



# TREASURY NEWS RELEASE

## NEW JERSEY DEPARTMENT OF THE TREASURY

*Phil Murphy, Governor*  
*Sheila Oliver, Lt. Governor*  
*Elizabeth Maher Muoio, Acting Treasurer*



**For Immediate Release:**  
March 1, 2018

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### ***Acting Treasurer Muoio Authorizes Changes to Assumed Rate of Return for NJ's Retirement Systems, Laying out Responsible Pathway to Actuarial Assumptions***

TRENTON – Acting State Treasurer Elizabeth Maher Muoio formally authorized a change in the statutory assumed rate of return for New Jersey's retirement systems on Thursday, laying out a responsible pathway to bring the rate in line with long-term expectations without immediately overburdening local governments.

"We are moving in a direction that is consistent with not only the advice of actuarial experts, but also the nationwide trend among states. However, we are doing so in a responsible manner," said Muoio. "The path we've laid out takes into account the alarms that were sounded late last year when the state took the widely unprecedented step of lowering the rate so precipitously."

In November, the previous Treasurer lowered the statutory assumed rate of return from 7.65 percent to 7.0 percent, a move that would have resulted in an increase in local government employer pension contributions by more than \$400 million in 2019 to meet their legally required obligations.

The following changes Muoio authorized today will apply to all of New Jersey's retirement systems – PERS, TPAF, PFRS, SPRS AND JRS – and be phased in over the next five fiscal years:

- A 7.5 percent statutory assumed rate of return effective for fiscal year 2019 employer contribution requirements to be reflected in the revised 7/1/17 statutory actuarial valuations. The rate will remain at 7.5 percent for the 7/1/18 statutory actuarial valuations, which determine contribution requirements for fiscal year 2020;
- A 7.3 percent statutory assumed rate of return for fiscal years 2021 and 2022 employer contribution requirements, which will be reflected in the 7/1/19 and 7/1/20 actuarial valuations; and
- A 7.0 percent statutory assumed rate of return effective for fiscal year 2023 employer contribution requirements to be reflected in the 7/1/21 statutory actuarial valuations.

“A gradual path to a lower rate will help mitigate the undue stress that would otherwise have been placed on local governments to address the significantly increased contributions required of them and the consequences this would have on their structural budget, reserves, and ultimately, their taxpayers,” added Muoio. “Moreover, this move signals to ratings agencies that we are serious about bringing our assumptions in line with long-term expectations in a measured and sustainable way.”

The revised economic assumption adopted recognizes the wide consensus amongst investment professionals that longer-term expectations will decline over time and establishes a path that balances efforts to keep employers’ contributions relatively stable from year-to-year and reduce longer-term funding costs within prudent levels of risk.

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