



March 6, 2008

Mr. John Megariotis
Deputy Director, Financial Operations
State of New Jersey
Division of Pensions & Benefits
50 West State Street
One State Street Square
CN 295
Trenton, New Jersey 08625-0295

Re: Chapter 366, P.L. 2001 – PERS Prosecutors Part

Dear John:

As requested, we are writing with regard to the contribution rate for members of the Public Employees' Retirement System (PERS) who are covered under Chapter 366, P.L. 2001 – Prosecutors Part.

Briefly, this legislation provides benefits to prosecutors in PERS, who are not eligible for enrollment in the Police and Firemen's Retirement System (PFRS), similar to those applicable under PFRS. The State will be liable for the increase in the unfunded accrued liability which will be amortized over a 30 year period. The prosecutor contribution rate is to be established by the PERS board. A separate account is to be established in the annuity savings fund for each prosecutor and all prosecutor contributions will be credited to this account.

The additional liabilities and cost attributable to Chapter 366 were first calculated as part of the June 30, 2002 actuarial valuation. At that time, our recommendation was to adopt a 7.5% Prosecutor member employee contribution rate. The rate would be adjusted, if necessary, once experience data was gathered and examined in the June 30, 2005 experience study. (Enclosed is our letter dated December 10, 2002.)

We completed the June 30, 2005 PERS experience study in October 2005. The Board adopted the recommended changes to certain demographic assumptions with regard to the Prosecutors Part. Specifically, we increased the retirement rates of Prosecutor members upon completion of 25 or more years of service. As a result, we have prepared calculations to determine the long-term Prosecutor member contribution rate attributable to Chapter 366, P.L. 2001.

In reviewing our results, please note the following:

- The calculations were based on the same data and economic assumptions used for the July 1, 2007 valuation.
- We used the same methodology described in our letter dated December 10, 2002 to determine the Prosecutor member contribution rate. The current normal cost (the value of the current year's accrual) under PERS for the affected population was compared to the revised normal cost which reflects Prosecutor specific demographic assumptions and the special Prosecutors Part benefits. The percentage increase is roughly the additional cost attributable to the enhanced benefits. Applying this percentage increase to the current member rate under PERS (prior to any reduction due to available excess assets) would result in the prosecutors paying roughly the same proportion of their benefits as "regular" PERS members.

The following table summarizes the resulting normal costs:


	"Regular" PERS	Prosecutors Part of PERS	Effect of Chapter 366
Gross Normal Cost	\$ 8,213,000	\$ 13,383,000	\$ 5,170,000
Percentage Increase In Normal Cost	---	---	62.9%

The above summary shows that the additional normal cost is about \$5,170,000, roughly a 60% increase. If this percentage increase is applied to the current PERS member contribution rate of 5.5%, the result would be a Prosecutor member rate of approximately 8.8%.

In summary, we have identified the long-term annual member contribution rate for members covered under Chapter 366, P.L. 2001 and recommend increasing the Prosecutor members' current annual member contribution rate from 7.5% to 8.5%.

We would be happy to discuss our results with you or to prepare any additional calculations that you would require.

Very truly yours,



Janet H. Cranna
Principal, Consulting Actuary

JHC:HN
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pc: Henry Matwiejewicz