

SENATE, No. 14

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED FEBRUARY 9, 2009

Sponsored by:
Senator RICHARD J. CODEY
District 27 (Essex)

SYNOPSIS

Reduces required local employer contributions to PERS and PFRS for State fiscal years 2009 through 2011.

CURRENT VERSION OF TEXT

As introduced.



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2

1 AN ACT concerning employer contributions to the Public Employees'
2 Retirement System and the Police and Firemen's Retirement
3 System, amending various parts of the statutory law and
4 supplementing P.L.1976, c.68 (C.40A:4-45.1 et seq.).
5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:
8

9 1. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to
10 read as follows:

11 24. The contingent reserve fund shall be the fund in which shall
12 be credited contributions made by the State and other employers.

13 a. Upon the basis of the tables recommended by the actuary
14 which the board adopts and regular interest, the actuary shall
15 compute annually, beginning as of March 31, 1992, the amount of
16 contribution which shall be the normal cost as computed under the
17 projected unit credit method attributable to service rendered under
18 the retirement system for the year beginning on July 1 immediately
19 succeeding the date of the computation. This shall be known as the
20 "normal contribution."

21 b. With respect to employers other than the State, upon the
22 basis of the tables recommended by the actuary which the board
23 adopts and regular interest, the actuary shall compute the amount of
24 the accrued liability of the retirement system as of March 31, 1992
25 under the projected unit credit method, excluding the liability for
26 pension adjustment benefits for active employees funded pursuant
27 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already
28 covered by the assets of the retirement system, valued in accordance
29 with the asset valuation method established in this section. Using
30 the total amount of this unfunded accrued liability, the actuary shall
31 compute the initial amount of contribution which, if the
32 contribution is increased at a specific rate and paid annually for a
33 specific period of time, will amortize this liability. The State
34 Treasurer shall determine, upon the advice of the Director of the
35 Division of Pensions and Benefits, the board of trustees and the
36 actuary, the rate of increase for the contribution and the time period
37 for full funding of this liability, which shall not exceed 40 years on
38 initial application of this section as amended by this act, P.L.1994,
39 c.62. This shall be known as the "accrued liability contribution."
40 Any increase or decrease in the unfunded accrued liability as a
41 result of actuarial losses or gains for the 10 valuation years
42 following valuation year 1992 shall serve to increase or decrease,
43 respectively, the unfunded accrued liability contribution.
44 Thereafter, any increase or decrease in the unfunded accrued
45 liability as a result of actuarial losses or gains for subsequent

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

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1 valuation years shall serve to increase or decrease, respectively, the
2 amortization period for the unfunded accrued liability, unless an
3 increase in the amortization period will cause it to exceed 30 years.
4 If an increase in the amortization period as a result of actuarial
5 losses for a valuation year would exceed 30 years, the accrued
6 liability contribution shall be computed for the valuation year in the
7 same manner provided for the computation of the initial accrued
8 liability contribution under this section.

9 With respect to the State, upon the basis of the tables
10 recommended by the actuary which the commission adopts and
11 regular interest, the actuary shall annually determine if there is an
12 amount of the accrued liability of the retirement system, computed
13 under the projected unit credit method, which is not already covered
14 by the assets of the retirement system, valued in accordance with
15 the asset valuation method established in this section. This shall be
16 known as the "unfunded accrued liability." If there was no
17 unfunded accrued liability for the valuation period immediately
18 preceding the current valuation period, the actuary, using the total
19 amount of this unfunded accrued liability, shall compute the initial
20 amount of contribution which, if the contribution is increased at a
21 specific rate and paid annually for a specific period of time, will
22 amortize this liability. The State Treasurer shall determine, upon
23 the advice of the Director of the Division of Pensions and Benefits,
24 the commission and the actuary, the rate of increase for the
25 contribution and the time period for full funding of this liability,
26 which shall not exceed 30 years. This shall be known as the
27 "accrued liability contribution." Thereafter, any increase or
28 decrease in the unfunded accrued liability as a result of actuarial
29 losses or gains for subsequent valuation years shall serve to increase
30 or decrease, respectively, the amortization period for the unfunded
31 accrued liability, unless an increase in the amortization period will
32 cause it to exceed 30 years. If an increase in the amortization
33 period as a result of actuarial losses for a valuation year would
34 exceed 30 years, the accrued liability contribution shall be
35 computed for the valuation year in the same manner provided for
36 the computation of the initial accrued liability contribution under
37 this section. The State may pay all or any portion of its unfunded
38 accrued liability under the retirement system from any source of
39 funds legally available for the purpose, including, without
40 limitation, the proceeds of bonds authorized by law for this purpose.

41 The value of the assets to be used in the computation of the
42 contributions provided for under this section for valuation periods
43 shall be the value of the assets for the preceding valuation period
44 increased by the regular interest rate, plus the net cash flow for the
45 valuation period (the difference between the benefits and expenses
46 paid by the system and the contributions to the system) increased by
47 one half of the regular interest rate, plus 20% of the difference
48 between this expected value and the full market value of the assets

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1 as of the end of the valuation period. This shall be known as the
2 "valuation assets." Notwithstanding the first sentence of this
3 paragraph, the valuation assets for the valuation period ending
4 March 31, 1996 shall be the full market value of the assets as of that
5 date and, with respect to the valuation assets allocated to the State,
6 shall include the proceeds from the bonds issued pursuant to the
7 "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-
8 7.45 et seq.), paid to the system by the New Jersey Economic
9 Development Authority to fund the unfunded accrued liability of
10 the system. Notwithstanding the first sentence of this paragraph,
11 the valuation assets for the valuation period ending June 30, 1999
12 shall be the full market value of the assets as of that date.

13 "Excess valuation assets" for a valuation period means, with
14 respect to the valuation assets allocated to the State:

15 (1) the valuation assets allocated to the State; less

16 (2) the actuarial accrued liability of the State for basic benefits
17 and pension adjustment benefits under the retirement system; less

18 (3) the contributory group insurance premium fund, created by
19 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
20 4 of P.L.1960, c.79; less

21 (4) the post retirement medical premium fund, created pursuant
22 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by
23 section 8 of P.L.1994, c.62; less

24 (5) the present value of the projected total normal cost for
25 pension adjustment benefits in excess of the projected total phased-
26 in normal cost for pension adjustment benefits for the State
27 authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the
28 full phase-in period, determined in the manner prescribed for the
29 determination and amortization of the unfunded accrued liability of
30 the system, if the sum of the foregoing items is greater than zero.

31 "Excess valuation assets" for a valuation period means, with
32 respect to the valuation assets allocated to other employers:

33 (1) the valuation assets allocated to the other employers; less

34 (2) the actuarial accrued liability of the other employers for
35 basic benefits and pension adjustment benefits under the retirement
36 system, excluding the unfunded accrued liability for early
37 retirement incentive benefits pursuant to P.L.1991, c.229, P.L.1991,
38 c.230, P.L.1993, c.138, and P.L.1993, c.181, for employers other
39 than the State; less

40 (3) the contributory group insurance premium fund, created by
41 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
42 4 of P.L.1960, c.79; less

43 (4) the present value of the projected total normal cost for
44 pension adjustment benefits in excess of the projected total phased-
45 in normal cost for pension adjustment benefits for the other
46 employers authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1)
47 over the full phase-in period, determined in the manner prescribed
48 for the determination and amortization of the unfunded accrued

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1 liability of the system, if the sum of the foregoing items is greater
2 than zero.

3 If there are excess valuation assets allocated to the State or to the
4 other employers for the valuation period ending March 31, 1996,
5 the normal contributions payable by the State or by the other
6 employers for the valuation periods ending March 31, 1996 and
7 March 31, 1997 which have not yet been paid to the retirement
8 system shall be reduced to the extent possible by the excess
9 valuation assets allocated to the State or to the other employers,
10 respectively, provided that with respect to the excess valuation
11 assets allocated to the State, the General Fund balances that would
12 have been paid to the retirement system except for this provision
13 shall first be allocated as State aid to public schools to the extent
14 that additional sums are required to comply with the May 14, 1997
15 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If
16 there are excess valuation assets allocated to the State or to the
17 other employers for a valuation period ending after March 31, 1996,
18 the State Treasurer may reduce the normal contribution payable by
19 the State or by the other employers for the next valuation period as
20 follows:

21 (1) for valuation periods ending March 31, 1997 through March
22 31, 2001, to the extent possible by up to 100% of the excess
23 valuation assets allocated to the State or to the other employers,
24 respectively;

25 (2) for the valuation period ending March 31, 2002, to the extent
26 possible by up to 84% of the excess valuation assets allocated to the
27 State or to the other employers, respectively;

28 (3) for the valuation period ending March 31, 2003, to the extent
29 possible by up to 68% of the excess valuation assets allocated to the
30 State or to the other employers, respectively; and

31 (4) for valuation periods ending March 31, 2004 through June
32 30, 2007, to the extent possible by up to 50% of the excess
33 valuation assets allocated to the State or to the other employers,
34 respectively.

35 For calendar years 1998 and 1999, the rate of contribution of
36 members of the retirement system under section 25 of P.L.1954,
37 c.84 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess
38 valuation assets and for calendar years 2000 and 2001, the rate of
39 contribution shall be reduced by 2% from excess valuation assets.
40 Thereafter, through calendar year 2007, the rate of contribution of
41 members of the retirement system under that section for a calendar
42 year shall be reduced equally with normal contributions to the
43 extent possible, but not by more than 2%, from excess valuation
44 assets if the State Treasurer determines that excess valuation assets
45 shall be used to reduce normal contributions by the State and local
46 employers for the fiscal year beginning immediately prior to the
47 calendar year, or for the calendar year for local employers whose
48 fiscal year is the calendar year, and excess valuation assets above

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1 the amount necessary to fund the reduction for that calendar year in
2 the member contribution rate plus an equal reduction in the normal
3 contribution shall be available for the further reduction of normal
4 contributions, subject to the limitations prescribed by this
5 subsection.

6 If there are excess valuation assets after reductions in normal
7 contributions and member contributions as authorized in the
8 preceding paragraphs for a valuation period beginning with the
9 valuation period ending June 30, 1999, an amount of excess
10 valuation assets not to exceed the amount of the member
11 contributions for the fiscal year in which the normal contributions
12 are payable shall be credited to the benefit enhancement fund. The
13 amount of excess valuation assets credited to the benefit
14 enhancement fund shall not exceed the present value of the
15 expected additional normal contributions attributable to the
16 provisions of P.L.2001, c.133 payable on behalf of the active
17 members over the expected working lives of the active members in
18 accordance with the tables of actuarial assumptions for the
19 valuation period. No additional excess valuation assets shall be
20 credited to the benefit enhancement fund after the maximum
21 amount is attained. Interest shall be credited to the benefit
22 enhancement fund as provided under section 33 of P.L.1954, c.84
23 (C.43:15A-33).

24 The normal contribution for the increased benefits for active
25 employees under P.L.2001, c.133 shall be paid from the benefit
26 enhancement fund. If assets in the benefit enhancement fund are
27 insufficient to pay the normal contribution for the increased benefits
28 for a valuation period, the State shall pay the amount of normal
29 contribution for the increased benefits not covered by assets from
30 the benefit enhancement fund.

31 c. The retirement system shall certify annually the aggregate
32 amount payable to the contingent reserve fund in the ensuing year,
33 which amount shall be equal to the sum of the amounts described in
34 this section.

35 The State Treasurer shall reduce the normal and accrued liability
36 contributions payable by employers other than the State, excluding
37 the contribution payable from the benefit enhancement fund, to a
38 percentage of the amount certified annually by the retirement
39 system, which percentage shall be: for payments due in the State
40 fiscal year ending June 30, 2005, 20%; for payments due in the
41 State fiscal year ending June 30, 2006, not more than 40%; for
42 payments due in the State fiscal year ending June 30, 2007, not
43 more than 60%; and for payments due in the State fiscal year ending
44 June 30, 2008, not more than 80%.

45 The State Treasurer shall reduce the normal and accrued liability
46 contributions payable by employers other than the State, excluding
47 the contribution payable from the benefit enhancement fund, to a
48 percentage of the amount certified annually by the retirement

1 system, which percentage shall be for payments due in the State
2 fiscal year ending June 30, 2009, not more than 50%; for payments
3 due in the State fiscal year ending June 30, 2010, not more than
4 60%; and for payments due in the State fiscal year ending June 30,
5 2011, not more than 80%. An employer who elects to pay more
6 than the amount proscribed shall be credited with such payment and
7 any such amounts shall not be included in their unfunded liability.
8 For payments due in each of the respective fiscal years, as
9 previously described, an employer wishing to pay more than the
10 minimum contributions may elect to pay 75% or 100% of the total
11 required contribution for fiscal year ending June 30, 2009, 80% or
12 100% for fiscal year ending June 30, 2010, or 90% or 100% for
13 fiscal year ending June 30, 2011.

14 The actuaries for the retirement system shall determine the
15 unfunded liability of the retirement system, by employer, for the
16 reduced normal and accrued liability contributions provided under
17 P.L. , c. (pending before the Legislature as this bill). This
18 unfunded liability shall be paid by the employer in level annual
19 payments over a period of 15 years beginning with the payments
20 due in State fiscal year ending June 30, 2012 and shall be adjusted
21 by the rate of return on the actuarial value of assets.

22 The retirement system shall annually certify to each employer the
23 contributions due to the contingent reserve fund for the liability
24 under P.L. , c. (pending before the Legislature as this bill). The
25 contributions certified by the retirement system shall be paid by the
26 employer to the retirement system on or before the date prescribed
27 by law for payment of employer contributions for basic retirement
28 benefits. If payment of the full amount of the contribution certified
29 is not made within 30 days after the last date for payment of
30 employer contributions for basic retirement benefits, interest at the
31 rate of 10% per year shall be assessed against the unpaid balance on
32 the first day after the thirtieth day.

33 The State shall pay into the contingent reserve fund during the
34 ensuing year the amount so determined. The death benefits,
35 payable as a result of contribution by the State under the provisions
36 of this chapter upon the death of an active or retired member, shall
37 be paid from the contingent reserve fund.

38 d. The disbursements for benefits not covered by reserves in
39 the system on account of veterans shall be met by direct
40 contributions of the State and other employers.

41 (cf: P.L.2007, c.92, s.26)

42

43 2. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
44 read as follows:

45 15. (1) The contributions required for the support of the
46 retirement system shall be made by members and their employers.

47 (2) The uniform percentage contribution rate for members shall
48 be 8.5% of compensation.

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1 (3) (Deleted by amendment, P.L.1989, c.204).

2 (4) Upon the basis of the tables recommended by the actuary
3 which the board adopts and regular interest, the actuary shall
4 compute annually, beginning as of June 30, 1991, the amount of
5 contribution which shall be the normal cost as computed under the
6 projected unit credit method attributable to service rendered under
7 the retirement system for the year beginning on July 1 immediately
8 succeeding the date of the computation. This shall be known as the
9 "normal contribution."

10 (5) (Deleted by amendment, P.L.1989, c.204).

11 (6) (Deleted by amendment, P.L.1994, c.62.)

12 (7) Each employer shall cause to be deducted from the salary of
13 each member the percentage of earnable compensation prescribed in
14 subsection (2) of this section. To facilitate the making of
15 deductions, the retirement system may modify the amount of
16 deduction required of any member by an amount not to exceed 1/10
17 of 1% of the compensation upon which the deduction is based.

18 (8) The deductions provided for herein shall be made
19 notwithstanding that the minimum salary provided for by law for
20 any member shall be reduced thereby. Every member shall be
21 deemed to consent and agree to the deductions made and provided
22 for herein, and payment of salary or compensation less said
23 deduction shall be a full and complete discharge and acquittance of
24 all claims and demands whatsoever for the service rendered by such
25 person during the period covered by such payment, except as to the
26 benefits provided under this act. The chief fiscal officer of each
27 employer shall certify to the retirement system in such manner as
28 the retirement system may prescribe, the amounts deducted; and
29 when deducted shall be paid into said annuity savings fund, and
30 shall be credited to the individual account of the member from
31 whose salary said deduction was made.

32 (9) With respect to employers other than the State, upon the
33 basis of the tables recommended by the actuary which the board
34 adopts and regular interest, the actuary shall compute the amount of
35 the accrued liability as of June 30, 1991 under the projected unit
36 credit method, which is not already covered by the assets of the
37 retirement system, valued in accordance with the asset valuation
38 method established in this section. Using the total amount of this
39 unfunded accrued liability, the actuary shall compute the initial
40 amount of contribution which, if the contribution is increased at a
41 specific rate and paid annually for a specific period of time, will
42 amortize this liability. The State Treasurer shall determine, upon
43 the advice of the Director of the Division of Pensions and Benefits,
44 the board of trustees and the actuary, the rate of increase for the
45 contribution and the time period for full funding of this liability,
46 which shall not exceed 40 years on initial application of this section
47 as amended by this act, P.L.1994, c.62. This shall be known as the
48 "accrued liability contribution." Any increase or decrease in the

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1 unfunded accrued liability as a result of actuarial losses or gains for
2 the 10 valuation years following valuation year 1991 shall serve to
3 increase or decrease, respectively, the unfunded accrued liability
4 contribution. Thereafter, any increase or decrease in the unfunded
5 accrued liability as a result of actuarial losses or gains for
6 subsequent valuation years shall serve to increase or decrease,
7 respectively, the amortization period for the unfunded accrued
8 liability, unless an increase in the amortization period will cause it
9 to exceed 30 years. If an increase in the amortization period as a
10 result of actuarial losses for a valuation year would exceed 30 years,
11 the accrued liability contribution shall be computed for the
12 valuation year in the same manner provided for the computation of
13 the initial accrued liability contribution under this section.

14 With respect to the State, upon the basis of the tables
15 recommended by the actuary which the board adopts and regular
16 interest, the actuary shall annually determine if there is an amount
17 of the accrued liability, computed under the projected unit credit
18 method, which is not already covered by the assets of the retirement
19 system, valued in accordance with the asset valuation method
20 established in this section. This shall be known as the "unfunded
21 accrued liability." If there was no unfunded accrued liability for the
22 valuation period immediately preceding the current valuation
23 period, the actuary, using the total amount of this unfunded accrued
24 liability, shall compute the initial amount of contribution which, if
25 the contribution is increased at a specific rate and paid annually for
26 a specific period of time, will amortize this liability. The State
27 Treasurer shall determine, upon the advice of the Director of the
28 Division of Pensions and Benefits, the board of trustees and the
29 actuary, the rate of increase for the contribution and the time period
30 for full funding of this liability, which shall not exceed 30 years.
31 This shall be known as the "accrued liability contribution."
32 Thereafter, any increase or decrease in the unfunded accrued
33 liability as a result of actuarial losses or gains for subsequent
34 valuation years shall serve to increase or decrease, respectively, the
35 amortization period for the unfunded accrued liability, unless an
36 increase in the amortization period will cause it to exceed 30 years.
37 If an increase in the amortization period as a result of actuarial
38 losses for a valuation year would exceed 30 years, the accrued
39 liability contribution shall be computed for the valuation year in the
40 same manner provided for the computation of the initial accrued
41 liability contribution under this section. The State may pay all or
42 any portion of its unfunded accrued liability under the retirement
43 system from any source of funds legally available for the purpose,
44 including, without limitation, the proceeds of bonds authorized by
45 law for this purpose.

46 The value of the assets to be used in the computation of the
47 contributions provided for under this section for valuation periods
48 shall be the value of the assets for the preceding valuation period

1 increased by the regular interest rate, plus the net cash flow for the
2 valuation period (the difference between the benefits and expenses
3 paid by the system and the contributions to the system) increased by
4 one half of the regular interest rate, plus 20% of the difference
5 between this expected value and the full market value of the assets
6 as of the end of the valuation period. This shall be known as the
7 "valuation assets." Notwithstanding the first sentence of this
8 paragraph, the valuation assets for the valuation period ending June
9 30, 1995 shall be the full market value of the assets as of that date
10 and, with respect to the valuation assets allocated to the State, shall
11 include the proceeds from the bonds issued pursuant to the "Pension
12 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et
13 seq.), paid to the system by the New Jersey Economic Development
14 Authority to fund the unfunded accrued liability of the system.
15 Notwithstanding the first sentence of this paragraph, the percentage
16 of the difference between the expected value and the full market
17 value of the assets to be added to the expected value of the assets
18 for the valuation period ending June 30, 1998 for the State shall be
19 100% and for other employers shall be 57% plus such additional
20 percentage as is equivalent to \$150,000,000. Notwithstanding the
21 first sentence of this paragraph, the amount of the difference
22 between the expected value and the full market value of the assets
23 to be added to the expected value of the assets for the valuation
24 period ending June 30, 1999 shall include an additional amount of
25 the market value of the assets sufficient to fund (1) the unfunded
26 accrued liability for the supplementary "special retirement"
27 allowances provided under subsection b. of section 16 of P.L.1964,
28 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the
29 full credit toward benefits under the retirement system for service
30 credited in the Public Employees' Retirement System and
31 transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8)
32 and the reimbursement of the cost of any credit purchase pursuant
33 to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under
34 section 1 of P.L.2001, c.201 (C.43:16A-3.14).

35 "Excess valuation assets" means, with respect to the valuation
36 assets allocated to the State, the valuation assets allocated to the
37 State for a valuation period less the actuarial accrued liability of the
38 State for the valuation period, and beginning with the valuation
39 period ending June 30, 1998, less the present value of the expected
40 additional normal cost contributions attributable to the provisions of
41 P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the
42 active members employed by the State as of the valuation period
43 over the expected working lives of the active members in
44 accordance with the tables of actuarial assumptions applicable to
45 the valuation period, and less the present value of the expected
46 additional normal cost contributions attributable to the provisions of
47 P.L.2003, c.108 as amending section 16 of P.L.1964, c.241
48 (C.43:16A-11.1) payable on behalf of the active members employed

1 by the State as of the valuation period over the expected working
2 lives of the active members in accordance with the tables of
3 actuarial assumptions applicable to the valuation period, if the sum
4 is greater than zero. "Excess valuation assets" means, with respect
5 to the valuation assets allocated to other employers, the valuation
6 assets allocated to the other employers for a valuation period less
7 the actuarial accrued liability of the other employers for the
8 valuation period, excluding the unfunded accrued liability for early
9 retirement incentive benefits pursuant to P.L.1993, c.99 for the
10 other employers, and beginning with the valuation period ending
11 June 30, 1998, less the present value of the expected additional
12 normal cost contributions attributable to the provisions of P.L.1999,
13 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active
14 members employed by other employers as of the valuation period
15 over the expected working lives of the active members in
16 accordance with the tables of actuarial assumptions applicable to
17 the valuation period, and less the present value of the expected
18 additional normal cost contributions attributable to the provisions of
19 P.L.2003, c.108 as amending section 16 of P.L.1964, c.241
20 (C.43:16A-11.1) payable on behalf of the active members employed
21 by other employers as of the valuation period over the expected
22 working lives of the active members in accordance with the tables
23 of actuarial assumptions applicable to the valuation period, if the
24 sum is greater than zero.

25 If there are excess valuation assets allocated to the State or to
26 the other employers for the valuation period ending June 30, 1995,
27 the normal contributions payable by the State or by the other
28 employers for the valuation periods ending June 30, 1995, and June
29 30, 1996 which have not yet been paid to the retirement system
30 shall be reduced to the extent possible by the excess valuation
31 assets allocated to the State or to the other employers, respectively,
32 provided that with respect to the excess valuation assets allocated to
33 the State, the General Fund balances that would have been paid to
34 the retirement system except for this provision shall first be
35 allocated as State aid to public schools to the extent that additional
36 sums are required to comply with the May 14, 1997 decision of the
37 New Jersey Supreme Court in *Abbott v. Burke*.

38 If there are excess valuation assets allocated to the other
39 employers for the valuation period ending June 30, 1998, the
40 accrued liability contributions payable by the other employers for
41 the valuation period ending June 30, 1997 shall be reduced to the
42 extent possible by the excess valuation assets allocated to the other
43 employers.

44 If there are excess valuation assets allocated to the State or to the
45 other employers for a valuation period ending after June 30, 1998,
46 the State Treasurer may reduce the normal contribution payable by
47 the State or by other employers for the next valuation period as
48 follows:

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1 (1) for valuation periods ending June 30, 1996 through June 30,
2 2000, to the extent possible by up to 100% of the excess valuation
3 assets allocated to the State or to the other employers, respectively;

4 (2) for the valuation period ending June 30, 2001, to the extent
5 possible by up to 84% of the excess valuation assets allocated to the
6 State or to the other employers, respectively;

7 (3) for the valuation period ending June 30, 2002, to the extent
8 possible by up to 68% of the excess valuation assets allocated to the
9 State or to the other employers, respectively; and

10 (4) for valuation periods ending June 30, 2003 through June 30,
11 2007, to the extent possible by up to 50% of the excess valuation
12 assets allocated to the State or to the other employers, respectively.

13 Notwithstanding the discretion provided to the State Treasurer in
14 the previous paragraph to reduce the amount of the normal
15 contribution payable by employers other than the State, the State
16 Treasurer shall reduce the amount of the normal contribution
17 payable by employers other than the State by \$150,000,000 in the
18 aggregate for the valuation period ending June 30, 1998, and then
19 the State Treasurer may reduce further pursuant to the provisions of
20 the previous paragraph the normal contribution payable by such
21 employers for that valuation period.

22 As of the valuation report in which the funded level is in excess
23 of 104%, an amount equal to the present value of the future normal
24 contributions for the benefits provided by P.L.2003, c.108 as
25 amending section 16 of P.L.1964, c.241 (C.43:16A-11.1), shall be
26 credited to the benefit enhancement fund. If there are excess
27 valuation assets after reductions in normal contributions as
28 authorized in the preceding paragraphs, for a valuation period
29 beginning with the valuation period in which the benefits provided
30 by section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by
31 P.L.2003, c.108 apply, an amount of excess valuation assets not to
32 exceed the amount of the member contributions for the fiscal year
33 in which the normal contributions are payable shall be credited to
34 the benefit enhancement fund. The amount of excess valuation
35 assets credited to the benefit enhancement fund shall not exceed the
36 present value of the expected additional normal and accrued
37 liability contributions attributable to the provisions of section 16 of
38 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.2003, c.108,
39 payable on behalf of the active members over the expected working
40 lives of the active members in accordance with the tables of
41 actuarial assumptions for the valuation period. No additional
42 excess valuation assets shall be credited to the benefit enhancement
43 fund after the maximum amount is attained. Interest shall be
44 credited to the benefit enhancement fund.

45 The normal and accrued liability contributions for the increased
46 benefits for active employees under section 16 of P.L.1964, c.241
47 (C.43:16A-11.1), as amended by P.L.2003, c.108, shall be paid
48 from the benefit enhancement fund. If assets in the benefit

1 enhancement fund are insufficient to pay the normal and accrued
2 liability contributions for the increased benefits for a valuation
3 period, the retirement system shall pay the amount of normal and
4 accrued liability contributions for the increased benefits not covered
5 by assets from the benefit enhancement fund.

6 The normal and accrued liability contributions shall be certified
7 annually by the retirement system and shall be included in the
8 budget of the employer and levied and collected in the same manner
9 as any other taxes are levied and collected for the payment of the
10 salaries of members.

11 Notwithstanding the preceding sentence, the normal and accrued
12 liability contributions to be included in the budget of and paid by
13 the employer other than the State shall be as follows: for the
14 payment due in the State fiscal year ending on June 30, 2004, 20%
15 of the amount certified by the retirement system; for the payment
16 due in the State fiscal year ending on June 30, 2005, a percentage of
17 the amount certified by the retirement system as the State Treasurer
18 shall determine but not more than 40%; for the payment due in the
19 State fiscal year ending on June 30, 2006, a percentage of the
20 amount certified by the retirement system as the State Treasurer
21 shall determine but not more than 60%; and for the payment due in
22 the State fiscal year ending on June 30, 2007, a percentage of the
23 amount certified by the retirement system as the State Treasurer
24 shall determine but not more than 80%.

25 The State Treasurer shall reduce the normal and accrued liability
26 contributions payable by employers other than the State to a
27 percentage of the amount certified annually by the retirement
28 system, which percentage shall be for payments due in the State
29 fiscal year ending June 30, 2009, not more than 50%; for payments
30 due in the State fiscal year ending June 30, 2010, not more than
31 60%; and for payments due in the State fiscal year ending June 30,
32 2011, not more than 80%. An employer who elects to pay more
33 than the amount proscribed shall be credited with such payment and
34 any such amounts shall not be included in their unfunded liability.
35 For payments due in each of the respective fiscal years, as
36 previously described, an employer wishing to pay more than the
37 minimum contributions may elect to pay 75% or 100% of the total
38 required contribution for fiscal year ending June 30, 2009, 80% or
39 100% for fiscal year ending June 30, 2010, or 90% or 100% for
40 fiscal year ending June 30, 2011.

41 The actuaries for the retirement system shall determine the
42 unfunded liability of the retirement system, by employer, for the
43 reduced normal and accrued liability contributions provided under
44 P.L. , c. (pending before the Legislature as this bill). This
45 unfunded liability shall be paid by the employer in level annual
46 payments over a period of 15 years beginning with the payments
47 due in State fiscal year ending June 30, 2012 and shall be adjusted
48 by the rate of return on the actuarial value of assets.

1 The retirement system shall annually certify to each employer
2 the contributions due to the contingent reserve fund for the liability
3 under P.L. , c. (pending before the Legislature as this bill). The
4 contributions certified by the retirement system shall be paid by the
5 employer to the retirement system on or before the date prescribed
6 by law for payment of employer contributions for basic retirement
7 benefits. If payment of the full amount of the contribution certified
8 is not made within 30 days after the last date for payment of
9 employer contributions for basic retirement benefits, interest at the
10 rate of 10% per year shall be assessed against the unpaid balance on
11 the first day after the thirtieth day.

12 (10) The treasurer or corresponding officer of the employer shall
13 pay to the State Treasurer no later than April 1 of the State's fiscal
14 year in which payment is due the amount so certified as payable by
15 the employer, and shall pay monthly to the State Treasurer the
16 amount of the deductions from the salary of the members in the
17 employ of the employer, and the State Treasurer shall credit such
18 amount to the appropriate fund or funds, of the retirement system.

19 If payment of the full amount of the employer's obligation is not
20 made within 30 days of the due date established by this act, interest
21 at the rate of 10% per annum shall commence to run against the
22 unpaid balance thereof on the first day after such 30th day.

23 If payment in full, representing the monthly transmittal and
24 report of salary deductions, is not made within 15 days of the due
25 date established by the retirement system, interest at the rate of 10%
26 per annum shall commence to run against the total transmittal of
27 salary deductions for the period on the first day after such 15th day.

28 (11) The expenses of administration of the retirement system
29 shall be paid by the State of New Jersey. Each employer shall
30 reimburse the State for a proportionate share of the amount paid by
31 the State for administrative expense. This proportion shall be
32 computed as the number of members under the jurisdiction of such
33 employer bears to the total number of members in the system. The
34 pro rata share of the cost of administrative expense shall be
35 included with the certification by the retirement system of the
36 employer's contribution to the system.

37 (12) Notwithstanding anything to the contrary, the retirement
38 system shall not be liable for the payment of any pension or other
39 benefits on account of the employees or beneficiaries of any
40 employer participating in the retirement system, for which reserves
41 have not been previously created from funds, contributed by such
42 employer or its employees for such benefits.

43 (13) (Deleted by amendment, P.L.1992, c.125.)

44 (14) Commencing with valuation year 1991, with payment to be
45 made in Fiscal Year 1994, the Legislature shall annually
46 appropriate and the State Treasurer shall pay into the pension
47 accumulation fund of the retirement system an amount equal to
48 1.1% of the compensation of the members of the system for the

1 valuation year to fund the benefits provided by section 16 of
2 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

3 (15) If the valuation assets are insufficient to fund the normal
4 and accrued liability costs attributable to P.L.1999, c.428
5 (C.43:16A-15.8 et al.) as provided hereinabove, the normal and
6 unfunded accrued liability contributions required to fund these costs
7 for the State and other employers shall be paid by the State.

8 (16) The savings realized as a result of the amendments to this
9 section by P.L.2001, c.44 in the payment of normal contributions
10 computed by the actuary for the valuation periods ending June 30,
11 1998 for employers other than the State shall be used solely and
12 exclusively by a county or municipality for the purpose of reducing
13 the amount that is required to be raised by the local property tax
14 levy by the county for county purposes or by the municipality for
15 municipal purposes, as appropriate. The Director of the Division of
16 Local Government Services in the Department of Community
17 Affairs shall certify for each year that each county or municipality
18 has complied with the requirements set forth herein. If the director
19 finds that a county or municipality has not used the savings solely
20 and exclusively for the purpose of reducing the amount that is
21 required to be raised by the local property tax levy by the county for
22 county purposes or by the municipality for municipal purposes, as
23 appropriate, the director shall direct the county or municipal
24 governing body, as appropriate, to make corrections to its budget.
25 (cf: P.L.2007, c.92, s.23)

26

27 3. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to
28 read as follows:

29 3. a. (1) Notwithstanding the provisions of any other law to the
30 contrary, a school district shall not adopt a budget pursuant to
31 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6)
32 with an increase in its adjusted tax levy that exceeds the tax levy
33 growth limitation calculated as follows: the sum of the prebudget
34 year adjusted tax levy and the adjustment for increases in
35 enrollment multiplied by four percent, and adjustments for a
36 reduction in total unrestricted State aid from the prebudget year, an
37 increase in health care costs, **[and]** beginning in the 2008-2009
38 school year, amounts approved by a waiver granted by the
39 commissioner pursuant to section 4 of P.L.2007, c.62 (C.18A:7F-
40 39), and, beginning in the 2010-2011 school year, increases in
41 amounts for certain normal and accrued liability pension
42 contributions set forth in sections 1 and 2 of P.L. , c. (pending
43 before the Legislature as this bill) amending section 24 of P.L.1954,
44 c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255 (C.43:16A-
45 15) for the years set forth in those sections.

46 (2) Notwithstanding any provision of paragraph (1) of this
47 subsection to the contrary, beginning in the 2008-2009 school year
48 the tax levy growth limitation for a district which is spending above

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1 adequacy as determined pursuant to subsection d. of section 5 of
2 P.L.2007, c.260 (C.18A:7F-47) and has a prebudget year general
3 fund tax levy greater than its local share as calculated pursuant to
4 section 10 of that act and which receives an increase in State aid
5 between the prebudget and budget years that is greater than 2% or
6 the CPI, whichever is greater, shall be reduced by the amount of the
7 State aid increase that exceeds 2% or the CPI, whichever is greater.
8 For the purposes of this paragraph, the CPI shall not exceed 4%.
9 The reduction shall be made following the calculation of any
10 adjustments for increases in enrollment, a reduction in total
11 unrestricted State aid, **[and]** an increase in health care costs, and an
12 increase in the amount of the normal and accrued liability pension
13 contributions calculated pursuant to subsections b., c., and d. of this
14 section and prior to the request or approval of waivers pursuant to
15 section 4 of P.L.2007, c.62 (C.18A:7F-39). In the event that the
16 reduction would bring the district's spending below adequacy,
17 notwithstanding the requirements of this paragraph to the contrary
18 the amount of the reduction made to the district's tax levy growth
19 limitation shall not be greater than the amount that brings the
20 district's spending to adequacy.

21 b. (1) The allowable adjustment for increases in enrollment
22 authorized pursuant to subsection a. of this section shall equal the
23 per pupil prebudget year adjusted tax levy multiplied by EP, where
24 EP equals the sum of:

25 (a) 0.50 for each unit of weighted resident enrollment that
26 constitutes an increase from the prebudget year over 1%, but not
27 more than 2.5%;

28 (b) 0.75 for each unit of weighted resident enrollment that
29 constitutes an increase from the prebudget year over 2.5%, but not
30 more than 4%; and

31 (c) 1.00 for each unit of weighted resident enrollment that
32 constitutes an increase from the prebudget year over 4%.

33 (2) A school district may request approval from the
34 commissioner to calculate EP equal to 1.00 for any increase in
35 weighted resident enrollment if it can demonstrate that the
36 calculation pursuant to paragraph (1) of this subsection would result
37 in an average class size that exceeds 10% above the facilities
38 efficiency standards established pursuant to P.L.2000, c.72
39 (C.18A:7G-1 et al.).

40 c. The allowable adjustment for a reduction in total
41 unrestricted State aid authorized pursuant to subsection a. of this
42 section shall equal any reduction in total unrestricted State aid from
43 the prebudget to the budget year.

44 d. (1) The allowable adjustment for increases in health care
45 costs authorized pursuant to subsection a. of this section shall equal
46 that portion of the actual increase in total health care costs for the
47 budget year, less any withdrawals from the current expense
48 emergency reserve account for increases in total health care costs,

1 that exceeds four percent of the total health care costs in the
2 prebudget year, but that is not in excess of the product of the total
3 health care costs in the prebudget year multiplied by the average
4 percentage increase of the State Health Benefits Program, P.L.1961,
5 c.49 (C.52:14-17.25 et seq.), as annually determined by the
6 Division of Pensions and Benefits in the Department of the
7 Treasury.

8 (2) The allowable adjustment for increases in the amount of
9 normal and accrued liability pension contributions authorized
10 pursuant to subsection a. of this section shall equal that portion of
11 the actual increase in total normal and accrued liability pension
12 contributions for the budget year that exceeds four percent of the
13 total normal and accrued liability pension contributions in the
14 prebudget year.

15 e. In addition to the adjustments authorized pursuant to
16 subsection a. of this section, for the purpose of determining a school
17 district's allowable tax levy growth limitation for the 2007-2008
18 school year, a school district may apply to the commissioner for an
19 adjustment for increases in special education costs over \$40,000 per
20 pupil, increases in tuition, capital outlay increases, and incremental
21 increases in costs for opening a new school facility in the budget
22 year.

23 (1) The allowable adjustment for increases in special education
24 costs over \$40,000 per pupil shall equal any increase in the sum of
25 per pupil amounts in excess of \$40,000 for the budget year less the
26 sum of per pupil amounts in excess of \$40,000 for the prebudget
27 year indexed by four percent.

28 (2) The allowable adjustment for increases in tuition shall equal
29 any increase in the tuition for the budget year charged to a sending
30 district by the receiving district pursuant to the provisions of
31 N.J.S.18A:38-19 or charged by a county vocational school district
32 pursuant to the provisions of section 71 of P.L.1990, c.52
33 (C.18A:54-20.1) less 104 percent of the tuition for the prebudget
34 year charged to a sending district by the receiving district pursuant
35 to the provisions of N.J.S.18A:38-19 or charged by a county
36 vocational school district pursuant to the provisions of section 71 of
37 P.L.1990, c.52 (C.18A:54-20.1).

38 (3) The allowable adjustment for increases in capital outlay
39 shall equal any increase in capital outlay, less any withdrawals from
40 the capital reserve account, over the prebudget year in excess of
41 four percent.

42 f. The adjusted tax levy shall be increased or decreased
43 accordingly whenever the responsibility and associated cost of a
44 school district activity is transferred to another school district or
45 governmental entity.

46 (cf: P.L.2007, c.260, s.37)

1 4. Section 10 of P.L.2007, c.62 (C.40A:4-45.45) is amended to
2 read as follows:

3 10. a. In the preparation of its budget the amount to be raised by
4 taxation by a local unit shall not exceed the sum of new ratables, the
5 adjusted tax levy, and the total of waivers approved pursuant to
6 section 11 of P.L.2007, c.62 (C.40A:4-45.46); provided, however,
7 that in the case of a county, the amount to be raised by taxation
8 shall not exceed the amount permitted by section 4 of P.L.1976,
9 c.68 (C.40A:4-45.4).

10 b. The following exclusions shall be added to the calculation of
11 the adjusted tax levy:

12 (1) increases in amounts required to be raised for (a) all debt
13 service and (b) lease payments with county improvement authorities
14 pursuant to leases in effect on the effective date of P.L.2007, c.62
15 (C.18A:7F-37 et al.);

16 (2) increases in amounts required to be raised to replace State
17 formula aid due to a reduction in State formula aid from the
18 previous local budget year;

19 (3) increases in amounts for certain pension contributions set
20 forth in section 5 of P.L.2003, c.108 (C.40A:4-45.43) for the years
21 set forth in that section;

22 (4) with respect to municipalities, any increase, greater than four
23 percent, in the reserve for uncollected taxes that is required by law;

24 (5) increases in health care costs equal to that portion of the
25 actual increase in total health care costs for the budget year that is
26 in excess of four percent of the total health care costs in the prior
27 year, but is not in excess of the product of the total health care costs
28 in the prior year and the average percentage increase of the State
29 Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as
30 annually determined by the Division of Pensions and Benefits in the
31 Department of the Treasury;

32 (6) increases in amounts for certain normal and accrued liability
33 pension contributions set forth in sections 1 and 2 of P.L. _____,
34 c. (pending before the Legislature as this bill) amending section 24
35 of P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255
36 (C.43:16A-15) equal to that portion of the actual increase in normal
37 and accrued liability pension contributions for the budget year that
38 is in excess of four percent of the normal and accrued liability
39 pension contributions in the prior year.

40 **[(6)]** Notwithstanding the other provisions of this subsection,
41 when the appropriation for all debt service is less than the amount
42 appropriated for all debt service in the prior fiscal year, the amount
43 of the difference shall be deducted from the sum of the exclusions
44 listed in paragraphs (1) through **[(5)]** (6) of this subsection. If
45 there are no exclusions, then the amount of the difference shall
46 reduce the adjusted tax levy by that amount. Any cancelled or
47 unexpended appropriation for any exclusion pursuant to this
48 subsection or waiver pursuant to section 11 of P.L.2007, c.62

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1 (C.40A:4-45.46), also shall be deducted from the sum of the
2 exclusions listed in paragraphs (1) through ~~[(5)]~~ (6) or directly
3 reduce the adjusted tax levy if there are no exclusions.
4 (cf: P.L.2007, c.62, s.10)

5
6 5. (New section) In addition to the exceptions to the limits on
7 increases to municipal appropriations set forth in section 3 of
8 P.L.1976, c.68 (C.40A:4-45.3) and to the county tax levy set forth
9 in section 4 of P.L.1976, c.68 (C.40A:4-45.4), appropriations that
10 represent expenditures made by a municipality or county for the
11 purpose of funding certain normal and accrued liability
12 contributions set forth in sections 1 and 2 of P.L. , c. (pending
13 before the Legislature as this bill) amending section 24 of P.L.1954,
14 c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255 (C.43:16A-
15 15) due in the State fiscal years 2009-10, 2010-11 and 2011-12
16 shall be exempt from the limits on increases to municipal
17 appropriations and from the limits on increases to the county tax
18 levy in county budgets, respectively, for the local budget year in
19 which those contributions are due, except that for local fiscal year
20 2009 the full normal and accrued liability contributions to the
21 Public Employees' Retirement System shall be added to the
22 allowable operating appropriations before exceptions.

23
24 6. Within 180 days after the effective date of P.L. ,
25 c. (pending before the Legislature as this bill), the Director of the
26 Division of Pensions and Benefits in the Department of the
27 Treasury shall report to the Governor and, pursuant to section 2 of
28 P.L.1991, c.164 (C.52:14-19.1), to the Legislature on the feasibility
29 and consequences of creating individual employer accounts within
30 the State-administered retirement systems.

31
32 7. This act shall take effect immediately.

33
34
35 STATEMENT

36
37 This bill provides for reductions in the contributions that local
38 employers must make to the Public Employees' Retirement System
39 (PERS) and the Police and Firemen's Retirement System (PFRS)
40 during State fiscal years 2009 through 2011. It also provides that a
41 local employer may elect to pay more than the reduced required
42 contributions and that separate resultant unfunded liabilities will be
43 calculated for each employer.

44 The PERS and PFRS, like the other State-administered
45 retirement systems, are funded on an actuarial reserve basis. An
46 actuary for each system annually projects that system's overall
47 liability for benefits to members, retirees and their beneficiaries.
48 The actuary then sets off against this projected liability the system's

1 assets on hand, and its anticipated income from such sources such
2 as return on investments and member contributions. The difference
3 constitutes the system's liability, which must be met through
4 employer contributions; these consist of a "normal contribution,"
5 covering the system's liability attributable to the service rendered by
6 covered employees during the year for which the contribution is
7 determined, and an "accrued liability contribution," covering the
8 system's unfunded liability for previous service. The two
9 contribution requirements are computed and certified to employers
10 as a percentage of total compensation.

11 In recognition of the enormous financial burden that full
12 payments of the PERS and PFRS contributions in State fiscal years
13 2009 through 2011 will place on local property taxpayers and local
14 budgets during this historically difficult economic period for the
15 State, this bill provides that the State Treasurer will reduce for local
16 employers the normal and accrued liability contributions to a
17 percentage of the amount certified annually by the PERS and PFRS,
18 which percentage will be not more than 50% for payments due in
19 State fiscal year 2009, not more than 60% for payments due in State
20 fiscal year 2010, and not more than 80% for payments due in State
21 fiscal year 2011.

22 The bill provides that an employer who elects to pay more than
23 the amount proscribed will be credited with such payment and any
24 such amounts will not be included in their unfunded liability. For
25 payments due in each of the respective fiscal years, as previously
26 described, an employer wishing to pay more than the minimum
27 contributions may elect to pay 75% or 100% of the total required
28 contribution for fiscal year ending June 30, 2009, 80% or 100% for
29 fiscal year ending June 30, 2010, or 90% or 100% for fiscal year
30 ending June 30, 2011. The actuaries for PERS and PFRS will
31 determine the unfunded liability of those retirement systems, by
32 employer, for the reduced normal and accrued liability contributions
33 provided under the bill. This unfunded liability will be paid by the
34 employer in level annual payments over a period of 15 years
35 beginning with the payments due in State fiscal year ending June
36 30, 2012 and will be adjusted by the rate of return on the actuarial
37 value of assets.

38 The bill provides that for the respective three fiscal years during
39 which local public employers' pension contributions to the PERS
40 and PFRS will be reduced, and for the year thereafter when the
41 employers would again be subject to the full contribution
42 requirement, the affected contribution payments will be exempt
43 from the limits imposed on increases to municipal appropriations
44 set forth in N.J.S.A.40A:4-45.3, the local budget "cap" law, and to
45 the county tax levy set forth in N.J.S.A.40A:4-45.4. The bill also
46 amends current law concerning the calculation of the tax levy
47 growth limitation for the purpose of an increase in the adjusted tax
48 levy for a school district, and the exclusions added to the

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1 calculation for the adjusted tax levy for a local unit of government,
2 to account for certain normal and accrued liability pension
3 contribution increases.

4 Finally, the bill requires the Director of the Division of Pensions
5 and Benefits in the Department of the Treasury to report to the
6 Governor and Legislature, within 180 days after its effective date,
7 on the feasibility and consequences of creating individual employer
8 accounts within the State-administered retirement systems.