



# State of New Jersey

Postemployment Benefits Other Than Pension  
Actuarial Valuation for the Fiscal Year Ending June 30, 2017  
GASB 45 Accounting Results

# Table of Contents

<b>Introduction</b>	<b>3</b>
<b>Executive Summary</b>	<b>5</b>
Plan Provisions	7
Affordable Care Act	7
Actuarial Assumptions	7
Economic Assumptions	7
Demographic Assumptions	8
<b>Actuarial Certification</b>	<b>9</b>
<b>Principal Valuation Results</b>	<b>11</b>
<b>Accounting Information</b>	<b>13</b>
Annual Required Contribution	13
Annual OPEB Cost	13
Schedule of Amortization Base	14
Net OPEB Obligation	15
Historical Annual OPEB Cost and Net OPEB Obligation	16
Required Supplementary Information	17
<b>Projected Cash Flows</b>	<b>18</b>
<b>Ten-Year Projection of Annual OPEB Costs (AOC)</b>	<b>20</b>
<b>Demographic Information</b>	<b>21</b>
Age / Service Scatter	22
<b>Principal Plan Provisions</b>	<b>23</b>
<b>Methods and Assumptions</b>	<b>29</b>
<b>GASB OPEB Summary</b>	<b>50</b>
<b>Glossary</b>	<b>52</b>
<b>About Aon</b>	<b>58</b>

## Introduction

Ms. Florence Sheppard  
Acting Director  
Division of Pensions and Benefits  
Department of the Treasury  
State of New Jersey  
50 West State Street  
Trenton, New Jersey 08625-0299

Dear Florence:

This report presents the July 1, 2016 Actuarial Valuation results for the retiree health benefits provided through the **New Jersey State Health Benefits Program (“the SHBP”) and the School Employees’ Health Benefits Program (“the SEHBP”)**. Collectively, these are referred to as “the Program.” The purposes of this report are to:

- Determine the Program’s July 1, 2016 obligations;
- Determine the Program’s Fiscal Year Ending June 30, 2017 accrual under the Governmental Accounting Standards Board Statement 45 (GASB 45); and
- Provide information that may be helpful in future planning for the State of New Jersey.

The Program consists of the Health Benefits Program Fund, the Dental Benefits Program Fund, and the Prescription Drug Program Fund. The financial statements of the Funds are included in the financial statements of the State of New Jersey. This inclusion will satisfy the requirements of GASB 45 for the State of New Jersey as there are no postemployment benefits provided outside the SHBP/SEHBP.

This report contains the liabilities for both Governmental Activities and Business-Type Activities. For GASB 74 (formerly GASB 43) purposes, the Business-Type Activities are generated by the participation in the Program by Local Governmental and Local Education employers. GASB 74 accounting results will be provided in a separate report.

A summary of the major results is shown in the Executive Summary, while the Principal Valuation Results Section provides more detail.

The Accounting Information Section summarizes GASB Other Postemployment Benefit (OPEB) accounting treatment including the Fiscal Year Ending June 30, 2017 Annual Required Contribution (ARC), Annual OPEB Cost (AOC) and Net OPEB Obligation (NOO).

## Introduction

This report's costs and liabilities are based upon the data and plan provisions provided by the State of New Jersey Division of Pensions and Benefits, as summarized in the Demographic Information and Summary of Principal Plan Provisions Sections, respectively; and the funding method and actuarial assumptions outlined in the Methods and Assumptions Section of this report. This report presents our best estimate of the costs of the Plan in accordance with accepted actuarial principles and our understanding of GASB Statement 45.

Sincerely,



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Michael Morfe, ASA, MAAA, FCA  
Senior Vice President



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Thomas Vicente, FSA, EA, MAAA  
Partner

June 26, 2017

## Executive Summary

The Program provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents. The State of New Jersey pays a portion of the cost for retirees, spouses and dependents. All active employees who retire from the State of New Jersey and meet the eligibility criteria will receive these benefits.

The State of New Jersey also offers dental care to retirees. Since these benefits are completely paid for by the retirees, there is no GASB 45 liability for these benefits.

Results are shown for both Governmental Activities and Business-Type Activities. The Division of Pensions and Benefits, in consultation with Aon, has determined that the Program is a Cost-Sharing plan for its Business-Type Activities participants. Governmental Activities are detailed by State and Local Education (which is a State responsibility) components. Pursuant to various Public Law enactments over the years, primarily Chapter 126 PL 1992, PERS, ABP and TPAF members who retire from educational enterprises with 25 or more years of service or a disability retirement will have state-paid coverage. These individuals are not required to participate in the SHBP/SEHBP while active to receive retiree benefits.

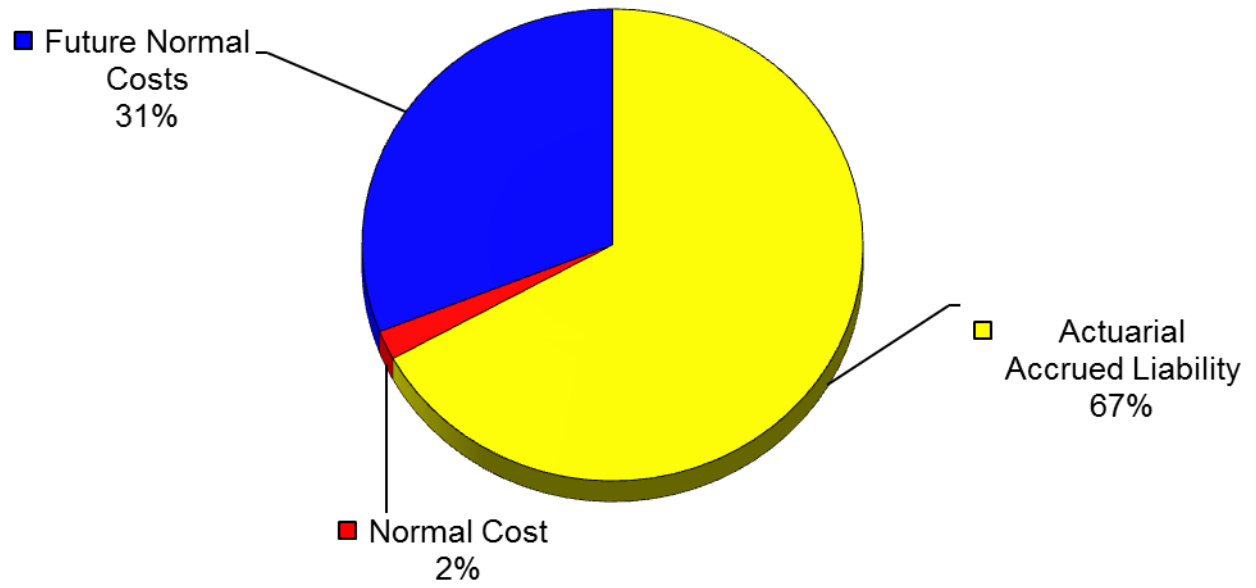
This summary identifies the actuarial accrued liability at July 1, 2016 and costs for the Fiscal Year Ending June 30, 2017 (“FYE 2017”):

	GASB 45 results (\$ millions)				
	Fiscal Year Ending 06/30/2017				
	State	Local Education	Subtotal	Local Government	Total
Actuarial Accrued Liability					
Active	\$12,734.8	\$23,710.4	\$36,445.2	\$7,772.7	\$44,217.9
Retired	\$12,751.6	\$20,127.0	\$32,878.6	\$8,328.2	\$41,206.8
Total	\$25,486.4	\$43,837.4	\$69,323.8	\$16,100.9	\$85,424.7
7/1/16 - 6/30/17 FY Annual Required Contribution (ARC)*	\$2,451.9	\$4,302.6	\$6,754.5	NA	\$6,754.5
7/1/16 - 6/30/17 FY Annual OPEB Cost	\$2,253.1	\$3,972.2	\$6,225.3	NA	\$6,225.3
7/1/16 - 6/30/17 Expected Benefit Premiums	\$708.8	\$1,305.6	\$2,014.4	\$435.2	\$2,449.6
* The Annual Required Contribution reflects a 30-year level dollar amortization of the Unfunded Actuarial Accrued Liability.					

- The **Present Value of all Projected Benefits** is the total present value of all expected future benefits, based on certain actuarial assumptions. The Present Value of all projected benefits is a measure of total liability or obligation. Essentially, the Present Value of all projected benefits is the value (on the valuation date) of the benefits promised to current and future retirees.
- The **Actuarial Accrued Liability** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Program’s Actuarial Accrued Liability (at July 1, 2016) is \$85,424.7 million assuming no prefunding of obligations. The majority of this obligation is for active employees.
- **Normal Cost** is the value of benefits expected to be earned during the current year, again based on certain actuarial methods and assumptions. The 2017 Fiscal Year Normal Cost is \$3,008.5 million assuming no prefunding of obligations. In pension accounting, this is also known as “**service cost.**”
- **Future Normal Costs** represent the present value of the remaining balance of all projected benefits to be earned in future years.

The following graph illustrates (for the scenario assuming no prefunding) the Present Value of all Projected Benefits, the yellow area representing the Actuarial Accrued Liability in total:

# Executive Summary



# Executive Summary

## Plan Provisions

Effective for Plan Year 2017, the SHBP Plan Design Committee adopted changes to medical and Rx benefits in addition to savings associated with the extension of the ESI vendor contract for two years. Additionally, all Medicare eligible SHBP members currently enrolled in the PPO10 or PPO15 plans through Horizon are now enrolled in fully insured Medicare Advantage plans beginning in Plan Year 2017. For Plan Year 2017, the savings for the SEHBP were realized due to the retiree Rx copays reverting to the Plan Year 2014 levels and the extension of the ESI vendor contract for two years. The impact of these plan design changes have been reflected in the liabilities as of July 1, 2016. Further detail is provided in the “Principal Plan Provisions” section of this report.

## Affordable Care Act

Certain provisions of health care legislation that are effective in future years have the potential to impact the GASB 45 liabilities. As a result of the recent health care legislation, there will be a 40% excise tax on per capita medical benefit costs that exceed certain thresholds. On December 18, 2015, the implementation of the excise tax was delayed from 2018 to 2020. As a result of the excise tax, we estimate that the Program’s Actuarial Accrued Liability and Normal Cost as of July 1, 2016 will increase approximately 8.1% and 9.8%, respectively.

## Accounting Statement Changes

Fiscal Year Ending June 30, 2017 is the last fiscal year in which the GASB 45 accounting standard is effective. The GASB 45 accounting results are shown for the State and Local Education groups as the Local Government group is not included under GASB 45. Valuation results including the liability, normal cost and expected benefit payments are shown for all groups (State, Local Education and Local Government). The GASB 74 statement, which replaces GASB 43, is effective for Fiscal Year Ending June 30, 2017 and these numbers will be provided in a separate report.

## Actuarial Assumptions

The results contained herein are consistent with the following actuarial assumptions as of July 1, 2016. Further detail is provided in the “Methods and Assumptions” section of this report.

## Economic Assumptions

The GASB statement requires that the discount rate used to determine the retiree health care liabilities be the estimated long-term yield on the “investments that are expected to be used to finance the payments of the benefits”. Since the State does not currently pre-fund the retiree health care liabilities, the discount rate should be based on the portfolio of the State’s “general assets” used to pay these benefits. Historical monthly yields for this portfolio, as provided by the State of New Jersey, could suggest a 4.0% to 5.0% discount rate. Aon recommends the mid-point of the range suggested by the portfolio, 4.5%.

The health care trend assumption is used to project the growth of the expected claims over the lifetime of the health care recipients. The GASB statement does not require a particular source for information to determine health care trends, but it does recommend selecting a source that is “publicly available, objective, and unbiased”.

Aon developed the trend assumption utilizing the short term rates expected on the State of New Jersey plan along with the information in published papers from other industry experts (actuaries, health economists, etc.). For pre-Medicare PPO medical benefits, this amount initially is 5.9% and decreases to

## Executive Summary

a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For HMO medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. This reflects the known underlying cost of the Part B premium.

Medicare Advantage trends were developed using Aon's proprietary trend model in conjunction with Aon's internal trend guidance and industry standards. In setting the trend rate assumptions for the Medicare Advantage plans, Aon considered gross trend assumptions, vendor STAR ratings and the potential for the 2018 Health Insurer Fee. Gross medical costs are assumed to grow at 4.5% per year and CMS revenue is projected using data from the 2016 Medicare Trustees Report. Future SHBP Medicare Advantage savings realized by the State may vary based on the State's ability to secure favorable pricing terms and negotiate competitive offers, actual CMS revenue, the STAR ratings of the insurers, and whether or not the Health Insurer fee is reinstated. The assumed Medicare Advantage trend rate is 4.5% in all future years.

The GASB 45 valuation reflects updated salary scale assumptions consistent with the following pension actuarial valuation reports for the fiscal year ending June 30, 2017:

- Public Employees' Retirement System (PERS)
- Teachers' Pension and Annuity Fund (TPAF)
- Police and Firemen's Retirement System (PFRS)
- State Police Retirement System (SPRS)
- Judicial Retirement System (JRS)

### Demographic Assumptions

Demographic assumptions used to project the data are consistent with the assumptions used in the pension plan valuations. There is no assumption for future new hires.

On October 20, 2016, the Society of Actuaries (SOA) released an updated set of life expectancy assumptions, Scale MP-2016. Like Scale MP-2015 released last year, these new assumptions reflect recent mortality data for the U.S. population, and show a lower degree of longevity improvement than projected based on the previous SOA assumptions. As of July 1, 2016, the mortality improvement projection scale assumption was updated from Scale MP-2015 to Scale MP-2016.

Active decrement rates (e.g. – retirement, withdrawal, disability) for the plans are based on the actuarial assumptions used in the pension valuations. The GASB 45 valuation reflects the experience study results and recommended assumptions outlined in the following experience study reports:

- Public Employees' Retirement System (PERS) – prepared as of June 30, 2014
- Teachers' Pension and Annuity Fund (TPAF) – prepared as of June 30, 2015
- Police and Firemen's Retirement System (PFRS) – prepared as of June 30, 2013
- State Police Retirement System (SPRS) – prepared as of June 30, 2014
- Judicial Retirement System (JRS) – prepared as of June 30, 2014

Further detail regarding demographic assumptions used in this valuation is provided in the "Methods and Assumptions" section of this report.



## Actuarial Certification

This report presents the results of the Actuarial Valuation for the State of New Jersey Postemployment Benefits Other Than Pensions as of July 1, 2016 for the development of accounting and financial reporting information under Statement Number 45 of the Governmental Accounting Standards Board (GASB 45).

This report has been prepared using generally accepted actuarial practices and methods. The actuarial assumptions and accounting methods and policies are the responsibility of the Plan Sponsor. The actuarial assumptions (other than those strictly applicable to valuing the Program, or as otherwise explicitly specified) used in the calculations are consistent with those used by the State of New Jersey's Actuary for the pension valuation for the state retirement systems. Aon believes the actuarial assumptions used in the calculations are individually reasonable and reasonable in the aggregate. It should be noted, however, that Actuarial Standards of Practice defines an actuary's best estimate assumption as one that falls within a "range" of potentially reasonable assumptions. Thus, a different set of actuarial assumptions drawn from the best estimate range could result in reasonable valuation results different from those presented herein.

Aon did not audit the employee data and financial information used in this valuation. On the basis of our review of the data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Actuarial computations under GASB 45 are for purposes of fulfilling governmental accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the accounting standard. Determinations for purposes other than meeting governmental financial accounting requirements may be different from these results. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination.

This report is intended for the sole use of the State of New Jersey. It is intended only to supply information for the State to comply with the stated purposes of the report and may not be appropriate for other purposes. Reliance on information contained in this report by anyone for other than the intended purposes puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the State, should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon.

## Actuarial Certification

The actuaries whose signatures appear below are Members of the American Academy of Actuaries and together meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They are available to answer any questions with regard to the matters enumerated in this report.

Further, we certify that this report is in compliance with Actuarial Standard of Practice Number 41, "Actuarial Communications".

Aon's relationship with the Program and the State is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.



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Michael Morfe, ASA, MAAA, FCA  
Senior Vice President



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Thomas Vicente, FSA, EA, MAAA  
Partner

June 26, 2017

## Principal Valuation Results

The following summary highlights the State's valuation results for the fiscal year ending June 30, 2017:

- The Market Value of Assets for the Program as of July 1, 2016 is \$0.
- The fiscal year ending June 30, 2017 Annual Required Contribution (ARC) is \$6,754.5 million.
- The fiscal year ending June 30, 2017 Annual OPEB Cost (AOC) is \$6,225.3 million.
- The fiscal year ending June 30, 2017 expected benefit premiums are \$2,449.6 million.

The following tables show results by active and retired employee groups. The tables below contain the valuation results both Governmental Activities and Business-Type Activities. For GASB 74 (formerly GASB 43) purposes, the Business-Type Activities are generated by the participation in the SHBP by Local Governmental employers. Governmental Activities are detailed by State and Local Education (which is a State responsibility) components. GASB 74 accounting results will be provided in a separate report.

The Division of Pensions and Benefits, in consultation with Aon, has determined that the SHBP is a Cost-Sharing plan for its Business-Type Activities participants. Benefit risks are shared, contributions (premium payments) may legally be used to pay the benefits for any participating employer and the same contribution rates apply for each participating employer.

### A. Medical and Prescription Drug (\$ millions) \*

	(1) State (\$ millions)	(2) Local Education (\$ millions)	(3) Subtotal = (1) + (2) (\$ millions)	(4) Local Government (\$ millions)	Total = (3) + (4) (\$ millions)	FYE 2016 Total (\$ millions)
<b>Actuarial Accrued Liability</b>						
Active	\$12,556.2	\$20,052.8	\$32,609.0	\$6,973.1	\$39,582.1	\$39,627.5
Retirees	\$12,052.2	\$16,352.1	\$28,404.3	\$7,429.9	\$35,834.2	\$35,644.5
Total	\$24,608.4	\$36,404.9	\$61,013.3	\$14,403.0	\$75,416.3	\$75,272.0
<b>Assets</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Unfunded Actuarial Accrued Liability</b>	\$24,608.4	\$36,404.9	\$61,013.3	\$14,403.0	\$75,416.3	\$75,272.0
<b>Normal Cost at beginning of year</b>	\$837.1	\$1,299.0	\$2,136.1	\$438.5	\$2,574.6	\$2,581.5

\* Includes reduction in total liability due to EGWP

## Principal Valuation Results

### B. Medicare Part B Reimbursement (\$ millions)

	(1) State (\$ millions)	(2) Local Education (\$ millions)	(3) Subtotal = (1) + (2) (\$ millions)	(4) Local Government (\$ millions)	Total = (3) + (4) (\$ millions)	FYE 2016 Total (\$ millions)
<b>Actuarial Accrued Liability</b>						
Active	\$178.6	\$3,657.6	\$3,836.2	\$799.6	\$4,635.8	\$4,307.7
Retirees	\$699.4	\$3,774.9	\$4,474.3	\$898.3	\$5,372.6	\$4,724.5
Total	\$878.0	\$7,432.5	\$8,310.5	\$1,697.9	\$10,008.4	\$9,032.2
<b>Assets</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Unfunded Actuarial Accrued Liability</b>	\$878.0	\$7,432.5	\$8,310.5	\$1,697.9	\$10,008.4	\$9,032.2
<b>Normal Cost at beginning of year</b>	\$12.0	\$243.0	\$255.0	\$49.3	\$304.3	\$282.3

### C. Total (\$ millions)

	(1) State (\$ millions)	(2) Local Education (\$ millions)	(3) Subtotal = (1) + (2) (\$ millions)	(4) Local Government (\$ millions)	Total = (3) + (4) (\$ millions)	FYE 2016 Total (\$ millions)
<b>Actuarial Accrued Liability</b>						
Active	\$12,734.8	\$23,710.4	\$36,445.2	\$7,772.7	\$44,217.9	\$43,935.2
Retirees	\$12,751.6	\$20,127.0	\$32,878.6	\$8,328.2	\$41,206.8	\$40,369.0
Total	\$25,486.4	\$43,837.4	\$69,323.8	\$16,100.9	\$85,424.7	\$84,304.2
<b>Assets</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Unfunded Actuarial Accrued Liability</b>	\$25,486.4	\$43,837.4	\$69,323.8	\$16,100.9	\$85,424.7	\$84,304.2
<b>Normal Cost at beginning of year</b>	\$849.1	\$1,542.0	\$2,391.1	\$487.8	\$2,878.9	\$2,863.8

## Accounting Information

The following tables summarize the fiscal year ending June 30, 2017 (FYE 2017) Annual Required Contribution and Annual OPEB Cost, as well as the projected June 30, 2017 Net OPEB Obligation. GABS 45 was adopted for the FYE 2008.

### Annual Required Contribution (ARC)

The Standard sets the method for determining the State of New Jersey's postemployment benefits accrual, the Annual Required Contribution (ARC), to include both the value of benefits earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability. Accordingly, the following table shows the State of New Jersey's FYE 2017 and FYE 2016 Annual Required Contribution (ARC) based on a 30-year amortization of the Unfunded Actuarial Accrued Liability. This annual amortization is representative of amortizing a level amount, as allowed by the Standard.

Fiscal Year Ending June 30, 2017 (\$ millions)						FYE 2016
	State	Local Education	Subtotal	Local Government *	Total	Total
Normal Cost	\$887.3	\$1,611.4	\$2,498.7	N/A	\$2,498.7	\$2,458.1
Unfunded Actuarial Accrued Liability Amortization	\$1,564.6	\$2,691.2	\$4,255.8	N/A	\$4,255.8	\$4,144.1
Annual Required Contribution (ARC)	\$2,451.9	\$4,302.6	\$6,754.5	N/A	\$6,754.5	\$6,602.2

\*Local Government does not report under GASB 45.

### Annual OPEB Cost (AOC)

The AOC is equal to the ARC adjusted for any cumulative differences between the ARC and actual payments

Fiscal Year Ending June 30, 2017 (\$ millions)						FYE 2016
	State	Local Education	Subtotal	Local Government *	Total	Total
Annual Required Contribution (ARC)	\$2,451.9	\$4,302.6	\$6,754.5	N/A	\$6,754.5	\$6,602.2
Adjustment to ARC						
Interest on Net OPEB Obligation (NOO)	\$545.6	\$907.1	\$1,452.7	N/A	\$1,452.7	\$1,258.9
Amortization of NOO	(\$744.4)	(\$1,237.5)	(\$1,981.9)	N/A	(\$1,981.9)	(\$1,717.4)
Total Adjustment	(\$198.8)	(\$330.4)	(\$529.2)	N/A	(\$529.2)	(\$458.5)
Total Annual OPEB Cost (AOC)	\$2,253.1	\$3,972.2	\$6,225.3	N/A	\$6,225.3	\$6,143.7

\*Local Government does not report under GASB 45.

# Accounting Information

## Schedule of Amortization Base

For each year the ARC is calculated, a new amortization base is established based on the current year's unfunded actuarial accrued liability. The chart below illustrates the change in the actuarial accrued liability since the prior year.

Fiscal Year Ending June 30, 2017 (\$ millions)					
	State	Local Education	Subtotal	Local Government	Total
1. Actuarial Accrued Liability (7/1/2015)	\$25,937.4	\$41,565.9	\$67,503.3	\$16,800.9	\$84,304.2
(a) End of Year Normal Cost	\$914.0	\$1,544.1	\$2,458.1	\$534.6	\$2,992.7
(b) Interest Cost	\$1,151.8	\$1,844.7	\$2,996.5	\$746.3	\$3,742.8
(c) Expected Benefit Payments	\$684.2	\$1,150.6	\$1,834.8	\$439.1	\$2,273.9
(d) Total = 1(a) + 1(b) - 1(c)	\$1,381.6	\$2,238.2	\$3,619.8	\$841.8	\$4,461.6
2. Expected Actuarial Accrued Liability (7/1/2016) = 1 + 1(d)	\$27,319.0	\$43,804.1	\$71,123.1	\$17,642.7	\$88,765.8
(a) Demographic (Gain)/Loss	(2%)	1%	0%	(5%)	(1%)
(b) Premium & Per Capita Claims (Gain)/Loss	0%	5%	3%	2%	3%
(c) Plan Design (Gain)/Loss	(4%)	(3%)	(4%)	(4%)	(4%)
(d) Decrement Assumption Changes (Gain)/Loss	1%	1%	1%	1%	1%
(e) Salary Scale Assumption Change (Gain)/Loss	3%	1%	1%	1%	1%
(f) Mortality Projection Scale Assumption Change (Gain)/Loss	(3%)	(3%)	(3%)	(2%)	(3%)
(g) Excise Tax Adjustment (Gain)/Loss	0%	(1%)	(1%)	0%	(1%)
(h) Trend (Gain)/Loss	(1%)	0%	0%	0%	0%
(i) Total (Gain)/Loss *	(7%)	0%	(3%)	(9%)	(4%)
3. Actuarial Accrued Liability (7/1/2016)	\$25,486.4	\$43,837.4	\$69,323.8	\$16,100.9	\$85,424.7

\*Numbers may not add due to rounding.

## Accounting Information

### Net OPEB Obligation (NOO)

Based on the Annual OPEB Cost developed previously, the following are the projected June 30, 2017 and June 30, 2016 Net OPEB Obligation (NOO):

#### State & Local Education

	FYE 2017 Total (\$ millions)	FYE 2016 Total (\$ millions)
Beginning of Year Net OPEB Obligation (NOO)	\$32,282.7	\$27,973.8
<i>Plus:</i> Annual OPEB Cost (AOC)	\$6,225.3	\$6,143.7
<i>Less:</i> Schedule of contributions from the employer and other contributing entities	\$2,014.4	\$1,834.8
<i>Equals: Expected End of Year Net OPEB Obligation (NOO)*</i>	\$36,493.6	\$32,282.7
<b>* Actual reserves would use actual contributions for each fiscal year.</b>		

#### Local Government\*\*

	FYE 2017 Total (\$ millions)	FYE 2016 Total (\$ millions)
Beginning of Year Net OPEB Obligation (NOO)	N/A	N/A
<i>Plus:</i> Annual OPEB Cost (AOC)	N/A	N/A
<i>Less:</i> Schedule of contributions from the employer and other contributing entities	N/A	N/A
<i>Equals: Expected End of Year Net OPEB Obligation (NOO)*</i>	N/A	N/A
<b>* Actual reserves would use actual contributions for each fiscal year.</b>		

\*\*Local Government does not report under GASB 45.

## Accounting Information

### Historical Annual OPEB Cost and Net OPEB Obligation

The following table provides a historical summary of the Annual OPEB Cost and Net OPEB Obligation over the last three fiscal years:

#### State & Local Education

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost (\$ millions)</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation (\$ millions) *</b>
6/30/2015	\$6,045.3	27.2%	\$27,973.8
6/30/2016	\$6,143.7	29.9%	\$32,282.7
6/30/2017	\$6,225.3	32.4%	\$36,493.6
<b>* Based on expected benefit payments plus contributions from Other Contributing Entities for the applicable fiscal year end.</b>			

#### Local Government\*\*

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost (\$ millions)</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation (\$ millions) *</b>
6/30/2015	N/A	N/A	N/A
6/30/2016	N/A	N/A	N/A
6/30/2017	N/A	N/A	N/A
<b>* Based on expected benefit payments plus contributions from Other Contributing Entities for the applicable fiscal year end.</b>			

\*\*Local Government does not report under GASB 45.



# Accounting Information

## Required Supplementary Information

The following tables summarize the projected schedule of funding progress:

### State & Local Education

Valuation Date	Actuarial Value of Assets (\$ millions) (a)	Actuarial Accrued Liability (\$ millions) (b)	Unfunded Actuarial Accrued Liability (\$ millions) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (\$ millions) (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/2014	\$0	\$65,046.2	\$65,046.2	0%	\$20,081.7	323.9%
07/01/2015	\$0	\$67,503.3	\$67,503.3	0%	\$19,937.6	338.6%
07/01/2016	\$0	\$69,323.8	\$69,323.8	0%	\$21,102.7	328.5%

### Local Government

Valuation Date	Actuarial Value of Assets (\$ millions) (a)	Actuarial Accrued Liability (\$ millions) (b)	Unfunded Actuarial Accrued Liability (\$ millions) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (\$ millions) (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/2014	\$0	\$16,408.5	\$16,408.5	0%	\$3,067.6	534.9%
07/01/2015	\$0	\$16,800.9	\$16,800.9	0%	\$2,945.9	570.3%
07/01/2016	\$0	\$16,100.9	\$16,100.9	0%	\$2,840.2	566.9%

## Projected Cash Flows

Annual payments expected based on assumptions and contributions detailed in the Methods and Assumptions section.

### I. Medical and Prescription Drug Claims \*

Year Ending	State (\$ millions)	Local Education (\$ millions)	Subtotal (\$ millions)	Local Government (\$ millions)	Total (\$ millions)
6/30/2017	\$661.9	\$1,088.9	\$1,750.8	\$402.7	\$2,153.5
6/30/2018	\$719.3	\$1,147.7	\$1,867.0	\$436.8	\$2,303.8
6/30/2019	\$779.9	\$1,215.9	\$1,995.8	\$470.7	\$2,466.5
6/30/2020	\$839.6	\$1,285.5	\$2,125.1	\$505.9	\$2,631.0
6/30/2021	\$899.7	\$1,359.3	\$2,259.0	\$544.8	\$2,803.8
6/30/2022	\$962.3	\$1,437.2	\$2,399.5	\$583.6	\$2,983.1
6/30/2023	\$1,024.1	\$1,522.6	\$2,546.7	\$619.7	\$3,166.4
6/30/2024	\$1,085.6	\$1,610.3	\$2,695.9	\$657.7	\$3,353.6
6/30/2025	\$1,144.5	\$1,704.3	\$2,848.8	\$693.8	\$3,542.6
6/30/2026	\$1,201.5	\$1,800.2	\$3,001.7	\$728.8	\$3,730.5

### II. Medicare Part B Reimbursement

Year Ending	State (\$ millions)	Local Education (\$ millions)	Subtotal (\$ millions)	Local Government (\$ millions)	Total (\$ millions)
6/30/2017	\$46.9	\$216.7	\$263.6	\$32.5	\$296.1
6/30/2018	\$48.1	\$231.8	\$279.9	\$35.5	\$315.4
6/30/2019	\$49.0	\$245.6	\$294.6	\$38.5	\$333.1
6/30/2020	\$50.1	\$259.4	\$309.5	\$41.9	\$351.4
6/30/2021	\$50.5	\$272.9	\$323.4	\$45.5	\$368.9
6/30/2022	\$50.8	\$286.4	\$337.2	\$49.2	\$386.4
6/30/2023	\$51.1	\$299.8	\$350.9	\$53.4	\$404.3
6/30/2024	\$51.3	\$313.7	\$365.0	\$57.7	\$422.7
6/30/2025	\$51.5	\$327.9	\$379.4	\$62.3	\$441.7
6/30/2026	\$51.7	\$343.1	\$394.8	\$67.3	\$462.1

\*Includes reduction due to EGWP.

## Projected Cash Flows

### III. Total

<b>Year Ending</b>	<b>State (\$ millions)</b>	<b>Local Education (\$ millions)</b>	<b>Subtotal (\$ millions)</b>	<b>Local Government (\$ millions)</b>	<b>Total (\$ millions)</b>
6/30/2017	\$708.8	\$1,305.6	\$2,014.4	\$435.2	\$2,449.6
6/30/2018	\$767.4	\$1,379.5	\$2,146.9	\$472.3	\$2,619.2
6/30/2019	\$828.9	\$1,461.5	\$2,290.4	\$509.2	\$2,799.6
6/30/2020	\$889.7	\$1,544.9	\$2,434.6	\$547.8	\$2,982.4
6/30/2021	\$950.2	\$1,632.2	\$2,582.4	\$590.3	\$3,172.7
6/30/2022	\$1,013.1	\$1,723.6	\$2,736.7	\$632.8	\$3,369.5
6/30/2023	\$1,075.2	\$1,822.4	\$2,897.6	\$673.1	\$3,570.7
6/30/2024	\$1,136.9	\$1,924.0	\$3,060.9	\$715.4	\$3,776.3
6/30/2025	\$1,196.0	\$2,032.2	\$3,228.2	\$756.1	\$3,984.3
6/30/2026	\$1,253.2	\$2,143.3	\$3,396.5	\$796.1	\$4,192.6

## Ten-Year Projection of Annual OPEB Costs (AOC)

Projections assume a closed group population (i.e., no new hires) and using the GASB 45 accounting statement rules throughout the projection period. Please note that GASB 74 takes effect for the FYE June 30, 2018 and the results below are consistent with the prior reports that show a ten-year projection of accounting results under the current statement (GASB 45).

### State & Local Education

Fiscal Year Ending	ARC <sup>2</sup> (\$ millions)	Adjustment to ARC <sup>2,3</sup> (\$ millions)	Total AOC (\$ millions)	Contributions (\$ millions)	Net OPEB Obligation at end of FY (\$ millions)
6/30/2017	\$6,754.5	(\$529.2)	\$6,225.3	\$2,014.4	\$36,493.6
6/30/2018	\$7,088.3	(\$598.2)	\$6,490.1	\$2,146.9	\$40,836.8
6/30/2019	\$7,514.2	(\$711.2)	\$6,803.0	\$2,290.4	\$45,349.4
6/30/2020	\$7,968.8	(\$839.9)	\$7,128.9	\$2,434.6	\$50,043.7
6/30/2021	\$8,455.3	(\$986.8)	\$7,468.5	\$2,582.4	\$54,929.8
6/30/2022	\$8,977.1	(\$1,154.7)	\$7,822.4	\$2,736.7	\$60,015.5
6/30/2023	\$9,538.1	(\$1,346.7)	\$8,191.4	\$2,897.6	\$65,309.3
6/30/2024	\$10,142.6	(\$1,566.6)	\$8,576.0	\$3,060.9	\$70,824.4
6/30/2025	\$10,796.2	(\$1,819.0)	\$8,977.2	\$3,228.2	\$76,573.4
6/30/2026	\$11,505.1	(\$2,109.3)	\$9,395.8	\$3,396.5	\$82,572.7

### Local Government<sup>1</sup>

Fiscal Year Ending	ARC <sup>2</sup> (\$ millions)	Adjustment to ARC <sup>2,3</sup> (\$ millions)	Total AOC (\$ millions)	Contributions (\$ millions)	Net OPEB Obligation at end of FY (\$ millions)
6/30/2017	N/A	N/A	N/A	N/A	N/A
6/30/2018	N/A	N/A	N/A	N/A	N/A
6/30/2019	N/A	N/A	N/A	N/A	N/A
6/30/2020	N/A	N/A	N/A	N/A	N/A
6/30/2021	N/A	N/A	N/A	N/A	N/A
6/30/2022	N/A	N/A	N/A	N/A	N/A
6/30/2023	N/A	N/A	N/A	N/A	N/A
6/30/2024	N/A	N/A	N/A	N/A	N/A
6/30/2025	N/A	N/A	N/A	N/A	N/A
6/30/2026	N/A	N/A	N/A	N/A	N/A

1. Local Government does not report under GASB 45.
2. Assumes the amortization period reduces from 30 years by one year each year from fiscal year 2019 to fiscal year 2028.
3. Including interest on the Net OPEB Obligation.

## Demographic Information

The following tables summarize key demographic statistics of the future retiree (active) and current retiree populations provided by the State as of July 1, 2016:

Participant Counts for the FYE June 30, 2017						FYE 2016 Total
Group	State	Local Education - State	Subtotal	Local Government	Total	
<b>Actives</b>						
PERS General	65,495	63,805	129,300	28,572	157,872	159,623
PERS Law Enforcement	3	0	3	24	27	44
PERS Legislators	8	0	8	0	8	9
PERS Prosecutors	0	0	0	1	1	0
JRS	421	0	421	0	421	421
SPRS	2,718	0	2,718	0	2,718	2,672
TPAF	0	142,250	142,250	0	142,250	141,868
ABP	33,579	497	34,076	29	34,105	34,651
PFRS	6,105	21	6,126	12,006	18,132	19,009
<b>Active Total</b>	<b>108,329</b>	<b>206,573</b>	<b>314,902</b>	<b>40,632</b>	<b>355,534</b>	<b>358,297</b>
<b>Retirees</b>						
Single Coverage						
HMO	3,727	2,743	6,470	1,010	7,480	9,048
NJ Direct	17,087	46,900	63,987	8,017	72,004	76,194
Family Coverage						
HMO	3,855	2,225	6,080	1,469	7,549	9,066
NJ Direct	15,855	40,072	55,927	10,554	66,481	69,832
No Coverage	853	468	1,321	155	1,476	1,268
<b>Retiree Total</b>	<b>41,377</b>	<b>92,408</b>	<b>133,785</b>	<b>21,205</b>	<b>154,990</b>	<b>165,408</b>
<b>Spouses of Retirees Total</b>	<b>19,710</b>	<b>42,297</b>	<b>62,007</b>	<b>12,023</b>	<b>74,030</b>	<b>78,898</b>
<b>Grand Total</b>	<b>169,416</b>	<b>341,278</b>	<b>510,694</b>	<b>73,860</b>	<b>584,554</b>	<b>602,603</b>

Male / Female Ratio for the FYE June 30, 2017						FYE 2016 Total
Group	State	Local Education - State	Subtotal	Local Government	Total	
<b>Actives</b>						
% Female	56%	75%	68%	34%	64%	64%
% Male	44%	25%	32%	66%	36%	36%
<b>Retirees</b>						
% Female	51%	70%	64%	29%	59%	58%
% Male	49%	30%	36%	71%	41%	42%

Average Age for the FYE June 30, 2017						FYE 2016 Total
Group	State	Local Education - State	Subtotal	Local Government	Total	
Actives	47.56	46.24	46.69	46.95	46.72	46.81
Retirees	68.29	71.49	70.50	67.07	70.03	69.67

Average Service for the FYE June 30, 2017						FYE 2016 Total
Group	State	Local Education - State	Subtotal	Local Government	Total	
Actives	13.00	13.31	13.20	14.83	13.39	13.48
Retirees	N/A	N/A	N/A	N/A	N/A	N/A

## Demographic Information

### Age / Service Scatter

The following table summarizes the distribution of the future retiree population by age and service as of July 1, 2016:

Age	Service							Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
15-19	12							12
20-24	3,229	29						3,258
25-29	21,355	4,656	162					26,173
30-34	14,172	16,967	7,708	182				39,029
35-39	8,406	9,178	19,702	7,047	69			44,402
40-44	6,531	6,354	10,447	15,585	3,045	131		42,093
45-49	6,345	6,676	9,088	11,353	9,458	3,937	332	47,189
50-54	5,277	6,305	9,695	9,111	5,880	7,543	4,065	47,876
55-59	3,961	5,192	9,328	10,142	5,933	5,174	7,328	47,058
60-64	2,320	3,422	6,094	7,523	5,767	4,599	5,952	35,677
65-69	859	1,641	2,792	2,980	2,511	2,323	2,825	15,931
70+	275	719	1,201	1,224	943	910	1,564	6,836
<b>Total</b>	<b>72,742</b>	<b>61,139</b>	<b>76,217</b>	<b>65,147</b>	<b>33,606</b>	<b>24,617</b>	<b>22,066</b>	<b>355,534</b>

# Principal Plan Provisions

## Program Eligibility for Retired Group Coverage

The following individuals will be offered Program's Retired Group coverage for themselves and their eligible dependents:

- Full-time State employees, employees of State colleges/universities, autonomous State agencies and commissions, or local employees (including benefits-eligible Local Education employees of non-participating Local Education employers) who were covered by, or eligible for, the SHBP at the time of retirement.
- Part-time State employees and part-time faculty at institutions of higher education that participate in the SHBP if enrolled in the SHBP at the time of retirement.

The following subsections outline the eligibility for retirement (that would qualify a retiree for State-paid Program benefits) for the various groups of State employees. Service under multiple Retirement Systems can be aggregated for purposes of Program's benefit eligibility.

### **Public Employees' Retirement System Members**

(i) In General for State-paid Benefits

Service Retirement	Eligible at age 60 with 25 years of service.
Early Retirement	Eligible after 25 years of service prior to age 60.
Ordinary Disability Retirement	Eligible after 10 years of service and total and permanent disability.
Accidental Disability	Eligible upon total and permanent disability as a result of a duty injury.

(ii) Law Enforcement (Chapter 330, P.L. 1997)

In General for State-paid Benefits

Service Retirement	Eligible at age 55 after 25 years of service.
Chapter 4, P.L. 2001 Special Retirement	Completion of 25 years of service.
Ordinary Disability	Eligible after 5 years of service and total and permanent disability.

## Principal Plan Provisions

(iii) Legislators

In General for State-paid Benefits

Service Retirement	Eligible at age 60 and 25 years of service.
Early Retirement	Attainment of 25 years of service prior to age 60.
Ordinary Disability Retirement	Eligible after 10 years of service and total and permanent disability.
Accidental Disability	Eligible upon total and permanent disability as a result of a duty injury.

(iv) Prosecutors Part (Chapter 366, P.L. 2001)

In General for State-paid Benefits

Service Retirement	Eligible after age 55 and 25 years of service.
Special Retirement	After completion of 25 years of service.
Ordinary Disability Retirement	Eligible after 10 years of service and total and permanent disability.
Accidental Disability	Eligible upon total and permanent disability as a result of a duty injury.

(v) Workers' Compensation Judges Part (Chapter 259, P.L. 2001)

Service Retirement	(A) Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows: <ul style="list-style-type: none"><li>(a) Age 70 and 10 years of service as a Workers' Compensation Judge;</li><li>(b) Age 65 and 15 years of service as a Workers' Compensation Judge; or</li><li>(c) Age 60 and 20 years of service as a Workers' Compensation Judge.</li></ul>
	(B) Age 65, with 5 consecutive years of service as a Workers' Compensation Judge and 15 years in the aggregate of public service; or Age 60, with 5 consecutive years of service as a Workers' Compensation Judge and 20 years in the aggregate of public service.



## Principal Plan Provisions

In General for State-paid Benefits	Attainment of 25 years of service and Service Retirement eligibility.
Early Retirement	Prior to age 60, with 5 consecutive years of service as a Workers' Compensation Judge and 25 years or more in the aggregate of public service.
Ordinary Disability Retirement	Eligible after 10 years of service and total and permanent disability
Accidental Disability	Eligible upon total and permanent disability as a result of a duty injury.

### **Judicial Retirement System Members**

Chief Justice and associate justices of the Supreme Court, judges of the Superior Court and tax courts of the State of New Jersey.

Service Retirement	(A) Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:  (a) Age 70 and 10 years of judicial service; (b) Age 65 and 15 years of judicial service; or (c) Age 60 and 20 years of judicial service.  (B) Age 65 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service; or  Age 60 while serving as a judge, 5 consecutive years of judicial service and 20 years in the aggregate of public service.
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In General for State-paid Benefits	Attainment of 25 years of service and Service Retirement eligibility.
Early Retirement	Prior to age 60 while serving as a judge, 5 consecutive years of judicial service and 25 more years in the aggregate of public service.
Disability Retirement	Physically or otherwise incapacitated for a full and efficient service to the State in a judicial capacity, and such incapacity is likely to be permanent.

## Principal Plan Provisions

### **State Police Retirement System Members**

All members of the former State Police and Benevolent Fund: full-time commissioned officers, non-commissioned officers or troopers of the Division of State Police. Membership is a condition of employment.

#### In General for State-paid Benefits

Service Retirement	Mandatory retirement at age 55. Voluntary retirement prior to age 55 with 25 years of credited service.
Ordinary Disability Retirement	A Member is eligible for Ordinary Disability Retirement if he (she) has 4 years of service and is totally and permanently incapacitated from the performance of usual or available duties.
Accidental Disability Retirement	A Member is eligible upon total and permanent incapacitation as a direct result of a traumatic event occurring during and as a result of the performance of regular or assigned duties.

### **Teachers Pension and Annuity Fund Members**

Employees appointed to positions requiring certification as members of a regular teaching or professional staff of a public school system in New Jersey are required to enroll as a condition of employment. Employees of the Department of Education holding unclassified, professional and certified titles are eligible for membership. Temporary or substitute employees are not eligible.

#### In General for State-paid Benefits

Service Retirement	Eligibility means age 60 with 25 years of service for Program benefits.
Early Retirement	A Member may retire after completion of 25 years of Creditable Service.
Ordinary Disability Retirement	A Member is eligible for Ordinary Disability Retirement if he (she) has 10 years of Creditable Service and is totally and permanently incapacitated from the performance of usual or available duties.
Accidental Disability Retirement	A Member is eligible upon total and permanent incapacitation as a direct result of a traumatic event occurring during and as a result of the performance of regular or assigned duties.

### **Alternate Benefit Program (ABP) Members**

Participants in the ABP who retire with at least 25 years of credited ABP service, or those who are on a long-term disability, will qualify for SHBP benefits.

## Principal Plan Provisions

### Police and Firemen's Retirement System Members

Enrollment is restricted to eligible policemen and fireman who are permanent and full-time and who pass the physical and mental fitness requirements. The maximum enrollment age is 35.

#### In General for State-paid Benefits

Service Retirement	Eligibility means age 55 and 25 years of service. Mandatory at age 65.
Special Retirement	After completion of 25 years of service.
Ordinary Disability Retirement	A Member is eligible for Ordinary Disability Retirement if he (she) has 4 years of Service and is totally and permanently incapacitated from the performance of usual or available duties.
Accidental Disability Retirement	A Member is eligible upon total and permanent incapacitation from the performance of usual and available duties as a result of injury during the performance of regular duties.
Special Disability Retirement	A Member is eligible for Special Disability Retirement if he (she) has 5 years of Credited Service, is under age 55, and has received a heart transplant.

### Part B Memorandum

If a participant had 25 or more years of service credited on one pension system before July 1, 1997, the State of New Jersey agreed to reimburse future retirees at retirement for the standard cost of any Medicare Part B premiums paid by the participant and/or their spouse, civil union partner, or eligible same-sex domestic partner. If a participant attained 25 years of service credit after July 1, 1997, any reimbursement of Medicare Part B premiums paid by the participant and/or their spouse, civil union partner, or eligible domestic partner may be limited by the terms of the bargaining unit agreement in place at the time of retirement or by legislation (Chapter 8, PL 1996). State employees who began employment after July 1, 1995 will not be eligible for Medicare Part B reimbursement.

## Principal Plan Provisions

The following tables provide concise summaries of each of the benefit plan designs available to eligible retirees as of January 1, 2017:

Medical Plans	In-Network					Out-of-Network		
	Office Visit	ER Copay (SHBP/SEHBP)	Deductible	Member Coinsurance	Out-of-Pocket Maximum (SHBP/SEHBP)*	Deductible	Member Coinsurance	Out-of-Pocket Maximum
HMO	\$10	\$85 / \$35	None	0%	\$5,799 / \$5,739	Not Covered		
NJ DIRECT10	\$10	\$75 / \$25	None	0%	\$400 / \$400	\$100	20%	\$2,000
NJ DIRECT15	\$15	\$100 / \$50	None	0%	\$400** & \$5,799 / \$400** & \$5,739	\$100	30%	\$2,000

\* Excludes prescription drug copays.

\*\* The \$400 out-of-pocket maximum includes coinsurance only.

Rx Plans	Retail			Mail			Out-of-Pocket Maximum
	Generic	Preferred Brand	Other Brand	Generic	Preferred Brand	Other Brand	
HMO (Local Education)	\$6	\$13	\$26	\$5	\$19	\$31	\$1,411
HMO (State & Local Government)	\$6	\$12	\$24	\$5	\$18	\$30	\$1,351
NJ DIRECT 10/15 (Local Education)	\$10	\$21	\$42	\$5	\$31	\$52	\$1,411
NJ DIRECT 10/15 (State & Local Government)	\$10	\$22	\$44	\$5	\$33	\$55	\$1,351

State and Local Government Medicare retirees are also eligible to enroll in one of six Medicare Advantage plan offerings. Local Education Medicare retirees are also eligible to enroll in one of four Medicare Advantage plan offerings.

## Methods and Assumptions

**Actuarial Method** Projected Unit Credit Cost Method

**Normal Cost** Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year. This allocation is based on each individual's service between date of hire and date of expected retirement.

**Actuarial Accrued Liability** The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

**Discount Rate** As of July 1, 2016  
- 4.50%

**CPI** As of July 1, 2016  
- 2.50%

**Medical Trend (all programs in these categories)**

To Fiscal Year Ending	Annual Rate of Increase			
	NJ DIRECT %		HMO %	
	Pre - 65	Post - 65	Pre - 65	Post - 65
2017	5.90%	4.50%	5.90%	4.50%
2018	5.80%	4.50%	5.80%	4.50%
2019	5.70%	4.50%	5.70%	4.50%
2020	5.60%	4.50%	5.60%	4.50%
2021	5.50%	4.50%	5.50%	4.50%
2022	5.40%	4.50%	5.40%	4.50%
2023	5.30%	4.50%	5.30%	4.50%
2024	5.20%	4.50%	5.20%	4.50%
2025	5.10%	4.50%	5.10%	4.50%
2026 and Later	5.00%	4.50%	5.00%	4.50%

**Medicare Advantage Trends**

Annual Rate of Increase	
To Fiscal Year Ending	%
2017 and Later	4.50%

## Methods and Assumptions

**Prescription Drug Trend (all programs in these categories)**

EGWP revenue assumed to increase with prescription drug trend

<b>Annual Rate of Increase</b>	
<b>To Fiscal Year Ending</b>	<b>%</b>
2017	10.50%
2018	10.00%
2019	9.50%
2020	9.00%
2021	8.50%
2022	8.00%
2023	7.00%
2024	6.00%
2025 and Later	5.00%

**Medicare Part B Premium Reimbursement**

<b>Annual Rate of Increase</b>	
<b>To Fiscal Year Ending</b>	<b>%</b>
2017 and Later	5.00%

## Methods and Assumptions

### Morbidity

#### Medical

Expected medical claims are assumed to increase as participants age as follows:

Annual rate of increase	
Age	%
20 - 24	3.0%
25 - 29	3.0%
30 - 34	3.0%
35 - 39	3.0%
40 - 44	3.0%
45 - 49	3.7%
50 - 54	4.2%
55 - 59	4.4%
60 - 64	3.7%
65 - 69	2.7%
70 - 74	1.8%
75 - 79	2.2%
80 - 84	2.8%
85 - 89	1.4%
90+	0.0%

## Methods and Assumptions

### Morbidity (continued)

#### Prescription Drug

Expected prescription drug claims are assumed to increase as participants age as follows.

Annual rate of increase	
Age	%
20 - 24	4.8%
25 - 29	4.8%
30 - 34	4.8%
35 - 39	4.8%
40 - 44	4.8%
45 - 49	4.7%
50 - 54	4.7%
55 - 59	4.6%
60 - 64	4.6%
65 - 69	3.8%
70 - 74	2.5%
75 - 79	0.8%
80 - 84	0.2%
85 - 89	0.1%
90+	0.0%

### Salary Scale

Active salaries, used to determine retirement allowance in the future, are assumed to increase as follows:

#### State Police Retirement System

Annual Rate of Increase (%)		
Age	FYE 2016 to FYE 2026	FYE 2026 and Later
Increase at All Ages (%)	2.95	3.95

#### Judicial Retirement System

Annual Rate of Increase (%)		
Age	FYE 2016 to FYE 2026	FYE 2026 and Later
Increase at All Ages (%)	2.00	3.00



## Methods and Assumptions

**Public Employees' Retirement System (PERS)**

Annual Rate of Increase (%)		
Age	FYE 2016 to FYE 2026	FYE 2026 and Later
25	3.90	4.90
30	3.65	4.65
35	3.40	4.40
40	3.15	4.15
45	2.90	3.90
50	2.65	3.65
55	2.40	3.40
60	2.15	3.15
65	1.65	2.65

**Police and Firemen's Retirement System (PFRS)**

Annual Rate of Increase (%)		
Age	FYE 2016 to FYE 2026	FYE 2026 and Later
25	8.98	9.98
30	5.97	6.97
35	4.17	5.17
40	3.33	4.33
45	2.90	3.90

**Teachers Pension and Annuity Fund (TPAF) & Alternate Benefits Program (ABP)**

Annual Rate of Increase (%)		
Completed Years of Service	FYE 2016 to FYE 2026	FYE 2026 and Later
0 - 8	3.80	4.90
9 - 12	4.55	5.45
13	4.30	5.30
14	4.15	4.95
15	3.95	4.55
16	3.40	4.00
17	3.15	3.65
18	2.85	3.45
19	2.70	3.20
20	2.50	3.10
21	2.25	2.75
22	2.00	2.60
23 - 25	1.90	2.45
26 - 30	1.70	2.30
31+	1.55	2.00

## Methods and Assumptions

### Claims Cost for Current Retirees as of July 1, 2016

State Retirees						
PPO (NJ DIRECT)				HMO		
Age	Medical & Admin	Rx Claims	Retiree EGWP	Medical & Admin	Rx Claims	Retiree EGWP
25	\$4,131	\$733	\$0	\$4,102	\$786	\$0
30	\$4,756	\$926	\$0	\$4,695	\$993	\$0
35	\$5,481	\$1,171	\$0	\$5,381	\$1,255	\$0
40	\$6,321	\$1,481	\$0	\$6,178	\$1,586	\$0
45	\$7,294	\$1,872	\$0	\$7,102	\$2,006	\$0
50	\$8,705	\$2,355	\$0	\$8,441	\$2,523	\$0
55	\$10,646	\$2,963	\$0	\$10,283	\$3,175	\$0
60	\$13,153	\$3,710	\$0	\$12,663	\$3,976	\$0
65	\$1,790	\$4,214	(\$1,234)	\$2,303	\$5,235	(\$1,272)
70	\$2,026	\$5,078	(\$1,487)	\$2,611	\$6,307	(\$1,532)
75	\$2,202	\$5,745	(\$1,682)	\$2,841	\$7,137	(\$1,732)
80	\$2,437	\$5,978	(\$1,751)	\$3,151	\$7,427	(\$1,802)
85	\$2,777	\$6,038	(\$1,771)	\$3,597	\$7,502	(\$1,822)
90	\$2,966	\$6,068	(\$1,781)	\$3,845	\$7,542	(\$1,832)

Local Education Retirees						
PPO (NJ DIRECT)				HMO		
Age	Medical & Admin	Rx Claims	Retiree EGWP	Medical & Admin	Rx Claims	Retiree EGWP
25	\$4,273	\$679	\$0	\$3,950	\$742	\$0
30	\$4,919	\$859	\$0	\$4,522	\$938	\$0
35	\$5,668	\$1,085	\$0	\$5,184	\$1,185	\$0
40	\$6,537	\$1,372	\$0	\$5,952	\$1,499	\$0
45	\$7,543	\$1,734	\$0	\$6,843	\$1,895	\$0
50	\$9,001	\$2,182	\$0	\$8,134	\$2,384	\$0
55	\$11,007	\$2,745	\$0	\$9,908	\$3,000	\$0
60	\$13,599	\$3,437	\$0	\$12,201	\$3,756	\$0
65	\$1,939	\$3,499	(\$1,234)	\$2,283	\$4,250	(\$1,253)
70	\$2,169	\$4,216	(\$1,487)	\$2,588	\$5,123	(\$1,509)
75	\$2,341	\$4,770	(\$1,682)	\$2,816	\$5,796	(\$1,709)
80	\$2,571	\$4,963	(\$1,751)	\$3,123	\$6,031	(\$1,779)
85	\$2,903	\$5,013	(\$1,771)	\$3,565	\$6,091	(\$1,799)
90	\$3,089	\$5,038	(\$1,781)	\$3,812	\$6,121	(\$1,809)

## Methods and Assumptions

### Claims Cost for Current Retirees as of July 1, 2016 (continued)

Age	Local Government Retirees					
	PPO (NJ DIRECT)			HMO		
	Medical & Admin	Rx Claims	Retiree EGWP	Medical & Admin	Rx Claims	Retiree EGWP
25	\$4,972	\$816	\$0	\$4,292	\$905	\$0
30	\$5,731	\$1,031	\$0	\$4,920	\$1,143	\$0
35	\$6,612	\$1,303	\$0	\$5,647	\$1,444	\$0
40	\$7,632	\$1,649	\$0	\$6,492	\$1,826	\$0
45	\$8,817	\$2,084	\$0	\$7,470	\$2,309	\$0
50	\$10,535	\$2,622	\$0	\$8,888	\$2,906	\$0
55	\$12,895	\$3,298	\$0	\$10,839	\$3,657	\$0
60	\$15,945	\$4,131	\$0	\$13,359	\$4,579	\$0
65	\$1,824	\$4,362	(\$1,234)	\$2,256	\$5,420	(\$1,253)
70	\$2,065	\$5,256	(\$1,487)	\$2,558	\$6,531	(\$1,509)
75	\$2,245	\$5,947	(\$1,682)	\$2,783	\$7,389	(\$1,709)
80	\$2,486	\$6,189	(\$1,751)	\$3,086	\$7,690	(\$1,779)
85	\$2,834	\$6,249	(\$1,771)	\$3,522	\$7,766	(\$1,799)
90	\$3,028	\$6,279	(\$1,781)	\$3,765	\$7,806	(\$1,809)

### Claims Cost Development

PPO and HMO medical, prescription drug, and EGWP incurred claims were developed based on actual claims experience through September 2016 (October 2016 for prescription drugs) and projected EGWP subsidy amounts for Plan Year 2017. Claims were trended and adjusted for plan design changes in effect for Plan Year 2017.

## Methods and Assumptions

### Claims Cost for Future Retirees as of July 1, 2016

Age	State Actives			Local Education Actives			Local Government Actives		
	Medical & Admin	Rx Claims	Retiree EGWP	Medical & Admin	Rx Claims	Retiree EGWP	Medical & Admin	Rx Claims	Retiree EGWP
25	\$4,127	\$741	\$0	\$4,225	\$688	\$0	\$4,870	\$829	\$0
30	\$4,747	\$936	\$0	\$4,859	\$871	\$0	\$5,609	\$1,048	\$0
35	\$5,466	\$1,184	\$0	\$5,595	\$1,100	\$0	\$6,467	\$1,324	\$0
40	\$6,300	\$1,497	\$0	\$6,449	\$1,391	\$0	\$7,461	\$1,676	\$0
45	\$7,265	\$1,892	\$0	\$7,438	\$1,758	\$0	\$8,615	\$2,118	\$0
50	\$8,665	\$2,380	\$0	\$8,871	\$2,212	\$0	\$10,288	\$2,665	\$0
55	\$10,592	\$2,995	\$0	\$10,842	\$2,783	\$0	\$12,587	\$3,352	\$0
60	\$13,080	\$3,750	\$0	\$13,389	\$3,485	\$0	\$15,557	\$4,198	\$0
65	\$1,867	\$4,367	(\$1,240)	\$1,991	\$3,612	(\$1,237)	\$1,889	\$4,521	(\$1,237)
70	\$2,114	\$5,262	(\$1,494)	\$2,232	\$4,352	(\$1,490)	\$2,139	\$5,447	(\$1,490)
75	\$2,298	\$5,954	(\$1,690)	\$2,412	\$4,924	(\$1,686)	\$2,326	\$6,163	(\$1,686)
80	\$2,544	\$6,195	(\$1,759)	\$2,654	\$5,123	(\$1,755)	\$2,576	\$6,414	(\$1,755)
85	\$2,900	\$6,258	(\$1,779)	\$3,002	\$5,175	(\$1,775)	\$2,937	\$6,477	(\$1,775)
90	\$3,098	\$6,289	(\$1,789)	\$3,197	\$5,200	(\$1,785)	\$3,139	\$6,508	(\$1,785)

Claim costs for future retirees are based on a blend of the claim costs for current retirees. This blend consists of 85% of the current retiree PPO costs and 15% of the current retiree HMO costs.

### Medicare Part B\* Reimbursements as of January 1, 2017

**Average Rates**  
\$136.47 per month

\* Note: The Medicare Part B reimbursement is the assumed amount for all future retirees, non-Medicare current retirees and current Local Government retirees. Actual Part B reimbursements were used for current Medicare retirees, provided by the State for the State and the Local Education groups.

### Medical and Prescription Drug Benefit Contributions for Current Retirees and Grandfathered Future Retirees

Individuals who pay 100% of the plan cost are excluded from the valuation results.

For retirees receiving State-paid SHBP benefits and future retirees who are currently in retirement status as of July 1, 2011, or have at least 20 years of service as of July 1, 2011, we will apply average contribution rates to the population. Based on the reporting in published SHBP financial reports, the average contributions are as follows:

State: 2% of cost  
Local Government: 5% of cost  
Local Education: 0% of cost

Certain future retirees will pay 1.5% of pension for retiree medical coverage, unless they participate in the New Jersey Retirees' Wellness Program. The valuation assumes that 100% of future retirees will participate in the Wellness Program and, therefore, avoid paying the contribution rates for coverage.

## Methods and Assumptions

The contribution required in retirement for State employees who have become members on or after May 21, 2010 will not be waived for a retiree who participates in the Wellness Program.

### Retiree Contributions for Current Retirees Grandfathered under Chapter 78

Age	State		Local Education		Local Government	
	PPO	HMO	PPO	HMO	PPO	HMO
	Employee Contributions	Employee Contributions	Employee Contributions	Employee Contributions	Employee Contributions	Employee Contributions
25	\$97	\$98	\$0	\$0	\$289	\$260
30	\$114	\$114	\$0	\$0	\$338	\$303
35	\$133	\$133	\$0	\$0	\$396	\$355
40	\$156	\$155	\$0	\$0	\$464	\$416
45	\$183	\$182	\$0	\$0	\$545	\$489
50	\$221	\$219	\$0	\$0	\$658	\$590
55	\$272	\$269	\$0	\$0	\$810	\$725
60	\$337	\$333	\$0	\$0	\$1,004	\$897
65	\$120	\$151	\$0	\$0	\$309	\$384
70	\$142	\$178	\$0	\$0	\$366	\$454
75	\$159	\$200	\$0	\$0	\$410	\$509
80	\$168	\$212	\$0	\$0	\$434	\$539
85	\$176	\$222	\$0	\$0	\$454	\$564
90	\$181	\$228	\$0	\$0	\$465	\$579

### Grandfathered Retiree Contributions for Future Retirees (not subject to Retiree Contributions under Chapter 78)

Age	State	Local Education	Local Government
	Employee Contributions	Employee Contributions	Employee Contributions
	Employee Contributions	Employee Contributions	Employee Contributions
25	\$97	\$0	\$285
30	\$114	\$0	\$333
35	\$133	\$0	\$390
40	\$156	\$0	\$457
45	\$183	\$0	\$537
50	\$221	\$0	\$648
55	\$272	\$0	\$797
60	\$337	\$0	\$988
65	\$125	\$0	\$320
70	\$148	\$0	\$379
75	\$165	\$0	\$424
80	\$175	\$0	\$450
85	\$183	\$0	\$471
90	\$188	\$0	\$482

## Methods and Assumptions

### Plan Year 2017 Medical & Rx Annual Gross Premiums

(Used to determine future Retiree Contributions under Chapter 78)

Medical Cost Group	Pre 65		65 and Over	
	Single	Family	Single	Family
State	\$11,391	\$23,112	\$2,505	\$6,869
Local Government	\$12,342	\$26,319	\$2,588	\$7,488
Local Education	\$10,449	\$19,916	\$2,479	\$5,925

Rx Cost Group	Pre 65		65 and Over	
	Single	Family	Single	Family
State	\$3,472	\$7,588	\$3,944	\$7,797
Local Government	\$3,553	\$7,913	\$3,995	\$7,895
Local Education	\$3,252	\$6,952	\$3,043	\$6,156

Medical premiums are assumed to increase with medical trend. Prescription drug premiums are assumed to increase with prescription drug trend.

Single premiums are a weighted average of PPO and HMO premiums. Family premiums reflect the current enrollment distribution of Married, Family, and Parent premiums, as well as the PPO/HMO blend.

### Medical and Prescription Drug Benefit Contributions for Non-Grandfathered Future Retirees (who are subject to retiree contributions under Chapter 78)

Future retirees, who do not have at least 20 years of service as of July 1, 2011 are expected to pay an amount equal to their Contribution Rate times the plan's gross premiums. In no event shall the contribution be less than 1.5% of the Retirement Allowance. The Contribution Rate is based on type of coverage (single or family) and the Retirement Allowance.

## Methods and Assumptions

### Retiree Contribution Rates

Retirement Allowance (RA)	Single	Family
RA < \$20k	4.5%	3.43%
\$20k =< RA < \$25k	5.5%	3.43%
\$25k =< RA < \$30k	7.5%	4.43%
\$30k =< RA < \$35k	10.0%	5.85%
\$35k =< RA < \$40k	11.0%	6.85%
\$40k =< RA < \$45k	12.0%	7.85%
\$45k =< RA < \$50k	14.0%	9.85%
\$50k =< RA < \$55k	20.0%	14.55%
\$55k =< RA < \$60k	23.0%	16.55%
\$60k =< RA < \$65k	27.0%	20.40%
\$65k =< RA < \$70k	29.0%	22.40%
\$70k =< RA < \$75k	32.0%	25.40%
\$75k =< RA < \$80k	33.0%	26.40%
\$80k =< RA < \$85k	34.0%	27.40%
\$85k =< RA < \$90k	34.0%	29.40%
\$90k =< RA < \$95k	34.0%	29.70%
\$95k =< RA < \$100k	35.0%	29.85%
\$100k =< RA < \$110k	35.0%	34.55%
\$110k =< RA	35.0%	35.00%

Family coverage is defined as 85% of the “Family + One” schedule and 15% of the “Family” schedule.

### Medical and Prescription Drug Benefit Contributions for Future Disabled Retirees

All future disabled retirees are assumed to contribute 1.5% of their Retirement Allowance.

### Retirement Allowance

Retirement Allowance is assumed to be the annual annuity from the State of New Jersey pension plan:

<i>Public Employees’ Retirement System (PERS)</i>	Final Compensation times service at retirement divided by 55
<i>Judicial Retirement System (JRS)</i>	Mandatory Retirement Benefit: 75% of Final Compensation
<i>State Police Retirement System (SPRS)</i>	65% of Final Compensation plus 1% of Final Compensation for each year of credited service in excess of 25, subject to a maximum of 70% of Final Compensation

## Methods and Assumptions

<i>Teacher's Pension and Annuity Fund (TPAF)</i>	Final Compensation times service at retirement divided by 55
<i>Alternate Benefits Program (ABP)</i>	50% of salary at retirement
<i>Police and Firemen's Retirement System (PFRS)</i>	Special Retirement Benefit: 65% of Final Compensation plus 1% of Final Compensation for each year of credited service over 25, subject to a maximum of 70% of Final Compensation

### Excise Tax on High Cost Plans

As a result of the recent health care legislation, beginning in 2020 there will be a 40% excise tax on per capita medical benefit costs that exceed certain thresholds. For purposes of estimating the excise tax, Medicare and Non-Medicare premium rates are compared to the thresholds stipulated in the legislation. Blending of Medicare and Non-Medicare premium rates was not performed in these calculations but future guidance may allow for the blending of these rates. The 2018 Non-Medicare cost thresholds are assumed to be \$11,850 for individual and \$30,950 for family coverage, while the 2018 Medicare cost thresholds are assumed to be \$10,200 for individual and \$27,500 for family coverage. These cost thresholds are indexed by CPI to 2020 and beyond. CPI is assumed to be 2.5% in all future years.

### Data Assumptions

<i>Age Difference/ % Married</i>	Males are assumed to be 3 years older than females. 55% married. Future retirees who are assumed to be married are assumed to choose family coverage at retirement.
<i>Spousal Coverage</i>	Spouses are assumed to lose coverage upon the death of the former employee. While spouses may participate in the SHBP at an unsubsidized rate, we have assumed they will not participate.
<i>Coverage</i>	<p>We assumed that:</p> <ul style="list-style-type: none"> <li>➤ 100% of all retirees who currently have healthcare coverage will continue with the same coverage.</li> <li>➤ 100% of all actives, upon retirement, will be assumed to have the following coverage blend: <ul style="list-style-type: none"> <li style="margin-left: 40px;">NJ DIRECT: 85%</li> <li style="margin-left: 100px;">HMO: 15%</li> </ul> </li> </ul> <p>Other available plan options are assumed to garner zero enrollment</p> <ul style="list-style-type: none"> <li>➤ Only 10% of State future retirees and non-Medicare current retirees are assumed to be eligible for Medicare Part B reimbursement.</li> </ul>
<i>Participant Contributions for Current Retirees</i>	Actual contribution amounts were provided by the State for current healthy and disabled retirees who contribute towards the cost of their postretirement health care benefits. The Chapter 78 contribution percentages for healthy retirees were determined based on the actual contributions received from the State and each retiree's plan election.



## Methods and Assumptions

<i>Valuation Methodology and Terminology</i>	We have used the GASB accounting methodology to determine the postretirement medical benefit obligations. Under the EGWP program, the Medicare reimbursements to the Plan will be shown as a reduction in the plan sponsor liability.
<i>Amortization Period</i>	The amortization cost for the initial Unfunded Actuarial Accrued Liability is a level dollar open amortization for a period of 30 years.
<i>Data Adjustments</i>	During the course of our review of the census data provided by the State, reasonable adjustments were made to the census data resulting from conversations with the State.
<i>Pre-Retirement Mortality</i>	RP-2006 Headcount-Weighted Healthy Employee Male / Female Mortality with Fully Generational Projection (Scale MP-2016)
<i>Post-Retirement Mortality</i>	RP-2006 Headcount-Weighted Healthy Annuitant Male / Female Mortality with Fully Generational Projection (Scale MP-2016)
<i>Disabled Mortality</i>	RP-2006 Headcount-Weighted Disabled Male / Female Mortality with Fully Generational Projection (Scale MP-2016)
<i>Rates of Retirement</i>	See Table
<i>Rates of Withdrawal</i>	See Table
<i>Rates of Disability</i>	See Table

Note: Alternate Benefit Program participants are assumed to follow Teachers Pension and Annuity Fund assumptions.

# Methods and Assumptions

Public Employees' Retirement System of New Jersey - State

AGE	Sample Rates												Retirement
	Disability		Withdrawal - Tiers 1/2			Withdrawal - Tiers 3/4			Withdrawal - Tier 5				
	Ordinary	Accidental	1 Yr Service	3 - 9 Yrs Service	> 9 Yrs Service	1 Yr Service	3 - 9 Yrs Service	> 9 Yrs Service	1 Yr Service	3 - 9 Yrs Service	> 9 Yrs Service		
30	0.00097	0.00004	0.13532	0.03821	0.03821	0.13532	0.03821	0.03821	0.13532	0.03821	0.03821	-	
35	0.00216	0.00011	0.10831	0.02857	0.02857	0.10831	0.02857	0.02857	0.10831	0.02857	0.02857	0.00048	
40	0.00304	0.00020	0.08861	0.01799	0.01799	0.08861	0.01799	0.01799	0.08861	0.01799	0.01799	0.00053	
45	0.00410	0.00023	0.08264	0.01223	0.01223	0.08264	0.01223	0.01223	0.08264	0.01223	0.01223	0.00237	
50	0.00462	0.00035	0.07654	0.00896	0.00896	0.07654	0.00896	0.00896	0.07654	0.00896	0.00896	0.01100	
55	0.00559	0.00047	0.07654	0.00882	0.00882	0.07654	0.00882	0.00882	0.07654	0.00882	0.00882	0.17500	
60	0.00987	0.00041	0.07654	0.00882	0.00882	0.07654	0.00882	0.00882	0.07654	0.00882	0.00882	0.09000	
65	0.01190	0.00061	0.16200	0.16200	0.16200	0.16200	0.16200	0.16200	0.16200	0.16200	0.16200	0.16200	
70	-	-	-	-	-	-	-	-	-	-	-	1.00000	

Public Employees' Retirement System of New Jersey - Local Government and Local Education

AGE	Sample Rates												Retirement
	Disability		Withdrawal - Tiers 1/2			Withdrawal - Tiers 3/4			Withdrawal - Tier 5				
	Ordinary	Accidental	1 Yr Service	3 - 9 Yrs Service	> 9 Yrs Service	1 Yr Service	3 - 9 Yrs Service	> 9 Yrs Service	1 Yr Service	3 - 9 Yrs Service	> 9 Yrs Service		
30	0.00060	0.00004	0.14667	0.06106	0.06106	0.14667	0.06106	0.06106	0.14667	0.06106	0.06106	0.00026	
35	0.00189	0.00005	0.11744	0.03985	0.03985	0.11744	0.03985	0.03985	0.11744	0.03985	0.03985	0.00033	
40	0.00269	0.00012	0.10516	0.02909	0.02909	0.10516	0.02909	0.02909	0.10516	0.02909	0.02909	0.00047	
45	0.00363	0.00017	0.10082	0.02459	0.02459	0.10082	0.02459	0.02459	0.10082	0.02459	0.02459	0.00159	
50	0.00434	0.00021	0.09584	0.01937	0.01937	0.09584	0.01937	0.01937	0.09584	0.01937	0.01937	0.00636	
55	0.00587	0.00026	0.09395	0.01600	0.01600	0.09395	0.01600	0.01600	0.09395	0.01600	0.01600	0.11700	
60	0.00759	0.00030	0.09395	0.01524	0.01524	0.09395	0.01524	0.01524	0.09395	0.01524	0.01524	0.07800	
65	0.00932	0.00027	0.16538	0.16538	0.16538	0.16538	0.16538	0.16538	0.16538	0.16538	0.16538	0.16538	
70	-	-	-	-	-	-	-	-	-	-	-	1.00000	

Tiers based on date of hire and are defined in the glossary

# Methods and Assumptions

Public Employees' Retirement System of New Jersey - Prosecutor's Part (State)  
Sample Rates

AGE	Disability		Withdrawal - Tiers 1/2				Withdrawal - Tiers 3/4				Withdrawal - Tier 5				Retirement
	Ordinary	Accidental	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	> 24 Yrs Service
30	0.00097	0.00004	0.13532	0.03821	0.03821	0.03821	0.13532	0.03821	0.03821	0.03821	0.13532	0.03821	0.03821	0.03821	0.23100
35	0.00216	0.00011	0.10831	0.02857	0.02857	0.02857	0.10831	0.02857	0.02857	0.02857	0.10831	0.02857	0.02857	0.02857	0.23100
40	0.00304	0.00020	0.08861	0.01799	0.01799	0.01799	0.08861	0.01799	0.01799	0.01799	0.08861	0.01799	0.01799	0.01799	0.23100
45	0.00410	0.00023	0.08264	0.01223	0.01223	0.01223	0.08264	0.01223	0.01223	0.01223	0.08264	0.01223	0.01223	0.01223	0.23100
50	0.00462	0.00035	0.07654	0.00896	0.00896	0.00896	0.07654	0.00896	0.00896	0.00896	0.07654	0.00896	0.00896	0.00896	0.23100
55	0.00559	0.00047	0.07654	0.00882	0.00882	0.00882	0.07654	0.00882	0.00882	0.00882	0.07654	0.00882	0.00882	0.00882	0.26220
60	0.00987	0.00041	0.07654	0.00882	0.00882	0.00882	0.07654	0.00882	0.00882	0.00882	0.07654	0.00882	0.00882	0.00882	0.34170
65	0.01190	0.00061	0.02630	0.02630	0.02630	-	0.02630	0.02630	0.02630	-	0.02630	0.02630	0.02630	-	1.00000
70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.00000

Public Employees' Retirement System of New Jersey - Prosecutor's Part (Local Government)  
Sample Rates

AGE	Disability		Withdrawal - Tiers 1/2				Withdrawal - Tiers 3/4				Withdrawal - Tier 5				Retirement
	Ordinary	Accidental	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	> 24 Yrs Service
30	0.00060	0.00004	0.14667	0.06106	0.06106	0.06106	0.14667	0.06106	0.06106	0.06106	0.14667	0.06106	0.06106	0.06106	0.19250
35	0.00189	0.00005	0.11744	0.03985	0.03985	0.03985	0.11744	0.03985	0.03985	0.03985	0.11744	0.03985	0.03985	0.03985	0.19250
40	0.00269	0.00012	0.10516	0.02909	0.02909	0.02909	0.10516	0.02909	0.02909	0.02909	0.10516	0.02909	0.02909	0.02909	0.19250
45	0.00363	0.00017	0.10082	0.02459	0.02459	0.02459	0.10082	0.02459	0.02459	0.02459	0.10082	0.02459	0.02459	0.02459	0.19250
50	0.00434	0.00021	0.09584	0.01937	0.01937	0.01937	0.09584	0.01937	0.01937	0.01937	0.09584	0.01937	0.01937	0.01937	0.19250
55	0.00587	0.00026	0.09395	0.01600	0.01600	0.01600	0.09395	0.01600	0.01600	0.01600	0.09395	0.01600	0.01600	0.01600	0.21850
60	0.00759	0.00030	0.09395	0.01524	0.01524	0.01524	0.09395	0.01524	0.01524	0.01524	0.09395	0.01524	0.01524	0.01524	0.28475
65	0.00932	0.00027	0.03060	0.03060	0.03060	-	0.03060	0.03060	0.03060	-	0.03060	0.03060	0.03060	-	1.00000
70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.00000

Tiers based on date of hire and are defined in the glossary.

## Methods and Assumptions

### Judicial Retirement System of New Jersey Sample Rates

AGE	Disability	Withdrawal				Retirement
		0 - 11 Yrs Service	12 - 14 Yrs Service	15 - 19 Yrs Service	> 20 Yrs Service	
30	0.00022	-	-	-	-	0.30000
35	0.00026	-	-	-	-	0.30000
40	0.00033	-	-	-	-	0.30000
45	0.00064	-	-	-	-	0.30000
50	0.00114	-	-	-	-	0.30000
55	0.00197	-	-	-	-	0.30000
60	0.00326	0.02500	-	-	0.30000	0.30000
65	0.00473	0.02500	0.10000	0.37500	0.37500	0.37500
70	-	-	-	-	-	1.00000

## Methods and Assumptions

**State Police Retirement System of New Jersey  
Sample Rates**

AGE	Disability		Withdrawal				Retirement	
	Ordinary	Accidental	< 5 Yrs Service	5 - 19 Yrs Service	20 Yrs Service	21 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00061	0.00053	0.00375	0.00200	0.02000	0.00500	0.50000	0.05000
35	0.00169	0.00194	0.00825	0.00140	0.02000	0.00500	0.50000	0.05000
40	0.00172	0.00208	0.00825	0.00075	0.02000	0.00500	0.50000	0.05000
45	0.00218	0.00214	0.00825	0.00100	0.02000	0.00500	0.50000	0.28000
50	0.00375	0.00220	0.00825	0.00100	0.02000	0.00500	0.50000	0.33000
55	-	-	0.00825	0.00100	0.02000	0.00500	1.00000	1.00000

**Police and Firemen's Retirement System of New Jersey  
Sample Rates**

AGE	Disability		Withdrawal					Retirement	
	Ordinary	Accidental	2 Yrs Service	4 Yrs Service	10 - 19 Yrs Service	20 Yrs of Service	> 20 Yrs of Service	25 Yrs Service	> 25 Yrs Service
30	0.00147	0.00278	0.02750	0.01310	0.00240	-	-	-	-
35	0.00265	0.00393	0.03173	0.01572	0.00240	-	-	-	-
40	0.00362	0.00423	0.02250	0.01740	0.00270	0.04000	0.00600	0.45570	0.15400
45	0.00394	0.00396	0.02250	0.02320	0.00280	0.04000	0.00600	0.54830	0.15400
50	0.00449	0.00179	0.02250	0.02000	0.00300	0.04300	0.00600	0.57620	0.18480
55	0.00554	0.00161	0.06000	0.06000	0.06000	0.06000	-	0.64940	0.24470
60	0.01024	0.00161	0.03200	0.03200	0.03200	0.03200	-	0.77490	0.27340
65	-	-	0.37500	0.37500	0.37500	0.37500	-	1.00000	1.00000

## Methods and Assumptions

### Teachers' Pension and Annuity Fund - Males, Tier 1 (Also used for ABP Participants)

#### Sample Rates

AGE	Disability		Withdrawal					Retirement	
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00047	0.00006	0.07640	0.02770	0.01250	0.01120	0.00780	0.00270	0.00270
35	0.00061	0.00006	0.07640	0.02770	0.01250	0.01050	0.00700	0.00270	0.00270
40	0.00070	0.00006	0.07640	0.02770	0.01250	0.00990	0.00630	0.00260	0.00260
45	0.00102	0.00006	0.07640	0.02770	0.01250	0.01050	0.00610	0.00250	0.00250
50	0.00142	0.00006	0.07640	0.02770	0.01250	0.01100	0.00720	0.00310	0.00310
55	0.00469	0.00006	0.07640	0.02770	0.01250	0.01380	0.01040	0.15000	0.15000
60	0.00795	0.00006	0.07000	0.07000	0.07000	0.07000	0.07000	0.35000	0.20000
65	0.01122	0.00006	0.14000	0.14000	0.14000	0.14000	0.14000	0.50000	0.33000
70	0.01252	0.00006	0.18000	0.18000	0.18000	0.18000	0.18000	0.55000	0.30000

### Teachers' Pension and Annuity Fund - Females, Tier 1 (Also used for ABP Participants)

#### Sample Rates

AGE	Disability		Withdrawal					Retirement	
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00055	0.00006	0.06800	0.04490	0.03230	0.03070	0.02770	0.00550	0.00550
35	0.00067	0.00006	0.06800	0.04490	0.03230	0.02500	0.01870	0.00550	0.00550
40	0.00089	0.00006	0.07570	0.02750	0.01390	0.01560	0.00940	0.00430	0.00430
45	0.00132	0.00006	0.07570	0.02750	0.01390	0.00990	0.00610	0.00270	0.00270
50	0.00176	0.00006	0.07570	0.02750	0.01390	0.00960	0.00640	0.00280	0.00280
55	0.00351	0.00006	0.07570	0.02750	0.01390	0.01410	0.00940	0.17000	0.17000
60	0.00665	0.00006	0.05000	0.05000	0.05000	0.05000	0.05000	0.33000	0.21000
65	0.01145	0.00006	0.12000	0.12000	0.12000	0.12000	0.12000	0.55000	0.33000
70	0.01931	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.55000	0.30000

Tiers based on date of hire and are defined in the glossary

## Methods and Assumptions

### Teachers' Pension and Annuity Fund - Males, Tier 2 (Also used for ABP Participants)

#### Sample Rates

AGE	Disability		Withdrawal					Retirement	
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00047	0.00006	0.07640	0.02770	0.01250	0.01120	0.00780	0.00270	0.00270
35	0.00061	0.00006	0.07640	0.02770	0.01250	0.01050	0.00700	0.00270	0.00270
40	0.00070	0.00006	0.07640	0.02770	0.01250	0.00990	0.00630	0.00260	0.00260
45	0.00102	0.00006	0.07640	0.02770	0.01250	0.01050	0.00610	0.00250	0.00250
50	0.00142	0.00006	0.07640	0.02770	0.01250	0.01100	0.00720	0.00310	0.00310
55	0.00469	0.00006	0.07640	0.02770	0.01250	0.01380	0.01040	0.00540	0.00540
60	0.00795	0.00006	0.07000	0.07000	0.07000	0.07000	0.07000	0.32000	0.32000
65	0.01122	0.00006	0.14000	0.14000	0.14000	0.14000	0.14000	0.50000	0.33000
70	0.01252	0.00006	0.18000	0.18000	0.18000	0.18000	0.18000	0.55000	0.30000

### Teachers' Pension and Annuity Fund - Females, Tier 2 (Also used for ABP Participants)

#### Sample Rates

AGE	Disability		Withdrawal					Retirement	
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00055	0.00006	0.06800	0.04490	0.03230	0.03070	0.02770	0.00550	0.00550
35	0.00067	0.00006	0.06800	0.04490	0.03230	0.02500	0.01870	0.00550	0.00550
40	0.00089	0.00006	0.07570	0.02750	0.01390	0.01560	0.00940	0.00430	0.00430
45	0.00132	0.00006	0.07570	0.02750	0.01390	0.00990	0.00610	0.00270	0.00270
50	0.00176	0.00006	0.07570	0.02750	0.01390	0.00960	0.00640	0.00280	0.00280
55	0.00351	0.00006	0.07570	0.02750	0.01390	0.01410	0.00940	0.00530	0.00530
60	0.00665	0.00006	0.05000	0.05000	0.05000	0.05000	0.05000	0.31000	0.31000
65	0.01145	0.00006	0.12000	0.12000	0.12000	0.12000	0.12000	0.55000	0.33000
70	0.01931	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.55000	0.30000

Tiers based on date of hire and are defined in the glossary.

## Methods and Assumptions

**Teachers' Pension and Annuity Fund - Males, Tiers 3/4  
(Also used for ABP Participants)**

**Sample Rates**

AGE	Disability		Withdrawal					Retirement	
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00047	0.00006	0.07640	0.02770	0.01250	0.01120	0.00780	0.00270	0.00270
35	0.00061	0.00006	0.07640	0.02770	0.01250	0.01050	0.00700	0.00270	0.00270
40	0.00070	0.00006	0.07640	0.02770	0.01250	0.00990	0.00630	0.00260	0.00260
45	0.00102	0.00006	0.07640	0.02770	0.01250	0.01050	0.00610	0.00250	0.00250
50	0.00142	0.00006	0.07640	0.02770	0.01250	0.01100	0.00720	0.00310	0.00310
55	0.00469	0.00006	0.07640	0.02770	0.01250	0.01380	0.01040	0.00540	0.00540
60	0.00795	0.00006	0.20000	0.20000	0.20000	0.20000	0.20000	0.00630	0.00630
65	0.01122	0.00006	0.14000	0.14000	0.14000	0.14000	0.14000	0.50000	0.33000
70	0.01252	0.00006	0.18000	0.18000	0.18000	0.18000	0.18000	0.55000	0.30000

**Teachers' Pension and Annuity Fund - Females, Tiers 3/4  
(Also used for ABP Participants)**

**Sample Rates**

AGE	Disability		Withdrawal					Retirement	
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00055	0.00006	0.06800	0.04490	0.03230	0.03070	0.02770	0.00550	0.00550
35	0.00067	0.00006	0.06800	0.04490	0.03230	0.02500	0.01870	0.00550	0.00550
40	0.00089	0.00006	0.07570	0.02750	0.01390	0.01560	0.00940	0.00430	0.00430
45	0.00132	0.00006	0.07570	0.02750	0.01390	0.00990	0.00610	0.00270	0.00270
50	0.00176	0.00006	0.07570	0.02750	0.01390	0.00960	0.00640	0.00280	0.00280
55	0.00351	0.00006	0.07570	0.02750	0.01390	0.01410	0.00940	0.00530	0.00530
60	0.00665	0.00006	0.20000	0.20000	0.20000	0.20000	0.20000	0.00630	0.00630
65	0.01145	0.00006	0.12000	0.12000	0.12000	0.12000	0.12000	0.55000	0.33000
70	0.01931	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.55000	0.30000



## Methods and Assumptions

**Teachers' Pension and Annuity Fund - Males, Tier 5**  
(Also used for ABP Participants)

AGE	Disability		Withdrawal					Retirement		
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 - 29 Yrs Service	30 Yrs Service	> 31 Yrs Service
30	0.00047	0.00006	0.07640	0.02770	0.01250	0.01120	0.00780	0.00270	0.00270	0.00270
35	0.00061	0.00006	0.07640	0.02770	0.01250	0.01050	0.00700	0.00270	0.00270	0.00270
40	0.00070	0.00006	0.07640	0.02770	0.01250	0.00990	0.00630	0.00260	0.00260	0.00260
45	0.00102	0.00006	0.07640	0.02770	0.01250	0.01050	0.00610	0.00250	0.00250	0.00250
50	0.00142	0.00006	0.07640	0.02770	0.01250	0.01100	0.00720	0.00450	0.00310	0.00310
55	0.00469	0.00006	0.07640	0.02770	0.01250	0.01380	0.01040	0.05000	0.00540	0.00540
60	0.00795	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.15000	0.00630	0.00630
65	0.01122	0.00006	0.40000	0.40000	0.40000	0.40000	0.40000	0.40000	0.50000	0.50000
70	0.01252	0.00006	0.18000	0.18000	0.18000	0.18000	0.18000	0.18000	0.55000	0.30000

**Teachers' Pension and Annuity Fund - Females, Tier 5**  
(Also used for ABP Participants)

AGE	Disability		Withdrawal					Retirement		
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 - 29 Yrs Service	30 Yrs Service	> 31 Yrs Service
30	0.00055	0.00006	0.06800	0.04490	0.03230	0.03070	0.02770	0.00550	0.00550	0.00550
35	0.00067	0.00006	0.06800	0.04490	0.03230	0.02500	0.01870	0.00550	0.00550	0.00550
40	0.00089	0.00006	0.07570	0.02750	0.01390	0.01560	0.00940	0.00430	0.00430	0.00430
45	0.00132	0.00006	0.07570	0.02750	0.01390	0.00990	0.00610	0.00270	0.00270	0.00270
50	0.00176	0.00006	0.07570	0.02750	0.01390	0.00960	0.00640	0.00450	0.00280	0.00280
55	0.00351	0.00006	0.07570	0.02750	0.01390	0.01410	0.00940	0.05000	0.00530	0.00530
60	0.00665	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.15000	0.00630	0.00630
65	0.01145	0.00006	0.40000	0.40000	0.40000	0.40000	0.40000	0.40000	0.55000	0.55000
70	0.01931	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.15000	0.55000	0.30000

Tiers based on date of hire and are defined in the glossary.

## GASB OPEB Summary

The Government Accounting Standards Board (GASB) has issued Statements 45 for the recognition and disclosure for public entities sponsoring other (than pensions) post-retirement benefit plans.

This Exhibit summarizes pertinent issues from the above statements and includes comments about GASB's OPEB standard.

### **Why Pay-As-You-Go Accounting Will Be Unacceptable**

The GASB believes that other post-retirement benefits, like pensions, are a form of deferred compensation. Accordingly, GASB is saying these benefits should be recognized (in an organization's financial statement) when earned by employees, rather than when paid out.

### **Allocating Costs (Attribution)**

The GASB Statements allows sponsors (and actuaries) to choose from several acceptable methods (similar to GASB 27). GASB allows six funding methods and also allows attribution to the expected retirement age rather than the earliest eligibility age.

### **Defining the Plan**

GASB refers to the substantive plan as the basis for accounting. The substantive plan may differ from the written plan in that it reflects the employer's cost sharing policy based on past practice or communication of intended changes, or a past practice of cost increases in monetary benefits. The substantive plan is the basis for allowing recognition of potential future changes to the plan. GASB requires entities to recognize the underlying promise, not just the written plan.

One GASB requirement relates to the implied subsidy when retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience. Under the GASB standard, even if an organization does not otherwise subsidize the benefit, then the organization will have to recognize an OPEB obligation for the implied subsidy.

### **Actuarial Assumptions**

GASB says actuarial assumptions should be explicit. This means each individual assumption should represent the actuary's best estimate.

GASB requires the discount rate be based on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on plan assets for funded plans. However, since the source of funds for unfunded plans is usually the organization's general fund, and organizations are usually restricted by State law as to what investments they can have in their general fund, unfunded plans will need to use a relatively low discount rate.

# GASB OPEB Summary

## Retiree Drug Subsidy Accounting

GASB Technical Bulletin No. 2006-1 sets forth the proper accounting treatment for the Retiree Drug Subsidy payment available to plan sponsors that maintain an actuarially equivalent (to Medicare Part D) prescription drug plan. The RDS payment is after the fact, premised on data submission and a host of other compliance issues. According to TB 2006-1, the RDS payment is a voluntary non-exchange transaction, as defined in GASB 33. As such, employers and plans should not reduce the liability for OPEB benefits by the expected RDS payments but instead include the RDS payments in the schedule of contributions from employers and other contributing entities.

## Transition Issues

Because historical annual required contribution information will rarely be available, *GASB is taking a prospective approach on transition issues.* This means there will be no requirement for any initial transition obligation.

# Glossary

## **Actuarial Accrued Liability**

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB plan benefits and expenses which is not provided for by future Normal Costs.

## **Actuarial Assumptions**

Assumptions as to the occurrence of future events affecting plan costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided benefits; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

## **Actuarial Cost Method**

A procedure for determining the Actuarial Present Value of OPEB plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

## **Actuarial Experience Gain or Loss**

A measure of the difference between actual experience and expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

## **Actuarial Present Value of Total Projected Benefits**

Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

## **Actuarial Valuation**

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for an OPEB plan.

## **Actuarial Valuation Date**

The date as of which an actuarial valuation is performed.

## **Actuarial Value of Assets**

The value of cash, investments and other property belonging to an OPEB plan, as used by the actuary for the purpose of an Actuarial Valuation.

# Glossary

## **Amortization (of Unfunded Actuarial Accrued Liability)**

The portion of the OPEB plan contribution which is designed to pay interest on, and to amortize the Unfunded Actuarial Accrued Liability.

## **Annual OPEB Cost**

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

## **Annual Required Contribution (ARC)**

The employer's periodic required contributions to a defined benefit OPEB plan.

## **Covered Group**

Plan members included in an actuarial valuation.

## **Defined Benefit OPEB Plan**

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

## **Employer Contributions**

Contributions made in relation to the Annual Required Contribution (ARC) of the employer. An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) of plan administrator. Employer's contributions do not equate to benefits paid.

## **Funded Ratio**

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

## **Funding Excess**

The excess of the actuarial value of assets over the actuarial accrued liability.

## **Funding Policy**

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

# Glossary

## **Health Care Cost Trend Rate**

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

## **Inactives**

Certain former employees and other covered members with a minimum amount of years of credible service who have left contributions in the state retirement system.

## **Implicit Rate Subsidy**

The actuarially derived amount that current employees subsidize retiree benefits.

## **Investment Return Assumption (Discount Rate)**

The rate used to adjust a series of future payments to reflect the time value of money.

## **Level Percentage of Projected Payroll Amortization Method**

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

## **Market-Related Value of Plan Assets**

A term used with reference to the actuarial value of assets. A market related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair or market value over a period of, for example, three to five years.

## **Net OPEB Obligation**

The cumulative difference since the effective date of the GASB Statement between Annual OPEB Cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

## **Normal Cost**

That portion of the Actuarial Present Value of OPEB plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. In GASB 45, the term refers to employer normal cost.

## **OPEB Assets**

The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expense.

# Glossary

## **OPEB Expenditures**

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

## **OPEB Expense**

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

## **OPEB Liabilities**

The amount recognized by an employer for contributions to an OPEB plan less than OPEB expense and expenditures.

## **Other Postemployment Benefits**

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment health care benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

## **Pay-As-You-Go**

A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

## **Plan Assets**

Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

## **Plan Members**

The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

## **Postemployment**

The period between termination of employment and retirement as well as the period after retirement.

# Glossary

## **Postemployment Health Care Benefits**

Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

## **Postretirement Benefit Increase**

An increase in the benefits of retirees or beneficiaries granted to compensate for the effects of inflation (cost-of-living adjustment) or for other reasons. Ad hoc increases may be granted periodically by a decision of the board of trustees, legislature, or other authoritative body; both the decision to grant an increase and the amount of the increase are discretionary. Automatic increases are periodic increases specified in the terms of the plan; they are nondiscretionary except to the extent that the plan terms can be changed.

## **Projected Unit Credit Actuarial Cost Method**

A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability.

Under this method, the actuarial gains (losses), as they occur, generally reduce (increase) the Unfunded Actuarial Accrued Liability.

Under this method, benefits are projected to all future points in time under the terms of the Plan and actuarial assumptions (for example, health trends). Retirees are considered to be fully attributed in their benefits. For actives, attribution is to expected retirement age; thus, benefits at each future point in time are allocated to past service based on a prorate of service-to-date over projected service.

## **Required Supplementary Information (RSI)**

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

## **Single-Employer Plan**

A plan that covers the current and former employees, including beneficiaries, of only one employer.

## **Sponsor**

The entity that established the plan. The sponsor generally is the employer or one of the employers that participate in the plan to provide benefits for their employees. Sometimes, however, the sponsor establishes the plan for the employees of other entities but does not include its own employees and, therefore, is not a participating employer of that plan. An example is a state government that establishes a plan for the employees of local governments within the state, but the employees of the state government are covered by a different plan.



# Glossary

## **Substantive Plan**

The terms of an OPEB plan as understood by the employer(s) and plan members.

## **Tier Classifications**

<b>Tier</b>	<b>Criteria</b>
Tier 1	Enrollment prior to July 1, 2007
Tier 2	Enrollment on or after July 1, 2007 and prior to November 2, 2008
Tier 3	Enrollment on or after November 2, 2008 and prior to May 22, 2010
Tier 4	Enrollment on or after May 22, 2010 and prior to June 28, 2011
Tier 5	Enrollment on or after June 28, 2011

## **Transition Year**

The fiscal year in which this Statement is first implemented.

## **Unfunded Actuarial Accrued Liability (Unfunded Actuarial Liability)**

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

## About Aon

Aon empowers organizations and individuals to secure a better future through innovative talent, retirement and health solutions. We advise, design and execute a wide range of solutions that enable clients to cultivate talent to drive organizational and personal performance and growth, navigate retirement risk while providing new levels of financial security, and redefine health solutions for greater choice, affordability and wellness. Aon is the global leader in human resource solutions, with over 35,000 professionals in 90 countries serving more than 20,000 clients worldwide across 100+ solutions. For more information on Aon, please visit [aonhewitt.com](http://aonhewitt.com).

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