



State of New Jersey

Department of the Treasury

For Immediate Release:
July 26, 2007

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SHBC Receives Actuarial Report on Retiree Health Care Liability

TRENTON – The State Health Benefits Commission today received an actuarial valuation of New Jersey’s Other Post Employment Benefit (OPEB) liability as required under national accounting rules adopted by the Government Accounting Standards Board.

Under the rules (GASB Rule Nos. 43 and 45), public employers are required to disclose their estimated long-term obligations every two years. The rules do not change any employer funding obligations for retiree health benefits or the method of funding those obligations.

The actuarial report prepared by Aon Consulting and presented to the Commission today, estimated New Jersey’s health care obligation for current retirees as well as future retirees at \$58 billion as of July 1, 2007. That figure includes estimated costs for active and retired state workers and teachers. The report said the estimated Post Retirement Medical liability for local governments participating in the State Health Benefits Plan is \$10.7 billion for their active and retired employees.

Approximately 50 percent of local governments in New Jersey participate in the SHBP.

The report marks the first time New Jersey has been required to disclose its estimated OPEB obligation under the new GASB rules.

The Corzine Administration has made financial accountability of the pension fund and of OPEB a clear goal consistent with GASB standards. OPEB is one of the largest debt obligations that New Jersey carries, yet is one of many obligations for which the state has failed to put in place financing. New Jersey has a pay go system that drives consistent growth in expenditures each year, and has begun to address that with the reforms put in place this year.

New Jersey funds its retiree health benefit costs on a pay-as-you-go basis. The FY 2008 budget allocates \$1.1 billion for post retirement medical coverage (PRM).

The report is available online at <http://www.state.nj.us/treasury/pensions/gasb-43-july2007.pdf>.

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