



**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, 2020

(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:

We have audited the accompanying 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, 2020, 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 (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, 2020, and the related notes.

### *Management's Responsibility for the Schedules*

Management is responsible for the preparation and fair presentation of these schedules in accordance with U.S. generally accepted accounting principles; this includes 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' Responsibility*

Our responsibility is to express opinions on the schedule of employer and nonemployer allocations and the specified column totals included in the schedule of OPEB amounts by employer and nonemployer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer. The procedures selected depend on the auditors' judgment, including the assessment of 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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer and nonemployer allocations and specified column totals included in the schedule of OPEB amounts by employer and nonemployer 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



*Opinions*

In our opinion, the 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 for the total of all participating entities of the Plan as of and for the year ended June 30, 2020, in accordance with U.S. generally accepted accounting principles.

*Other Information*

The supplemental schedule of employer special funding allocations and supplemental schedule of special funding amounts by employer on pages 12 through 13 have not been subject to the auditing procedures applied in the audit of the schedule of employer and nonemployer allocations and the 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 management, the Treasurer of the State of New Jersey, the State of New Jersey, State Health Benefit State 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  
April 19, 2022

**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, 2020

<b>Employer/ Nonemployer</b>	<b>Plan members</b>	<b>Allocation Percentage</b>
State of New Jersey	105,971	71.733377%
New Jersey Building Authority	8	0.005415%
Nonemployer – State of New Jersey	41,750	28.261208%
Total	147,729	100.000000%

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

**State of New Jersey**  
**State Health Benefit State Retired Employees Plan**  
Schedule of OPEB Amounts by Employer and Nonemployer  
As of and for the year ended June 30, 2020

Deferred outflows of resources – June 30, 2020

<u>Employer/ Nonemployer</u>	<u>Total OPEB Liability</u>	<u>Differences between expected and actual experience</u>	<u>Changes of assumptions</u>	<u>Changes in proportion</u>	<u>Total deferred outflows of resources</u>
State of New Jersey	\$ 20,298,171,340	2,892,700,902	3,040,474,653	544,977,423	6,478,152,978
New Jersey Building Authority	1,532,357	218,377	229,533	436,328	884,238
Nonemployer - State of New Jersey	7,996,986,472	1,139,653,893	1,197,873,162	281,043,636	2,618,570,691
Total	\$ <u>28,296,690,169</u>	<u>4,032,573,172</u>	<u>4,238,577,348</u>	<u>826,457,387</u>	<u>9,097,607,907</u>

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

Deferred inflows of resources – June 30, 2020

OPEB expense – Year ended June 30, 2020

	Differences between expected and actual experience	Changes of assumptions	Changes in proportion	Total deferred inflows of resources	Proportionate share of allocable plan OPEB expense	Net amortization from changes in proportion	Total OPEB expense
\$	(4,192,542,380)	(3,504,215,751)	(281,262,783)	(7,978,020,914)	414,022,853	22,871,146	436,893,999
	(316,505)	(264,541)	(4,769)	(585,815)	31,256	70,395	101,651
	(1,651,759,863)	(1,380,575,889)	(545,189,835)	(3,577,525,587)	163,114,948	(22,941,541)	140,173,407
\$	<u>(5,844,618,748)</u>	<u>(4,885,056,181)</u>	<u>(826,457,387)</u>	<u>(11,556,132,316)</u>	<u>577,169,057</u>	<u>—</u>	<u>577,169,057</u>

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

June 30, 2020

**(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 (the 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 the 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 retire 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, the Authority 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.

**(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.



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

June 30, 2020

**(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. 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, 2019 through June 30, 2020. 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.

**(5) Total OPEB Liability**

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. 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:

Total OPEB Liability      \$ 28,296,690,169

Inflation rate                                      2.50%

	JRS	SPRS	TPAF/ABP	PERS	PFRS
Salary increases:					
Through	2025	2025	2026	2026	All future years
Rate	Varies through 2025	2.95%	1.55 - 4.45% based on years of service	2.00 - 6.00% based on years of service	3.25 - 15.25% based on years of service
Thereafter	2.75%	3.95%	2.75 - 5.65% based on years of service	3.00 - 7.00% based on years of service	Not Applicable

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Preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS/JRS), and “Safety” (SPRS/PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. 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-2020. 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-2020.

Certain actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies of the State of New Jersey’s defined benefit pension plans as follows:

<b>Pension plan</b>	<b>Period</b>
JRS	July 1, 2014 - June 30, 2018
SPRS	July 1, 2014 - June 30, 2018
TPAF*	July 1, 2015 - June 30, 2018
PERS	July 1, 2014 - June 30, 2018
PFRS	July 1, 2013 - June 30, 2018

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

*Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.5% long-term trend rate after seven years.

*Discount Rate*

The discount rate for June 30, 2020 was 2.21%. 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.

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Notes to Schedule of Employer and Nonemployer Allocations and Schedule of  
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***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, 2020 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:

	<b>June 30, 2020</b>		
	<b>At 1% decrease (1.21%)</b>	<b>At discount rate (2.21%)</b>	<b>At 1% increase (3.21%)</b>
\$	33,588,789,792	28,296,690,169	24,108,462,432

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

The following presents the total OPEB liability as of June 30, 2020 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:

	<b>June 30, 2020</b>		
	<b>1% decrease</b>	<b>Healthcare cost trend rate</b>	<b>1% increase</b>
\$	23,274,074,006	28,296,690,169	34,889,243,811

**(6) Collective Deferred Inflows of Resources**

The following presents a summary of changes in the collective deferred inflows of resources for the year ended June 30, 2020:

	<b>Year of deferral</b>	<b>Amortization period</b>	<b>Beginning of year balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>End of year balance</b>
<b>Deferred Outflows of Resources:</b>						
Differences between expected and actual experience	2020	8.52 years	\$ —	4,568,819,605	536,246,433	4,032,573,172
Change of assumptions	2020	8.52 years	—	4,802,217,953	563,640,605	4,238,577,348
Total			\$ —	9,371,037,558	1,099,887,038	8,271,150,520

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	Year of deferral	Amortization period	Beginning of year balance	Additions	Deductions	End of year balance
<b>Deferred Inflows of Resources:</b>						
Differences between expected and actual experience	2018	8.80 years	\$ 2,071,704,933	—	304,662,490	1,767,042,443
	2019	8.58 years	4,697,268,753	—	619,692,448	4,077,576,305
Subtotal			<u>6,768,973,686</u>	<u>—</u>	<u>924,354,938</u>	<u>5,844,618,748</u>
Change of assumptions	2017	8.66 years	2,274,586,802	—	401,870,460	1,872,716,342
	2018	8.80 years	2,438,018,786	—	358,532,175	2,079,486,611
	2019	8.58 years	1,074,624,235	—	141,771,007	932,853,228
Subtotal			<u>5,787,229,823</u>	<u>—</u>	<u>902,173,642</u>	<u>4,885,056,181</u>
Total			<u>\$ 12,556,203,509</u>	<u>—</u>	<u>1,826,528,580</u>	<u>10,729,674,929</u>

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:	
2021	\$ (726,641,542)
2022	(726,641,542)
2023	(726,641,542)
2024	(726,641,542)
2025	(590,005,584)
Thereafter	<u>1,038,047,343</u>
Total	<u>\$ (2,458,524,409)</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 8.52, 8.58, 8.80 and 8.66 years for 2020, 2019, 2018 and 2017, respectively.

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

June 30, 2020

**(7) OPEB Expense**

The components of OPEB expense for the year ended June 30, 2020 is as follows:

Service cost	\$	653,852,814
Interest on total OPEB liability		649,957,785
Plan changes		—
Current period recognition (amortization) of deferred inflows/outflows of resources:		
Difference between actual and expected experience		(388,108,505)
Changes of assumptions		<u>(338,533,037)</u>
Total OPEB expense	\$	<u><u>577,169,057</u></u>

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Supplemental Schedule of Employer Special Funding Allocations (Unaudited)

As of and for the year ended June 30, 2020

<b>Employer</b>	<b>Employer number</b>	<b>Plan members</b>	<b>Employer proportionate share</b>
Rutgers, the State University of New Jersey	1229-00	22,842	54.711377%
New Jersey Institute of Technology	1285-00	1,557	3.729341%
Ramapo College of New Jersey	1812-00	869	2.081437%
The College of New Jersey	1820-00	1,491	3.571257%
Thomas Edison State University	1821-00	472	1.130539%
Stockton University	1822-00	1,476	3.535329%
New Jersey City University	1823-00	1,174	2.811976%
William Paterson University	1824-00	1,470	3.520958%
Rowan University	1825-00	2,967	7.106587%
Montclair University	1826-00	2,259	5.410778%
Kean University	1832-00	1,328	3.180838%
University Hospital	8157-00	3,706	8.876647%
Rowan University - Rutgers Camden Board	8180-00	5	0.011976%
Palisades Interstate Park Commission	9910-00	134	0.320958%
Total		41,750	100.000000%

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, 2020

<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	\$ 4,375,261,437	\$ 76,690,802
New Jersey Institute of Technology	1285-00	298,234,921	5,227,545
Ramapo College of New Jersey	1812-00	166,452,245	2,917,621
The College of New Jersey	1820-00	285,592,978	5,005,953
Thomas Edison State University	1821-00	90,409,045	1,584,715
Stockton University	1822-00	282,719,809	4,955,592
New Jersey City University	1823-00	224,873,344	3,941,643
William Paterson University	1824-00	281,570,542	4,935,447
Rowan University	1825-00	568,312,787	9,961,545
Montclair University	1826-00	432,699,220	7,584,472
Kean University	1832-00	254,371,210	4,458,689
University Hospital	8157-00	709,864,236	12,442,698
Rowan University - Rutgers Camden Board	8180-00	957,723	16,787
Palisades Interstate Park Commission	9910-00	25,666,975	449,898
Total		\$ <u>7,996,986,472</u>	\$ <u>140,173,407</u>

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

**State of New Jersey**  
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Note to Supplemental Schedules (Unaudited)

June 30, 2020

**(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.