June 3, 2010

ADDENDUM No. 1

To

REQUEST FOR PROPOSALS

For

ACTUARY SERVICES
GP-0159-R01

For the

SCHOOL CONSTRUCTION PROGRAM

ISSUED MAY 17, 2010

By

THE NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY

PLEASE TAKE NOTICE:

PROPOSALS ARE DUE on Tuesday, June 22, 2010 by 2 PM, at the Main Office of the New Jersey Schools Development Authority located at 1 West State Street, Trenton, New Jersey 08625, and must be delivered in the manner set forth in the RFP.

This **ADDENDUM No. 1** includes questions submitted by 5 PM on Tuesday, June 1, 2010, and answers thereto, and a list of firms that submitted Mandatory Notices of Intent to Participate by 5 PM on Tuesday, June 1, 2010. Terms in this Addendum shall have the same meaning as provided in Section 1 of the Agreement, except as otherwise provided herein.

A. FIRMS THAT INTEND TO PROPOSE

Please see Attachment A.

B. QUESTIONS & NJSDA ANSWERS

B.1 Question: Please provide a copy of the latest GASB 45 actuarial valuation.

Answer: Please see Attachment B.

B.2 Question: Please indicate any significant changes in the covered population or benefits since the latest valuation.

Answer: The population (headcount) increased by 60 people; 272 (Jan'08) to 332 (Jan'10). There were no material changes in the retiree headcount. Effective June 1, 2010, all employees will contribute 1.5% of their salaries to pay for medical benefits. There were no significant changes in healthcare options from January, 2008 to January, 2010.

B.3 Question: Please provide fees for these services under the prior contract.

Answer: The January 1, 2008 Actuarial Valuation cost was $8,000.

B.4 Question: Will NJSDA consider adding a limitation of liability provision that limits the Actuary's direct liability to NJSDA?

Answer: No.

B.5 Question: Will NJSDA consider modifying the Claims provision found in the contract so that any dispute arising under the contract shall be resolved by final and binding arbitration or a federal bench trial?

Answer: No.

B.6 Question: Will NJSDA consider modifying the Final Release provision so that it is mutual?

Answer: No.

Please, there shall be absolutely no contact between our staff and you.

Issued by: Sean Murphy
Manager
Procurement & Contract Services

<u>Issued: June 3, 2010</u>

ATTACHMENT A

Aquarius Capital
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ATTACHMENT B

Please refer to the attached *Postemployment Benefits other than Pension Actuarial Valuation January 1, 2008* for NJSDA.

NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY

Postemployment Benefits Other Than Pension Actuarial Valuation January 1, 2008

October 2008

Submitted by:
Aon Consulting
270 Davidson Avenue
Somerset, NJ 08873

AON CONSULTING

October 20, 2008

Don Guarriello
Chief Financial Officer
NJ Schools Development Authority
1 West State Street 2nd Floor
P.O. Box 991
Trenton, NJ 08625-0991

This report presents the January 1, 2008 Actuarial Valuation results for the retiree health benefits provided by the New Jersey Schools Development Authority (NJSDA) through the *New Jersey State Health Benefits Program ("the SHBP").* The purposes of this report are to:

(1) Determine the NJSDA January 1, 2008 obligations;

(2) Determine the NJSDA Fiscal Year Ending December 31, 2008 accrual standard is based on Governmental Accounting Standards Board Statement 45 (GASB 45); and

(3) Provide information that may be helpful in future planning for the New Jersey Schools Development Authority.

A summary of the major results is shown in the Executive Summary, while the Principal Valuation Results Section provides more detail.

The Accounting Information Section summarizes GASB Other Postemployment Benefit (OPEB) accounting treatment including the Fiscal Year Ending December 31, 2008 Annual Required Contribution (ARC) and Annual OPEB Cost (AOC).

This report's costs and liabilities are based upon the data and plan provisions provided by the New Jersey Schools Development Authority and the State of New Jersey Division of Pensions and Benefits, as summarized in the Demographic Information and Summary of Principal Plan Provisions Sections, respectively, and the funding method and actuarial assumptions outlined in the Methods and Assumptions Section of this report. This report presents our best estimate of the costs of the Plan in accordance with accepted actuarial principles and our understanding of GASB Statement 45.

Respectfully,

Aon Consulting, Inc.

Michael E. Morfe
Member of the American
Academy of Actuaries
Senior Vice President
Consulting Actuary

Paul L. Koch
Member of the American
Academy of Actuaries
Vice President
Consulting Actuary

Table of Contents

Executive Summary

The New Jersey State Health Benefits Program ("the SHBP") provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. New Jersey Schools Development Authority (NJSDA) participates in the SHBP and pays for the cost for its retirees, spouses and dependents. All active employees who retire from the New Jersey Schools Development Authority and meet the eligibility criteria will receive these benefits.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted on December 8, 2003. As a result of this legislation, plan sponsors providing drug coverage to Medicare eligible members that is at least actuarially equivalent to the standard benefit provided by Medicare are eligible to receive a federal subsidy (the "Retiree Drug Subsidy") effective January 1, 2006.

It has been determined that the SHBP's drug coverage for retirees is actuarially equivalent to Medicare's standard coverage in 2008 and all future years. The SHBP has opted to receive the Retiree Drug Subsidy (RDS).

Actuarial Liabilities are shown without a reduction in liability for the Retiree Drug Subsidy. In June 2006, the GASB issued Technical Memorandum 2006-1 on accounting for the Retiree Drug Subsidy. The Technical Memorandum requires that plan sponsors do not reduce their liability to reflect the Retiree Drug Subsidy, but rather that the RDS payment be treated as a third party payment with treatment determined by GASB 33. The effect of this accounting treatment is to have two sources of funding of the expense (Annual Required Contribution), one being the federal government.

The NJSDA receives the benefit of the RDS payment by way of reduced premium rates. We have reflected this accounting treatment in our valuation even though the NJSDA does not actually apply for the RDS (the SHBP does).

Executive Summary (continued)

Assuming no Prefunding of Obligations

	January 1, 2008 GASB 45 Results ($ thousands)
Present Value of all Projected Benefits	$ 25,840.4
Present Value of Benefits Earned to Date (Actuarial Accrued Liability)	$ 8,975.5
2008 FY Annual Required Contribution (ARC)*	$ 1,354.1
2008 FY Annual OPEB Cost	$ 1,366.2
2008 Expected Benefit Premiums	$ 93.7

*** The Annual Required Contribution reflects a 30-year, 4.0% annual increasing amortization of the Unfunded Actuarial Accrued Liability.**

- The ***Present Value of all Projected Benefits*** is the total present value of all expected future benefits, based on certain actuarial assumptions. The Present Value of all Projected Benefits is a measure of total liability or obligation. Essentially, the Present Value of all Projected Benefits is the value (on the valuation date) of the benefits promised to current and future retirees. The Plan's Present Value of all Projected Benefits (at January 1, 2008) is $25,840,400. The majority of this liability is for current active employees (future retirees).

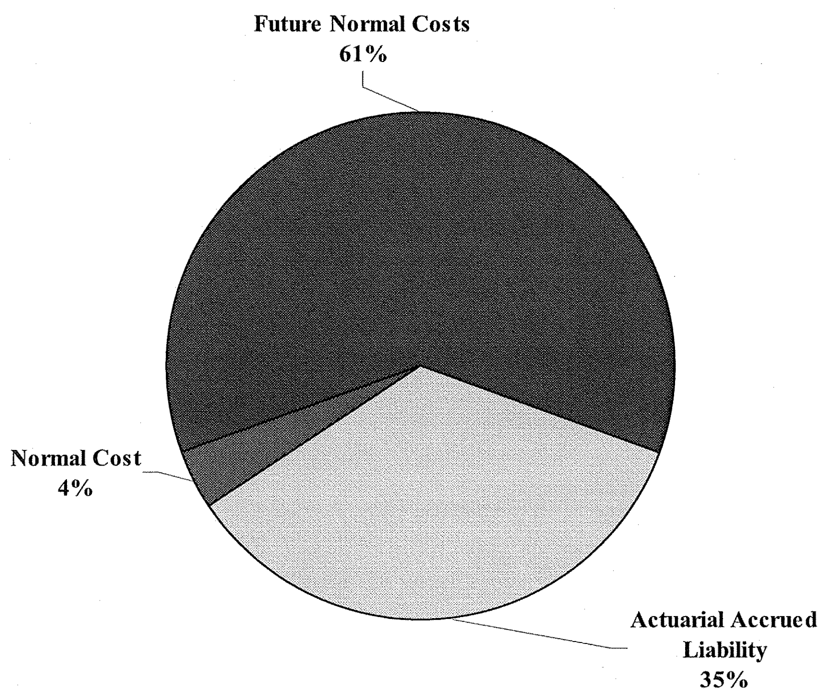
- The ***Actuarial Accrued Liability*** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Plan's Actuarial Accrued Liability (at January 1, 2008) is $8,975,500. The majority of this obligation is for active employees. The Actuarial Accrued Liability represents approximately 35% of the present value of all projected benefits.

- ***Normal Cost*** is the value of benefits expected to be earned during the current year, again based on certain actuarial methods and assumptions. The 2008 Fiscal Year Normal Cost is $975,300. In pension accounting, this is also known as "**service cost.**"

- ***Future Normal Costs*** represent the present value of the remaining balance of all projected benefits to be earned in future years.

Executive Summary (continued)

The following graph illustrates (for the scenario assuming no prefunding) the Present Value of all Projected Benefits, the yellow area representing the Actuarial Accrued Liability in total:



Executive Summary (continued)

The results were calculated based upon plan provisions, as provided by the New Jersey Schools Development Authority and the State of New Jersey, along with certain demographic and economic assumptions as recommended by Aon, in conjunction with the New Jersey Schools Development Authority with guidance from the GASB statement.

Demographic Assumptions

Data was provided by the New Jersey Schools Development Authority as of January 1, 2008. Demographic assumptions used to project the data are the same as those used to value the SHBP PERS pension liabilities. There is no assumption for future new hires.

Economic Assumptions

The GASB statement requires that the discount rate used to determine the retiree healthcare liabilities should be the estimated long-term yield on the "investments that are expected to be used to finance the payments of benefits". Since the New Jersey Schools Development Authority does not currently pre-fund the retiree healthcare liabilities, the discount rate should be based on the portfolio of the New Jersey Schools Development Authority's "general assets" used to pay these benefits. The discount rate assumption selected by NJSDA is 4.50%.

The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. The GASB statement does not require a particular source for information to determine healthcare trends, but it does recommend selecting a source that is "publicly available, objective and unbiased".

Aon developed the trend assumption utilizing the short term rates expected on the State of New Jersey plan along with information in published papers from other industry experts (actuaries, health economists, etc.). For medical benefits, this amount initially is at 9.5% or 10.5% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after eleven years. For prescription drug benefits, the initial trend rate is 11.5%, decreasing to a 5.0% long-term trend rate after thirteen years. For Medicare Part B reimbursement, the trend rate is 1.5% in the first year, 6.5% for second year, with a long-term trend rate of 5.0% thereafter.

The balance of this report provides greater detail for the above results.

Actuarial Certification

This report presents the results of the Actuarial Valuation for the New Jersey Schools Development Authority Postemployment Benefits Other Than Pensions (the Plan) as of January 1, 2008 for development of accounting and financial reporting information under Statement No. 45 of the Governmental Accounting Standards Board.

This report has been prepared using generally accepted actuarial practices and methods. The actuarial assumptions (other than those strictly applicable to valuing the Plan, or as otherwise explicitly specified) used in the calculations are consistent with those used by the State of New Jersey's Actuary for the pension valuation for the state retirement system (PERS). We have discussed Plan-specific assumptions with the New Jersey Schools Development Authority and believe them to be reasonable.

Aon Consulting did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Actuarial computations under GASB 45 are for purposes of fulfilling governmental accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the accounting standard. Determinations for purposes other than meeting governmental financial accounting requirements may be different from these results. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination.

This report is intended for the sole use of New Jersey Schools Development Authority. It is intended only to supply information for the New Jersey Schools Development Authority to comply with the stated purposes of the report and may not be appropriate for other purposes. Reliance on information contained in this report by anyone for other than the intended purposes, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the New Jersey Schools Development Authority should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Consulting.

The actuaries whose signatures appear below are Members of the American Academy of Actuaries and together meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They are available to answer any questions with regard to the matters enumerated in this report.

We further certify that this report is in compliance with Actuarial Standard of Practice No. 41, "Actuarial Communications".

Aon's relationship with the Plan and the New Jersey Schools Development Authority is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

Michael E. Morfe, ASA, MAAA

Paul L. Koch, FSA, EA, MAAA

Principal Valuation Results

The following highlights the New Jersey Schools Development Authority's recognition of the above amounts:

- The January 1, 2008 assets are $0.
- The FYE2008 Annual Required Contribution (ARC) is $1,354,100.
- The FYE2008 Annual OPEB Cost (AOC) is $1,366,200.
- Expected benefit payments for the year ending December 31, 2008 are $93,700.

The following table shows results by active and retired employee groups

Assuming no Prefunding of Obligations

	1/1/2008 ($ thousands)
Present Value of Projected Benefits	
Actives	$ 23,831.3
Retirees	$ 2,009.1
Total	$ 25,840.4
Actuarial Accrued Liability	
Actives	$ 6,966.4
Retirees	$ 2,009.1
Total	$ 8,975.5
Assets	$ 0.0
Unfunded Actuarial Accrued Liability	$ 8,975.5
Normal Cost at beginning of year	$ 975.3

Accounting Information

The effective date for the new GASB OPEB Accounting Standard is the Fiscal Year ending December 31, 2007. The following shows the FYE2008 Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and projected December 31, 2008 Net OPEB Obligation (NOO), assuming the accounting standard is first adopted for the FYE2007.

Annual Required Contribution (ARC)

The Standard sets the method for determining the New Jersey Schools Development Authority's postemployment benefits accrual, the Annual Required Contribution (ARC) with adjustments, to include both the value of benefits earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability. Accordingly, the following table shows the New Jersey Schools Development Authority's FYE2008 Annual Required Contribution (ARC) based on a 30-year amortization of the Unfunded Actuarial Accrued Liability as an increasing 4.0% annual amortization. This increasing annual amortization is representative of amortizing on level percentage of payroll, as allowed by the Standard.

Assuming no Prefunding of Obligations

Fiscal Year Ending December 31, 2008	($ thousands)
Normal Cost (EOY)	$ 1,019.2
Unfunded Actuarial Accrued Liability Amortization*	$ 334.9
Annual Required Contribution (ARC)	$ 1,354.1
* **The Annual Required Contribution reflects a 30 year, 4.0% annual increasing amortization of the Unfunded Actuarial Accrued Liability**	

Accounting Information (continued)

Annual OPEB Cost (AOC)

The New Jersey Schools Development Authority's postemployment benefit accrual, Annual OPEB Cost (AOC), is the ARC calculated above adjusted to reflect previous year's ARC's that were not fully funded. The NOO represents past unfunded ARC's.

Assuming no Prefunding of Obligations

Fiscal Year Ending December 31, 2008	($ thousands)
Annual Required Contribution (ARC)	$ 1,354.1
Adjustment to Annual Required Contribution	$ 12.1
Total Annual OPEB Cost (AOC)	$ 1,366.2

The adjustment to the annual required contribution includes interest on the NOO of $ 70,500 less amortization of the NOO of $58,400.

Annual OPEB Cost Summary Assuming no Prefunding of Obligations
(Beginning FYE 2009, a 3-year display will be shown):

Fiscal Year Ending	Annual OPEB Cost ($ thousands)	Percentage of Annual OPEB Cost Contributed*	Net OPEB Obligation ($ thousands)
12/31/2007	$ 1,596.1	1.88%	$ 1,566.1
12/31/2008	$ 1,366.2	6.99%	$ 2,836.8

***Based on actual payments with adjustments plus Retiree Drug Subsidy for the 2007 fiscal year and expected benefit payments plus Retiree Drug Subsidy for the 2008 fiscal year.**

Accounting Information (continued)

Projected December 31, 2008 Net OPEB Obligation (NOO)

Based on the Annual OPEB Cost developed above, the following is the projected December 31, 2008 Net OPEB Obligation (NOO):

Assuming no Prefunding of Obligations

	($ thousands)
January 1, 2007 Net OPEB Obligation (NOO) (Initial) *	$ 0.0
Plus: Annual FYE 2007 OPEB Cost (AOC)	$ 1,596.1
Less: Schedule of contributions from the employer and other contributing entities during FYE 2007**	$ 30.0
January 1, 2008 Net OPEB Obligation (NOO)	$ 1,566.1
Plus: Annual OPEB Cost (AOC)	$ 1,366.2
Less: Schedule of contributions from the employer and other contributing entities***	$ 95.5
Equals: Expected December 31, 2008 Net OPEB Obligation (NOO)****	$ 2,836.8

* **Assumes January 1, 2007 Net OPEB Obligation is $0.**

** **Based on actual benefit payments with adjustments plus Retiree Drug Subsidy earned for the 2007 fiscal year.**

*** **Based on expected benefit payments plus Retiree Drug Subsidy earned for the 2008 fiscal year.**

**** **Actual reserves would use actual 2008 benefit payments.**

Accounting Information (continued)

Required Supplementary Information

Below is the projected schedule of funding progress:

Assuming no Prefunding of Obligations

Valuation Date	Actuarial Value of Assets ($ thousands) (a)	Actuarial Accrued Liability - Projected Unit Credit ($ thousands) (b)	Unfunded Actuarial Accrued Liability ($ thousands) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll* (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll ((b) - (a)) / (c)
01/01/2007	$ 0.0	$8,922.1	$ 8,922.1	0%	$17,271.1	52%
01/01/2008	$ 0.0	$8,975.5	$ 8,975.5	0%	$20,275.0	44%

* *Required disclosure. Covered payroll based on 1/1/2008 Salary provided by NJSDA on active census.*

10-Year Payout Projection

Annual payments expected based on assumptions and contributions detailed in the Methods and Assumptions Section.

I. Medical Claims and Expenses less Retiree Contributions

Year Ending	Total ($ thousands)
12/31/2008	$ 93.7
12/31/2009	$ 105.0
12/31/2010	$ 118.6
12/31/2011	$ 142.7
12/31/2012	$ 177.5
12/31/2013	$ 227.3
12/31/2014	$ 252.4
12/31/2015	$ 320.6
12/31/2016	$ 387.7
12/31/2017	$ 460.7

II. Medicare Part D Retiree Drug Subsidy

Year Ending	Total ($ thousands)
12/31/2008	$ 1.8
12/31/2009	$ 2.6
12/31/2010	$ 3.4
12/31/2011	$ 4.1
12/31/2012	$ 4.7
12/31/2013	$ 5.3
12/31/2014	$ 8.1
12/31/2015	$ 9.1
12/31/2016	$ 11.4
12/31/2017	$ 14.3

Demographic Information

The following table summarizes active, inactive participants and retiree demographic information.

Participants	Total
Actives	271
Retirees	6
Total	**277**

Active: Counts	
Sex	Total
Female	125
Male	146
Total	**271**

Active: Average Age	
Sex	Total
Female	46.05
Male	47.59
Total	**46.88**

Active: Average Service*	
Sex	Total
Female	4.93
Male	4.37
Total	**4.63**

*Includes service under other participating state employees

Demographic Information (continued)

Active: Age-Service Scatter								
	Years of Service							
Age	0:4	5:9	10:14	15:19	20:24	25:29	30+	Total
20:24	0	0	0	0	0	0	0	0
25:29	15	1	0	0	0	0	0	16
30:34	22	3	0	0	0	0	0	25
35:39	25	2	0	0	0	0	0	27
40:44	33	12	1	0	0	0	0	46
45:49	25	7	3	2	2	0	0	39
50:54	30	14	1	1	4	2	0	52
55:59	27	7	0	4	0	1	0	39
60:64	16	5	1	0	0	1	0	23
65:69	1	3	0	0	0	0	0	4
70+	0	0	0	0	0	0	0	0
Total	194	54	6	7	6	4	0	271

Demographic Information (continued)

Retiree: Counts	
Sex	**Total**
Female	2
Male	4
Total	**6**

Retiree: Average Age	
Sex	**Total**
Female	64.81
Male	62.05
Total	**62.97**

Summary of Plan Provisions

Eligibility for Retired Group Coverage

Service Retirement	Eligible at age 60.
Early Retirement	Eligible after 25 years of service.
Service or Early Retirement Eligibility for State-paid SHBP Benefits	Attainment of 25 years of service.
Ordinary Disability Retirement	Eligible after 10 years of service.
Accidental Disability	Eligible upon total and permanent disability prior to age 65 as a result of a duty injury.
Surviving Spouse	Eligible for lifetime subsidized coverage if retiree was elgible.

Summary of Plan Provisions (Continued)

New Jersey State Health Benefits Program

Plans effective April 1, 2008

Medical Plans	In-Network				Out-of-Network		
	Office Visit / ER Copay	Deductible	Coinsurance	Out-of-Pocket Maximum	Deductible	Coinsurance	Out-of-Pocket Maximum
HMO	$10 / $35	None	100%	None	Not Covered		
NJ Direct 10	$10 / $25	None	100%	$400	$100	80%	$2,000
NJ Direct 15	$15 / $50	None	100%	$400	$100	70%	$2,000

Rx Plans	Retail			Mail			
	Generic	Preferred Brand	Other Brand	Generic	Preferred Brand	Other Brand	Out-of-Pocket Maximum
HMO	$5	$10	$20	$5	$15	$25	None
NJ Direct (Education)	$8	$17	$34	$8	$25	$42	$1,082
NJ Direct (State & Local)	$9	$18	$36	$9	$27	$45	$1,092

Methods and Assumptions

Actuarial Method

Projected Unit Credit Cost Method

Service Cost

Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of full benefit eligibility.

Accumulated Post-Retirement Benefit Obligation

The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

Discount Rate

As of January 1, 2008 - 4.50%

Medical Trend (all programs in these categories)

Medicare Medical assumed to increase with Medical trend

Annual Rate of Increase		
From Fiscal Year beginning	NJ Direct %	HMOs %
2008	9.5	10.5
2009	9.0	10.0
2010	8.5	9.5
2011	8.0	9.0
2012	7.5	8.5
2013	7.0	8.0
2014	6.5	7.5
2015	6.0	7.0
2016	5.5	6.5
2017	5.0	6.0
2018	5.0	5.5
2019 and Later	5%	5%

Methods and Assumptions (continue)

Prescription Drug Trend (all programs in these categories)

Medicare Prescription Drug Subsidy assumed to increase with prescription drug trend

Annual Rate of Increase	
From Fiscal Year Beginning	**%**
2008	11.5
2009	11.0
2010	10.5
2011	10.0
2012	9.5
2013	9.0
2014	8.5
2015	8.0
2016	7.5
2017	7.0
2018	6.5
2019	6.0
2020	5.5
2021 and later	5.0%

Medicare Part B premium reimbursement (includes provision for phase-in of AGI-based increased cost for premiums)

Annual Rate of Increase	
From Fiscal Year Beginning	**%**
2008*	1.5
2009	6.5
2010 and later	5.0%

* *Actual increase from 2008 to 2009 is 0%,. The 1.5% assumption reflects the phase in of AGI-based increased cost for premiums.*

• *Methods and Assumptions (continued)*

Morbidity

Medical and Prescription Drug

Expected medical and prescription drug claims are assumed to increase as participants age as follows:

Age	Annual Increase %
20-24	5.2%
25-29	3.2%
30-34	0.5%
35-39	1.0%
40-44	2.7%
45-49	3.8%
50-54	3.3%
55-59	3.6%
60-64	4.2%
65-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85-89	0.5%
90+	0.0%

Methods and Assumptions (continued)

2008 Per Member Claims Costs For Current Retirees

	PPO (NJ Direct)			HMO		
Age	Medical & Admin	Rx Claims	Retiree Rx Subs	Medical & Admin	Rx Claims	Retiree Rx Subs
25	$ 3,521	$ 795	$ 0	$ 4,145	$ 799	$ 0
30	$ 4,085	$ 930	$ 0	$ 4,796	$ 935	$ 0
35	$ 4,189	$ 955	$ 0	$ 4,917	$ 959	$ 0
40	$ 4,387	$ 1,002	$ 0	$ 5,145	$ 1,007	$ 0
45	$ 4,981	$ 1,143	$ 0	$ 5,830	$ 1,149	$ 0
50	$ 5,977	$ 1,381	$ 0	$ 6,981	$ 1,388	$ 0
55	$ 6,998	$ 1,624	$ 0	$ 8,161	$ 1,632	$ 0
60	$ 8,317	$ 1,938	$ 0	$ 9,683	$ 1,948	$ 0
65	$ 1,553	$ 1,964	($ 409)	$ 1,815	$ 2,592	($ 488)
70	$ 1,762	$ 2,276	($ 474)	$ 2,042	$ 3,004	($ 566)
75	$ 1,962	$ 2,576	($ 536)	$ 2,260	$ 3,399	($ 641)
80	$ 2,141	$ 2,844	($ 592)	$ 2,455	$ 3,753	($ 707)
85	$ 2,238	$ 2,989	($ 622)	$ 2,560	$ 3,945	($ 743)
90	$ 2,289	$ 3,064	($ 638)	$ 2,615	$ 4,044	($ 762)

Methods and Assumptions (continued)

2008 Per Member Claims Costs For Future Retirees

Age	Medical & Admin	Rx Claims	Retiree Rx Subs
25	$ 3,645	$ 796	$ 0
30	$ 4,227	$ 931	$ 0
35	$ 4,334	$ 956	$ 0
40	$ 4,538	$ 1,003	$ 0
45	$ 5,150	$ 1,144	$ 0
50	$ 6,177	$ 1,382	$ 0
55	$ 7,230	$ 1,626	$ 0
60	$ 8,589	$ 1,940	$ 0
65	$ 1,605	$ 2,089	($ 425)
70	$ 1,818	$ 2,422	($ 492)
75	$ 2,021	$ 2,740	($ 557)
80	$ 2,204	$ 3,026	($ 615)
85	$ 2,302	$ 3,180	($ 646)
90	$ 2,354	$ 3,260	($ 663)

Medicare Part B reimbursements

Average 2008 rates
$99.63 per month

Methods and Assumptions (continued)

Data Assumptions

Age Difference/ % Married	Males are assumed to be 3 years older than females. 90% married. Married actives are assumed to choose family coverage at retirement.
Spousal Coverage	Spouses are assumed to continue coverage upon the death of the former employee.
Coverage	We assumed that: ➢ 100% of all retirees who currently have healthcare coverage will continue with the same coverage. ➢ Actives, upon retirement, will be assumed to have the following coverage blend NJ Direct: 80% HMO: 20%
Valuation Methodology and Terminology	We have used GASB accounting methodology to determine the postretirement medical benefit obligations. GASB technical memorandum on Part D subsidy will be utilized as written. Retiree Drug Subsidy will NOT be shown as a reduction in plan sponsor liability.
Amortization Period	The amortization cost for the Unfunded Actuarial Accrued Liability is a level percentage of payroll, for a period of 30 years, with an assumption that payroll increases by 4% per year.
Pre-Retirement Mortality	RP 2000
Post-Retirement Mortality	RP 2000
Disabled Mortality	RP 2000
Rates of Retirement	See Table
Rates of Withdrawal	See Table
Rates of Disability	See Table

Methods and Assumptions (continued)

Public Employees' Retirement System of New Jersey – Local

	q_x for cause:							
	Disability		Withdrawal					Age 55&25 Serv or Age 60
AGE	Ordinary	Accidental	1st Yr Service	2nd Yr Service	3rd Yr Service	4 - 9 Yrs Service	> 9 Yrs Service	
19	0.00000	0.00001	0.24450	0.18579	0.12703	0.10081	0.00000	0.00000
20	0.00000	0.00001	0.24551	0.18670	0.12785	0.10081	0.00000	0.00000
21	0.00000	0.00001	0.24652	0.18762	0.12866	0.09973	0.00000	0.00000
22	0.00000	0.00001	0.24753	0.18853	0.12948	0.09865	0.00000	0.00000
23	0.00000	0.00001	0.24854	0.18944	0.13029	0.10258	0.00000	0.00000
24	0.00000	0.00001	0.24954	0.19035	0.13111	0.10145	0.00000	0.00000
25	0.00000	0.00001	0.25055	0.19126	0.13193	0.10032	0.00000	0.00000
26	0.00000	0.00001	0.24420	0.18551	0.12678	0.09698	0.00000	0.00000
27	0.00000	0.00001	0.23784	0.17977	0.12164	0.09366	0.00000	0.00000
28	0.00034	0.00004	0.23149	0.17402	0.11649	0.08162	0.00000	0.00000
29	0.00041	0.00004	0.22514	0.16827	0.11135	0.07861	0.00000	0.00000
30	0.00049	0.00004	0.21878	0.16252	0.10620	0.07561	0.07674	0.00000
31	0.00054	0.00004	0.21322	0.15749	0.10170	0.07158	0.07272	0.00000
32	0.00058	0.00004	0.20765	0.15245	0.09719	0.06755	0.06871	0.00000
33	0.00112	0.00003	0.20209	0.14742	0.09268	0.04574	0.04691	0.00000
34	0.00121	0.00003	0.19652	0.14239	0.08818	0.04284	0.04403	0.00000
35	0.00129	0.00003	0.19096	0.13735	0.08367	0.03995	0.04115	0.00000
36	0.00168	0.00004	0.18929	0.13585	0.08232	0.03914	0.04040	0.00000
37	0.00207	0.00005	0.18763	0.13434	0.08098	0.03834	0.03966	0.00000
38	0.00208	0.00007	0.18596	0.13283	0.07963	0.03584	0.03768	0.00000
39	0.00241	0.00008	0.18430	0.13133	0.07828	0.03507	0.03699	0.00000
40	0.00273	0.00009	0.18263	0.12982	0.07693	0.03430	0.03630	0.00000
41	0.00286	0.00009	0.18145	0.12875	0.07597	0.03353	0.03565	0.00000
42	0.00295	0.00009	0.18026	0.12768	0.07502	0.03276	0.03500	0.00000
43	0.00332	0.00008	0.17908	0.12661	0.07406	0.03199	0.03435	0.00000
44	0.00342	0.00008	0.17790	0.12554	0.07310	0.03122	0.03370	0.00000
45	0.00354	0.00008	0.17671	0.12447	0.07214	0.03045	0.03305	0.00000
46	0.00401	0.00008	0.17536	0.12324	0.07104	0.02893	0.03263	0.00000
47	0.00447	0.00008	0.17400	0.12201	0.06994	0.02741	0.03221	0.00000
48	0.00402	0.00013	0.17264	0.12078	0.06884	0.02588	0.03119	0.00000

Public Employees' Retirement System of New Jersey – Local

	q_x for cause:								
	Disability		Withdrawal						Age 55&25 Serv or Age 60
AGE	Ordinary	Accidental	1st Yr Service	2nd Yr Service	3rd Yr Service	4 - 9 Yrs Service	> 9 Yrs Service		
49	0.00440	0.00013	0.17128	0.11955	0.06774	0.02436	0.03066		0.00000
50	0.00479	0.00013	0.16992	0.11832	0.06664	0.02284	0.03013		0.00000
51	0.00528	0.00013	0.16909	0.11757	0.06597	0.02242	0.03059		0.00000
52	0.00578	0.00013	0.16826	0.11682	0.06529	0.02200	0.03105		0.00000
53	0.00631	0.00013	0.16742	0.11607	0.06462	0.01963	0.02957		0.00000
54	0.00681	0.00013	0.16659	0.11531	0.06395	0.01925	0.03007		0.00000
55	0.00731	0.00013	0.16576	0.11456	0.06327	0.01887	0.03057		0.11700
56	0.00714	0.00013	0.16756	0.11618	0.06473	0.01887	0.03057		0.11700
57	0.00694	0.00013	0.16937	0.11783	0.06620	0.01887	0.03057		0.11700
58	0.00968	0.00021	0.17119	0.11947	0.06767	0.01887	0.03057		0.11700
59	0.00941	0.00021	0.17299	0.12110	0.06913	0.01887	0.03057		0.28600
60	0.00917	0.00021	0.00000	0.00000	0.00000	0.00000	0.00000		0.07800
61	0.00940	0.00021	0.00000	0.00000	0.00000	0.00000	0.00000		0.08400
62	0.00963	0.00025	0.00000	0.00000	0.00000	0.00000	0.00000		0.16800
63	0.00915	0.00017	0.00000	0.00000	0.00000	0.00000	0.00000		0.10500
64	0.00936	0.00019	0.00000	0.00000	0.00000	0.00000	0.00000		0.10500
65	0.00957	0.00019	0.00000	0.00000	0.00000	0.00000	0.00000		0.22050
66	0.01008	0.00019	0.00000	0.00000	0.00000	0.00000	0.00000		0.15750
67	0.01059	0.00019	0.00000	0.00000	0.00000	0.00000	0.00000		0.13650
68	0.01111	0.00012	0.00000	0.00000	0.00000	0.00000	0.00000		0.11550
69	0.01161	0.00012	0.00000	0.00000	0.00000	0.00000	0.00000		0.11550
70	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000		1.00000

GASB OPEB Summary

The Government Accounting Standards Board (GASB) has issued Statements No. 43 and 45 for the recognition and disclosure for public entities sponsoring other (than pensions) post-retirement benefit plans.

This Exhibit summarizes pertinent issues from the above statements, contrasts them to SFAS 106, and includes comments about GASB's OPEB standard.

Why Pay-As-You-Go Accounting Will Be Unacceptable

The GASB believes, like the FASB, that other post-retirement benefits, like pensions, are a form of deferred compensation. Accordingly, GASB is saying these benefits should be recognized (in an organization's financial statement) when earned by employees, rather than when paid out. Under SFAS 106, pay-as-you-go accounting is replaced with accrual accounting for these benefits. *This approach is similar to (although more restrictive than) GASB's approach under Statements No. 43 and 45.*

Allocating Costs (Attribution)

The FASB defines attribution as the process of assigning other post-retirement benefit cost to periods of employee service. SFAS 106 specifies how (the attribution method) and over what accounting periods (the attribution period) the postretirement benefits promise must be allocated.

The attribution (actuarial cost) method specified by SFAS 106 is the "projected unit credit actuarial cost method". This method attributes an equal amount of the total postretirement benefit to each year of service during the "attribution period".

The attribution period is the period over which the total postretirement benefit is earned. Unless the plan states that post-retirement benefits are not earned until a later date, the attribution period is from the employee's hire date until the employee is first eligible for the benefit. *The GASB Statements do not restrict entities to a single attribution method, but instead allows sponsors (and actuaries) to choose from several acceptable methods (similar to GASB 27).* GASB allows six funding methods and also allows attribution to the expected retirement age rather than the earliest eligibility age.

GASB OPEB Summary (continued)

Defining the Plan

SFAS 106 refers to the substantive plan as the basis for accounting. The substantive plan may differ from the written plan in that it reflects the employer's cost sharing policy based on past practice or communication of intended changes, or a past practice of cost increases in monetary benefits. Under SFAS 106, the substantive plan is the basis for allowing recognition of potential future changes to the plan. *GASB follows FASB's lead on this issue, requiring entities to recognize the underlying promise, not just the written plan.*

One GASB requirement relates to the implied subsidy when retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience. Under the GASB standard, even if an organization does not otherwise subsidize the benefit, then the organization will have to recognize an OPEB obligation for the implied subsidy.

Actuarial Assumptions

SFAS 106 says actuarial assumptions should be explicit. This means each individual assumption should represent the actuary's best estimate. GASB also, generally, requires explicit assumptions.

GASB requires the discount rate be based on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on plan assets for funded plans. However, since the source of funds for unfunded plans is usually the organization's general fund, and organizations are usually restricted by State law as to what investments they can have in their general fund, unfunded plans will need to use a relatively low discount rate.

Retiree Drug Subsidy Accounting

GASB Technical Bulletin No. 2006-1 sets forth the proper accounting treatment for the Retiree Drug Subsidy payment available to plan sponsors that maintain an actuarially equivalent (to Medicare Part D) prescription drug plan. The RDS payment is after the fact, premised on data submission and a host of other compliance issues. According to TB 2006-1, the RDS payment is a voluntary nonexchange transaction, as defined in GASB 33. As such, employers and plans should not reduce the liability for OPEB benefits by the expected RDS payments but instead include the RDS payments in the schedule of contributions from employers and other contributing entities.

GASB OPEB Summary (continued)

Transition Issues

Because historical annual required contribution information will rarely be available, *GASB is taking a prospective approach on transition issues.* This means there will be no requirement for any initial transition obligation.

Effective Dates

The GASB 45 standard will have staggered effective dates, similar to GASB Statement No. 34, as follows:

	Annual Revenue	Effective for Fiscal Years Beginning After
Phase I	≥ \$100 million	December 15, 2006
Phase II	≥ \$10 million but < \$100 million	December 15, 2007
Phase III	< \$10 million	December 15, 2008

GASB OPEB Summary (continued)

Differences Between SFAS 106 and GASB 43 and 45

Conceptually, GASB No. 43 and 45 are similar to SFAS 106. They require current recognition of the promise to pay future benefits. However, they differ somewhat in how that recognition should occur. Specifically:

		SFAS 106	GASB 43 and 45
(1)	Attribution Method	Mandates use of a particular method, regardless of method used to determine contribution.	Allows sponsor to use same method used to determine contribution, provided it meets certain criteria.
(2)	Assumptions (excluding discount rate)	Requires each assumption stand on its own – Explicit assumptions.	Requires each assumption stand on its own and, in addition, meet certain other criteria.
(3)	Discount Rate	Long term high quality bond rates (e.g., Moody Aa).	Expected long-term rate of return on source used to pay benefits (e.g. sponsor's general fund).
(4)	Benefit Cost	Mandates use of a specific method, regardless of method used to determine contribution.	Provides that if entity always contributes Annual Required Contribution, then benefit cost equals Annual Required Contribution. If entity does not contribute Annual Required Contribution, then benefit cost equals Annual Required Contribution, adjusted for the difference.
(5)	Annual Required Contribution	N/A	The Plan's funding contribution, with actuarial assumptions and methods (including amortization periods) restricted as indicated above.
(6)	Liability Recognition	The historical difference between actual contributions and benefit costs become an accrued liability (or prepaid asset) on the sponsor's financial statement.	If sponsor consistently contributes the Annual Required Contribution, then no recognition is required. However, if sponsor has not historically contributed the Annual Required Contribution, then difference becomes a Net Obligation on the sponsor's financial statement.

Glossary

Actuarial accrued liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial present value of total projected benefits

Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Actuarial valuation

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial valuation date

The date as of which an actuarial valuation is performed.

Actuarial value of assets

The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

Amortization (of unfunded actuarial accrued liability)

The portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)

The employer's periodic required contributions to a defined benefit OPEB plan.

Covered Group

Plan members included in an actuarial valuation.

Defined benefit OPEB plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Employer's contributions

Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) of plan administrator. Employer's contributions *do not equate* to benefits paid.

Funded ratio

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Funding excess

The excess of the actuarial value of assets over the actuarial accrued liability.

Funding policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Inactives

Certain former employees with a minimum amount of years of credible service who have left contributions in the state retirement system.

Implicit Rate Subsidy

The actuarially derived amount that current employees subsidize retiree benefits.

Investment return assumption (discount rate)

The rate used to adjust a series of future payments to reflect the time value of money.

Level percentage of projected payroll amortization method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Market-related value of plan assets

A term used with reference to the actuarial value of assets. A market related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair or market value over a period of, for example, three to five years.

Net OPEB obligation

The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Normal cost

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. In GASB 45, the term refers to employer normal cost.

OPEB assets

The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expense.

OPEB expenditures

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB expense

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB liabilities

The amount recognized by an employer for contributions to an OPEB plan less than OPEB expense/expenditures.

Other postemployment benefits

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-you-go

A method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Plan assets

Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Plan members

The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Postemployment

The period between termination of employment and retirement as well as the period after retirement.

Postemployment healthcare benefits

Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

Postretirement benefit increase

An increase in the benefits of retirees or beneficiaries granted to compensate for the effects of inflation (cost-of-living adjustment) or for other reasons. Ad hoc increases may be granted periodically by a decision of the board of trustees, legislature, or other authoritative body; both the decision to grant an increase and the amount of the increase are discretionary. Automatic increases are periodic increases specified in the terms of the plan; they are nondiscretionary except to the extent that the plan terms can be changed.

Projected unit credit actuarial cost method

A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability.

Under this method, the Actuarial Gains (losses), as they occur, generally reduce (increase) the Unfunded Actuarial Accrued Liability.

Under this method, benefits are projected to all future points in time under the terms of the Plan and actuarial assumptions (for example, health trends). Retirees are considered to be fully attributed in their benefits. For actives, attribution is to expected retirement age; thus, benefits at each future point in time are allocated to past service based on a prorate of service-to-date over projected service.

Required supplementary information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Single-employer plan

A plan that covers the current and former employees, including beneficiaries, of only one employer.

Sponsor

The entity that established the plan. The sponsor generally is the employer or one of the employers that participate in the plan to provide benefits for their employees. Sometimes, however, the sponsor establishes the plan for the employees of other entities but does not include its own employees and, therefore, is not a participating employer of that plan. An example is a state government that establishes a plan for the employees of local governments within the state, but the employees of the state government are covered by a different plan.

Substantive plan

The terms of an OPEB plan as understood by the employer(s) and plan members.

Transition year

The fiscal year in which this Statement is first implemented.

Unfunded actuarial accrued liability (unfunded actuarial liability)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.