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

Dear Governor Christie:

The Council for the

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

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 Supplemental Annuity Collective Trust of New Jersey during fiscal year 2009.

MEMBERSHIP

- As of June 30, 2009, the active membership of the Trust totaled 3,648.
- The unit value was $44.2856, a decrease of $15.6055 from the June 30, 2008 value of $59.8911.
- During fiscal year 2009, there were 526 annuitants.
- The Trust’s assets totaled $124,057,272 the close of the fiscal year 2009.
Independent Auditors’ Report

The Council
Supplemental Annuity Collective
Trust of New Jersey:

We have audited the accompanying statements of fiduciary net assets of the State of New Jersey Supplemental Annuity Collective Trust (the Trust) 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 Trust’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 Trust’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 Supplemental Annuity Collective Trust 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.

Management’s Discussion and Analysis is not a required part of the basic financial statements but is 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.

KPMG LLP

February 26, 2010
STATE OF NEW JERSEY  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST  
Management’s Discussion and Analysis  
June 30, 2009 and 2008

Our discussion and analysis of the financial performance of the Supplemental Annuity Collective Trust (the Trust) provides an overview of the Trust’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

• Fiduciary net assets decreased by $35,934,968 as a result of fiscal year 2009’s operations from $158,895,484 to $122,960,516.

• Additions for the year are negative $25,604,513, which are comprised of member contributions of $7,866,241 and an investment loss of $33,470,754.

• Deductions for the year are $10,330,455, which are comprised entirely of benefit payments.

2008 – 2007

• Fiduciary net assets decreased by $22,335,166 as a result of fiscal year 2008’s operations from $181,230,650 to $158,895,484.

• Additions for the year are negative $9,417,124, which are comprised of member contributions of $8,271,028 and an investment loss of $17,688,152.

• Deductions for the year are $12,918,042, which are comprised entirely of benefit payments.

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 Trust and about its activities to help you assess whether the Trust, 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 Trust at the end of the fiscal year. The difference between assets and liabilities represents the Trust’s fiduciary net assets. Over time, increases or decreases in the Trust’s fiduciary net assets provide one indication of whether the financial health of the Trust 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 Trust’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 and the included supplementary schedule, to determine whether the Trust is becoming financially stronger or weaker.
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>$124,057,272</td>
<td>$160,429,498</td>
<td>$(36,372,226)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>1,096,756</td>
<td>1,534,014</td>
<td>$(437,258)</td>
</tr>
<tr>
<td>Net assets</td>
<td>$122,960,516</td>
<td>$158,895,484</td>
<td>$(35,934,968)</td>
</tr>
</tbody>
</table>

Total assets decreased by $36.4 million or 22.7% between fiscal years 2008 and 2009 primarily due to a decrease in the fair value of investments.

Total liabilities decreased by $0.4 million or 28.5% primarily due to a decrease in the retirement benefits payable.

Net assets decreased by $35.9 million or 22.6%.

**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>$160,429,498</td>
<td>$184,554,581</td>
<td>$(24,125,083)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>1,534,014</td>
<td>3,323,931</td>
<td>$(1,789,917)</td>
</tr>
<tr>
<td>Net assets</td>
<td>$158,895,484</td>
<td>$181,230,650</td>
<td>$(22,335,166)</td>
</tr>
</tbody>
</table>

Total assets decreased by $24.1 million or 13.1% between fiscal years 2007 and 2008 primarily due to the decrease in the fair value of investments.

Total liabilities decreased by $1.8 million or 53.8% primarily due to an increase in the variable benefits payable to retirees with the recording of the full accrual of the July 1, 2008 payroll and the elimination of the cash overdraft liability resulting from adjustments made for various disbursement transactions.

Net assets decreased by $22.3 million or 12.3%. 
### Summary of Changes to Fiduciary Net Assets

#### 2009 – 2008

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member contributions</td>
<td>$7,866,241</td>
<td>8,271,028</td>
<td>(404,787)</td>
</tr>
<tr>
<td>Investment loss</td>
<td>(33,470,754)</td>
<td>(17,688,152)</td>
<td>(15,782,602)</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>(25,604,513)</td>
<td>(9,417,124)</td>
<td>(16,187,389)</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>10,330,455</td>
<td>12,918,042</td>
<td>(2,587,587)</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>10,330,455</td>
<td>12,918,042</td>
<td>(2,587,587)</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>$ (35,934,968)</td>
<td>(22,335,166)</td>
<td>(13,599,802)</td>
</tr>
</tbody>
</table>

Additions consist of member contributions and earnings from investment activities. Total additions decreased by $16.2 million or 171.9% between fiscal years 2008 and 2009 primarily due to the depreciation in investments from 2008 to 2009.

The total investment return for the Trust is estimated to be a 29.4% loss compared to a 10.29% loss in the prior year.

Deductions consist entirely of retirement and withdrawal payments made during the year. Total deductions decreased by $2.6 million or 20.0% between fiscal year 2008 and 2009 due to a prior year adjustment in the benefits expense account.

The change in net assets of $13.6 million was primarily a result of the depreciation in investments from 2008 to 2009.

#### 2008 – 2007

<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>$8,271,028</td>
<td>7,764,788</td>
<td>506,240</td>
</tr>
<tr>
<td>Investment income (loss)</td>
<td>(17,688,152)</td>
<td>32,563,751</td>
<td>(50,251,903)</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>(9,417,124)</td>
<td>40,328,539</td>
<td>(49,745,663)</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>12,918,042</td>
<td>20,670,715</td>
<td>(7,752,673)</td>
</tr>
<tr>
<td><strong>Total deductions</strong></td>
<td>12,918,042</td>
<td>20,670,715</td>
<td>(7,752,673)</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>$ (22,335,166)</td>
<td>19,657,824</td>
<td>(41,992,990)</td>
</tr>
</tbody>
</table>

---

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS • SUPPLEMENTAL ANNUITY COLLECTIVE TRUST
STATE OF NEW JERSEY
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST
Management’s Discussion and Analysis
June 30, 2009 and 2008

Additions consist of member contributions and earnings from investment activities. Total additions decreased by $49.7 million or 123.4% between fiscal years 2007 and 2008 primarily due to the decline in the net appreciation of the fair value of investments.

The total investment return for the Trust is estimated to be a 10.29% loss compared to a 22.5% gain in the prior year.

Deductions consist entirely of retirement and withdrawal payments made during the year. Total deductions decreased by $7.8 million or 37.5% between fiscal year 2007 and 2008 due to a decrease in the amounts of retirement and withdrawal payments to retirees and members from the prior year.

The change in net assets of $42.0 million was primarily a result of the depreciation in investments from 2007 to 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 Trust’s finances and to show the Trust’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
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

Statements of Fiduciary Net Assets
June 30, 2009 and 2008

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$2,167,145</td>
<td>455,628</td>
</tr>
<tr>
<td>Investments, at fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Management Fund</td>
<td>12,986,811</td>
<td>10,857,733</td>
</tr>
<tr>
<td>Common and preferred stocks</td>
<td>108,233,367</td>
<td>148,360,200</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td>121,220,178</td>
<td>159,217,933</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member contributions</td>
<td>430,326</td>
<td>509,656</td>
</tr>
<tr>
<td>Accrued dividends</td>
<td>223,166</td>
<td>229,741</td>
</tr>
<tr>
<td>Other</td>
<td>16,457</td>
<td>16,540</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>124,057,272</td>
<td>160,429,498</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>93,866</td>
<td>79,144</td>
</tr>
<tr>
<td>Retirement benefits payable</td>
<td>1,002,890</td>
<td>1,454,870</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,096,756</td>
<td>1,534,014</td>
</tr>
<tr>
<td><strong>Net Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held in trust for benefits</td>
<td>$122,960,516</td>
<td>158,895,484</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
STATE OF NEW JERSEY
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

Statements of Changes in Fiduciary Net Assets
Years ended June 30, 2009 and 2008

Additions:
Contributions:
Members $ 7,866,241 8,271,028
Investment loss:
Net depreciation in fair value of investments (36,661,464) (22,067,459)
Interest 165,574 337,475
Dividends 3,025,136 4,041,832
Total investment loss (33,470,754) (17,688,152)
Total additions (25,604,513) (9,417,124)

Deductions:
Benefits 10,330,455 12,918,042
Change in net assets (35,934,968) (22,335,166)
Net assets – Beginning of year 158,895,484 181,230,650
Net assets – End of year $ 122,960,516 158,895,484

See accompanying notes to financial statements.
STATE OF NEW JERSEY
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

Notes to Financial Statements
June 30, 2009 and 2008

(1) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Supplemental Annuity Collective Trust of New Jersey (the Trust) have been prepared using the accrual basis of accounting and conform to the provisions of Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

Investments

The Division of Investment, Department of the Treasury, State of New Jersey manages and invests certain assets of various divisions, agencies and employees of the State of New Jersey in various groups of funds, which includes the Trust.

Investments are reported at fair value as follows:

- Common and preferred stocks – closing prices as reported on the primary market or exchange on which they trade.
- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.

Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income and any related receivables are recorded on the accrual basis, with dividends accruing on the ex-dividend date.

Administrative Expenses

The Trust is administered by the State of New Jersey Division of Pensions and Benefits. Administrative expenses are paid by the State of New Jersey, who is responsible for such costs.

Unit Valuation

Participants’ net asset value per unit is determined on a monthly basis. Net asset value per unit is computed on the total value at the end of the month of the Trust’s net assets divided by the total outstanding units of the Trust.

(2) Description of The Trust

The following description of the Trust provides only general information. Participants should refer to the Trust’s pamphlet, “Supplemental Annuities and Tax Sheltered Annuities for New Jersey Public Employees,” for a more complete description of the Trust’s provisions.

Organization

The Trust, a single-employer defined contribution plan, was established by Chapter 123, P.L. 1963 and amended by Chapter 90, P.L. 1965 and is available to active members of several state-administered retirement systems to provide specific benefits to supplement the guaranteed benefits that are provided by
their basic retirement systems. Membership totaled 4,174 and 4,320 as of June 30, 2009 and 2008, respectively. Of that total, members receiving a monthly annuity benefit from the Trust were 526 and 546 of June 30, 2009 and 2008, respectively. The Trust is administered by the State of New Jersey Division of Pensions and Benefits. The Trust is included along with other state-administered pension trust and agency funds in the financial statements of the State of New Jersey. There are two active plans within the Supplemental Annuity System: the Regular Supplemental Annuity Plan that applies to all eligible employees and does not reduce the participant’s taxable compensation, and the Tax Sheltered Supplemental Annuity Plan that pertains to eligible employees of public education institutions and reduces the participant’s taxable income.

Benefits

Upon retirement, a participant is paid a single cash payment or may elect various forms of monthly annuities or reduced annuity payments with a beneficiary provision based on the value of the participant’s account in the month of retirement. Upon the death of a participant, the designated beneficiary may elect to receive a lump sum equal to the account value or an annuity under any of the settlement options which a retiree could elect under the Trust. Upon termination of employment and withdrawal from the basic retirement systems, a participant must also withdraw his account under the Trust as a lump-sum settlement.

Contributions

Participants contribute through payroll deductions and may contribute from 1% to 10% of their base salary, as defined. Contributions are voluntary and may be suspended at the beginning of any quarter. Contributions under the Tax Sheltered Supplemental Annuity Plan are subject to Federal law limitations and qualify for tax-sheltered treatment permitted under Section 403(b) of the Internal Revenue Code. Participants are always fully vested for the accumulated units in their accounts.

Actuarial Valuation

The act governing the Trust provides for an actuarial review of the Trust at least once in every three-year period. As of June 30, 2006, the date of the most recent actuarial valuation, there was a deficit of $2,877,783 in the Variable Benefit Account to which annuity payments are charged. The deficit is primarily due to experience losses during the three-year period since the prior valuation and the changes in mortality assumptions for male and female service retirements and beneficiaries of active and retired members. The 1983 Individual Annuity Tables projected to 1993 were used in valuing the present value of benefits payable for service annuitants and dependent beneficiaries.

Significant assumptions underlying the actuarial computation include: (a) assumed rate of return on investments of 4%; (b) assets valued at market; and (c) mortality, vesting, retirement age, and retirement estimates based on tables furnished by the actuary.

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.

(Continued)
(3) **Summary of Custodial and Credit**

The Trust’s investments as of June 30, 2009 and 2008 consist of domestic equity securities and an interest in the Cash Management Fund. The Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by the Trust, and is unrated. The Cash Management Fund is a short-term cash fund, managed by the Division of Investment, Department of the Treasury, State of New Jersey, and open to state and certain non-state participants.

Not more than 10% of the market value of the Trust can be invested in the common stock and convertible securities of any one corporation. The total amount of stock purchased or acquired of any one corporation shall not exceed 5% of the common stock, or any other class of stock which entitles the holder thereof to vote at all the elections of directors of such corporation. By Statute, the Trust can only invest in securities which trade on national exchanges.

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

(4) **Income Tax Status**

The Trust is a qualified plan as described in Section 401(a) of the Internal Revenue Code.