>
<td>United States Treasury notes</td>
<td>49,612</td>
<td>—</td>
</tr>
<tr>
<td>Title XI merchant marine notes</td>
<td>1,828</td>
<td>—</td>
</tr>
<tr>
<td>Government agency obligations</td>
<td>200,236</td>
<td>—</td>
</tr>
<tr>
<td>Government agency strips</td>
<td>522,266</td>
<td>—</td>
</tr>
<tr>
<td>Floating rate notes</td>
<td>49,379</td>
<td>13,216</td>
</tr>
<tr>
<td>Corporate obligations</td>
<td>9,991,476</td>
<td>54,324</td>
</tr>
<tr>
<td>Convertible bonds</td>
<td>40,146</td>
<td>50</td>
</tr>
<tr>
<td>Federal farm credit/FHL bank bonds</td>
<td>74,151</td>
<td>—</td>
</tr>
<tr>
<td>Federal home loan discounted bonds</td>
<td>41,360</td>
<td>—</td>
</tr>
<tr>
<td>International corporate obligations</td>
<td>1,532,266</td>
<td>390</td>
</tr>
<tr>
<td>International bonds and notes</td>
<td>155,791</td>
<td>—</td>
</tr>
<tr>
<td>International floating rate notes</td>
<td>11,540</td>
<td>—</td>
</tr>
<tr>
<td>Foreign government obligations</td>
<td>368,205</td>
<td>15,174</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>36,659</td>
<td>—</td>
</tr>
<tr>
<td>Remic/FHLMC/FNMA</td>
<td>618,437</td>
<td>—</td>
</tr>
<tr>
<td>Police &amp; firemen’s obligations</td>
<td>1,367,881</td>
<td>—</td>
</tr>
<tr>
<td>Mortgages/FHLMC/FNMA/GNMA</td>
<td>139,419</td>
<td>—</td>
</tr>
<tr>
<td>Asset backed obligations</td>
<td>233,536</td>
<td>—</td>
</tr>
<tr>
<td>SBA passsthrough certificates</td>
<td>171,078</td>
<td>—</td>
</tr>
<tr>
<td>Private export obligations</td>
<td>24,985</td>
<td>—</td>
</tr>
<tr>
<td>High yield structured notes</td>
<td>79,076</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$21,930,026</strong></td>
<td><strong>83,154</strong></td>
</tr>
</tbody>
</table>

(Continued)
STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM

Notes to Financial Statements
June 30, 2009 and 2008

(In thousands)

<table>
<thead>
<tr>
<th>Total market value</th>
<th>Maturities in years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1</td>
<td>1-5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Treasury TIPS</td>
<td>$3,573,893</td>
<td>—</td>
<td>—</td>
<td>369,231</td>
</tr>
<tr>
<td>United States Treasury bonds</td>
<td>3,914,404</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>United States Treasury strips</td>
<td>622,327</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Title XI merchant marine notes</td>
<td>2,646</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>United States government agency</td>
<td>78,910</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Federal home loan bank notes and bonds</td>
<td>120,820</td>
<td>—</td>
<td>—</td>
<td>38,492</td>
</tr>
<tr>
<td>Federal home loan discounted bonds</td>
<td>6,670</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Floating rate notes</td>
<td>28,071</td>
<td>—</td>
<td>18,071</td>
<td>10,000</td>
</tr>
<tr>
<td>Tennessee Valley Authority strips</td>
<td>166,919</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Domestic corporate obligations</td>
<td>6,986,947</td>
<td>4,993</td>
<td>756,272</td>
<td>1,655,983</td>
</tr>
<tr>
<td>Domestic corporate discounted obligations</td>
<td>110,056</td>
<td>—</td>
<td>8,234</td>
<td>—</td>
</tr>
<tr>
<td>International corporate obligations</td>
<td>399,169</td>
<td>—</td>
<td>—</td>
<td>69,560</td>
</tr>
<tr>
<td>Real estate investment trust obligations</td>
<td>19,391</td>
<td>—</td>
<td>19,391</td>
<td>—</td>
</tr>
<tr>
<td>Finance company debt</td>
<td>2,025,311</td>
<td>154,379</td>
<td>183,305</td>
<td>989,819</td>
</tr>
<tr>
<td>Foreign government obligations</td>
<td>1,227,887</td>
<td>70,477</td>
<td>230,400</td>
<td>1,45,001</td>
</tr>
<tr>
<td>Foreign government discount obligations</td>
<td>879,287</td>
<td>879,287</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Adjustable rate municipal bonds</td>
<td>301,665</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>International bonds and notes</td>
<td>406,693</td>
<td>—</td>
<td>25,795</td>
<td>196,102</td>
</tr>
<tr>
<td>Remic/FHLMC</td>
<td>546,377</td>
<td>—</td>
<td>—</td>
<td>19,647</td>
</tr>
<tr>
<td>Remic/FNMA</td>
<td>50,343</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>SBA pass-through certificates</td>
<td>100,373</td>
<td>—</td>
<td>—</td>
<td>100,373</td>
</tr>
<tr>
<td>Police and Firemen’s mortgages</td>
<td>1,288,049</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>GNMA mortgage backed certificates</td>
<td>148,306</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>FHLM mortgage backed certificates</td>
<td>440,058</td>
<td>6</td>
<td>161</td>
<td>1,820</td>
</tr>
<tr>
<td>FNMA mortgage backed certificates</td>
<td>448,589</td>
<td>339</td>
<td>2,146</td>
<td>11,959</td>
</tr>
<tr>
<td>Asset backed obligations</td>
<td>322,115</td>
<td>—</td>
<td>31,144</td>
<td>14,594</td>
</tr>
<tr>
<td>Private export obligations</td>
<td>85,743</td>
<td>12,547</td>
<td>21,219</td>
<td>51,977</td>
</tr>
<tr>
<td>$24,301,019</td>
<td>1,122,028</td>
<td>1,296,158</td>
<td>3,574,558</td>
<td>18,308,275</td>
</tr>
</tbody>
</table>

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension Funds invest in global markets. Effective August 20, 2007, the market value of international preferred and common stocks and issues convertible into common stocks, when combined with the market value of international government and agency obligations, cannot exceed 30% of the market value of the Pension Funds; previously, this limitation was 22%. The market value of emerging market securities cannot exceed more than 1.5 times the percentage derived by dividing the total market capitalization of companies included in the Morgan Stanley Capital International (MSCI) Emerging Market Index by the total market capitalization of the companies included in the MSCI All-Country World Ex-United States Index of the total market value of the assets held by Common Fund D. Not more than 10% of the market value of the emerging market securities can be invested in the common and preferred stock of any one corporation; the total amount of stock purchased of any one corporation cannot exceed 5% of its stock classes eligible to vote. Council regulations permit the Pension Funds to enter into foreign exchange contracts for the purpose of hedging the international portfolio. The Pension Funds hold forward contract receivables totaling approximately $4.9 billion and payables totaling approximately $4.7 billion

(Continued)
(with a $126 million net exposure) as of June 30, 2009. The Pension Funds held forward contracts totaling approximately $1.4 billion (with a $5.3 million net exposure) as of June 30, 2008.

The Pension Funds had the following foreign currency exposure as of June 30, 2009 and 2008 (expressed in U.S. dollars and in thousands):

<table>
<thead>
<tr>
<th>Currency</th>
<th>Total fair value</th>
<th>Equities</th>
<th>Foreign government/corporate obligations</th>
<th>Alternative investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian dollar</td>
<td>$656,680</td>
<td>656,680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazilian real</td>
<td>91,406</td>
<td>91,406</td>
<td></td>
<td></td>
</tr>
<tr>
<td>British pound sterling</td>
<td>1,557,089</td>
<td>1,542,240</td>
<td></td>
<td>14,849</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>186,979</td>
<td>186,979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chilean peso</td>
<td>3,407</td>
<td>3,407</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech koruna</td>
<td>7,828</td>
<td>7,828</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Danish krone</td>
<td>186,258</td>
<td>186,258</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>3,706,589</td>
<td>3,484,999</td>
<td>29,885</td>
<td>191,705</td>
</tr>
<tr>
<td>Egyptian pound</td>
<td>19,003</td>
<td>19,003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong dollar</td>
<td>457,362</td>
<td>457,362</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungarian forint</td>
<td>7,456</td>
<td>7,456</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesian rupiah</td>
<td>31,511</td>
<td>31,511</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Israeli shekel</td>
<td>14,258</td>
<td>14,258</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japanese yen</td>
<td>1,944,838</td>
<td>1,944,838</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysian ringgit</td>
<td>12,409</td>
<td>12,409</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexican peso</td>
<td>9,001</td>
<td>9,001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norwegian krone</td>
<td>176,722</td>
<td>176,722</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan rupee</td>
<td>2,378</td>
<td>2,378</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines peso</td>
<td>711</td>
<td>711</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Polish zloty</td>
<td>7,104</td>
<td>7,104</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore dollar</td>
<td>172,635</td>
<td>172,635</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South African rand</td>
<td>89,543</td>
<td>89,543</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Korean won</td>
<td>105,001</td>
<td>105,001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swedish krona</td>
<td>165,297</td>
<td>164,422</td>
<td></td>
<td>875</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>879,433</td>
<td>879,433</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Taiwan dollar</td>
<td>10,823</td>
<td>10,823</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand baht</td>
<td>25,597</td>
<td>25,597</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkish lira</td>
<td>39,062</td>
<td>39,062</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$10,566,380  10,329,066  30,760  206,554

(Continued)
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. Effective August 18, 2008, Council regulations provide that not more than 28% of the market value of the Pension Funds can be invested in alternative investments, with the individual categories of real estate, real assets, private equity and absolute return strategy investments limited to 7%. Prior to that, the overall limitation was 18%. Not more than 5% of the
market value of Common Fund E, plus outstanding commitments, may be committed to any one partnership or investment, without the prior written approval of the Council. The investments in Common Fund E cannot comprise more than 20% of any one investment manager’s total assets.

(4) Securities Lending Collateral

The System’s share in the securities lending program is 0.42% and 0.37% of the total market value of the collateral as of June 30, 2009 and 2008, respectively.

The securities lending collateral is subject to various risks. Among these risks are credit risk, concentration of credit risk, and interest rate risk. Agreements with the lending agents require minimum credit ratings for certain categories of fixed income obligations and limit the amount that can be invested in any one issuer or issue. These limits are consistent with Council regulations and internal policies for funds managed by the Division of Investment.

Effective December 15, 2008, the following limits became effective:

<table>
<thead>
<tr>
<th>Category</th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Fitch</th>
<th>Limitation of issuer's outstanding debt</th>
<th>Limitation of issue</th>
<th>Other limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate obligations</td>
<td>A2</td>
<td>A</td>
<td>A</td>
<td>10%</td>
<td>25%</td>
<td>—</td>
</tr>
<tr>
<td>Collateralized notes and mortgages</td>
<td>Aa</td>
<td>AA</td>
<td>AA</td>
<td>—</td>
<td>25%</td>
<td>Limited to not more than 10% of the assets of the collateral portfolio</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>P-1</td>
<td>A-1</td>
<td>F1</td>
<td>—</td>
<td>—</td>
<td>Dollar limits by issuer</td>
</tr>
<tr>
<td>Certificates of deposit/ Banker’s acceptances</td>
<td>A2/P-1</td>
<td>A/AA</td>
<td>A/F1</td>
<td>—</td>
<td>—</td>
<td>Certificates of deposit and banker’s acceptances’ cannot exceed 10% of issuer’s primary capital; dollar limits by issuer</td>
</tr>
<tr>
<td>Domestic</td>
<td>AA/A-1</td>
<td>AA/A-1</td>
<td>AA/-F1</td>
<td>—</td>
<td>—</td>
<td>Limited to 5 of the assets of the collateral portfolio</td>
</tr>
<tr>
<td>International</td>
<td>Aa3/P-1</td>
<td>AA/-A-1</td>
<td>AA/-F1</td>
<td>—</td>
<td>—</td>
<td>Limited to 10% of the assets of the collateral portfolio; limited to approved money market funds</td>
</tr>
<tr>
<td>Guaranteed income contracts and funding agreements</td>
<td>A2</td>
<td>A</td>
<td>A</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Money market funds</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(Continued)
Effective September 5, 2006 through December 14, 2008, the following limits were effective:

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum rating</th>
<th>Limitation of issuer's outstanding debt</th>
<th>Limitation of issue</th>
<th>Other limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate obligations</td>
<td>Baa3</td>
<td>BBB-</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>U.S. finance company debt and bank debentures</td>
<td>Baa3</td>
<td>BBB-</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>Collateralized notes and mortgages</td>
<td>Baa3</td>
<td>BBB-</td>
<td>—</td>
<td>25% Limited to not more than 10% of the assets of the collateral portfolio</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>P-1</td>
<td>A-1</td>
<td>—</td>
<td>— Dollar limits by issuer</td>
</tr>
<tr>
<td>Certificates of deposit/ Banker’s acceptances:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>A3/P-1</td>
<td>A-/A-1</td>
<td>—</td>
<td>Certificates of deposit and banker’s acceptances’ cannot exceed 10% of issuer’s primary capital; dollar limits by issuer</td>
</tr>
<tr>
<td>International</td>
<td>Aa3/P-1</td>
<td>AA-/A-1</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Guaranteed income contracts and funding agreements</td>
<td>A3</td>
<td>A-</td>
<td>—</td>
<td>Limited to 5% of the assets of the collateral portfolio</td>
</tr>
<tr>
<td>Money market funds</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>Limited to 10% of the assets of the collateral portfolio; limited to approved money market funds</td>
</tr>
</tbody>
</table>

Prior to December 15, 2008, all investments in the collateral portfolio matured or were redeemed within one year, except that up to 25% of the portfolio could be invested in eligible securities which matured within 25 months; provided, however, that the average maturity of all investments did not exceed one year. Effective December 15, 2008, all investments in the collateral portfolio must mature or be redeemed within one year.

Commercial paper maturities cannot exceed 270 days. Repurchase agreement maturities cannot exceed 30 days. Certificates of deposit and banker’s acceptances must mature in one year or less.

(Continued)
STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM

Notes to Financial Statements
June 30, 2009 and 2008

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, except for U.S. Treasury and Government agency obligations. For money market funds, the total amount of shares or units purchased or acquired of any money market fund shall not exceed 5% of the shares or units outstanding of said money market fund. For Collateralized notes and mortgages, not more than 2% and 5% of the assets of the collateral portfolio shall be invested in the obligations of any one issuer and issue, respectively. For Guaranteed income contracts and funding agreements, the total investment in any one issuer shall be limited to 2.5% of the collateral portfolio. Prior to December 15, 2008, the Division of Investment set individual issuer limits for Commercial paper and Certificate of deposits; subsequently, the Division of Investment set issuer limits for all investments in the collateral portfolio.

For securities exposed to credit risk in the collateral portfolio, the following tables disclose aggregate market value, by major credit quality rating category as of June 30, 2009 and 2008.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Aaa/AAA</th>
<th>Aa/AAA</th>
<th>Aa/AA</th>
<th>Aa/A</th>
<th>A/A</th>
<th>AA/A</th>
<th>A/A</th>
<th>Not rated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate obligations</td>
<td>$1,649,797</td>
<td>269,317</td>
<td>224,455</td>
<td>3,548,537</td>
<td>1,524,147</td>
<td>1,796,638</td>
<td>9,988</td>
<td>142,151</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>431,457</td>
<td>104,024</td>
<td>315</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>507,192</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guaranteed investment contracts</td>
<td>50,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>199,970</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>1,726,824</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States agencies</td>
<td>315,697</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>3,110,553</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At June 30, 2009, all investments in the collateral portfolio will mature in less than one year.

At June 30, 2008, if an issuer and/or security have both a long-term and short-term rating, the short-term rating is presented.

(Continued)
As of June 30, 2009, the Pension Funds had outstanding loaned investment securities with an aggregate fair value of $4,666,568,972 and received cash collateral with an aggregate fair value of $4,803,489,627 and noncash collateral of $13,474,666. As of June 30, 2008, the Pension Funds had outstanding loaned investment securities with an aggregate fair value of $12,580,839,859 and received cash collateral with an aggregate fair value of $12,793,553,099 and non-cash collateral of $70,403,098. In accordance with GASB accounting standards, the noncash collateral is not reflected in the accompanying financial statements. There were no borrower or lending agent default losses, and no recoveries or prior-period losses during the year.

(5) 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 legislation. 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 contributions include funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The State made a contribution of $1.16 million, which was received in September 2009 after the close of the fiscal year, excluding the State’s contribution of non-contributory group insurance (NCGI) of $0.54 million for fiscal year 2009. The State made a contribution of $11.96 million, excluding the State’s contribution of NCGI of $0.95 million for fiscal year 2008. The amounts contributed for fiscal years 2009 and 2008 are equal to 4.4% and 44.68% of the actuarially determined statutory amounts, respectively.

(6) Funds

JRS maintains the following legally required funds as follows:


The Members’ Annuity Savings Fund (ASF) is credited with all contributions made by active members of the System. Interest earned on member contributions is credited to the Accumulative Interest Fund. Member withdrawals are paid out of this Fund.


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

(Continued)
STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM

Notes to Financial Statements
June 30, 2009 and 2008


The Retirement Reserve Fund is the account from which retirement benefits including cost-of-living adjustments are paid. Upon retirement of a member, accumulated contributions together with accumulated interest are transferred to the Retirement Reserve Fund from the Members' ASF and Accumulative Interest Fund. Any additional 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 (8.25% for fiscal years 2009 and 2008) is credited to the Retirement Reserve Fund.

Non-Contributory Group Insurance Premium Fund (2009 – $0; 2008 – $0)

The Non-Contributory Group Insurance Premium Fund represents the accumulation of employer group insurance contributions in excess of premiums disbursed 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 insurance plan in the first year of membership.

(7) Income Tax Status

Based on a May 2007 declaration of an outside tax council retained by the Attorney General of the State of New Jersey, the System complies with the qualification requirements of Section 401(a) of the Internal Revenue Code.
### Schedule 1

**STATE OF NEW JERSEY**  
**JUDICIAL RETIREMENT SYSTEM**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
(Unaudited - See accompanying independent auditors’ report)

<table>
<thead>
<tr>
<th>Actuarial valuation date</th>
<th>Actuarial value of assets (a)</th>
<th>Actuarial accrued Liability (b)</th>
<th>Unfunded (overfunded) actuarial accrued liability (b – a)</th>
<th>Funded ratio (a / b)</th>
<th>Covered payroll (c)</th>
<th>Unfunded (overfunded) actuarial accrued liability as a percentage of covered payroll (b – a) / c</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 1999</td>
<td>$352,858,160</td>
<td>313,873,659</td>
<td>(38,984,501)</td>
<td>112.4%</td>
<td>$48,886,350</td>
<td>(79.7)%</td>
</tr>
<tr>
<td>June 30, 2000</td>
<td>374,486,433</td>
<td>350,920,345</td>
<td>(23,566,088)</td>
<td>106.7</td>
<td>55,514,214</td>
<td>(42.5)%</td>
</tr>
<tr>
<td>June 30, 2001</td>
<td>379,923,346</td>
<td>372,760,069</td>
<td>(6,832,277)</td>
<td>101.8</td>
<td>57,800,334</td>
<td>(11.8)%</td>
</tr>
<tr>
<td>June 30, 2002</td>
<td>373,231,198</td>
<td>388,950,803</td>
<td>15,719,605</td>
<td>96.0</td>
<td>61,873,500</td>
<td>25.4</td>
</tr>
<tr>
<td>June 30, 2003</td>
<td>372,835,265</td>
<td>431,450,218</td>
<td>58,614,953</td>
<td>86.4</td>
<td>61,600,500</td>
<td>95.2</td>
</tr>
<tr>
<td>June 30, 2004</td>
<td>371,730,163</td>
<td>445,922,358</td>
<td>74,192,195</td>
<td>83.4</td>
<td>61,576,750</td>
<td>120.5</td>
</tr>
<tr>
<td>June 30, 2005</td>
<td>369,491,366</td>
<td>466,145,912</td>
<td>96,654,546</td>
<td>79.3</td>
<td>60,506,750</td>
<td>159.7</td>
</tr>
<tr>
<td>June 30, 2006</td>
<td>369,493,799</td>
<td>493,778,007</td>
<td>124,284,208</td>
<td>74.8</td>
<td>62,492,250</td>
<td>198.9</td>
</tr>
<tr>
<td>June 30, 2007</td>
<td>379,364,939</td>
<td>524,970,330</td>
<td>145,605,391</td>
<td>72.3</td>
<td>63,144,685</td>
<td>230.6</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>380,964,713</td>
<td>553,284,647</td>
<td>172,319,934</td>
<td>68.9</td>
<td>67,159,516</td>
<td>256.6</td>
</tr>
</tbody>
</table>

(Continued)
STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Funding Progress – Additional Actuarial Information
(Unaudited - See accompanying independent auditors’ report)

Significant actuarial methods and assumptions used in the most recent 2008 and 2007 actuarial valuations included the following:

<table>
<thead>
<tr>
<th>Actuarial cost method</th>
<th>June 30, 2008</th>
<th>June 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset valuation method</td>
<td>Projected unit credit</td>
<td>Projected unit credit</td>
</tr>
<tr>
<td>Amortization method</td>
<td>5 year average of market value</td>
<td>5 year average of market value</td>
</tr>
<tr>
<td>Payroll growth rate for amortization</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Remaining amortization period</td>
<td>30 years</td>
<td>30 years</td>
</tr>
</tbody>
</table>

Actuarial assumptions:
- **Interest rate**: 8.25% (2008) vs. 8.25% (2007)
- **Salary range**: 5.45% (2008) vs. 5.45% (2007)
- **Cost-of-living adjustments**: 1.80% (2008) vs. 1.80% (2007)
STATE OF NEW JERSEY
JUDICIAL RETIREMENT SYSTEM

Required Supplementary Information

Schedule of Employer Contributions

(Unaudited - See accompanying independent auditors’ report)

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Annual required contribution</th>
<th>Employer contributions(^{(1)(2)})</th>
<th>Percentage contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$13,416,851</td>
<td>—</td>
<td>— %</td>
</tr>
<tr>
<td>2000</td>
<td>13,407,153</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2001</td>
<td>12,816,557</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2002</td>
<td>15,575,602</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2003</td>
<td>16,913,237</td>
<td>8,467,287</td>
<td>50.1</td>
</tr>
<tr>
<td>2004</td>
<td>18,720,233</td>
<td>3,355,438</td>
<td>17.9</td>
</tr>
<tr>
<td>2005</td>
<td>22,525,773</td>
<td>6,162,076</td>
<td>27.4</td>
</tr>
<tr>
<td>2006</td>
<td>23,212,502</td>
<td>7,972,000</td>
<td>34.3</td>
</tr>
<tr>
<td>2007</td>
<td>25,174,191</td>
<td>13,355,587</td>
<td>53.1</td>
</tr>
<tr>
<td>2008</td>
<td>27,171,100(^{(3)})</td>
<td>12,913,890(^{(3)})</td>
<td>47.5</td>
</tr>
<tr>
<td>2009</td>
<td>29,809,782</td>
<td>3,643,000</td>
<td>12.2</td>
</tr>
</tbody>
</table>

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 cover, in full or in part, the employer pension contributions from year 1997 to 2002.

(2) Differences between the amounts in the employer contribution column in this schedule and the amounts recorded in the financial statements and footnotes are attributed to timing differences between the 2008 actuarial valuations and the actual amounts received in fiscal year 2009. Employer contributions per this schedule represent anticipated contribution amounts determined at the time the actuarial valuations were prepared and finalized prior to the end of fiscal year 2009. The financial statements and footnotes reflect the actual amounts received in 2009.

(3) 2008 annual required contributions and employer contributions have been reduced in accordance with the provisions of the Appropriation Act for fiscal year 2008 for State contributions.
### STATE OF NEW JERSEY
### JUDICIAL RETIREMENT SYSTEM

Schedule of Changes in Fiduciary Net Assets by Fund

Year ended June 30, 2009

<table>
<thead>
<tr>
<th>Members' Annuity Savings and Accumulative Interest Fund</th>
<th>Contingent Reserve Fund</th>
<th>Retirement Reserve Fund</th>
<th>NCGI Reserve Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members</td>
<td>$3,032,945</td>
<td></td>
<td>539,843</td>
<td>3,032,945</td>
</tr>
<tr>
<td>Employers</td>
<td></td>
<td>1,157,048</td>
<td></td>
<td>1,696,891</td>
</tr>
<tr>
<td>Total contributions</td>
<td>3,032,945</td>
<td>1,157,048</td>
<td>539,843</td>
<td>4,729,836</td>
</tr>
<tr>
<td>Distribution of net investment income (loss)</td>
<td>3,246,699</td>
<td>(72,412,764)</td>
<td>12,935,804</td>
<td>(56,230,261)</td>
</tr>
<tr>
<td>Total additions</td>
<td>6,279,644</td>
<td>(71,255,716)</td>
<td>12,935,804</td>
<td>(51,500,425)</td>
</tr>
<tr>
<td>Deductions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td></td>
<td></td>
<td>37,125,163</td>
<td>37,665,006</td>
</tr>
<tr>
<td>Refunds of contributions</td>
<td></td>
<td></td>
<td>539,843</td>
<td>37,665,006</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td></td>
<td>202,023</td>
<td></td>
<td>202,023</td>
</tr>
<tr>
<td>Total deductions</td>
<td></td>
<td>202,023</td>
<td>37,125,163</td>
<td>37,867,029</td>
</tr>
<tr>
<td>Net increase (decrease) before transfers among reserves</td>
<td>6,279,644</td>
<td>(71,457,739)</td>
<td>(24,189,359)</td>
<td>(89,367,454)</td>
</tr>
<tr>
<td>Transfers among reserves:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirements</td>
<td>(3,126,918)</td>
<td>(29,324,724)</td>
<td>32,451,642</td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease)</td>
<td>3,152,726</td>
<td>(100,782,463)</td>
<td>8,262,283</td>
<td>(89,367,454)</td>
</tr>
<tr>
<td>Net assets held in trust for pension benefits:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>35,055,427</td>
<td>158,142,736</td>
<td>156,797,627</td>
<td>349,995,790</td>
</tr>
<tr>
<td>End of year</td>
<td>$38,208,153</td>
<td>57,360,273</td>
<td>165,059,910</td>
<td>260,628,336</td>
</tr>
</tbody>
</table>