



State of New Jersey

Department of the Treasury

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Actuarial Report Show Reduction in Retiree Health Care Liability

TRENTON – State Treasurer David Rousseau today released the recently completed snapshot of New Jersey’s Other Post Employment Benefit (OPEB) valuation, which shows a \$7.4 billion reduction in the State’s actuarial cost of providing health benefits for retired public employees.

Under national accounting rules adopted by the Government Accounting Standards Board (GASB), public employers are required to disclose their estimated long-term obligations. According to the OPEB actuarial report -- prepared by Aon Consulting and posted on the NJ Division of Pensions and Benefits home page (<http://www.state.nj.us/treasury/pensions/>), New Jersey’s estimated health care obligation for current and future retirees is \$50.65 billion as of July 1, 2007. That figure, which includes estimated costs for active and retired State workers and teachers, is \$7.4 billion less than the estimated liability from July 1, 2006 of \$58.05 billion. The report said the estimated Post Retirement Medical liability for local governments is \$9.09 billion, which is \$1.78 billion less than last year’s valuation of \$10.87 billion.

Treasurer Rousseau said that although New Jersey still faces daunting long-term costs for both health care and pension obligations, the most recent OPEB valuation shows encouraging progress from recent benefit reform efforts.

“The reduction in the health care liability is attributable to a number of factors, particularly the health plan design changes the Corzine Administration negotiated and put into place last year,” he said, noting that key savings in the long-term liability can be attributable to replacing the Traditional Plan with a PPO, as well as instituting higher employee co-pays and deductibles. He also cited reduction in medical and prescription claim trends among retirees, particularly early retirees.

Under changes implemented in 2007, the State is projected to save approximately \$2.5 billion between now and 2022 in health care costs, while local employers are estimated to save \$300 million over the same period. The cost savings are attributable to an employee salary contribution of 1.5 percent, co-pay changes and plan design changes. When combined with reforms negotiated last year and others enacted yesterday, New Jersey will achieve another \$3.9 billion in pension cost savings.

“We are facing up to the huge task of meeting our obligations to public employees and retirees. This administration has made more cash contributions to the pension system in the last three years than had been made over the previous ten years combined. We also continue to fund medical costs on a pay as you go basis, which represents a \$2.1 billion expense to the budget. At the same time, we are instituting major reforms that reduce the long term costs of these liabilities by billions of dollars.

“We have a long way to go to address these long term costs, but we’re mindful of the real and responsible progress we’ve made in a short period of time,” he said.

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