



**STATE OF NEW JERSEY
STATE HEALTH BENEFIT STATE RETIRED EMPLOYEES PLAN**

Schedule of Employer and Nonemployer Allocations and Schedule of
OPEB Amounts by Employer and Nonemployer

June 30, 2023

(With Independent Auditors' Report Thereon)

**STATE OF NEW JERSEY
STATE HEALTH BENEFIT STATE RETIRED EMPLOYEES PLAN**

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Independent Auditors' Report

The Treasurer
State of New Jersey:

Opinions

We have audited the schedule of employer and nonemployer allocations of the State of New Jersey State Health Benefit State Retired Employees Plan (the Plan) as of and for the year ended June 30, 2023, and the related notes. We have also audited the total for all entities of the columns titled total OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (benefit) (specified column totals) included in the accompanying schedule of OPEB amounts by employer and nonemployer of the Plan as of and for the year ended June 30, 2023, and the related notes.

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the employer and nonemployer allocations and total OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (benefit) for the total of all participating entities for the Plan as of and for the year ended June 30, 2023, in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a



reasonable user based on the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts in the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer and the related disclosures.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

The supplemental schedule of employer special funding allocations and the supplemental schedule of special funding amounts by employer, have not been subject to the auditing procedures applied in the audit of the schedule of employer and nonemployer allocations and schedule of OPEB amounts by employer and nonemployer and accordingly, we do not express an opinion or provide any assurance on them.

Restriction on Use

Our report is intended solely for the information and use of the State of New Jersey, Division of Pensions and Benefits management, the Treasurer of the State of New Jersey, State Health Benefit Local Government Retired Employees Plan employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Short Hills, New Jersey
October 15, 2024

**STATE OF NEW JERSEY
STATE HEALTH BENEFIT STATE RETIRED EMPLOYEES PLAN**

Schedule of Employer and Nonemployer Allocations

As of and for the year ended June 30, 2023

Employer/ Nonemployer	Plan members	Allocation Percentage
State of New Jersey	104,427	73.631921%
New Jersey Building Authority	8	0.005641%
Nonemployer - State of New Jersey	37,388	26.362438%
Total	141,823	100.000000%

See accompanying notes to schedule of employer and nonemployer allocations and schedule of OPEB amounts by employer and nonemployer.

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Schedule of OPEB Amounts by Employer and Nonemployer

As of and for the year ended June 30, 2023

Deferred outflows of resources

Employer/ Nonemployer	Total OPEB Liability	Differences between expected and actual experience	Changes of assumptions	Changes in proportion	Total deferred outflows of resources
State of New Jersey	\$ 15,456,480,901	1,784,715,455	2,175,035,447	741,030,984	4,700,781,886
New Jersey Building Authority	1,184,098	136,724	166,626	271,247	574,597
Nonemployer - State of New Jersey	5,533,884,033	638,981,694	778,727,966	130,814,110	1,548,523,770
Total	\$ <u>20,991,549,032</u>	<u>2,423,833,873</u>	<u>2,953,930,039</u>	<u>872,116,341</u>	<u>6,249,880,253</u>

See accompanying notes to schedule of employer and nonemployer allocations and schedule of OPEB amounts by employer and nonemployer.

Deferred inflows of resources

OPEB expense (benefit)

Differences between expected and actual experience	Changes of assumptions	Changes in proportion	Total deferred inflows of resources	Proportionate share of allocable plan OPEB expense (benefit)	Net amortization from changes in proportion	Total OPEB expense (benefit)
5,612,329,717	3,919,014,532	130,906,537	9,662,250,786	(361,587,449)	91,888,430	(269,699,019)
429,952	300,230	2,595	732,777	(27,701)	78,599	50,898
2,009,382,472	1,403,124,818	741,207,209	4,153,714,499	(129,459,159)	(91,967,029)	(221,426,188)
<u>7,622,142,141</u>	<u>5,322,439,580</u>	<u>872,116,341</u>	<u>13,816,698,062</u>	<u>(491,074,309)</u>	<u>—</u>	<u>(491,074,309)</u>

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Notes to Schedule of Employer and Nonemployer Allocations and Schedule of
OPEB Amounts by Employer and Nonemployer

June 30, 2023

(1) General Information about the OPEB Plan

The State Health Benefit State Retired Employees Plan (the Plan) is a single-employer defined benefit other postemployment benefit (OPEB) plan covering the State of New Jersey (the State), State colleges and universities, Palisades Interstate Park Commission (the Commission), and New Jersey Building Authority (collectively, the employers). As the employers are required to issue stand-alone financial statements, the Plan is treated as a cost-sharing multiple employer plan with a special funding situation for allocating the total OPEB liability and related OPEB amounts. The plan is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). The Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of the employers.

In accordance with N.J.S.A. 52:14-17.32, the State is required to pay the premiums or periodic charges for health benefits of State employees who retiree with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Judicial Retirement System (JRS), the State Police Retirement System (SPRS), the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). In addition, N.J.S.A. 52:14-17.26 provides that for purposes of the Plan, an employee of Rutgers, the State University of New Jersey, and New Jersey Institute of Technology shall be deemed to be an employee of the State. Further, Chapter 302, P.L. 1966 addresses the other State colleges and universities, whereas while these institutions were provided autonomy from the State, their employees retained any and all rights to health benefits within the Plan, therefore are classified as State employees. In addition, for the Commission, N.J.S.A. 34:14 states that employees of the Commission whose salary is paid in full from funds appropriated by the State shall be deemed to be employees of the State. As such, the State is legally obligated to pay the premiums for employees of the State, the State colleges and universities, and the Commission. The State shall also reimburse such retired employees for the premium charges under the Part B of the federal Medicare program covering the retired employee and the employee's spouse. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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Notes to Schedule of Employer and Nonemployer Allocations and Schedule of
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June 30, 2023

(2) Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

(3) Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of OPEB amounts by employer and nonemployer are based on the ratio of the members (active and retired) of an individual employer to the total members of the Plan during the measurement period July 1, 2022 through June 30, 2023. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

(4) Special Funding Situation

The State is legally required to pay for the OPEB benefit coverage for eligible retirees of the various State colleges and universities, and the Commission under N.J.S.A 52:14-17.32. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since these entities do not contribute directly to the plan, there is no total OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in their respective financial statements. However, the notes to the financial statements of these entities must disclose the portion of the nonemployer contributing entities' total proportionate share of the total OPEB liability that is associated with the entities.

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June 30, 2023

(5) Total OPEB Liability

The total OPEB liability of \$20,991,549,032 as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>JRS</u>	<u>SPRS</u>	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary increases:					
Through	2025	All future years	All future years	All future years	All future years
Rate	2.00%	2.75 - 6.75%	2.75 - 4.25%	2.75 - 6.55%	3.25 - 16.25%
		based on years of service			
Thereafter	2.75%	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS/JRS), and "Safety" (PFRS/SPRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Future disability mortality was based on the Pub-2010 "Safety" (PFRS/SPRS), "Teachers" (TPAF/ABP), and "General" (PERS/JRS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Current disabled retiree mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Certain actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit pension plans as follows:

<u>Pension plan</u>	<u>Period</u>
JRS	July 1, 2018 - June 30, 2021
SPRS	July 1, 2018 - June 30, 2021
TPAF*	July 1, 2018 - June 30, 2021
PERS	July 1, 2018 - June 30, 2021
PFRS	July 1, 2018 - June 30, 2021

* Experience of ABP is based off of TPAF's experience study

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Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 6.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2024 through 2025 are reflected. For PPO the trend is initially 7.50% in fiscal year 2025, increasing to 15.93% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially 7.89% in fiscal year 2025, increasing to 17.83% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% and decreases to a 4.50% long-term trend rate after seven years.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.65%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the collective total OPEB liability of the participating employers as of June 30, 2023 calculated using the discount rate as disclosed above as well as what the collective total OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	June 30, 2023		
	At 1% decrease (2.65%)	At discount rate (3.65%)	At 1% increase (4.65%)
\$	24,261,871,078	20,991,549,032	18,336,213,414

Sensitivity of Total OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the total OPEB liability as of June 30, 2023 calculated using the healthcare trend rate as disclosed above as well as what the total OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2023		
	1% decrease	Healthcare cost trend rate	1% increase
\$	17,755,276,685	20,991,549,032	25,108,351,625

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(6) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and inflows of resources for the year ended June 30, 2023:

	Year of deferral	Amortization period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred outflows of Resources:						
Differences between expected and actual experience	2020	8.52 years	\$ 2,960,080,306	—	536,246,433	2,423,833,873
Change of assumptions	2020	8.52 years	3,111,296,138	—	563,640,605	2,547,655,533
	2021	8.52 years	293,779,008	—	45,058,130	248,720,878
	2023	8.28 years	—	179,195,610	21,641,982	157,553,628
Subtotal			3,405,075,146	179,195,610	630,340,717	2,953,930,039
Total			\$ 6,365,155,452	179,195,610	1,166,587,150	5,377,763,912
Deferred inflows of Resources:						
Differences between expected and actual experience	2018	8.80 years	\$ 1,157,717,463	—	304,662,490	853,054,973
	2019	8.58 years	2,838,191,409	—	619,692,448	2,218,498,961
	2021	8.52 years	3,739,357,050	—	573,521,020	3,165,836,030
	2022	8.29 years	750,203,916	—	102,908,631	647,295,285
	2023	8.28 years	—	838,755,916	101,299,024	737,456,892
Subtotal			8,485,469,838	838,755,916	1,702,083,613	7,622,142,141
Change of assumptions	2017	8.66 years	1,068,975,422	—	401,870,460	667,104,962
	2018	8.80 years	1,362,422,261	—	358,532,175	1,003,890,086
	2019	8.58 years	649,311,214	—	141,771,007	507,540,207
	2022	8.29 years	3,643,730,132	—	499,825,807	3,143,904,325
Subtotal			6,724,439,029	—	1,401,999,449	5,322,439,580
Total			\$ 15,209,908,867	838,755,916	3,104,083,062	12,944,581,721

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June 30, 2023

The amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year 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	<u>(1,233,946,176)</u>
Total	<u>\$ (7,566,817,809)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.28, 8.29, 8.52, 8.52, 8.58, 8.80 and 8.66 years for 2023, 2022, 2021, 2020, 2019, 2018 and 2017, respectively.

(7) OPEB Expense (Benefit)

The components of OPEB expense (benefit) for the year ending June 30, 2023 is as follows:

Service cost	\$ 694,401,436
Interest on total OPEB liability	752,020,167
Current period recognition (amortization) of deferred inflows/outflows of resources:	
Difference between actual and expected experience	(1,165,837,180)
Changes of assumptions	<u>(771,658,732)</u>
Total OPEB expense (benefit)	<u>\$ (491,074,309)</u>

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Supplemental Schedule of Employer Special Funding Allocations (Unaudited)

As of and for the year ended June 30, 2023

<u>Employer</u>	<u>Employer number</u>	<u>Plan members</u>	<u>Employer proportionate share</u>
Rutgers, the State University of New Jersey	1229-00	19,338	51.722478%
New Jersey Institute of Technology	1285-00	1,558	4.167112%
Ramapo College of New Jersey	1812-00	798	2.134375%
The College of New Jersey	1820-00	1,369	3.661603%
Thomas Edison State University	1821-00	458	1.224992%
Stockton University	1822-00	1,413	3.779287%
New Jersey City University	1823-00	957	2.559645%
William Paterson University	1824-00	1,213	3.244356%
Rowan University	1825-00	2,683	7.176099%
Montclair University	1826-00	2,199	5.881566%
Kean University	1832-00	1,322	3.535894%
University Hospital	8157-00	3,946	10.554189%
Rowan University - Rutgers Camden Board	8180-00	4	0.010699%
Palisades Interstate Park Commission	9910-00	130	0.347705%
Total		<u>37,388</u>	<u>100.000000%</u>

See accompanying independent auditors' report and notes to supplemental schedules.

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Supplemental Schedule of Special Funding Amounts by Employer (Unaudited)

As of and for the year ended June 30, 2023

<u>Employer</u>	<u>Employer number</u>	<u>State proportionate share of total OPEB liability attributable to employer</u>	<u>Employer OPEB expense and related revenue</u>
Rutgers, the State University of New Jersey	1229-00	\$ 2,862,261,941	(114,527,112)
New Jersey Institute of Technology	1285-00	230,603,170	(9,227,078)
Ramapo College of New Jersey	1812-00	118,113,819	(4,726,064)
The College of New Jersey	1820-00	202,628,845	(8,107,747)
Thomas Edison State University	1821-00	67,789,635	(2,712,453)
Stockton University	1822-00	209,141,386	(8,368,332)
New Jersey City University	1823-00	141,647,775	(5,667,724)
William Paterson University	1824-00	179,538,925	(7,183,855)
Rowan University	1825-00	397,117,012	(15,889,763)
Montclair University	1826-00	325,479,057	(13,023,328)
Kean University	1832-00	195,672,266	(7,829,395)
University Hospital	8157-00	584,056,553	(23,369,737)
Rowan University - Rutgers Camden Board	8180-00	592,049	(23,690)
Palisades Interstate Park Commission	9910-00	19,241,600	(769,910)
Total		<u>\$ 5,533,884,033</u>	<u>(221,426,188)</u>

See accompanying independent auditors' report and notes to supplemental schedules.

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Notes to Supplemental Schedules (Unaudited)

June 30, 2023

(1) Special Funding Situation

The participating employer allocations included in the supplemental schedule of employer special funding allocations and the supplemental schedule of special funding amounts by employer for each employer are provided as the employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the OPEB expense allocated to the State of New Jersey under the special funding situation and include their proportionate share of the collective total OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from employer locations and retired members currently receiving OPEB benefits.