



Actuarial Valuation Report

State of New Jersey

State Health Benefits Program (State Government)

GASB 75 Accounting Results for the Fiscal Year Ending June 30,
2024

Measurement Date June 30, 2023

Introduction

This report documents the results of the actuarial valuation for the fiscal year ending June 30, 2024 of the State Health Benefits Program for the State of New Jersey. The plan is a single-employer plan and does not issue a separate financial statement. As a result, all reporting requirements are included in the employer's financial statement. These results are based on a Measurement Date of June 30, 2023. The information provided in this report is intended strictly for documenting information relating to company and plan disclosure and reporting requirements.

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 75 (GASB 75) including any guidance or interpretations provided by the Company and/or its audit partners prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of the State of New Jersey's auditors. Additional disclosures may be required under GASB 74.

A valuation model was used to develop the liabilities for this valuation. The valuation model relies on ProVal software, which was developed by Winklevoss Technologies, LLC. Experts within Aon selected this software and determined it is appropriate for performing valuations. We coded and reviewed the software for the provisions, assumptions, methods, and data of the State Health Benefits Program.

The valuation model outputs various cost scenarios. The "1% increase" and "1% decrease" interest rate scenarios vary only the discount rate assumption, in order to illustrate the impact of a change in that assumption in isolation. In practice, certain other assumptions would also be expected to vary when the discount rate changes. Therefore, the output from these scenarios should be used solely for assessing the impact of the discount rate in isolation and may not represent a realistic set of results for other purposes.

The "1% increase" and "1% decrease" healthcare cost trend scenarios vary only the healthcare cost trend assumption, in order to illustrate the impact of a change in that assumption in isolation. Therefore, the output from these scenarios should be used solely for assessing the impact of the healthcare cost trend in isolation and may not represent a realistic set of results for other purposes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to (but not limited to) such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or in economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- Changes in plan provisions or applicable law.

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Funded status measurements shown in this report are determined based on various measures of plan assets and liabilities. For entity and plan disclosure and reporting purposes, funded status is determined using plan assets measured at market value. Plan liabilities are measured based on the interest rates and other assumptions summarized in the Actuarial Assumptions and Methods section of this report.

These funded status measurements may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, and funded status measurements for State of New Jersey and plan disclosure and reporting purposes may not be appropriate for assessing the need for or the amount of future contributions. In conducting the valuation, we have relied on personnel, plan design, health care claim cost, and asset information supplied by State of New Jersey as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. State of New Jersey selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB 75. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

The undersigned are familiar with the near-term and long-term aspects of OPEB valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no colleague of Aon providing services to State of New Jersey has any material direct or indirect financial interest in State of New Jersey. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for State of New Jersey.



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Accounting Requirements

Development of GASB 75 Net OPEB Expense

Calculation Details

The following table illustrates the Net OPEB Liability under GASB 75.

	Measurement Year Ending 6/30/2022	Measurement Year Ending 6/30/2023
(1) OPEB Liability		
(a) Retired Participants and Beneficiaries Receiving Payment	\$ 9,319,792,090	\$ 9,648,189,074
(b) Active Participants	<u>11,567,793,432</u>	<u>11,343,359,958</u>
(c) Total	\$ 20,887,585,522	\$ 20,991,549,032
(2) Plan Fiduciary Net Position	<u>0</u>	<u>0</u>
(3) Net OPEB Liability	\$ 20,887,585,522	\$ 20,991,549,032
(4) Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%
(5) Deferred Outflow of Resources for Contributions Made After Measurement Date	\$ 682,897,787	TBD

Expense

The following table illustrates the OPEB expense under GASB 75.

	Measurement Year Ending 6/30/2022	Measurement Year Ending 6/30/2023
(1) Service Cost	\$ 1,007,771,876	\$ 694,401,436
(2) Interest Cost	553,991,089	752,020,167
(3) Expected Investment Return	0	0
(4) Administrative Expense	0	0
(5) Plan Changes	0	0
(6) Amortization of Unrecognized		
(a) Liability (Gain)/Loss	(1,064,538,156)	(1,165,837,180)
(b) Asset (Gain)/Loss	0	0
(c) Assumption Change (Gain)/Loss	<u>(793,300,714)</u>	<u>(771,658,732)</u>
(7) Total Expense	\$ (296,075,905)	\$ (491,074,309)

Shown below are details regarding the calculation of Service Cost, Interest Cost and Expected Investment Return components of the Expense.

	Measurement Year Ending 6/30/2022	Measurement Year Ending 6/30/2023
(1) Development of Service Cost:		
(a) Normal Cost at Beginning of Measurement Period	\$ 1,007,771,876	\$ 694,401,436
(2) Development of Interest Cost:		
(a) Total OPEB Liability at Beginning of Measurement Period	\$ 24,954,062,223	\$ 20,887,585,522
(b) Normal Cost at Beginning of Measurement Period	1,007,771,876	694,401,436
(c) Gross Benefit Payments ¹	(673,079,268)	(729,105,826)
(d) Actual Contributions—Member ¹	41,508,088	46,208,039
(e) Discount Rate	<u>2.16%</u>	<u>3.54%</u>
(f) Interest Cost	\$ 553,991,089	\$ 752,020,167

¹ Data provided by the State

Reconciliation of Net OPEB Liability

Shown below are details regarding the Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability for the Measurement Period from June 30, 2022 to June 30, 2023:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) – (b)
Balance Recognized at 6/30/2023 (Based on 6/30/2022 Measurement Date)	\$ 20,887,585,522	\$ 0	\$ 20,887,585,522
Changes Recognized for the Fiscal Year:			
Service Cost	\$ 694,401,436	N/A	\$ 694,401,436
Interest on the Total OPEB Liability	752,020,167	N/A	752,020,167
Changes of Benefit Terms	0	N/A	0
Differences Between Expected and Actual Experience	(838,755,916)	N/A	(838,755,916)
Changes of Assumptions	179,195,610	N/A	179,195,610
Gross Benefit Payments ¹	(729,105,826)	(729,105,826)	0
Contributions From the Employer ¹	N/A	682,897,787	(682,897,787)
Contributions From Members ¹	46,208,039	46,208,039	0
Net Investment Income	N/A	0	0
Administrative Expense	N/A	0	0
Net Changes	\$ 103,963,510	\$ 0	\$ 103,963,510
Balance Recognized at 6/30/2024 (Based on 6/30/2023 Measurement Date)	\$ 20,991,549,032	\$ 0	\$ 20,991,549,032

Differences Between Expected and Actual Experience: The \$838,755,916 decrease in liability from June 30, 2022 to June 30, 2023 is due to the combined effect of the following:

Update in census information	(\$186,631,251)
Premiums and Claims Experience	<u>(652,124,665)</u>
Total	(\$838,755,916)

Changes in Assumptions: The \$179,195,610 increase in the liability from June 30, 2022 to June 30, 2023 is due to the combined effect of the following:

Trend Update	\$505,940,382
Discount Rate Change	<u>(326,744,772)</u>
Total Changes in Assumptions	\$179,195,610

¹ Data provided by the State

Liability (Gain)/Loss

The following table illustrates the liability gain/loss under GASB 75.

	Measurement Year Ending 6/30/2022	Measurement Year Ending 6/30/2023
(1) OPEB Liability at Beginning of Measurement Period	\$ 24,954,062,223	\$ 20,887,585,522
(2) Service Cost	1,007,771,876	694,401,436
(3) Interest on the Total OPEB Liability	553,991,089	752,020,167
(4) Changes of Benefit Terms	0	0
(5) Changes of Assumptions	(4,143,555,939)	179,195,610
(6) Gross Benefit Payments ¹	(673,079,268)	(729,105,826)
(7) Actual Contributions—Member ¹	<u>41,508,088</u>	<u>46,208,039</u>
(8) Expected OPEB Liability at End of Measurement Period	\$ 21,740,698,069	\$ 21,830,304,948
(9) Actual OPEB Liability at End of Measurement Period	<u>20,887,585,522</u>	<u>20,991,549,032</u>
(10) OPEB Liability (Gain)/Loss	\$ (853,112,547)	\$ (838,755,916)
(11) Average Future Working Life Expectancy	<u>8.29</u>	<u>8.28</u>
(12) OPEB Liability (Gain)/Loss Amortization	\$ (102,908,631)	\$ (101,299,024)

¹ Data provided by the State

Deferred Outflows/Inflows

The following table illustrates the Deferred Inflows and Outflows as of June 30, 2023 Measurement Date under GASB 75.

	Deferred Outflows	Deferred Inflows
(1) Difference Between Actual and Expected Experience	\$ 2,423,833,873	\$ 7,622,142,141
(2) Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	0	0
(3) Assumption Changes	<u>2,953,930,039</u>	<u>5,322,439,580</u>
(4) Sub Total	\$ 5,377,763,912	\$ 12,944,581,721
(5) Contributions Made in Fiscal Year Ending 6/30/2024 After Measurement Date	<u>TBD</u>	<u>N/A</u>
(6) Total	\$ TBD	\$ 12,944,581,721

Amortization of Deferred Inflows/Outflows

The table below lists the amortization bases included in the deferred inflows/outflows as of June 30, 2023.

Date Established	Type of Base	Period		Balance		Annual Payment
		Original	Remaining	Original	Remaining	
6/30/2018	Liability (Gain)/Loss	8.80	2.80	(\$2,681,029,913)	(\$853,054,973)	(304,662,490)
6/30/2019	Liability (Gain)/Loss	8.58	3.58	(5,316,961,201)	(2,218,498,961)	(619,692,448)
6/29/2020	Liability (Gain)/Loss	8.52	4.52	4,568,819,605	2,423,833,873	536,246,433
6/30/2021	Liability (Gain)/Loss	8.52	5.52	(4,886,399,090)	(3,165,836,030)	(573,521,020)
6/30/2022	Liability (Gain)/Loss	8.29	6.29	(853,112,547)	(647,295,285)	(102,908,631)
6/30/2023	Liability (Gain)/Loss	8.28	7.28	(838,755,916)	(737,456,892)	(101,299,024)
6/30/2017	Assumptions	8.66	1.66	(3,480,198,182)	(667,104,962)	(401,870,460)
6/30/2018	Assumptions	8.80	2.80	(3,155,083,136)	(1,003,890,086)	(358,532,175)
6/30/2019	Assumptions	8.58	3.58	(1,216,395,242)	(507,540,207)	(141,771,007)
6/29/2020	Assumptions	8.52	4.52	4,802,217,953	2,547,655,533	563,640,605
6/30/2021	Assumptions	8.52	5.52	383,895,268	248,720,878	45,058,130
6/30/2022	Assumptions	8.29	6.29	(4,143,555,939)	(3,143,904,325)	(499,825,807)
6/30/2023	Assumptions	8.28	7.28	179,195,610	157,553,628	21,641,982
	Total Charges				(7,566,817,809)	(1,937,495,912)

Amounts Recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Measurement Period Ending June 30:

2024	(1,937,495,912)
2025	(1,800,859,954)
2026	(1,402,986,516)
2027	(552,616,135)
2028	(638,913,116)
Thereafter	(1,233,946,176)

Plan Fiduciary Net Position

The State does not pre-fund the liability and the funding policy is pay-as-you-go as disclosed in the section above. Therefore, the Plan Fiduciary Net Position at the beginning and the end of the Fiscal Year in addition to the Net Investment Income are assumed to be zero.

Interest Rate Sensitivity

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for measurement year ending June 30, 2022:

	1% Decrease (2.54%)	Current Rate (3.54%)	1% Increase (4.54%)
(1) Total OPEB Liability	\$ 24,196,593,106	\$ 20,887,585,522	\$ 18,206,382,558
(2) Plan Fiduciary Net Position	<u>0</u>	<u>0</u>	<u>0</u>
(3) Net OPEB Liability (Asset)	\$ 24,196,593,106	\$ 20,887,585,522	\$ 18,206,382,558

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for measurement year ending June 30, 2023:

	1% Decrease (2.65%)	Current Rate (3.65%)	1% Increase (4.65%)
(1) Total OPEB Liability	\$ 24,261,871,078	\$ 20,991,549,032	\$ 18,336,213,414
(2) Plan Fiduciary Net Position	<u>0</u>	<u>0</u>	<u>0</u>
(3) Net OPEB Liability (Asset)	\$ 24,261,871,078	\$ 20,991,549,032	\$ 18,336,213,414

Healthcare Cost Trend Sensitivity

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for measurement year ending June 30, 2022:

	1% Decrease	Trend Rate	1% Increase
(1) Total OPEB Liability	\$ 17,611,432,604	\$ 20,887,585,522	\$ 25,070,717,240
(2) Plan Fiduciary Net Position	<u>0</u>	<u>0</u>	<u>0</u>
(3) Net OPEB Liability (Asset)	\$ 17,611,432,604	\$ 20,887,585,522	\$ 25,070,717,240

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for measurement year ending June 30, 2023:

	1% Decrease	Trend Rate	1% Increase
(1) Total OPEB Liability	\$ 17,755,276,685	\$ 20,991,549,032	\$ 25,108,351,625
(2) Plan Fiduciary Net Position	<u>0</u>	<u>0</u>	<u>0</u>
(3) Net OPEB Liability (Asset)	\$ 17,755,276,685	\$ 20,991,549,032	\$ 25,108,351,625

Disclosure—Changes in the Net OPEB Liability and Related Ratios¹

	Measurement Year Ending				
	2019	2020	2021	2022	2023
Total OPEB Liability					
Service Cost	\$ 829,363,849	\$ 653,852,814	\$ 1,118,702,034	\$ 1,007,771,876	\$ 694,401,436
Interest Cost	933,104,452	649,957,785	643,461,262	553,991,089	752,020,167
Changes of Benefit Terms	20,523,847	0	0	0	0
Differences Between Expected and Actual Experiences	(5,316,961,201)	4,568,819,605	(4,886,399,090)	(853,112,547)	(838,755,916)
Changes of Assumptions	(1,216,395,242)	4,802,217,953	383,895,268	(4,143,555,939)	179,195,610
Contributions—Member ²	37,385,816	34,380,625	37,598,712	41,508,088	46,208,039
Gross Benefit Payments ³	(682,509,283)	(618,413,059)	(639,886,132)	(673,079,268)	(729,105,826)
Net Change in Total OPEB Liability	\$ (5,395,487,762)	\$ 10,090,815,723	\$ (3,342,627,946)	\$ (4,066,476,701)	\$ 103,963,510
Total OPEB Liability (Beginning)	<u>23,601,362,208</u>	<u>18,205,874,446</u>	<u>28,296,690,169</u>	<u>24,954,062,223</u>	<u>20,887,585,522</u>
Total OPEB Liability (Ending)	\$ 18,205,874,446	\$ 28,296,690,169	\$ 24,954,062,223	\$ 20,887,585,522	\$ 20,991,549,032
Plan Fiduciary Net Position²					
Contributions—Employer	\$ 645,123,467	\$ 584,032,434	\$ 602,287,420	\$ 631,571,180	\$ 682,897,787
Contributions—Member	37,385,816	34,380,625	37,598,712	41,508,088	46,208,039
Net Investment Income	0	0	0	0	0
Benefit Payments	(682,509,283)	(618,413,059)	(639,886,132)	(673,079,268)	(729,105,826)
Administrative Expense	0	0	0	0	0
Other	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Plan Fiduciary Net Position (Beginning)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Plan Fiduciary Net Position (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net OPEB Liability (Ending)	\$ 18,205,874,446	\$ 28,296,690,169	\$ 24,954,062,223	\$ 20,887,585,522	\$ 20,991,549,032
Net Position as a Percentage of OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-Employee Payroll³	\$ 7,474,461,653	\$ 7,825,392,564	\$ 7,627,973,607	\$ 7,479,962,592	\$ 7,643,632,608
Net OPEB Liability as a Percentage of Payroll	243.57%	361.60%	327.14%	279.25%	274.63%

¹ GASB 75 was effective first for employer fiscal years beginning after June 15, 2017.

² Data provided by the State

³ Covered payroll for the measurement period is based on payroll census data as of the beginning of the measurement period.

Disclosure—Contribution Schedule

Contributions

	Measurement Year Ending				
	2019	2020	2021	2022	2023
Actuarially Determined Contribution	N/A	N/A	N/A	N/A	N/A
Contributions Made in Relation to the Actuarially Determined Contribution	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution Deficiency (Excess)	N/A	N/A	N/A	N/A	N/A
	\$	\$	\$	\$	\$
Covered-Employee Payroll ¹	7,474,461,653	7,825,392,564	7,627,973,607	7,479,962,592	7,643,632,608
Contributions as a Percentage of Payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation Date: June 30, 2022.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal -Level % of Salary.

Asset Valuation Method N/A

Salary Increases Differs by pension group (e.g. - PERS, PFRS, SPRS, JRS, TPAF, ABP). See "Actuarial Assumptions and Methods" section.

Investment Rate of Return 3.65%

Retirement Age Differs by pension group (e.g. - PERS, PFRS, SPRS, JRS, TPAF, ABP). See "Actuarial Assumptions and Methods".

Mortality PUB-2010 "General", "Teachers" and "Safety" classification headcount-weighted mortality table with fully generation mortality improvement projections from central year using Scale MP-2021

¹ Covered payroll for the measurement period is based on payroll census data as of the beginning of the measurement period.

Appendix

Projected Cash Flows

The following table summarizes the annual expected payments for benefits provided by the State based on assumptions and contributions described in the “Plan Provisions” and “Actuarial Assumptions and Methods” sections:

State	
Year Ending	(\$ millions)
6/30/2023 ¹	\$682.9
6/30/2024	\$719.9
6/30/2025	\$756.2
6/30/2026	\$804.2
6/30/2027	\$850.9
6/30/2028	\$898.5
6/30/2029	\$941.8
6/30/2030	\$985.4
6/30/2031	\$1,034.2
6/30/2032	\$1,080.9
6/30/2033	\$1,124.4

¹Actual health and prescription drug benefit payments and member contributions for the year ending June 30, 2023 provided by the State

Ten-Year Projection of Total OPEB Liability

Projections assume an annual discount rate of 3.65% and a level active population. Please note that the discount rate will change each year based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index rate each year and actual results will vary from the projected liability projections below.

State
(\$ millions)

Measurement Period Ending	Total OPEB Liability (Beginning)	Service Cost + Interest Cost ¹	Benefit Payments ²	Total OPEB Liability (End)
6/30/2024	\$ 20,991.5	\$ 1,451.8	\$ 719.9	\$ 21,723.4
6/30/2025	\$ 21,723.4	\$ 1,508.6	\$ 756.2	\$ 22,475.8
6/30/2026	\$ 22,475.8	\$ 1,567.3	\$ 804.2	\$ 23,238.9
6/30/2027	\$ 23,238.9	\$ 1,627.8	\$ 850.9	\$ 24,015.8
6/30/2028	\$ 24,015.8	\$ 1,690.3	\$ 898.5	\$ 24,807.6
6/30/2029	\$ 24,807.6	\$ 1,755.0	\$ 941.8	\$ 25,620.8
6/30/2030	\$ 25,620.8	\$ 1,822.0	\$ 985.4	\$ 26,457.4
6/30/2031	\$ 26,457.4	\$ 1,891.4	\$ 1,034.2	\$ 27,314.6
6/30/2032	\$ 27,314.6	\$ 1,963.4	\$ 1,080.9	\$ 28,197.1
6/30/2033	\$ 28,197.1	\$ 2,038.2	\$ 1,124.4	\$ 29,110.9

¹Projection assumes an annual discount rate of 3.65%. Service Cost increases each year with the average salary scale by pension group.

²Based on expected benefit payments.

Participant Data

The actuarial valuation was based on personnel information from State of New Jersey records as of July 1, 2022. Following are some of the pertinent characteristics from the personnel data as of that date.

Participant Counts as of June 30, 2022	
<u>Actives</u>	
PERS General	66,701
PERS Law Enforcement	3
PERS Legislators	155
JRS	370
SPRS	3,001
TPAF	113
ABP	16,036
PFRS	6,185
Active Total	92,564
<u>Retirees</u>	
Single Coverage	
HMO	3,949
PPO	22,203
Family Coverage	
HMO	3,169
PPO	20,765
Retiree Total	50,086
Grand Total*	142,650
*Excludes retirees with no coverage and beneficiaries	
Male / Female Ratio as of June 30, 2022	
<u>Actives</u>	
% Female	57%
% Male	43%
<u>Retirees</u>	
% Female	52%
% Male	48%
Average Age as of June 30, 2022	
Actives	47.63
Retirees	70.18
Average Service as of June 30, 2022	
Actives	13.54
Retirees	N/A

Age/Service Scatter

The following table summarizes the distribution of the future retiree population by age and service as of June 30, 2022.

Age	Service							Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
15-19	17	0	0	0	0	0	0	17
20-24	1,156	6	0	0	0	0	0	1,162
25-29	5,504	865	4	0	0	0	0	6,373
30-34	4,643	3,769	628	27	0	0	0	9,067
35-39	3,346	3,462	2,460	1,394	49	0	0	10,711
40-44	2,401	2,349	2,230	4,286	1,454	10	0	12,730
45-49	1,976	1,672	1,602	3,138	3,031	405	28	11,852
50-54	1,781	1,500	1,460	2,788	3,075	1,221	1,117	12,942
55-59	1,523	1,368	1,287	2,348	2,331	902	1,967	11,726
60-64	896	1,039	1,051	1,940	1,820	710	1,595	9,051
65-69	313	474	539	958	896	392	948	4,520
70+	73	157	233	463	429	199	859	2,413
Total	23,629	16,661	11,494	17,342	13,085	3,839	6,514	92,564

Health Care Claims Development

Claims Cost Development

PPO and HMO medical and prescription drug incurred claims are based on actual incurred claims experience from January 2022 through December 2022 reflecting paid claims runout through March 2023. EGWP revenue amounts are developed for Plan Years 2023 and 2024, based on information provided by Optum. Projected incurred claims used to develop projected claims amounts include claims that are assumed to be incurred but not reported. Claims are trended and adjusted for plan design changes in effect for Plan Years 2023 and 2024.

The PPO and HMO costs assumed in the GASB 75 valuations are based on the actual distribution of retirees among available plan options.

Claim costs for future retirees are based on a blend of the claim costs for current retirees and the assumed percentage of future retirees who elect the PPO or HMO plan options. This blend consists of 80% of the current retiree PPO costs and 20% of the current retiree HMO costs.

Trend Rate Development

Prescription drug trend rates are adjusted to reflect expected pharmacy costs for pre-Medicare retirees through the end of 2024 to reflect higher utilization of GLP-1 drugs that is not yet reflected in the plan's experience used for developing the claims cost assumption. Trends were not adjusted for Medicare-eligible retirees because Medicare populations have generally shown less of an impact and any increased cost is expected to be largely offset by increased manufacturer discount and federal reinsurance payments.

The Inflation Reduction Act (IRA)

The projection of Part D revenue and costs for 2024 reflects changes to the Part D program including the impact on the direct subsidy based on national average bid and beneficiary premium results released by the Centers for Medicare and Medicaid Services (CMS) in late July. Part D revenue and costs have not been adjusted for the benefit structure changes in the Inflation Reduction Act (IRA) that will become effective in 2025. While many elements of the IRA are expected to impact both the revenue and cost associated with Medicare Part D plans, there is significant uncertainty in terms of the net impact of all these changes. While the effect of some changes may be more easily estimated, such as the change in plan design, the manufacturer discount program, and federal reinsurance, specific items are dependent upon market reactions that are unpredictable and unknown at this time. For example:

- CMS has indicated that the pharmacy risk adjustment model will be updated for 2025
- The impact on national bid amounts for Part D plans (including individual market plans), which are a primary factor in the determination of the direct capitation payment component of Part D revenue that is expected to offset in part, or in whole, the reduction in federal reinsurance under the Act.

Prescription drug costs and trends have not been adjusted for the provisions introduced in the Inflation Reduction Act (IRA) related to drug negotiation or manufacturer rebate for certain drugs with prices increasing faster than inflation. There is significant uncertainty about how manufacturers will react to these provisions in drug pricing policy and any Part D inflation rebates generated by that policy will be paid to Medicare rather than to plan sponsors.

Health Care Claims Development

Claims Cost for Current Retirees as of July 1, 2022

State Retirees						
Age	PPO			HMO		
	Medical & Admin	Rx Claims	Retiree EGWP	Medical & Admin	Rx Claims	Retiree EGWP
25	\$5,077	\$594	\$0	\$4,528	\$562	\$0
30	\$5,808	\$751	\$0	\$5,152	\$711	\$0
35	\$6,655	\$950	\$0	\$5,874	\$898	\$0
40	\$7,637	\$1,201	\$0	\$6,714	\$1,135	\$0
45	\$8,775	\$1,517	\$0	\$7,686	\$1,435	\$0
50	\$10,427	\$1,909	\$0	\$9,095	\$1,805	\$0
55	\$12,696	\$2,402	\$0	\$11,032	\$2,271	\$0
60	\$15,628	\$3,007	\$0	\$13,537	\$2,842	\$0
65	\$1,322	\$4,010	(\$1,931)	\$2,048	\$4,594	(\$1,959)
70	\$1,482	\$4,831	(\$2,326)	\$2,314	\$5,536	(\$2,359)
75	\$1,602	\$5,466	(\$2,632)	\$2,513	\$6,263	(\$2,669)
80	\$1,764	\$5,688	(\$2,739)	\$2,781	\$6,518	(\$2,778)
85	\$1,996	\$5,743	(\$2,766)	\$3,166	\$6,583	(\$2,808)
90	\$2,126	\$5,773	(\$2,781)	\$3,381	\$6,618	(\$2,823)

Claims Cost for Future Retirees as of July 1, 2022

State Actives - CWA / NJ Direct PPO			
Age	Medical & Admin	Rx Claims	Retiree EGWP
25	\$4,967	\$588	\$0
30	\$5,677	\$743	\$0
35	\$6,499	\$940	\$0
40	\$7,452	\$1,188	\$0
45	\$8,557	\$1,501	\$0
50	\$10,161	\$1,888	\$0
55	\$12,363	\$2,376	\$0
60	\$15,210	\$2,974	\$0
65	\$1,467	\$4,127	(\$1,937)
70	\$1,648	\$4,972	(\$2,333)
75	\$1,784	\$5,625	(\$2,639)
80	\$1,967	\$5,854	(\$2,747)
85	\$2,230	\$5,911	(\$2,774)
90	\$2,377	\$5,942	(\$2,789)

Health Care Claims Development

Medicare Part B*

Reimbursements as of January 1, 2023

Average Rates

\$164.90 per month

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

Trends

Medical Trend (all programs in these categories)	Annual Rate of Increase			
	To Fiscal Year Ending	Pre-65	Post-65 (PPO)	Post-65 (HMO)
	2024	6.50%	-6.93%	-9.09%
	2025	6.25%	7.50%	7.89%
	2026	6.00%	15.93%	17.83%
	2027	5.75%	13.59%	15.08%
	2028	5.50%	11.83%	13.06%
	2029	5.25%	10.53%	11.53%
	2030	5.00%	9.51%	10.33%
	2031	4.75%	8.63%	9.35%
	2032	4.50%	6.30%	6.62%
	2033	4.50%	4.50%	4.50%
	2034 and Later	4.50%	4.50%	4.50%

Prescription Drug Trend (all programs in these categories) EGWP revenue assumed to increase with prescription drug trend	Annual Rate of Increase			
	To Fiscal Year Ending	Pre-65	Post-65	EGWP
	2024	14.00%	9.50%	14.28%
	2025	10.00%	8.75%	11.21%
	2026	7.50%	7.50%	7.50%
	2027	6.75%	6.75%	6.75%
	2028	6.00%	6.00%	6.00%
	2029	5.25%	5.25%	5.25%
	2030	4.50%	4.50%	4.50%
	2031	4.50%	4.50%	4.50%
	2032	4.50%	4.50%	4.50%
	2033	4.50%	4.50%	4.50%
	2034 and Later	4.50%	4.50%	4.50%

Medicare Part B Premium Reimbursement

Annual Rate of Increase	
To Fiscal Year Ending	%
2024 and Later	5.00%

Health Care Claims Development

Morbidity

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

Medical

Annual rate of increase	
Age	%
20 - 24	3.00%
25 - 29	3.00%
30 - 34	3.00%
35 - 39	3.00%
40 - 44	3.00%
45 - 49	3.70%
50 - 54	4.20%
55 - 59	4.40%
60 - 64	3.70%
65 - 69	2.70%
70 - 74	1.80%
75 - 79	2.20%
80 - 84	2.80%
85 - 89	1.40%
90+	0.00%

Prescription Drug

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

Annual rate of increase	
Age	%
20 - 24	4.80%
25 - 29	4.80%
30 - 34	4.80%
35 - 39	4.80%
40 - 44	4.80%
45 - 49	4.70%
50 - 54	4.70%
55 - 59	4.60%
60 - 64	4.60%
65 - 69	3.80%
70 - 74	2.50%
75 - 79	0.80%
80 - 84	0.20%
85 - 89	0.10%
90+	0.00%

Actuarial Assumptions and Methods

Actuarial Cost Method	Entry Age Normal cost method.
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023
Valuation Date	June 30, 2022
Census Data	For the Fiscal Year Ending June 30, 2024: June 30, 2022 For the Fiscal Year Ending June 30, 2023: June 30, 2021
Service Cost	The Actuarial Present Value of Benefits is allocated as a level percentage over the earnings of an individual between entry age (i.e. – age at hire) and assumed retirement age(s).
Discount Rate	As of June 30, 2023: 3.65% As of June 30, 2022: 3.54% As of June 30, 2021: 2.16%
Municipal Bond Rate Basis	Bond Buyer General Obligation 20-Bond Municipal Bond Index
Salary Increases	Active salaries, used to determine retirement allowance in the future, are assumed to increase as follows:

State Police Retirement System	Service	Annual Rate of Increase (%)
	0-11	6.75
	12-25	3.75
	26+	2.75

Judicial Retirement System	Annual Rate of Increase (%)	
	Period Ending June 30,	Unisex
	2021 – 2025	2.00
	2026 and Later	2.75

Actuarial Assumptions and Methods (continued)

Public Employees' Retirement System (PERS)

Completed Years of Service	Annual Rate of Increase (%)
0	6.55
5	5.75
10	4.75
15	3.75
20	3.15
25	2.85
>=29	2.75

Police and Firemen's Retirement System (PFRS)

Service	Annual Rate of Increase (%)
0	16.25
5	11.00
10	6.00
15	4.00
>=17	3.25

Alternate Benefits Program (ABP) – Based on Teachers' Pension and Annuity Fund (TPAF) experience

Completed Years of Service	Annual Rate of Increase (%)
0	4.25
5	4.70
10	5.40
15	5.65
20	4.05
25	3.05
29	2.75

Retirement Rates

See Table

Future Retiree Healthy Mortality

SPRS: PUB-2010 Healthy "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021

PFRS: PUB-2010 Healthy "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021

PERS: PUB-2010 Healthy "General" classification headcount-weighted mortality table with fully

Actuarial Assumptions and Methods (continued)

	generational mortality improvement projections from the central year using Scale MP-2021
	<u>JRS:</u> PUB-2010 Healthy “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021
	<u>TPAF/ABP:</u> PUB-2010 Healthy “Teachers” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021
Current Retiree Healthy Mortality	<u>Current Retirees:</u> PUB-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021
Disabled Mortality	<p><u>SPRS Future Disabled Retirees:</u> PUB-2010 “Safety” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021</p> <p><u>PFRS Future Disabled Retirees:</u> PUB-2010 “Safety” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021</p> <p><u>PERS Future Disabled Retirees:</u> PUB-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021</p> <p><u>JRS Future Disabled Retirees:</u> PUB-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021</p> <p><u>TPAF/ABP Future Disabled Retirees:</u> PUB-2010 “Teachers” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021</p> <p><u>Current Disabled Retirees:</u> PUB-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021</p>
Withdrawal Rates	See Table
Disability Rates	See Table.

Actuarial Assumptions and Methods (continued)

Decrement Timing	Beginning of year for active decrements, with 100% retirement occurring at beginning of year.
Spouse Coverage Election Rate	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. The State provided data for spouses of police officers killed in the line of duty who are assumed to receive retiree health care benefits for life.
Future Retirees	It is assumed that 45% are married. Future retirees who are assumed to be married are assumed to choose family coverage at retirement. Males are assumed to be three years older than their female spouses.
Current Retirees	Spousal coverage is based on actual retiree coverage elections. Actual spouse age is used where available. In instances where this information is not available, males are assumed to be three years older than their female spouses.
Coverage	<p>We assumed that:</p> <ul style="list-style-type: none"> ▪ 100% of all retirees who currently have healthcare coverage will continue with the same coverage. ▪ 100% of all actives, upon retirement, will be assumed to have the following coverage blend: <ul style="list-style-type: none"> <li style="text-align: center;">PPO: 80% HMO: 20% <p>Other available plan options are assumed to garner zero enrollment</p> <p>Part B coverage is based on actual provisions.</p>
Participant Contributions for Current Retirees	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.
Actuarial Accrued Liability	The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

Actuarial Assumptions and Methods (continued)

Valuation Methodology and Terminology 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.

Data Adjustments 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.

Actuarial Assumptions and Methods (continued)

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

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.

Actuarial Assumptions and Methods (continued)

Retiree Contributions for Current Retirees Grandfathered under Chapter 78

Age	Employee Contributions	
	PPO	HMO
25	\$113	\$102
30	\$131	\$117
35	\$152	\$135
40	\$177	\$157
45	\$206	\$182
50	\$247	\$218
55	\$302	\$266
60	\$373	\$328
65	\$107	\$133
70	\$126	\$157
75	\$141	\$176
80	\$149	\$186
85	\$155	\$195
90	\$158	\$200

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

Age	Employee Contributions
25	\$111
30	\$128
35	\$149
40	\$173
45	\$201
50	\$241
55	\$295
60	\$364
65	\$112
70	\$132
75	\$148
80	\$156
85	\$163
90	\$166

Actuarial Assumptions and Methods (continued)

Plan Year 2024 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	\$12,145	\$26,956	\$1,462	\$3,425

Rx Cost Group	Pre 65		65 and Over	
	Single	Family	Single	Family
State	\$2,395	\$5,283	\$2,995	\$5,943

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.

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.

Actuarial Assumptions and Methods (continued)

Medical and Prescription Drug Benefit Contributions for Future Disabled Retirees

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

Medical and Prescription Drug Benefit Contributions for Future Retirees Assumed to Enroll in the NJDIRECT PPO Plan

All State pre-Medicare future retirees who enroll in the NJDIRECT Plan are assumed to contribute a percentage of retirement allowance ("RA") or a flat dollar amount based on the following schedule assumed to be in effect as of June 30, 2018:

	<u>Single</u>	<u>Married</u>	<u>Family</u>	<u>Parent & Child</u>
RA < \$25k	2.00%	2.00%	2.00%	2.00%
\$25k ≤ RA < \$30k	2.00%	2.00%	2.25%	2.00%
\$30k ≤ RA < \$35k	2.25%	2.75%	2.50%	2.75%
\$35k ≤ RA < \$40k	2.25%	3.00%	3.00%	3.00%
\$40k ≤ RA < \$45k	2.25%	3.00%	3.00%	3.00%
\$45k ≤ RA < \$50k	2.40%	3.00%	3.50%	3.25%
\$50k ≤ RA < \$55k	3.00%	4.25%	4.50%	4.50%
\$55k ≤ RA < \$60k	3.40%	4.50%	5.00%	4.50%
\$60k ≤ RA < \$65k	3.75%	5.50%	6.00%	5.00%
\$65k ≤ RA < \$70k	3.75%	5.75%	6.50%	5.25%
\$70k ≤ RA < \$75k	4.00%	6.20%	7.25%	5.75%
\$75k ≤ RA < \$80k	\$2,977	\$4,678	7.25%	\$4,400
\$80k ≤ RA < \$85k	\$3,083	\$4,890	7.25%	\$4,550
\$85k ≤ RA < \$90k	\$3,083	\$5,316	7.50%	\$4,950
\$90k ≤ RA < \$95k	\$3,083	\$5,316	7.50%	\$4,950
\$95k ≤ RA < \$100k	\$3,190	\$5,316	7.50%	\$4,950
\$100k ≤ RA < \$110k	\$3,190	\$6,390	\$8,213	\$5,950
RA ≥ \$110k	\$3,190	\$6,390	\$9,122	\$5,950

For purposes of estimating contributions for dependent coverages, a weighted average contribution is assumed reflecting approximately 47% of the "Married" schedule, 40% of the "Family" schedule and 13% of the "Parent & Child" schedule, based on current pre-Medicare retiree PPO enrollment.

Actuarial Assumptions and Methods (continued)

Retirement Allowance

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

A participant's estimated retirement allowance is not assumed to increase after retirement.

<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
<i>Teachers' 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

Actuarial Assumptions and Methods (continued)

The following tables provide a sampling of the decrement rate assumptions for each pension group. Where applicable, the sample decrement rates below were adjusted to incorporate eligibility for OPEB benefits.

Public Employees' Retirement System of New Jersey

	Ordinary Disability		Accidental
	Years of Service		
Age	Less than 10	10 and Up	All
30	0.000%	0.150%	0.020%
35	0.000%	0.205%	0.020%
40	0.000%	0.230%	0.020%
45	0.000%	0.280%	0.020%
50	0.000%	0.335%	0.020%
55	0.000%	0.410%	0.020%
60	0.000%	0.485%	0.020%
65	0.000%	0.560%	0.020%
69	0.000%	0.620%	0.020%

Withdrawal			
Service	Electing a Deferred Annuity	Electing a Refund	
	All	Age	
		<= 30	>= 31
0	0.00%	21.00%	11.00%
1	0.00%	21.00%	11.00%
2	0.00%	11.50%	7.50%
3	0.00%	9.50%	6.50%
4	0.00%	9.00%	5.50%
5	0.00%	8.00%	5.50%
6	0.00%	7.00%	5.00%
7	0.00%	7.00%	4.50%
8	0.00%	7.00%	4.00%
9	0.00%	7.00%	3.50%
10	1.60%	1.70%	1.70%
11	1.60%	1.50%	1.50%
12	1.20%	1.10%	1.10%
13	1.20%	1.10%	1.10%
14	1.00%	0.70%	0.70%
15	0.90%	0.60%	0.60%
16	0.90%	0.60%	0.60%
17	0.80%	0.60%	0.60%
18	0.80%	0.50%	0.50%
19	0.80%	0.50%	0.50%
20	0.80%	0.50%	0.50%
21	0.70%	0.50%	0.50%
22	0.50%	0.40%	0.40%
23	0.50%	0.40%	0.40%
>= 24	0.40%	0.30%	0.30%

Actuarial Assumptions and Methods (continued)

Retirement			
Tiers 1, 2, 3 and 4			
Age	Less than 25 Years of Service	25 Years of Service	26 or More Years of Service
40	0.00%	3.50%	2.00%
45	0.00%	3.50%	2.00%
50	0.00%	3.50%	3.50%
55	0.00%	17.50%	18.00%
60	0.00%	20.00%	17.00%
65	0.00%	44.00%	25.00%
70	0.00%	47.00%	26.00%
75	0.00%	100.00%	100.00%

Retirement					
Tiers 5					
Age	Less than 25 Years of Service	25 Years of Service	26 to 29 Years of Service	30 Years of Service	31 or More Years of Service
40	0.00%	0.00%	0.00%	3.50%	2.00%
45	0.00%	0.00%	0.00%	3.50%	2.00%
50	0.00%	0.00%	0.00%	3.50%	3.50%
55	0.00%	0.00%	0.00%	17.50%	18.00%
60	0.00%	0.00%	0.00%	20.00%	17.00%
65	0.00%	44.00%	44.00%	44.00%	25.00%
70	0.00%	47.00%	26.00%	26.00%	26.00%
75	0.00%	100.00%	100.00%	100.00%	100.00%

Actuarial Assumptions and Methods (continued)

Judicial Retirement System of New Jersey

Age	Disability
30	0.022%
35	0.026%
40	0.033%
45	0.064%
50	0.114%
55	0.197%
60	0.326%
65	0.473%

Age	Retirement		
	Less than 15 Years of Judicial Service	15 to 19 Years of Judicial Service	20 or More Years of Judicial Service
59	0.00%	0.00%	0.00%
60	2.00%	2.00%	20.00%
61	2.00%	2.00%	20.00%
62	2.00%	2.00%	20.00%
63	2.00%	2.00%	20.00%
64	2.00%	2.00%	20.00%
65	5.00%	40.00%	30.00%
66	2.00%	40.00%	20.00%
67	2.00%	40.00%	20.00%
68	2.00%	40.00%	20.00%
69	2.00%	40.00%	20.00%
70	100.00%	100.00%	100.00%

Note: JRS population assumes no Withdrawal

Actuarial Assumptions and Methods (continued)

State Police Retirement System of New Jersey

Age	Disability	
	Ordinary	Accidental
25	0.015%	0.025%
30	0.032%	0.053%
35	0.116%	0.194%
40	0.125%	0.208%
45	0.128%	0.214%
50	0.132%	0.220%

Service	Withdrawal
0-3	0.450%
4	0.300%
5	0.225%
6	0.200%
7	0.175%
8	0.150%
9	0.125%
10	0.100%
11 - 19	0.075%
>= 20	0.000%

Age	Retirement		
	Less than 25 Years of Service	25 Years of Service	More than 25 Years of Service
<49	0.50%	25.00%	35.00%
49 - 54	0.50%	50.00%	35.00%
>=55	100.00%	100.00%	100.00%

Actuarial Assumptions and Methods (continued)

Police and Firemen's Retirement System of New Jersey

Age	Ordinary Disability		Accidental
	Years of Service		
	Less than 4	4 and Up	All
25	0.000%	0.010%	0.010%
30	0.000%	0.050%	0.040%
35	0.000%	0.180%	0.120%
40	0.000%	0.320%	0.260%
45	0.000%	0.320%	0.260%
50	0.000%	0.150%	0.260%
55	0.000%	0.150%	0.260%
60	0.000%	0.050%	0.050%
64	0.000%	0.050%	0.050%

Service	Withdrawal
0	2.00%
1	2.00%
2	2.00%
3	2.00%
4	2.00%
5	1.60%
6	1.60%
7	1.00%
8	1.00%
9	1.00%
10	0.60%
11	0.60%
12	0.25%
13	0.25%
14-24	0.20%
>=25	0.00%

Age	Retirement		
	Less than 25 Years of Service	25 Years of Service	26 or More Years of Service
40	1.00%	45.00%	22.00%
45	2.50%	45.00%	22.00%
50	6.00%	45.00%	22.00%
55	7.00%	50.00%	24.00%
60	8.00%	55.00%	24.00%
64	13.00%	90.00%	60.00%
65	100.00%	100.00%	100.00%

Actuarial Assumptions and Methods (continued)

Teachers' Pension and Annuity Fund and Alternate Benefit Program

Age	Disability	
	Ordinary	Accidental
25	0.005%	0.006%
30	0.005%	0.006%
35	0.040%	0.006%
40	0.085%	0.006%
45	0.110%	0.006%
50	0.160%	0.006%
55	0.245%	0.006%

Years of Employment	Withdrawal
0	6.75%
5	3.00%
10	2.25%
15	1.05%
20	0.55%
>= 24	0.30%

Age	Retirement		
	Tiers 1, 2, 3 and 4		
	Less than 25 Years of Service	25 Years of Service	26 or More Years of Service
50	0.00%	1.50%	1.50%
55	0.00%	10.00%	13.00%
60	0.00%	25.00%	20.00%
65	0.00%	42.00%	30.00%
70	0.00%	55.00%	30.00%
75	0.00%	100.00%	100.00%

Age	Retirement				
	Tiers 5				
	Less than 25 Years of Service	25 Years of Service	26 to 29 Years of Service	30 Years of Service	31 or More Years of Service
50	0.00%	0.00%	0.00%	1.50%	1.50%
55	0.00%	0.00%	0.00%	10.00%	13.00%
60	0.00%	0.00%	0.00%	25.00%	20.00%
65	0.00%	42.00%	42.00%	42.00%	30.00%
70	0.00%	55.00%	30.00%	30.00%	30.00%
75	0.00%	100.00%	100.00%	100.00%	100.00%

Actuarial Assumptions and Methods (continued)

Tier Classifications

Tier	Criteria
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

Actuarial Assumptions and Methods (continued)

Discussion of Actuarial Assumptions and Methods

State of New Jersey selected the economic, demographic and health care claim cost assumptions and prescribed them for use for purposes of compliance with GASB 75. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience. Retirement, withdrawal, and disability rates as well as assumed salary increases were developed by the PERS, JRS, SPRS, TPAF, ABP, and PFRS experience study for the period July 1, 2018 to June 30, 2021.

Calculation of Normal Costs and Liabilities

The method used to calculate the service cost and accumulated postretirement benefit obligation for determining OPEB expense is the entry age normal cost method. Under this cost method, the actuarial accrued liability is based on a prorated portion of the present value of all benefits earned to date over expected future working lifetime as defined by GASB. The proration is determined so that the cost with respect to service accrued from date of hire is recognized as a level percentage of pay each year. The Normal Cost is equal to the prorated cost for the year of the valuation.

Accounting Information Under GASB 75

Benefit obligations and expense/(income) are calculated under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 75.

The total OPEB liability represents the actuarial present value of benefits based on the entry age normal cost method as of the measurement date. The service cost represents the actuarial present value of benefits that are attributed to the 2024 fiscal year, reflecting the effect of assumed future health care claim cost and/or pay increases.

The OPEB expense is the annual amount to be recognized in the income statement as the cost of OPEB benefits for this plan for the period ending June 30, 2024.

Plan Provisions

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.

Plan Provisions (continued)

(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"> (a) Age 70 and 10 years of service as a Workers' Compensation Judge; (b) Age 65 and 15 years of service as a Workers' Compensation Judge; or (c) Age 60 and 20 years of service as a Workers' Compensation Judge.
	(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.

Plan Provisions (continued)

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	<p>(A) Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:</p> <ul style="list-style-type: none"> (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. <p>(B) Age 65 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service; or,</p> <p>Age 60 while serving as a judge, 5 consecutive years of judicial service and 20 years in the aggregate of public service.</p>
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.

Plan Provisions (continued)

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.

Plan Provisions (continued)

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.

In General for subsidized SHBP 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.

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.

Plan Provisions (continued)

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.

Plan Provisions (continued)

The following tables provide concise summaries of each of the benefit plan designs available to eligible retirees as of January 1, 2023:

Medical Plans	In-Network					Out-of-Network		
	Office Visit	ER Copay	Deductible	Member Coinsurance	Out-of-Pocket Maximum*	Deductible	Member Coinsurance	Out-of-Pocket Maximum
HMO	\$10	\$85	None	0%	\$7,749	Not Covered		
PPO 10	\$10	\$75	None	0%	\$400	\$100	20%	\$2,000
PPO 15	\$15	\$100	None	0%	\$400** & \$7,749	\$100	30%	\$2,000
NJDIRECT PPO (State)	\$15	\$150	None	0%	\$800** & \$7,749	\$400	30%	\$2,000

* Excludes prescription drug copays.

** The \$400 for PPO 15 and \$800 for NJDIRECT PPO out-of-pocket maximum includes co-insurance only.

Rx Plans	Retail			Mail			Out-of-Pocket Maximum
	Generic	Preferred Brand	Other Brand	Generic	Preferred Brand	Other Brand	
HMO (State)	\$6	\$12	\$24	\$5	\$18	\$30	\$1,351
PPO 10/15 (State)	\$10	\$22	\$44	\$5	\$28	\$55	\$1,351
NJDIRECT PPO (State)	\$7	\$16	\$35	\$18	\$40	\$88	\$1,351

State Medicare retirees are also eligible to enroll in one of four Medicare Advantage plan offerings.

Plan Provisions (continued)

The following State employers are included in the valuation as of June 30, 2022:

June 30, 2022 State Employers

Employer Group	Employer Name
0001-00	CENTRALIZED PAYROLL
0001-01	STATE LEGISLATURE - ASSEMBLY
0001-03	STATE LEGISLATURE - SENATE
1229-00	RUTGERS UNIVERSITY
1285-00	NEW JERSEY INSTITUTE OF TECHNOLOGY
1812-00	RAMAPO COLLEGE OF NEW JERSEY
1820-00	COLLEGE OF NEW JERSEY
1821-00	THOMAS EDISON STATE UNIVERSITY
1821-01	NJ STATE LIBRARY
1822-00	STOCKTON UNIVERSITY
1823-00	NEW JERSEY CITY STATE UNIVERSITY
1824-00	WILLIAM PATERSON STATE UNIVERSITY
1825-00	ROWAN UNIVERSITY
1825-01	ROWAN UNIVERSITY (STRATFORD)
1826-00	MONTCLAIR STATE UNIVERSITY
1832-00	KEAN UNIVERSITY
8005-00	NJ BUILDING AUTHORITY
8157-00	UNIVERSITY HOSPITAL
8180-00	ROWAN UNIV RUTGERS CAM BOG
9889-00	WATERFRONT COMMISSION OF NY HA
9910-00	PALISADES INTERSTATE PARK COMMISSION
9978-00	NJ DEPARTMENT OF MILITARY AND VETERAN AFFAIRS

Plan Provisions (continued)

The following State employers are included in the valuation as of June 30, 2021:

June 30, 2021 State Employers

Employer Group	Employer Name
0001-00	CENTRALIZED PAYROLL
0001-01	STATE LEGISLATURE - ASSEMBLY
0001-03	STATE LEGISLATURE - SENATE
1229-00	RUTGERS UNIVERSITY
1285-00	NEW JERSEY INSTITUTE OF TECHNOLOGY
1812-00	RAMAPO COLLEGE OF NEW JERSEY
1820-00	COLLEGE OF NEW JERSEY
1821-00	THOMAS EDISON STATE UNIVERSITY
1821-01	NJ STATE LIBRARY
1822-00	STOCKTON UNIVERSITY
1823-00	NEW JERSEY CITY STATE UNIVERSITY
1824-00	WILLIAM PATERSON STATE UNIVERSITY
1825-00	ROWAN UNIVERSITY
1825-01	ROWAN UNIVERSITY (STRATFORD)
1826-00	MONTCLAIR STATE UNIVERSITY
1832-00	KEAN UNIVERSITY
8005-00	NJ BUILDING AUTHORITY
8119-00	STOCKTON AFFILIATED SVCS INC
8157-00	UNIVERSITY HOSPITAL
8180-00	ROWAN UNIV RUTGERS CAM BOG
9889-00	WATERFRONT COMMISSION OF NY HA
9910-00	PALISADES INTERSTATE PARK COMMISSION
9978-00	NJ DEPARTMENT OF MILITARY AND VETERAN AFFAIRS