

APPENDIX

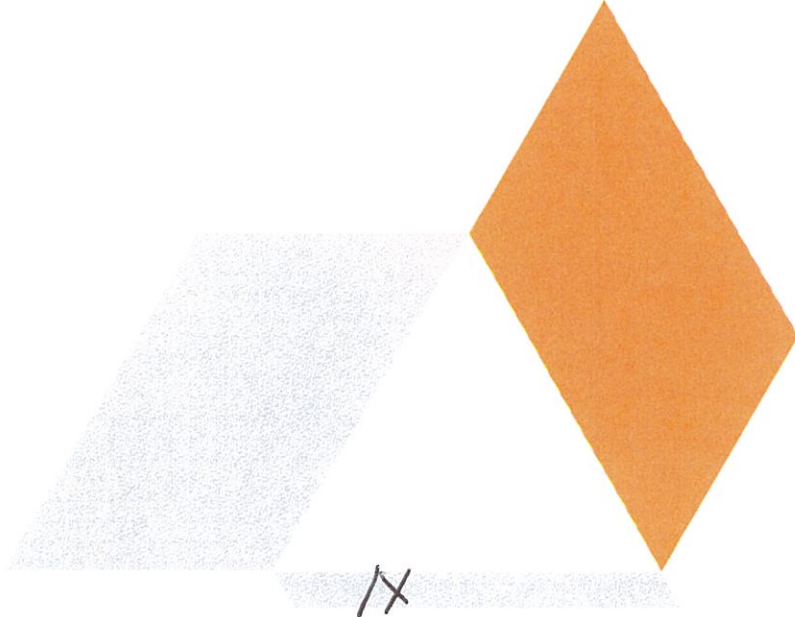


# Judicial Retirement System of New Jersey

## July 1, 2016 Actuarial Valuation State House Commission Presentation

June 12, 2017

Conduent Human Resource Services  
Retirement Consulting





# Disclosures



The information contained herein is developed for the State House Commission and the Division of Pensions and Benefits by Conduent using generally accepted actuarial principles and techniques in accordance with all applicable Actuarial Standards of Practice (ASOPs).

The material contained herein is based on member and financial data, actuarial assumptions and methods, and plan provisions applicable for the July 1, 2016 actuarial valuation of the Judicial Retirement System of New Jersey. Where presented, historical information is based on the parameters of the corresponding actuarial valuation.

No third party recipient of Conduent's work product should rely upon Conduent's work product absent involvement of Conduent or without our approval.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of future results is beyond the scope of this valuation.

Ed Quinn is a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. I am available to answer any questions on the material contained herein, or to provide explanations or further details as may be appropriate.

27

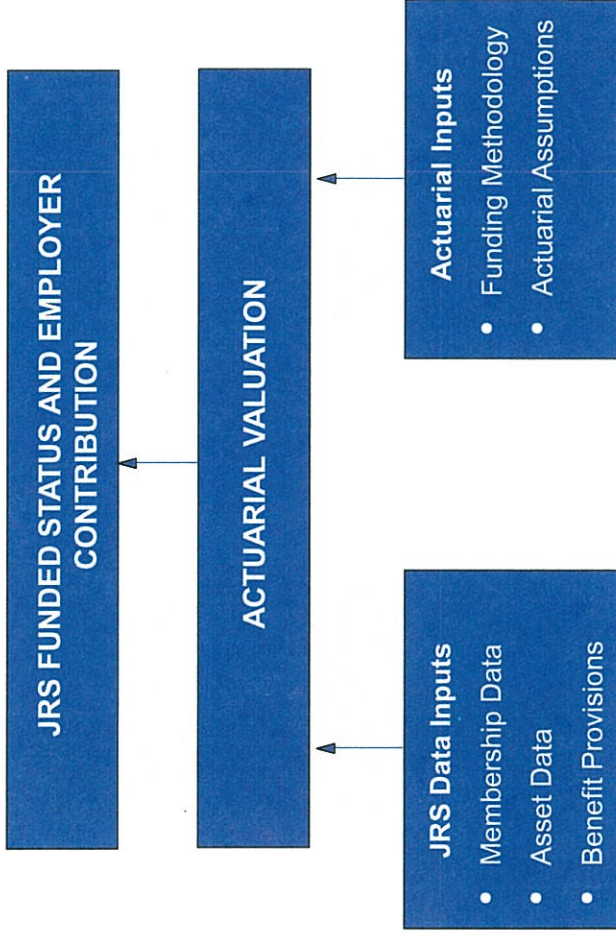


# Agenda



1. Overview of Valuation Process
2. Highlights of 2016 Valuation
3. Economic Assumption Changes
4. Actuarial Valuation Results
5. Demographic Summary

# Overview of Valuation Process



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# Overview of Valuation Process: Actuarial Cost Method



## JRS Cost Method

- Projected Unit Credit
- Required by statute

Projected Unit Credit cost method: determines the System's liabilities attributable to service rendered through the valuation date

Funding methodology - Employers' contributions to the System consist of two components:

- Pension benefit earned during year (normal cost)
- Payment towards amortization of unfunded accrued liability (accrued liability contribution)
  - Per Chapter 78, P.L. 2011: 30-year level dollar amortization phasing-down to a 20-year level dollar amortization beginning 2019

# Highlights of 2016 Valuation

	July 1, 2016 Valuation	July 1, 2015 Valuation
<u>Rate of Return on Total System Assets</u>		
Actuarial Value of Assets (AVA)	4.18%	5.66%
Market Value of Assets (MVA)	(1.38%)	3.89%
<u>Total System Funded Status</u>		
Actuarial Value of Assets (AVA)	35.9%	40.5%
Market Value of Assets (MVA)	31.2%	37.5%

Expected return: 7.90% (valuation assumption) for the period July 1, 2015 to June 30, 2016  
 Active membership has increased by 1.5% from the 2015 valuation (decreased 5.1% since the 2010 valuation).

# Effect on Liabilities and Contributions Due to Changes in Major Assumptions

<u>Assumption</u>	<u>Action</u>	<u>Usual Effect</u>
Interest rate	Increase	Decrease
Inflation rate*	Increase	Increase
Salary increase rate	Increase	Increase
Retirement rate	Retire younger	Increase
Turnover rate	More terminations	Decrease
Mortality rate	Improve mortality	Increase

\*Leaving interest rate unchanged.

# Summary of Economic Assumption Changes



- The rate of investment return has been revised from 7.90% per annum to 7.65% per annum.
- The assumed future salary increases have been reduced by 0.5% at all ages for both the select and ultimate periods. In addition, the select period was extended from the fiscal year 2021 through the fiscal year 2026.

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# Impact of the New Economic Assumptions

Actuarial Accrued Liability - Previous vs Current Assumptions (\$ millions)

	July 1, 2016 Valuation
Actuarial Accrued Liability	
Previous Assumptions	\$ 622.7
Current Assumptions	<u>629.8</u>
Additional Accrued Liability	\$ 7.1

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# Actuarial Valuation Results

System funded status (\$ millions)

	July 1, 2016 Valuation	July 1, 2015 Valuation
<u>Accrued liability</u>		
Actives	\$ 167.8	\$ 170.2
Vested terminated	1.7	1.6
Retirees & beneficiaries	<u>460.3</u>	<u>430.6</u>
Total	\$ 629.8	\$ 602.4
Actuarial value of assets (AVA)	<u>226.3</u>	<u>243.9</u>
Unfunded accrued liability	\$ 403.5	\$ 358.5
Market value of assets (MVA)	\$ 196.4	\$ 225.7
<u>Funded ratio</u>		
AVA	35.9%	40.5%
MVA	31.2%	37.5%

# Actuarial Valuation Results

Net actuarial experience for fiscal-year ended June 30, 2016 (\$ millions)

2015 Valuation AVA	\$	243.9
2016 Valuation AVA	\$	233.8
- Expected		233.8
- Actual		<u>226.3</u>
AVA (Gain)/Loss	\$	7.5
Accrued Liability (Gain)/Loss		<u>6.5</u>
Total (Gain)/Loss	\$	14.0

# Actuarial Valuation Results



Employer recommended pension contribution fiscal year 2018 vs. fiscal year 2017 (\$ millions)

	Fiscal Year 2018	Fiscal Year 2017
Normal Cost	\$ 11.9	\$ 12.6
Accrued Liability	<u>34.6</u>	<u>31.6</u>
Recommended contribution	\$ 46.5	\$ 44.2

27

# Demographic Summary – Active Membership

Item	July 1, 2016 Valuation	July 1, 2015 Valuation
Number	410 1.49%	404
Annualized salaries (Total salaries)	\$ 68.1 Mil 1.49%	\$ 67.1 Mil
Average compensation	\$ 166,006 (0.01%)	\$ 166,082
Average age	58.7 Yrs.	58.1 Yrs.
Average Service	14.1 Yrs.	13.8 Yrs.
Fiscal year	2017-2018	2016-2017
Appropriation payroll	\$ 68.1 Mil	\$ 67.1 Mil

12x

# Demographic Summary – Annuitant Membership

Item	July 1, 2016 Valuation	July 1, 2015 Valuation
<b>Number</b>		
Annuitants	438	427
Survivors and beneficiaries	160	152
Disabled annuitants	<u>7</u>	<u>7</u>
Total	605	586
	3.24%	
<b>Annual annuities</b>		
Annuitants	\$ 45.779 Mil	\$ 44.201 Mil
Survivors and beneficiaries	8.495 Mil	7.946 Mil
Disabled annuitants	<u>.819 Mil</u>	<u>.819 Mil</u>
Total	\$ 55.093 Mil	\$ 52.966 Mil
	4.02%	
<b>Average annuities</b>		
Annuitants	\$ 104,519	\$ 103,516
Survivors and beneficiaries	53,097	52,275
Disabled annuitants	<u>116,938</u>	<u>116,938</u>
Total	\$ 91,063	\$ 90,385
	0.75%	

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## City of Perth Amboy

Wilda Diaz, Mayor

May 11, 2017

Amy Melick, Deputy Chief Counsel  
Office of the Governor  
State of New Jersey  
P.O. Box 001  
Trenton, NJ 08625

**Re: City of Perth Amboy - Green Acres Diversion Application  
Buckeye Partners L.P. Pipeline Project  
File No.: 13043.7000**

Dear Ms. Melick:

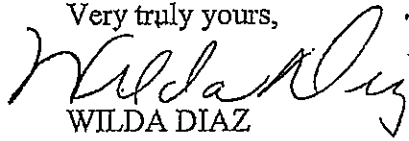
On behalf of the City of Perth Amboy, I am writing in regard to the upcoming State House Commission hearing on the above-referenced Green Acres application. Working with Buckeye Partners, L.P., and the New Jersey Department of Environmental Protection Green Acres Program, the City of Perth Amboy has reviewed this project and supports it, after soliciting public input at a scoping hearing, an open house and a public hearing.

We have been informed that, in order for this matter to be considered on the June 12<sup>th</sup> State House Commission agenda, all supporting documentation must be forwarded from the Green Acres Program to the State House Commission by May 22, 2017. Due to the need to consider oral comments provided at the public hearing on May 3, 2017 and written comments which can be submitted as late as May 17, 2017, our Council cannot consider the final Resolution of Approval until its meeting scheduled for May 24, 2017. The City intends to provide all other information required before May 22, 2017 so that it can be timely submitted to the State House Commission. However, we request that the Commission accept this submission and place the application on its June 12<sup>th</sup> agenda with the understanding that the City will provide NJDEP and the Commission with an adopted resolution no later than close of business, May 26, 2017.

It is very important to Buckeye and the City that this matter be considered at the June State House Commission meeting and not be deferred to a later meeting. Your consideration would be greatly appreciated.

Please contact me to discuss this and to address any questions you may have regarding it.

Very truly yours,



WILDA DIAZ

Mayor of Perth Amboy

cc: Robert J. Shaughnessy, Jr., Secretary - State House Commission  
Judith Yeany, Esq., NJDEP  
Nancy Lawrence, NJDEP  
Wendy Rubinstein, Esq., DeCotiis Law

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