



State of New Jersey

Department of the Treasury

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Actuarial Report Shows Increase in Teachers Pension Fund Liability

TRENTON – The Board of Trustees of the Teachers’ Pension and Annuity Fund (TPAF) today will receive its annual valuation report, which summarizes values and liabilities for the fund for the fiscal year ending June 30, 2008. The fund’s actuary, Milliman Consultants and Actuaries, will update key indicators of the fund’s status, which show continued erosion in the funded status of the plan that covers approximately 75,000 retirees and beneficiaries as well as more than 156,000 active members of the TPAF system.

According to the report, the system’s unfunded liability, as of June 30, 2008, was \$15.09 billion. This statistic represents the difference between the actuarial value of the assets (\$36.6 billion) and the accrued liability (\$51.7 billion) as of June 30, 2008. The system’s funded ratio is 70.8 percent.

As of June 30, 2007, the TPAF had an unfunded liability of \$12.4 billion and a funded ratio of 74.7 percent.

“The actuary’s report underscores the serious problems facing defined benefit programs across the country, for both public and private retirement systems,” said State Treasurer David Rousseau. The Treasurer noted that a state retirement funding report recently released by Wilshire Consulting showed that 59 other state retirement systems reporting actuarial data over 2008 also had sharply reduced funding ratios, with the average state ratio falling by 11 percentage points – from 88 percent to 77 percent.

“While the updated figures are a graphic reminder of the sizeable challenge of meeting funding obligations for retired workers, that challenge would be all the more daunting had we not shored up the system through funding policies and reforms,” he said.

He noted that despite the constraints in the economy and the State budget, the Corzine Administration will have contributed more to the defined benefit plans over four years than the combined contributions over the prior 15 years.

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On the liability side, this administration has enacted multiple reforms to limit the long term growth of pension costs, including raising the retirement age twice, from 55 to 60 in 2007 and from 60 to 62 in 2008. Other recent reforms include:

- Increasing the employee contribution from 5 percent to 5.5 percent;
- capping salaries for pension purposes for new employees at the Social Security level;
- creating a new defined contribution component for newly elected and appointed officials.
- raising the pension eligibility threshold to \$7,500.

Combined with recently enacted health benefit reforms, the changes are projected to yield \$6.5 billion in combined State and local savings by fiscal 2022.

Updated actuarial reports for the other active pensions systems, including the Public Employees' Retirement System (PERS), the Police and Fire Retirement System (PFRS) the State Police Retirement System, (SPRS) and the Judiciary Retirement System (JRS), will be presented to those trustee boards later this month.

The TPAF actuarial report for the Fiscal year ended June 30, 2008 will be posted on the Division of Pensions and Benefits home page (<http://www.state.nj.us/treasury/pensions/>) following today's board of trustees meeting.

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