



State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
(609) 292-7524 TDD (609) 292-7718
www.state.nj.us/treasury/pensions

JON S. CORZINE
Governor

MAILING ADDRESS:
PO Box 295
TRENTON NJ 08625-0295

LOCATION:
50 WEST STATE STREET
TRENTON NEW JERSEY

BRADLEY I. ABELOW
State Treasurer

FREDERICK J. BEAVER
Director

August 28, 2006


Pamela H. Espenshade
James F. Vari
Office of Legislative Services
State House Annex
P O Box 068
Trenton, New Jersey 08625-0068

Dear Ms. Espenshade & Mr. Vari:

Per the request of Senator Nicholas Scutari and Assemblywoman Nellie Pou, enclosed are the Division's written responses to questions that were raised before the Joint Legislative Committee on Public Employee Benefits Reform hearing on August 9, 2006

Should you have any questions I can be reached at (609) 292-3678.

Sincerely,


Frederick J. Beaver
Director

FJB:slw
Enclosures



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Nicholas P. Scutari, Co-Chair
Nellie Pou, Co-Chair
Joint Legislative Committee on
Public Employee Benefits Reform
Office of Legislative Services
State House Annex
PO Box 068
Trenton, New Jersey 08625-0068

Dear Senator Scutari & Assemblywoman Pou:

This is in reply to your August 14, 2006 letter requesting that Division of Pensions and Benefits Director Frederick J. Beaver provide a written response to the following questions raised by members of the joint committee at the hearing of August 9, 2006.

Assemblywoman Pou:

- What is the current number of outstanding pension loans to members and the dollar value of these outstanding loans?

Response: Please see Exhibit 1 (enclosed).

- Please provide any report the Department of Personnel may have compiled comparing the salaries and benefits of State employees with similar job titles and functions for private sector employees in New Jersey.

Response: We are awaiting this information from the Department of Personnel and will provide it as soon as it is received.

Assemblyman Giblin:

- What is the total number of employees enrolled in the retirement system through multiple jobs who aggregate their salaries for the purpose of increasing their retirement calculation?

Response: Please see Exhibit 2 (enclosed).

- For the most recent year for which data is available, please provide a chart comparing the actuarial funding ratio of New Jersey with other state public employee pension plans.

Response: Please see Exhibit 3 (enclosed).

- How does New Jersey's funding ratio rank among the other states?

Response: Please see Exhibit 3 (enclosed).

- What is the number of entities that have moved into and out of the SHBP recently?

Response: Exhibit 4 (enclosed) summarizes Local Employer Group voluntary entrances and terminations from State Health Benefits Program (SHBP) participation from 1996 to present.

Assemblyman O'Toole:

- What is the aggregate cost of the State and local government employers (municipal, education) to fund health benefits for their active employees? Please provide the committee with the cost to the State to provide health care benefits for active State and higher education employees and retired State and higher education employees. What is the cost to the State to fund post-retirement medical benefits to county, municipal and school board retirees? What is the cost to local government employers enrolled in the SHBP to fund their active employee health care benefits? What is the local government cost to fund retiree health care benefits? What is the estimated cost to local government employers not enrolled in the SHBP to provide these same health care benefits?

Response: Exhibit 5 (enclosed) reflects SHBP costs. The Division of Pensions and Benefits does not have information pertaining to health care costs for local public employees and retirees who receive coverage outside of the SHBP.

- For FY 2007, what is the total pension cost to the State and local government employers? Please compare these totals with the actuarial required contribution for both the State and local government employers for each system.

Response: Please see Exhibit 6 (enclosed).

- Of the amount of increase in State funding for post-retirement medical benefits, please indicate the percentage of change due to the medical rate of inflation, increased enrollment and other factors.

Response: Please see Exhibit 7 (enclosed).

Senator Gormley:

- Please provide the committee with any information the Division of Pension and Health Benefits provided to the Legislature or the Governor's office prior to the passage of P.L.2001, c.133 (known as n/55), which increased PERS and TPAF pensions by 9.09 percent.

Response: Please see Exhibit 8 (enclosed).

Senator Scutari:

- Please rank by importance the recommendations contained in the Benefits Review Task Force report and provide the estimated savings of each of these recommendations.

Response: I discussed the recommendations of the Benefits Review Task Force regarding pensions during my presentation of August 24, 2006.

I will provide the information compiled by the Department of Personnel that you have requested as soon as it is received in my office. Please let me know if there is any additional information you require at this time.

Sincerely,



Frederick J. Beaver
Director

FJB:slw
Enclosures

EXHIBIT 1

Total Outstanding Pension Loan Balances by System Including Number of Active and Retired Members With Outstanding Loans as of June 30, 2006

Retirement System	Active Members	Total Loan Balance
TPAF	24,245	\$ 205,968,681
PERS	77,802	446,487,807
PFRS	22,134	425,049,621
SPRS	1,384	26,725,792
LEGS	8	71,182
Total		\$ 1,104,303,083
Retirement System	Retired Members*	Total Loan Balance
TPAF	10,034	\$ 16,256,139
PERS	24,222	26,646,058
PFRS	12,677	43,806,994
SPRS	863	3,046,840
Total		\$ 89,756,031
Grand Total		\$ 1,194,059,114

*Retiring employees are permitted to carry existing loans into retirement.

EXHIBIT 2

Members Holding Multiple Employments within Retirement System As of June 30, 2006

Retirement System	Number of Members	Number of Employers
TPAF	208	2
	5	3
Total TPAF	213	
PERS	3,985	2
	473	3
	157	4
	60	5
	24	6
	13	7
	13	8
	2	9
	2	10
	2	11
Total PERS	4,731	

EXHIBIT 3

PUBLIC FUND SURVEY



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Actuarial Funding Levels:

- [Click here to switch to Ascending](#), [click here to switch to Descending](#)
- Then click column headings to sort
- Click single 'Plan Name' to view report for selected record
- View graph showing funding levels and liabilities
- [Click here to Scroll through Plans alpha by State](#)

	Actuarial Funding Ratio	Actuarial Assets (000's)	Actuarial Liabilities (000's)	Unfunded Liability (Surplus) (000's)
Aggregate for the 125 Plans shown here	86.6%	\$2,177,657,261	\$2,513,992,526	\$336,335,265

No.	State	Plan Name	Actuarial Funding Ratio	Actuarial Assets	Actuarial Liabilities	Unfunded Liability (Surplus)	Actuarial Valuation Date	for FY ending
1	ME	Maine Local	111.5	\$1,663,016	\$1,491,667	(\$171,349)	6/30/2004	6/30/2005
2	WA	Washington LEOFF Plan 1	109.4	\$4,666,000	\$4,266,000	(\$400,000)	9/30/2004	6/30/2005
3	NC	North Carolina Teachers and State Employees	108.1	\$47,383,509	\$43,827,854	(\$3,555,655)	12/31/2004	6/30/2005
4	FL	Florida RS	107.3	\$111,539,878	\$103,917,955	(\$7,621,923)	7/1/2005	6/30/2005
5	TX	Texas County & District	104.4	\$13,441,414	\$12,872,100	(\$569,314)	12/31/2005	12/31/2005
6	CA	San Francisco City & County	103.8	\$11,299,997	\$10,885,455	(\$414,542)	6/30/2004	6/30/2005
7	TX	Texas LECOS	103.1	\$698,814	\$677,953	(\$20,861)	8/31/2005	8/31/2005
8	DE	Delaware State Employees	101.6	\$5,660,057	\$5,572,719	(\$87,338)	6/30/2005	6/30/2005
9	GA	Georgia Teachers	100.9	\$44,617,956	\$44,230,031	(\$387,925)	6/30/2004	6/30/2005
10	IN	Indiana PERF	100.1	\$9,853,976	\$9,844,353	(\$9,623)	7/1/2004	6/30/2005
11	WA	Washington Teachers Plan	100.0	\$4,138,100	\$4,138,100	\$0	9/30/2004	6/30/2005

		2/3						
12	DC	DC Teachers	100.0	\$917,800	\$917,800	\$0	10/1/2003	9/30/2004
13	DC	DC Police & Fire	100.0	\$1,427,800	\$1,427,800	\$0	10/1/2002	9/30/2004
14	NY	NY State & Local ERS	100.0	\$110,094,000	\$110,094,000	\$0	4/1/2004	3/31/2005
15	WA	Washington PERS 2/3	100.0	\$11,431,100	\$11,431,100	\$0	9/30/2004	6/30/2005
16	NY	New York City Teachers	100.0	\$32,817,102	\$32,827,541	\$10,439	6/30/2004	6/30/2005
17	WA	Washington LEOFF Plan 2	100.0	\$2,947,300	\$2,947,300	\$0	9/30/2004	6/30/2005
18	WA	Washington School Employees Plan 2/3	100.0	\$1,630,000	\$1,630,000	\$0	9/30/2002	6/30/2005
19	NY	NY State & Local Police & Fire	100.0	\$20,371,000	\$20,371,000	\$0	4/1/2004	3/31/2005
20	TN	TN State and Teachers	99.8	\$23,627,160	\$23,266,967	(\$360,193)	7/1/2005	6/30/2005
21	NY	New York City ERS	99.6	\$40,088,213	\$40,236,258	\$148,045	6/30/2003	6/30/2005
22	WI	Wisconsin Retirement System	99.4	\$66,209,400	\$66,622,300	\$412,900	12/31/2004	12/31/2004
23	NC	North Carolina Local Government	99.3	\$13,377,297	\$13,466,189	\$88,892	12/31/2004	6/30/2005
24	NY	New York State Teachers	99.2	\$72,044,400	\$72,604,900	\$560,500	6/30/2004	6/30/2005
25	MN	Minnesota Teachers	98.5	\$17,752,917	\$18,021,410	\$268,493	6/30/2004	6/30/2005
26	VT	Vermont State Employees	97.8	\$1,148,908	\$1,174,796	\$25,888	6/30/2005	6/30/2005
27	TX	Houston Firefighters	97.6	\$1,922,000	\$1,970,000	\$48,000	7/1/2002	6/30/2005
28	GA	Georgia ERS	97.2	\$13,134,472	\$13,512,773	\$378,301	6/30/2005	6/30/2005
29	SD	South Dakota PERS	96.6	\$5,380,999	\$5,571,842	\$190,843	6/30/2005	6/30/2005
30	OR	Oregon PERS	96.1	\$42,874,400	\$44,625,600	\$1,751,200	12/31/2003	6/30/2005
31	MN	Minnesota State Employees	95.6	\$8,081,736	\$8,455,336	\$373,600	6/30/2004	6/30/2005
32	MO	Missouri Local	95.1	\$2,984,489	\$3,139,260	\$154,771	2/28/2005	6/30/2005
33	TX	Texas ERS	94.8	\$20,835,469	\$21,969,670	\$1,134,201	8/31/2005	8/31/2005
34	IL	Illinois Municipal	94.6	\$19,698,401	\$20,815,060	\$1,793,990	12/31/2005	12/31/2005
35	ID	Idaho PERS	94.2	\$8,208,200	\$8,778,700	\$570,500	7/1/2005	6/30/2005

36	NC	Charlotte Firefighters	94.1	\$274,948	\$292,341	\$17,393	7/1/2004	6/30/2004
37	RI	Rhode Island Municipal	93.2	\$879,450	\$943,546	\$64,096	6/30/2003	6/30/2004
38	PA	Pennsylvania State ERS	92.9	\$26,794,000	\$28,852,000	\$2,058,000	12/31/2005	12/31/2005
39	AZ	Arizona SRS	92.5	\$22,659,000	\$24,506,000	\$1,847,000	6/30/2004	6/30/2005
40	UT	Utah Noncontributory	92.2	\$13,065,512	\$14,166,548	\$1,101,036	12/31/2005	12/31/2005
41	MN	Minneapolis ERF	92.1	\$1,513,389	\$1,643,140	\$129,751	7/1/2004	6/30/2004
42	TN	TN Political Subdivisions	91.9	\$3,605,529	\$3,923,475	\$317,946	7/1/2005	6/30/2005
43	NM	New Mexico PERF	91.6	\$10,008,511	\$10,920,967	\$912,456	6/30/2005	6/30/2005
44	PA	Pennsylvania School Employees	91.2	\$52,094,500	\$57,123,000	\$5,028,500	6/30/2004	6/30/2005
45	ND	North Dakota PERS	90.8	\$1,236,100	\$1,361,200	\$125,100	6/30/2004	6/30/2005
46	VT	Vermont Teachers	90.7	\$1,354,006	\$1,492,150	\$138,144	6/30/2005	6/30/2005
47	KY	Kentucky County	90.5	\$6,511,562	\$7,180,884	\$2,500,268	6/30/2004	6/30/2005
48	VA	Virginia Retirement System	90.3	\$39,691,000	\$43,958,000	\$4,267,000	6/30/2004	6/30/2005
49	AL	Alabama ERS	89.7	\$8,563,945	\$9,546,478	\$982,533	9/30/2004	9/30/2005
50	AL	Alabama Teachers	89.6	\$18,704,009	\$20,886,190	\$2,182,181	9/30/2004	9/30/2005
51	MD	Maryland Teachers	89.3	\$20,801,529	\$23,305,198	\$1,568,763	6/30/2005	6/30/2005
52	IA	Iowa PERS	88.7	\$17,951,490	\$20,240,099	\$2,288,609	6/30/2004	6/30/2005
53	CO	Denver Schools	88.2	\$2,611,524	\$2,960,990	\$349,466	1/1/2005	12/31/2004
54	SC	South Carolina Police	87.7	\$2,616,835	\$2,984,584	\$367,749	7/1/2004	6/30/2005
55	OH	Ohio PERS	87.6	\$50,452,000	\$57,604,000	\$7,152,000	12/31/2004	12/31/2005
56	CA	California PERF	87.3	\$169,899,000	\$194,609,000	\$24,710,000	6/30/2004	6/30/2005
57	TX	Texas Teachers	87.1	\$89,299,000	\$102,495,000	\$13,196,000	8/31/2005	8/31/2005
58	MD	Maryland PERS	86.7	\$11,855,673	\$13,671,756	\$1,106,923	6/30/2005	6/30/2005
59	MN	Duluth Teachers	86.4	\$268,481	\$310,924	\$42,443	7/1/2005	6/30/2005
60	MO	St. Louis School Employees	86.3	\$935,300	\$1,084,400	\$149,100	1/1/2005	12/31/2005

61	CA	California Teachers	85.7	\$121,882,000	\$142,193,000	\$24,160,000	6/30/2005	6/30/2005
62	NE	Nebraska Schools	85.6	\$5,335,197	\$6,234,658	\$899,461	7/1/2005	6/30/2005
63	MT	Montana PERS	85.5	\$3,179,010	\$3,719,998	\$466,798	6/30/2005	6/30/2005
64	NJ	New Jersey PERS	85.3	\$27,113,000	\$31,774,000	\$4,661,000	6/30/2005	6/30/2005
65	WY	Wyoming Public Employees	85.0	\$4,704,299	\$5,536,192	\$831,893	1/1/2005	12/31/2004
66	VA	Fairfax County Schools	84.9	\$1,643,020	\$1,935,582	\$292,562	12/31/2004	6/30/2005
67	MO	Missouri State Employees	84.9	\$6,435,344	\$7,578,028	\$1,142,684	6/30/2005	6/30/2005
68	MI	Michigan SERS	84.5	\$10,149,000	\$12,004,000	\$1,855,000	9/30/2004	9/30/2005
69	AZ	Phoenix ERS	84.2	\$1,511,553	\$1,795,514	\$283,961	6/30/2005	6/30/2005
70	NJ	New Jersey Police & Fire	84.0	\$18,703,390	\$22,278,239	\$3,574,849	6/30/2004	6/30/2005
71	WA	Washington Teachers Plan 1	83.9	\$8,728,000	\$10,401,000	\$1,673,000	9/30/2004	6/30/2005
72	AR	Arkansas Teachers	83.8	\$8,424,000	\$10,050,000	\$1,626,000	6/30/2004	6/30/2004
73	MI	Michigan Public Schools	83.7	\$38,784,000	\$46,317,000	\$7,533,000	9/30/2004	9/30/2005
74	WV	West Virginia PERS	83.6	\$3,404,650	\$4,072,548	\$667,898	7/1/2005	6/30/2005
75	MO	Missouri Non-Teachers	83.3	\$2,011,566	\$2,414,494	\$402,928	6/30/2005	6/30/2005
76	MA	Massachusetts SERS	82.8	\$16,210,981	\$19,575,338	\$3,364,357	12/31/2003	12/31/2005
77	CA	LA County ERS	82.8	\$27,089,440	\$32,700,505	\$5,611,065	6/30/2004	6/30/2005
78	TX	Texas Municipal	82.7	\$12,486,100	\$15,095,200	\$2,609,100	12/31/2005	12/31/2005
79	MO	Missouri Teachers	82.7	\$23,049,441	\$27,881,513	\$4,832,072	6/30/2005	6/30/2005
80	OH	Ohio Police & Fire	82.6	\$8,682,704	\$10,508,367	\$1,825,663	1/1/2003	12/31/2004
81	AZ	Arizona Public Safety Personnel	82.1	\$4,886,963	\$5,951,937	\$1,064,974	6/30/2005	6/30/2005
82	CA	Contra Costa County	82.0	\$3,673,858	\$4,481,243	\$807,385	12/31/2004	12/31/2005
83	AR	Arkansas PERS	81.6	\$4,584,000	\$5,619,000	\$1,035,000	6/30/2005	6/30/2005
84	NJ	New Jersey Teachers	80.8	\$34,690,000	\$42,920,000	\$8,230,000	6/30/2005	6/30/2005
85	CA	San Diego County	80.3	\$5,612,320	\$6,990,726	\$1,378,406	6/30/2005	6/30/2005
86	SC	South Carolina	80.3	\$20,862,659	\$25,977,852	\$5,115,193	7/1/2004	6/30/2005

		RS						
87	IL	Chicago Teachers	79.0	\$10,506,471	\$13,295,876	\$2,789,405	6/30/2005	6/30/2005
88	CO	Colorado Municipal	78.0	\$2,358,719	\$3,022,624	\$663,905	12/31/2005	12/31/2005
89	TX	City of Austin ERS	78.0	\$1,398,800	\$1,794,200	\$395,400	12/31/2004	12/31/2005
90	NV	Nevada Regular Employees	77.3	\$14,492,171	\$18,744,127	\$4,251,956	6/30/2005	6/30/2005
91	WA	Washington PERS 1	77.2	\$9,928,000	\$12,855,000	\$2,927,000	9/30/2004	6/30/2005
92	MI	Michigan Municipal	76.7	\$4,731,400	\$6,164,800	\$1,433,400	12/31/2004	12/31/2005
93	KY	Kentucky Teachers	76.3	\$14,598,800	\$19,134,800	\$4,536,000	6/30/2005	6/30/2005
94	ND	North Dakota Teachers	74.8	\$1,469,700	\$1,965,200	\$495,500	7/1/2005	6/30/2005
95	KY	Kentucky ERS	74.6	\$5,983,974	\$8,018,069	\$2,034,095	6/30/2004	6/30/2005
96	MN	Minnesota PERF	74.5	\$11,843,936	\$15,892,555	\$4,048,619	6/30/2005	6/30/2005
97	OH	Ohio School Employees	74.3	\$8,893,000	\$11,961,000	\$3,068,000	6/30/2005	6/30/2005
98	MT	Montana Teachers	73.4	\$2,497,500	\$3,527,000	\$1,029,500	7/1/2005	6/30/2005
99	CO	Colorado State & School	72.9	\$31,721,141	\$43,505,716	\$11,784,575	12/31/2005	12/31/2005
100	OH	Ohio Teachers	72.8	\$53,765,570	\$73,817,114	\$20,051,544	6/30/2005	6/30/2005
101	MS	Mississippi PERS	72.4	\$17,180,705	\$23,727,098	\$6,546,393	6/30/2005	6/30/2005
102	OK	Oklahoma PERS	72.0	\$5,450,665	\$7,575,420	\$2,124,755	7/1/2005	6/30/2005
103	NH	New Hampshire Retirement System	71.1	\$3,901,151	\$5,355,387	\$1,454,236	6/30/2003	6/30/2004
104	NM	New Mexico Teachers	70.4	\$7,457,500	\$10,591,800	\$3,134,300	6/30/2005	6/30/2005
105	AK	Alaska PERS	70.2	\$8,030,414	\$11,443,916	\$3,413,502	6/30/2004	6/30/2005
106	NV	Nevada Police Officer and Firefighter	69.8	\$3,394,368	\$4,864,574	\$1,470,206	6/30/2005	6/30/2005
107	KS	Kansas PERS	69.8	\$10,971,427	\$15,714,092	\$4,742,665	12/31/2004	6/30/2005
108	MN	St. Paul Teachers	69.7	\$905,293	\$1,299,832	\$394,539	6/30/2005	6/30/2005
109	MA	Massachusetts Teachers	69.6	\$17,074,000	\$24,519,000	\$7,445,000	1/1/2002	12/31/2003
110	HI	Hawaii ERS	68.6	\$8,914,839	\$12,985,989	\$4,071,150	6/30/2005	6/30/2005
		Maine State and						

111	ME	Teacher	68.3	\$6,452,570	\$9,442,389	\$2,989,819	6/30/2004	6/30/2005
112	IL	Illinois Universities	65.6	\$13,350,300	\$20,349,900	\$6,999,600	6/30/2005	6/30/2005
113	CT	Connecticut Teachers	65.3	\$9,846,700	\$15,070,500	\$5,223,800	6/30/2004	6/30/2005
114	LA	Louisiana Teachers	64.6	\$12,082,682	\$18,699,765	\$6,617,083	6/30/2005	6/30/2005
115	AK	Alaska Teachers	64.3	\$3,845,370	\$6,123,600	\$2,278,230	6/30/2004	6/30/2005
116	LA	Louisiana SERS	61.5	\$6,673,500	\$10,847,062	\$4,173,562	6/30/2005	6/30/2005
117	IL	Illinois Teachers	60.8	\$34,085,218	\$56,075,029	\$21,989,811	7/1/2005	6/30/2005
118	RI	Rhode Island ERS	59.4	\$5,543,427	\$9,328,983	\$3,785,556	6/30/2004	6/30/2004
119	IL	Illinois SERS	54.4	\$10,494,148	\$19,304,646	\$8,810,498	6/30/2004	6/30/2005
120	MO	Missouri DOT and Highway Patrol	53.9	\$1,417,349	\$2,627,409	\$1,210,060	6/30/2005	6/30/2005
121	CT	Connecticut SERS	53.3	\$8,517,677	\$15,987,547	\$7,469,870	6/30/2005	6/30/2005
122	OK	Oklahoma Teachers	49.5	\$6,952,700	\$14,052,400	\$7,099,700	6/30/2005	6/30/2005
123	MN	Minneapolis Teachers	44.6	\$783,354	\$1,755,913	\$972,559	7/1/2004	6/30/2005
124	IN	Indiana Teachers	43.4	\$7,065,299	\$16,264,893	\$9,199,594	6/30/2005	6/30/2005
125	WV	West Virginia Teachers	24.6	\$1,627,355	\$6,617,708	\$4,990,353	6/30/2005	6/30/2005

*Funds with an unfunded liability of zero use the aggregate cost actuarial valuation method. Under this method, the actuarial value of liabilities is equal to the actuarial value of assets and no unfunded liability is identified.



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EXHIBIT 4

Recent SHBP Local Employer Participation Activity

	Employer Resolutions to Enroll or Re-enroll in SHBP	Employer Resolutions to Terminate Participation
YTD 2006 through 9/1/2006	13	50
2005	16	22
2004	23	25
Total Activity	52	97

- * There are approximately 934 participating Local Employers as of September 1, 2006
- * Approximately 39% of School Districts
- * Approximately 52% of Municipalities
- * All County Colleges except 2
- * 5 Counties

EXHIBIT 5

Cost to Fund Health Care Benefits for State & Local Employers Participating in the State Health Benefits Program

	FY 2005	FY 2006
<u>State Cost</u>		
Active Employees		
Health	\$ 752,784,091	\$ 743,162,063
Rx	229,269,133	268,712,350
Dental	22,063,629	36,776,718
Total	\$ 1,004,116,853	\$ 1,048,651,131
State Post Retirement Medical (PRM)	\$ 277,747,478	\$ 303,869,729
State-Paid Local PRM	583,802,948	655,859,526
Total State-Paid PRM	\$ 861,550,425	\$ 959,729,254
<u>Local Employer Cost</u>		
Active Employees		
Health	\$ 1,035,424,312	\$ 1,089,460,965
Rx	91,531,212	98,432,711
Dental	210,733	764,084
Total	\$ 1,127,166,257	\$ 1,188,657,760
Total Retired Local PRM	\$ 140,493,182	\$ 152,474,157

EXHIBIT 6

FY 2007 State and Local Employer Pension Contributions

Retirement System	Actuarially Determined Contribution	Funding Amount
<u>State</u>		
PERS	\$ 358,577,900	\$ 212,377,000
TPAF	1,189,756,459	697,143,000
PFRS	217,894,980	127,404,001
SPRS	51,401,123	30,090,000
JRS	22,743,628	13,384,000
CPFPPF	1,784,000	1,784,000
POPF	-	-
Total State	\$ 1,842,158,090	\$ 1,082,182,001
<u>Local</u>		
PERS	\$ 379,201,300	\$ 227,520,780
PFRS	528,429,022	422,743,218
Total Local	\$ 907,630,322	\$ 650,263,998
Grand Total	\$ 2,749,788,412	\$ 1,732,445,999

EXHIBIT 7

Change in State Post Retirement Medical (PRM) Funding Due To Increased Enrollment & Other Factors

Percentage Increase in PRM Funding:

Total PRM Funding - FY 2006	\$	959,729,254
Total PRM Funding - FY 2005		861,550,425
Increase in State Funding	\$	98,178,829
% Increase		11.4%

Breakdown Between Increased Enrollment & Other Factors:

FY 2006 Enrollment	91,473
FY 2005 Enrollment	86,562
Enrollment Increase	4,911
% Increase Attributable to Enrollment	5.7%
% Increase Attributable to Other Factors	5.7%

EXHIBIT 8

Division of Pensions and Benefits

Bill Comments

Bill Number: S-2450
Same as: A-3506

Sponsors: Inverso/Matheussen + 19

Recommendation: Neutral.

Executive Summary:	<ul style="list-style-type: none">• Increases PERS and TPAF retirement benefit formula from 1/60 to 1/55 of final compensation for each year of service;• Significant surplus pension assets provides the impetus for the benefit enhancement;• Relative priority; High.
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Bill Description:

This bill increases the retirement benefits under the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) for service, deferred and early retirement by changing the formula from 1/70 to 1/64 of final compensation for each year of Class A service and from 1/60 to 1/55 of final compensation for each year of Class B service. Class B service has been the type of membership for TPAF and PERS members since the mid-1950s. The bill also increases the retirement benefit for TPAF and PERS veteran members with 35 or more years of service and reduces the age qualification from 60 to 55. The bill further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowances.

The bill provides for a reduction in TPAF member contributions. At present, the TPAF member rate of contribution is 4.5%. This bill provides that after 2001, the rate of contribution will be reduced equally with employer normal contributions, but not by more than 2%, from excess valuation assets if the State Treasurer determines that excess valuation assets will be used to reduce normal contributions by the State. This change provides that future reductions in TPAF and PERS member contribution rates will be calculated in a similar fashion.

To fund the additional accrued liability for the increased benefits, the bill provides that the actuarial value of assets for both TPAF and PERS, for the valuation period ending June 30, 1999, will be the full market value of the assets as of that date.

To fund the additional annual employer normal contribution for the increased benefits, the bill establishes a benefit enhancement fund for both TPAF and PERS which would be funded by excess valuation assets beginning with the valuation period ending June 30, 1999. The amount of excess assets credited to the fund cannot exceed the amount of member contributions for the fiscal year in which the normal contributions are payable. To prevent over funding, the amount of excess valuation assets that can be credited to the benefit enhancement fund is limited to the present value of the expected additional normal contributions for the increased benefits over the expected working lives of the active members for the valuation period. No additional excess valuation assets will be credited to the benefit enhancement fund after the maximum amount is attained. If the assets in the benefit enhancement fund are insufficient to pay the normal contribution for the increased benefits for a valuation period, the State will pay the amount of the normal contribution not covered by assets from the benefit enhancement fund.

Policy Considerations:

The existence of significant surplus pension assets provides the impetus to enhance the pension benefits for members of the PERS and TPAF without increasing employer pension costs.

The current method for funding the pension system allows for the use of excess valuation assets to offset both employer and employee contributions to the funds. Investment returns on pension system assets have generated a significant level of excess valuation assets over recent years. Economic models indicate sufficient excess assets are available to fund the additional liabilities generated by this bill and continue to provide the State and local PERS employers with pension contribution holidays for the current and subsequent fiscal years.

The provision in this bill to enable up to a 2% reduction in the TPAF member contribution rate would put TPAF members in line with PERS members who received a similar reduction under P.L. 1999, c.415.

To determine the annual employer pension contributions requirements, pension system assets are valued each year as of June 30th. The PERS valuations as of June 30, 1999 and June 30, 2000 indicate substantial excess valuation assets and surplus market assets to cover the additional pension liabilities generated by this benefit enhancing legislation. Since assets will not be valued again until June 30, 2001, it is premature to determine the market conditions impact on the pension system assets. However, the existence of surplus

market assets is critical to funding the additional liabilities with out the threat of generating an unfunded accrued pension liability. The market value of assets at April 30, 2001 indicates there are sufficient surplus assets to fund the additional liabilities that would be created under this bill.

Asset Valuation Data
(In Billions)

	June 30, 1999		June 30, 2000		April 30, 2001	
	PERS-Total	TPAF	PERS-Total	TPAF	PERS-Total	TPAF
Market Value Assets	\$25.9	\$33.0	\$28.0	\$35.8	\$24.2	\$31.3
Valuation Assets	\$22.4	\$27.9	\$24.3	\$30.6		
Accrued Liability	\$19.3	\$26.0	\$20.7	\$27.8		
Unfunded Liability/(Surplus)	\$(3.1)	\$(1.9)	\$(3.6)	\$(2.8)		
Surplus Market Assets	\$3.6	\$5.0	\$3.7	\$5.2	\$1.8	\$3.4
Net Excess Valuation Assets	\$2.1	\$0.7	\$2.2	\$1.6		
Total Available Assets	\$5.7	\$5.7	\$5.8	\$6.8		
Additional Liability	\$1.5	\$2.4				
Remaining Surplus	\$4.2	\$3.3				

Impact on Pensions Operations:

Significant programming changes would be required.

Impact on General Fund:

PERS State and local pension liability will increase by \$614 million and \$875 million, respectively, and by \$2.4 billion for the TPAF. Increased annual normal cost is estimated to be \$19 million and \$28 million for PERS State and local respectively, and \$54 million for TPAF. Excess pension assets will fund the additional pension liability and increased normal cost, consequently, producing no immediate budgetary impact.

See **Schedule A** for historical employer contribution savings resulting from excess pension assets and actual employee costs.

Administrative expense to implement this bill is estimated to be \$500,000

Schedule A: Employer Savings/Employee Cost											
PERS											
	Funded Ratio			Employer Contribution Savings			Employee Contributions			Total	
	State	Local	Total	State	Local	Total	State	Local	Total		
FY 1997 (VAL 1995)	92.9%	102.3%	64,807,021	64,807,021		64,807,021				335,034,312	
FY 1998 (VAL 1996)	105.5%	110.7%	77,957,375	107,535,108	185,492,483	138,326,415	221,523,055			359,849,470	
FY 1999 (VAL 1997)	105.8%	109.6%	85,666,774	132,761,819	218,428,593	152,746,861	243,613,227			396,360,088	
FY 2000 (VAL 1998)	106.2%	111.7%	101,850,214	152,100,157	253,950,371	159,964,239	253,423,795			413,388,034	
FY 2001 (VAL 1999)	113.5%	118.0%	114,503,208	172,243,927	286,747,135	198,225,633	306,946,396			505,172,029	
FY 2002 (VAL 2000)	114.1%	119.8%	123,463,990	177,785,651	301,249,641	132,247,791	212,121,687			344,369,478	
Totals			568,248,582	742,426,662	1,310,675,244	781,510,939	1,237,628,160			2,354,173,411	
TPAF											
	Funded Ratio			Employer Contribution Savings			Employee Contributions			Total	
	State	Local	Total	State	Local	Total	State	Local	Total		
FY 1997 (VAL 1995)	92.0%		63,359,776							242,712,534	
FY 1998 (VAL 1996)	105.1%		214,252,789							269,943,536	
FY 1999 (VAL 1997)	103.9%		27,496,777							311,315,250	
FY 2000 (VAL 1998)	104.2%		287,957,815							339,471,091	
FY 2001 (VAL 1999)	107.5%		333,798,826							434,665,779	
FY 2002 (VAL 2000)	110.2%		344,430,433							344,622,228	
Totals			1,271,296,416							1,942,730,418	
Grandtotals											
			1,839,544,998	742,426,662	2,581,971,660					4,296,903,829	