

P.L.2017, CHAPTER 98, *approved July 4, 2017*
Senate, No. 3312 (*First Reprint*)

1 AN ACT concerning the contribution of the Lottery Enterprise to
2 certain State-administered retirement systems to benefit State
3 institutions and provide State aid to education, amending various
4 parts of the statutory law, and supplementing P.L.1970, c.13
5 (C.5:9-1 et seq.).
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:
9

10 1. (New section) This act shall be known and may be cited as
11 the "Lottery Enterprise Contribution Act."
12

13 2. (New section) The Legislature finds and declares that:

14 a. The State Lottery, as established by and operated pursuant to
15 Article IV, Section VII, paragraph 2 of the Constitution of the State
16 of New Jersey and the "State Lottery Law," P.L.1970, c.13 (C.5:9-1
17 et seq.), is a valuable asset of the State of New Jersey.

18 b. The Lottery Enterprise has been and is a business-like entity,
19 consisting of all of the assets, properties, interests, and rights of
20 every nature and kind, tangible and intangible, of the State useful or
21 necessary to operate the State Lottery.

22 c. The Division of the State Lottery in the Department of the
23 Treasury is constantly evolving the brand, marketing, and game
24 offerings of the Lottery Enterprise in order to retain existing players
25 and attract new ones.

26 d. The Lottery Enterprise, as operated by the Division of the
27 State Lottery, is recognized as one of the most profitable and well-
28 operated lotteries in the United States and the world. The division
29 operates the Lottery Enterprise in a manner that is consonant with
30 the dignity of the State and general welfare of its people, as
31 demonstrated by the division having earned the highest level of
32 achievement in responsible gaming, and having received the Best
33 Innovation in Responsible Gambling Award from the World Lottery
34 Association in November 2016.

35 e. The continued operation, management, conduct, and control
36 of the Lottery Enterprise by the Division of the State Lottery is
37 necessary for the Lottery Enterprise to remain operating at these
38 high standards, consistent with the "State Lottery Law," P.L.1970,
39 c.13 (C.5:9-1 et seq.), and with applicable federal law.

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted June 26, 2017.

1 f. The Teachers' Pension and Annuity Fund, the Public
2 Employees' Retirement System, and the Police and Firemen's
3 Retirement System are established as qualified governmental
4 defined benefit plans pursuant to sections 401(a) and 414(d) of the
5 federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
6 414(d)), as amended, and exempt under section 501(a) of the federal
7 Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as amended,
8 and such other provision of the federal Internal Revenue Code, as
9 applicable, regulations of the United States Department of the
10 Treasury, and other guidance of the federal Internal Revenue
11 Service, and this act, P.L. , c. (C.) (pending before the
12 Legislature as this bill). The contribution of the Lottery Enterprise
13 to these retirement systems is intended to comply with all
14 requirements of the federal Internal Revenue Code governing the
15 tax qualified status of the retirement systems, and this act shall at
16 all times be applied and construed in a manner consistent with all
17 such requirements.

18 g. The members of the Teachers' Pension and Annuity Fund are
19 serving or have served as teachers, educators, and administrators in
20 the schools of this State and are eligible members of the retirement
21 system, and contributing the Lottery Enterprise for their benefit
22 pursuant to this act constitutes State aid for education within the
23 meaning of Article IV, Section VII, paragraph 2 of the State
24 Constitution.

25 h. Some of the members of the Public Employees' Retirement
26 System are serving or have served as employees of State institutions
27 defined in R.S.30:1-7, but excluding adult or juvenile correctional
28 facilities or institutions, or are serving or have served as employees
29 of public institutions of higher education, and are eligible members
30 of the retirement system, and contributing the Lottery Enterprise for
31 their benefit pursuant to this act constitutes support for State
32 institutions and State aid for education within the meaning of
33 Article IV, Section VII, paragraph 2 of the State Constitution.

34 i. Some of the members of the Police and Firemen's
35 Retirement System are serving or have served as employees of State
36 institutions defined in R.S.30:1-7, but excluding adult or juvenile
37 correctional facilities or institutions, or are serving or have served
38 as employees of public institutions of higher education, and are
39 eligible members of the retirement system, and contributing the
40 Lottery Enterprise for their benefit pursuant to this act constitutes
41 support for State institutions and State aid for education within the
42 meaning of Article IV, Section VII, paragraph 2 of the State
43 Constitution.

44 j. The New Jersey Supreme Court has recognized the
45 compelling need for action to solve the tenuous state of New
46 Jersey's pension funding, observing that "the State must get its
47 financial house in order."

48 k. The New Jersey Pension and Health Benefit Study
49 Commission emphasized the dire condition of the public employee

1 pension systems, which continues to be a matter of grave concern
2 for public employees, retirees, their families, and all of the residents
3 of this State. The commission found that "by any measure, the
4 amount of the unfunded liability is grievous."

5 l. The contribution of the Lottery Enterprise to the retirement
6 systems pursuant to and in the manner contemplated by this act is in
7 the public interest in alleviating the underfunded status of such
8 retirement systems.

9 m. The State, pursuant to a competitive process, engaged an
10 independent valuation service provider to conduct a review and due
11 diligence of the Lottery Enterprise, including its cash flows,
12 operating history, legal structure, and projections, and the
13 independent valuation service provider issued a report which
14 represents its opinion as to the valuation of the Lottery Enterprise.

15 n. The allocable percentages established in section 5 of this act
16 were determined based on: (1) the relative percentages of the total
17 actuarial accrued liabilities of the retirement systems; (2) the
18 relative percentages of the total actuarial accrued liabilities of the
19 eligible member portions of such retirement systems; (3) the
20 relative percentages of the total unfunded actuarially accrued
21 liabilities of the retirement systems; (4) the relative percentages of
22 the total unfunded actuarially accrued liabilities of the eligible
23 member portions of such retirement systems; (5) the relative
24 percentages of the total number of members in each retirement
25 system; and (6) the relative percentages of eligible members
26 participating in each such retirement system.

27 o. Following the lottery contribution, the Division of the State
28 Lottery will operate, manage, conduct, and control the Lottery
29 Enterprise with a goal of maximizing net proceeds for the benefit of
30 the retirement systems, consonant with the dignity of the State and
31 general welfare of its people.

32
33 3. (New section) As used in this act, P.L. , c. (C.)
34 (pending before the Legislature as this bill):

35 "Adult or juvenile correctional facilities or institutions" means
36 adult or juvenile correctional facilities or institutions as defined
37 pursuant to section 8 of P.L.1976, c.98 (C.30:1B-8).

38 "Eligible members" means:

39 (1) individuals who are serving or who have served in positions
40 eligible for participation in the Teachers' Pension and Annuity
41 Fund;

42 (2) individuals who are serving or who have served in positions
43 eligible for participation in the Public Employees' Retirement
44 System and who are serving or have served as employees of State
45 institutions ¹**【defined】** described or listed¹ in R.S.30:1-7 ¹, State
46 institutions no longer in operation as identified by the State
47 Treasurer,¹ or any facilities, institutions, or veterans homes
48 established for any similar purpose, but excluding adult or juvenile

1 correctional facilities or institutions, or who are serving or have
2 served as employees of public institutions of higher education; and
3 (3) individuals who are serving or who have served in positions
4 eligible for participation in the Police and Firemen's Retirement
5 System and who are serving or have served as employees of State
6 institutions ¹**[defined]** described or listed¹ in R.S.30:1-7 ¹, State
7 institutions no longer in operation as identified by the State
8 Treasurer,¹ or any facilities, institutions, or veterans homes
9 established for any similar purpose, but excluding adult or juvenile
10 correctional facilities or institutions, or who are serving or have
11 served as employees of public institutions of higher education.

12 "Lottery Enterprise" means the lottery established pursuant to the
13 "State Lottery Law," P.L.1970, c.13 (C.5:9-1 et seq.), and all of the
14 assets, properties, interests, and rights of every nature and kind,
15 tangible and intangible, presently existing or acquired in the future,
16 useful or necessary to operate the State Lottery, including, without
17 limitation: inventory; supplies; equipment; furnishings; fixtures;
18 computers and other electronic equipment; other personal property;
19 real property and rights therein; trademarks and trademark
20 applications; logos; trade names; patents and patent applications;
21 other intellectual property rights; customer lists; going concern
22 value; goodwill; sales records; copies of business books and
23 records; monetary management systems; accounting systems;
24 licenses; permits; contracts and contract rights; rights to take
25 assignment of contracts and related receipts and revenues; accounts
26 receivable; designs; technical data and information; sales materials;
27 the right to merchandising in the State and to sell lottery products in
28 the State; all accounts payable and liabilities related to the
29 foregoing; and all ancillary or necessary appurtenances to the
30 foregoing; provided, however, that Lottery Enterprise excludes all
31 retained assets and retained liabilities.

32 "Retained assets" means those assets and rights of or related to
33 the Lottery Enterprise that relate to the operation of the Lottery
34 Enterprise necessary to satisfy liabilities arising on or prior to the
35 lottery contribution effective date as specified in the Memorandum
36 of Lottery Contribution under section 4 of this act, and cash,
37 annuities, and other similar assets specified in the Memorandum of
38 Lottery Contribution.

39 "Retained liabilities" means those liabilities, encumbrances, and
40 obligations of or related to the Lottery Enterprise that relate to the
41 operation of the Lottery Enterprise on or prior to the lottery
42 contribution effective date as specified in the Memorandum of
43 Lottery Contribution under section 4 of this act.

44 "Retirement systems" means one or more of the following
45 governmental organizations within the meaning of 18 U.S.C.
46 s.1307(a)(2)(A), as amended, and other applicable law:

47 (1) the Teachers' Pension and Annuity Fund, established
48 pursuant to N.J.S.18A:66-1 et seq.;

1 (2) the Public Employees' Retirement System, established
2 pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and

3 (3) the Police and Firemen's Retirement System, established
4 pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.).

5 "Special asset" means the Lottery Enterprise, including the
6 operations account but excluding the investment account.

7 "State institutions" means long-term care facilities, institutions,
8 and psychiatric facilities of this State, as 'described or' listed in
9 R.S.30:1-7 'and long-term care facilities, institutions, and
10 psychiatric facilities of this State no longer in operation as
11 identified by the State Treasurer'.
12

13 4. (New section) a. The State Treasurer shall make a
14 contribution of the Lottery Enterprise for a period of 30 years for
15 the benefit of the retirement systems, which shall be deposited in
16 Common Pension Fund L in accordance with this act,
17 P.L. , c. (C.) (pending before the Legislature as this bill),
18 and the Memorandum of Lottery Contribution required under this
19 section.

20 b. The Division of the State Lottery shall operate, manage,
21 conduct, and control the Lottery Enterprise with a goal of
22 maximizing net proceeds for the benefit of the retirement systems,
23 consonant with the dignity of the State and the general welfare of
24 the people.

25 c. The lottery contribution shall be subject to (1) a royalty-free,
26 exclusive license with all substantial rights including the right to
27 sublicense, from Common Pension Fund L, established pursuant to
28 section 6 of this act, to the Division of the State Lottery during the
29 lottery contribution for all trademarks and trademark applications,
30 logos, tradenames, and other intellectual property rights owned or
31 used by or in connection with the Lottery Enterprise, whether
32 existing on the effective date of this act or subsequently acquired or
33 created; and (2) any existing licenses or sublicenses granted prior to
34 the effective date of this act by the Division of the State Lottery to
35 third parties for any and all trademarks and trademark applications,
36 logos, tradenames, and other intellectual property rights owned or
37 used by, or in connection with, the Lottery Enterprise.

38 d. The State Treasurer shall prepare, execute, and deliver the
39 Memorandum of Lottery Contribution, and such certificates and
40 other documents as the State Treasurer determines are consistent
41 with this act and are reasonably necessary to evidence or effectuate
42 the lottery contribution. The State Treasurer may amend or
43 supplement the Memorandum of Lottery Contribution, including to
44 correct deficiencies or errors therein.

45 e. The Memorandum of Lottery Contribution shall contain:

46 (1) the lottery contribution effective date;

47 (2) a transition period of up to 180 days and transition
48 procedures reasonably necessary to ensure that operations of the

- 1 Lottery Enterprise are not materially disrupted as a result of the
2 lottery contribution;
- 3 (3) a detailed description or list of all of the assets and liabilities
4 of the Lottery Enterprise;
- 5 (4) a description of the retained assets and retained liabilities;
6 and
- 7 (5) such other provisions as the State Treasurer determines in
8 the Treasurer's sole discretion are useful and necessary to make the
9 lottery contribution in a manner consistent with this act.
- 10 f. Notwithstanding the provisions of the "Administrative
11 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), the State
12 Treasurer shall provide the Memorandum of Lottery Contribution to
13 the Office of Administrative Law, and the Office of Administrative
14 Law shall publish the Memorandum of Lottery Contribution in the
15 New Jersey Register.
- 16 g. The retirement systems shall not be required or permitted to
17 pay any expenses incurred by the State Treasurer, the Division of
18 the State Lottery, or the Division of Investment in the Department
19 of the Treasury in connection with the making of the lottery
20 contribution pursuant to this act.
- 21 h. During the lottery contribution, all new assets acquired by or
22 for the Lottery Enterprise shall be owned by Common Pension Fund
23 L for the benefit of the retirement systems, except those assets,
24 including licenses or similar rights in or to multistate lottery games,
25 which may only be held, licensed, acquired, or procured by the
26 Division of the State Lottery and which relate to the Lottery
27 Enterprise, in which case such assets shall be held, licensed,
28 acquired, or procured by the Division of the State Lottery on behalf
29 of and for the benefit of Common Pension Fund L.
- 30 i. The Director of the Division of Investment shall
31 acknowledge receipt of the lottery contribution to the retirement
32 systems and of the Memorandum of Lottery Contribution, and shall
33 deposit the lottery contribution into Common Pension Fund L.
- 34 j. Following the lottery contribution, the Division of the State
35 Lottery shall operate, manage, conduct, and control the Lottery
36 Enterprise in accordance with the "State Lottery Law," P.L.1970,
37 c.13 (C.5:9-1 et seq.), and with applicable federal law, including the
38 applicable requirements of the federal Internal Revenue Code.
- 39 k. At the expiration of the lottery contribution, the Lottery
40 Enterprise, exclusive of all proceeds attributable to the operation of
41 the Lottery Enterprise prior to the expiration of the lottery
42 contribution, shall be returned to the Division of the State Lottery.
43 Prior to that time, the State Treasurer shall, in coordination with the
44 Division of Investment and the Division of the State Lottery,
45 provide for and enter into any agreements or arrangements
46 necessary or advisable for the orderly return of the Lottery
47 Enterprise, exclusive of such proceeds, as provided in the
48 Memorandum of Lottery Contribution. Such arrangements shall
49 include a transition period of up to 180 days following the

1 expiration of the lottery contribution, during which the proceeds of
2 the Lottery Enterprise may continue to be deposited into the
3 operations account established in section 6 of this act, and other
4 transition arrangements reasonably necessary to ensure that
5 operations of the Lottery Enterprise are not materially disrupted as a
6 result of the expiration of the lottery contribution.

7 1. The State Treasurer shall execute the Memorandum of
8 Lottery Contribution, and the Director of the Division of Investment
9 shall acknowledge receipt of the lottery contribution, on or before
10 December 31, 2017.

11
12 5. (New section) a. For the purposes of this act,
13 P.L. , c. (C.) (pending before the Legislature as this bill),
14 the Lottery Enterprise shall be valued at \$13,535,000,000, as that
15 value was determined by the independent valuation service provider
16 engaged by the State.

17 b. The lottery contribution and all proceeds of the Lottery
18 Enterprise shall be allocated among the retirement systems in the
19 allocable percentages as follows: 77.78 percent for the Teachers'
20 Pension and Annuity Fund, established pursuant to N.J.S.18A:66-1
21 et seq.; 21.02 percent for the Public Employees' Retirement System,
22 established pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and
23 1.20 percent for the Police and Firemen's Retirement System,
24 established pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.), which
25 have been determined based on (1) the relative percentages of the
26 total actuarial accrued liabilities of the retirement systems; (2) the
27 relative percentages of the total actuarial accrued liabilities of the
28 eligible member portions of such retirement systems; (3) the
29 relative percentages of the total unfunded actuarially accrued
30 liabilities of the retirement systems; (4) the relative percentages of
31 the total unfunded actuarially accrued liabilities of the eligible
32 member portions of such retirement systems; (5) the relative
33 percentages of the total number of members in each retirement
34 system; and (6) the relative percentages of eligible members
35 participating in each such retirement system. Each retirement
36 system shall have an initial equitable interest in Common Pension
37 Fund L, established pursuant to section 6 of this act, equal to its
38 allocable percentage of the entire lottery contribution made on its
39 behalf.

40
41 6. (New section) a. In order to receive the lottery contribution
42 on behalf of the retirement systems, a Common Pension Fund L is
43 hereby established within the Division of Investment in the
44 Department of the Treasury. Common Pension Fund L shall
45 constitute part of each retirement system and the participating trust
46 through which each retirement system is funded. Only the
47 retirement systems and the trusts through which they are funded
48 shall have an interest in Common Pension Fund L. Common
49 Pension Fund L shall satisfy the requirements of section 401(a)(24)

1 of the federal Internal Revenue Code of 1986 (26 U.S.C.
2 s.401(a)(24)), as amended, in accordance with Revenue Ruling 81-
3 100, as amended by Revenue Ruling 2004-67 and Revenue Ruling
4 2011-1, and the requirements for exemption under section 501(a) of
5 the federal Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as
6 amended. Consistent with section 401(a)(24) of the federal Internal
7 Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended,
8 regulations of the United States Department of the Treasury, and
9 other guidance of the federal Internal Revenue Service, each
10 retirement system shall participate in Common Pension Fund L.
11 No part of the corpus or income of Common Pension Fund L that
12 equitably belongs to a retirement system or a trust of the retirement
13 system may be used for or diverted to any purpose other than for the
14 exclusive benefit of the members or beneficiaries entitled to
15 benefits under such retirement system or trust of the retirement
16 system. No retirement system or trust of a retirement system may
17 assign any part of its equity or interest in Common Pension Fund L.

18 b. Upon receipt of the lottery contribution, the Director of the
19 Division of Investment shall:

20 (1) invest and manage all assets in the investment account;

21 (2) make distributions of proceeds and investment earnings
22 thereon from the investment account into investment vehicles
23 managed by the Division of Investment for the sole benefit of the
24 retirement systems; and

25 (3) make distributions of proceeds and investment earnings
26 thereon from the investment account to the retirement systems from
27 Common Pension Fund L to be used by each retirement system for
28 any legitimate purpose of such retirement system, provided that any
29 distribution under this part (3) shall be made on a simultaneous and
30 pro rata basis to the retirement systems, which pro rata basis shall
31 be based on each retirement system's relative equitable interest in
32 the lottery contribution.

33 c. Upon the establishment of Common Pension Fund L, there
34 shall be established two subaccounts therein as the operations
35 account and investment account for the following purposes.

36 (1) The gross proceeds of the Lottery Enterprise shall be
37 deposited into an operations account. The Division of the State
38 Lottery solely shall manage the operations account and shall make
39 deposits therein, invest amounts therein, make requisition and
40 payment for costs incurred in the operation and administration of
41 the Lottery Enterprise, including reimbursements of funds used to
42 pay such expenses, and payment for lottery sales agent
43 commissions, certain prizes paid by lottery sales agents, costs
44 resulting from any contract or contracts entered into for
45 promotional, advertising, or operational services, or for the
46 purchase or lease of lottery equipment and materials for the Lottery
47 Enterprise therefrom, hold reserves for payment of prizes and other
48 purposes related to the operation of the Lottery Enterprise, and
49 otherwise manage the operations account. All proceeds of the

1 Lottery Enterprise deposited in the operations account shall be
2 qualified plan assets subject to the requirements of sections 401(a)
3 and 501(a) of the federal Internal Revenue Code of 1986 (26 U.S.C.
4 ss.401(a) and 501(a)), as amended, but shall not be assets managed
5 by the Division of Investment for the benefit of the retirement
6 systems under N.J.S.18A:66-61, section 14 of P.L.1944, c.255
7 (C.43:16A-14), or section 32 of P.L.1954, c.84 (C.43:15A-32) until
8 any such assets have been transferred from the operations account
9 to the investment account.

10 (2) Proceeds in amounts determined by the Division of the State
11 Lottery shall be transferred from the operations account to the
12 investment account on a periodic basis and such proceeds shall
13 constitute the net proceeds of the Lottery Enterprise. Such proceeds
14 transferred together with all investments thereof and investment
15 earnings thereon shall be available solely to and for the benefit of
16 the retirement systems in the allocable percentages specified in
17 section 5 of this act, P.L. , c. (C.)(pending before the
18 Legislature as this bill). The investment account shall be managed
19 and invested by the Director of the Division of Investment pursuant
20 to the authority, responsibilities, and duties set forth in P.L.1950,
21 c.271 (C.52:18A-79 et seq.), subject to the oversight of the State
22 Investment Council, pursuant to the authority of P.L.1950, c.270
23 (C.52:18A-79 et seq.). The Director of the Division of Investment
24 shall have full discretion to distribute proceeds and all investments
25 thereof and investment earnings thereon from the investment
26 account into investment vehicles managed by the Division of
27 Investment on behalf of the retirement systems. The investment
28 account may be further subdivided into subaccounts in the
29 discretion of the Director of the Division of Investment for purposes
30 of investing in different types of investments.

31 (3) Notwithstanding any provision of this act or any other
32 provision of law to the contrary, the Director of the Division of
33 Investment and the State Investment Council shall not have any
34 responsibility for the operations account of Common Pension Fund
35 L and shall not be liable for any claims, demands, suits, actions,
36 damages, judgments, costs, charges, or expenses, including court
37 costs or attorneys' fees in any way related to such account.
38 Notwithstanding the establishment of Common Pension Fund L in
39 the Division of Investment, the Director of the Division of
40 Investment, the Division of Investment, and the State Investment
41 Council shall not have any authority to manage the Lottery
42 Enterprise or the operations account.

43 d. The portion of the lottery contribution allocated to each
44 retirement system shall increase the funded ratio with respect to
45 eligible members of such retirement system, provided, however, all
46 amounts in the investment account, to the extent of the interest of
47 each retirement system therein, may be distributed by the Director
48 of the Division of Investment to the retirement systems from
49 Common Pension Fund L and used by each retirement system for

1 any legitimate purpose of such retirement system, provided that any
2 such distribution shall be made on a simultaneous and pro rata basis
3 to the retirement systems, which pro rata basis shall be based on
4 each retirement system's relative equitable interest in the lottery
5 contribution. For the purpose of this subsection, the funded ratio
6 shall be the ratio of the actuarial value of assets plus the value of
7 the special asset, determined in accordance with section 38 of
8 P.L.2010, c.1 (C.43:3C-14), to the actuarially determined accrued
9 liabilities expressed as a percentage.

10
11 7. (New section) Nothing in this act, P.L. , c. (C.)
12 (pending before the Legislature as this bill), shall be construed as a
13 waiver of the sovereign immunity of the State or a relinquishment
14 of the sovereign powers of the State. The Superior Court of New
15 Jersey shall have exclusive original jurisdiction and venue over all
16 matters arising from this act.

17
18 8. (New section) This act, P.L. , c. (C.) (pending before
19 the Legislature as this bill), shall be construed liberally. If any
20 provision of this act or the application thereof to any person or
21 circumstance is held invalid, such invalidity shall not affect other
22 provisions or applications which can be given effect without the
23 invalid provisions or applications, and to this end the provisions of
24 this act are declared to be severable.

25
26 9. Section 3 of P.L.1970, c.13 (C.5:9-3), is amended to read as
27 follows:

28 3. For the purposes of this act:

29 a. "Commission" shall mean the State Lottery Commission
30 established by this act.

31 b. "Division" shall mean the Division of the State Lottery
32 created by this act.

33 c. "Lottery" or "State lottery" shall mean the lottery
34 established and operated pursuant to this act and includes all lottery
35 games organized or conducted by the division prior to and after the
36 effective date of P.L. , c. (pending before the Legislature as this
37 bill).

38 d. "Director" shall mean the Director of the Division of the
39 State Lottery.

40 (cf: P.L.1970, c.13, s.3)

41
42 10. Section 5 of P.L.1970, c.13 (C.5:9-5) is amended to read as
43 follows:

44 5. The commission shall consist of the State Treasurer and six
45 public members, all of whom shall be residents of this State and all
46 of whom shall be appointed by the Governor by and with the
47 advice and consent of the Senate. No more than three of the six
48 public members shall be members of the same political party. The
49 public members shall be appointed for terms of 5 years, except that

1 of the members first appointed, one shall be appointed for a term of
2 1 year, one for a term of 2 years, one for a term of 3 years, one for a
3 term of 4 years, and one for a term of 5 years, commencing as of
4 the date of their appointment by the Governor. The term of each of
5 the members first appointed shall be designated by the Governor.
6 The term of the additional public member appointed pursuant to
7 this 1983 amendatory act shall be five years. The members shall
8 annually elect one of the public members as chairman of the
9 commission and shall also annually elect one of the public members
10 as vice chairman of the commission.

11 During the term of the lottery contribution made pursuant to
12 section 4 of P.L. , c. (C.) (pending before the Legislature as this
13 bill), the commission shall consist of the State Treasurer, the
14 Director of the Division of Investment, and five public members, all
15 of whom shall be residents of this State, and all of whom shall be
16 appointed by the Governor with the advice and consent of the
17 Senate. No more than three of the five public members shall be
18 members of the same political party. When the lottery contribution
19 begins, the Governor shall select one public member, who is serving
20 on the effective date of P.L. , c. (pending before the Legislature
21 as this bill), for termination of the member's service. Members of
22 the commission serving on the date of enactment of the "Lottery
23 Enterprise Contribution Act," P.L. , c. (C.) (pending before
24 the Legislature as this bill), not terminated by the Governor shall
25 continue to serve for the remainder of their terms.

26 Any vacancy in the commission occurring for any reason other
27 than the expiration of term shall be filled for the unexpired term in
28 the same manner as the original appointment.

29 Any public member of the commission may be removed from
30 office by the Governor, for cause, upon notice and opportunity to be
31 heard at a public hearing.

32 The public members of the commission shall receive no salaries
33 but shall be allowed reasonable expenses incurred in the
34 performance of their official duties in an amount not exceeding
35 \$5,000.00 per annum in the case of the chairman, and \$3,500.00 in
36 the case of each of the other commissioners.

37 The Director of the Division of Investment and the State
38 Treasurer may each designate an officer or employee of [his
39 department] the Division of Investment or the Department of the
40 Treasury, respectively, to represent [him] the director or the
41 Treasurer at meetings of the commission, who may lawfully vote
42 and otherwise act on behalf of the Treasurer and the director,
43 respectively. Any designation shall be in writing, delivered to the
44 commission and filed with the Secretary of State and shall continue
45 in effect, unless by its terms it is made for a fixed period, until
46 revoked or amended in the same manner as provided for the
47 designation.

48 (cf: P.L.1983, c.60, s.1)

1 11. Section 7 of P.L.1970, c.13 (C.5:9-7) is amended to read as
2 follows:

3 7. The commission shall have the power, and it shall be its
4 duty:

5 a. After full and thorough study of the report and
6 recommendations of the State Lottery Planning Commission
7 established pursuant to Joint Resolution Number 11, approved
8 November 20, 1969, and such other pertinent information as may be
9 available, to promulgate such rules and regulations governing the
10 establishment and operation of a State lottery as it deems necessary
11 and desirable in order that the mandate of the people expressed in
12 their approval of the amendment to Article IV, Section VII,
13 paragraph 2, of the Constitution in the general election of
14 November, 1969, may be fully implemented, in order that such a
15 lottery shall be initiated at the earliest feasible and practicable time,
16 and in order that such lottery shall produce the maximum amount of
17 net **【revenues】** proceeds for State institutions and State aid for
18 education consonant with the dignity of the State and the general
19 welfare of the people. Such rules and regulations may include, but
20 shall not be limited to, the following:

21 (1) The type of lottery to be conducted.

22 (2) The price, or prices, of tickets or shares in the lottery.

23 (3) The number and sizes of the prizes on the winning tickets or
24 shares.

25 (4) The manner of selecting the winning tickets or shares.

26 (5) The manner of payment of prizes to the holders of winning
27 tickets or shares, including, subject to the approval of the State
28 Treasurer, provision for payment of prizes not to exceed \$599.00 by
29 agents licensed hereunder out of moneys received from sales of
30 tickets or shares.

31 (6) The frequency of the drawings or selections of winning
32 tickets or shares, without limitation.

33 (7) Without limit as to number, the type or types of locations at
34 which tickets or shares may be sold.

35 (8) The method to be used in selling tickets or shares.

36 (9) The licensing of agents to sell tickets or shares, provided
37 that no person under the age of 21 shall be licensed as an agent.

38 (10) The manner and amount of compensation, if any, to be paid
39 licensed sales agents necessary to provide for the adequate
40 availability of tickets or shares to prospective buyers and for the
41 convenience of the public.

42 (11) The apportionment of the total **【revenues】** proceeds
43 accruing from the sale of lottery tickets or shares and from all other
44 sources among (a) the payment of prizes to the holders of winning
45 tickets or shares, (b) the payment of costs incurred in the operation
46 and administration of the lottery, including the expenses of the
47 division and the costs resulting from any contract or contracts
48 entered into for promotional, advertising or operational services or
49 for the purchase or lease of lottery equipment and materials, (c) for

1 the repayment of the money appropriated to the State Lottery Fund
2 pursuant to section 23 of this act, and (d) for transfer to the general
3 fund for State institutions and State aid for education; provided,
4 however, that no less than 30% of the total **【revenues】** proceeds
5 accruing from the sale of lottery tickets or shares shall be dedicated
6 to (d) above.

7 During the term of the lottery contribution made pursuant to
8 section 4 of P.L. , c. (C.) (pending before the Legislature as this
9 bill), the apportionment of the total proceeds accruing from the sale
10 of lottery tickets or shares and from all other sources among (a) the
11 payment of prizes to the holders of winning tickets or shares, (b) the
12 payment of costs incurred in the operation and administration of the
13 Lottery Enterprise, as defined in section 3 of P.L. , c. (C.)
14 (pending before the Legislature as this bill), including the expenses
15 of the division and the costs resulting from any contract or contracts
16 entered into for promotional, advertising, or operational services for
17 the purchase or lease of lottery equipment and materials, and (c) for
18 transfer to the investment account of Common Pension Fund L, for
19 the benefit of retirement systems, as provided in the "Lottery
20 Enterprise Contribution Act," P.L. , c. (C.) (pending before
21 the Legislature as this bill); provided, however, that no less than 30
22 percent of the proceeds accruing from the sale of lottery tickets or
23 shares shall be dedicated to the investment account under (c) above.

24 (12) Such other matters necessary or desirable for the efficient
25 and economical operation and administration of the lottery and the
26 Lottery Enterprise and for the convenience of the purchasers of
27 tickets or shares and the holders of winning tickets or shares.

28 Notwithstanding the provisions of any other law to the contrary,
29 no rule or regulation establishing a lottery game shall be
30 considered an "administrative rule" or "rule" pursuant to
31 P.L.1968, c. 410 (C. 52:14B-1 et seq.).

32 b. To amend, repeal, or supplement any such rules and
33 regulations from time to time as it deems necessary or desirable.
34 Notwithstanding any provision of the "Administrative Procedure
35 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the
36 commission may adopt, immediately upon filing with the Office of
37 Administrative Law, such regulations as are necessary to implement
38 the provisions of the "Lottery Enterprise Contribution Act," P.L. ,
39 c. (C.) (pending before the Legislature as this bill), which shall
40 be effective for a period not to exceed 12 months following
41 adoption, and may thereafter be amended, adopted, or readopted by
42 the commission in accordance with the requirements of the
43 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
44 seq.).

45 c. To advise and make recommendations to the director
46 regarding the operation and administration of the lottery and the
47 Lottery Enterprise.

48 d. To report monthly to the Governor and the Legislature
49 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during

1 the lottery contribution, to the Director of the Division of
2 Investment, the total lottery [revenues] proceeds, prize
3 disbursements and other expenses for the preceding month, and to
4 make an annual report, which shall include a full and complete
5 statement of lottery [revenues] proceeds, prize disbursements and
6 other expenses, to the Governor [and] , the Legislature, and during
7 the lottery contribution, the Director of the Division of Investment,
8 including such recommendations for changes in this act as it deems
9 necessary or desirable.

10 e. To report immediately to the Governor and the Legislature
11 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during
12 the lottery contribution, to the Director of the Division of
13 Investment, any matters which shall require immediate changes in
14 the laws of this State in order to prevent abuses and evasions of this
15 act or rules and regulations promulgated thereunder or to rectify
16 undesirable conditions in connection with the administration or
17 operation of the lottery and the Lottery Enterprise.

18 f. To carry on a continuous study and investigation of the
19 lottery and the Lottery Enterprise throughout the State, which may
20 include requiring a financial or operational audit of the Lottery
21 Enterprise, (1) for the purpose of ascertaining any defects in this act
22 or in the rules and regulations issued thereunder by reason whereof
23 any abuses in the administration and operation of the lottery and the
24 Lottery Enterprise or any evasion of this act or the rules and
25 regulations may arise or be practiced, (2) for the purpose of
26 formulating recommendations for changes in this act and the rules
27 and regulations promulgated thereunder to prevent such abuses and
28 evasions, (3) to guard against the use of this act and the rules and
29 regulations issued thereunder as a cloak for the carrying on of
30 organized gambling and crime, and (4) to insure that said law and
31 rules and regulations shall be in such form and be so administered
32 as to serve the true purposes of this act and the "Lottery Enterprise
33 Contribution Act," P.L. , c. (C.) (pending before the
34 Legislature as this bill).

35 g. To make a continuous study and investigation of (1) the
36 operation and the administration of similar laws which may be in
37 effect in other states or countries, (2) any literature on the subject
38 which from time to time may be published or available, (3) any
39 Federal laws which may affect the operation of the lottery and the
40 Lottery Enterprise, and (4) the reaction of New Jersey [citizens]
41 residents to existing and potential features of the lottery and the
42 Lottery Enterprise, with a view to recommending or effecting
43 changes that will tend to serve the purposes of this act.

44 (cf: P.L.1981, c.182, s.1)

45

46 12. Section 8 of P.L.1970, c.13 (C.5:9-8) is amended to read as
47 follows:

48 8. The director shall have the power, and it shall be his duty to:

- 1 a. Supervise and administer the operation of the lottery and the
2 Lottery Enterprise in accordance with the provisions of this act and
3 the “Lottery Enterprise Contribution Act,” P.L. , c. (C.)
4 (pending before the Legislature as this bill), and with the rules and
5 regulations of the commission.
- 6 b. Subject to the approval of the commission, appoint such
7 deputy directors as may be required to carry out the functions and
8 duties of the division, which deputy directors shall be in the
9 unclassified service of the civil service.
- 10 c. Subject to the approval of the commission and Title **[11]**
11 11A of the **[Revised Statutes]** New Jersey Statutes, Civil Service,
12 appoint such professional, technical and clerical assistants and
13 employees as may be necessary to perform the duties imposed upon
14 the division by this act and the “Lottery Enterprise Contribution
15 Act,” P.L. , c. (C.) (pending before the Legislature as this
16 bill).
- 17 d. Act as secretary and executive officer of the commission.
- 18 e. In accordance with the provisions of this act and the rules
19 and regulations of the commission, to license as agents to sell
20 lottery tickets such persons as in his opinion will best serve the
21 public convenience and promote the sale of tickets or shares. The
22 director may require a bond from every licensed agent, in such
23 amount as provided in the rules and regulations of the commission.
24 Every licensed agent shall prominently display his license, or a
25 copy thereof, as provided in the rules and regulations of the
26 commission.
- 27 f. Shall confer regularly as necessary or desirable and not less
28 than once every month with the commission on the operation and
29 administration of the lottery and the Lottery Enterprise; shall make
30 available for inspection by the commission, upon request, all
31 books, records, files, and other information and documents of the
32 division; shall advise the commission and recommend such matters
33 as he deems necessary and advisable to improve the operation and
34 administration of the lottery and the Lottery Enterprise.
- 35 g. Suspend or revoke any license issued pursuant to this act or
36 the rules and regulations promulgated thereunder.
- 37 h. Subject to the approval of the commission and the applicable
38 laws relating to public contracts, to act on behalf of the commission
39 as using agency with respect to purchases made by the Division of
40 Purchase and Property of goods and services required in the
41 operation of the lottery and the Lottery Enterprise.
- 42 i. To certify monthly to the State Treasurer **[and]** , the
43 commission, and during the term of the lottery contribution made
44 pursuant to section 4 of P.L. , c. (C.) (pending before the
45 Legislature as this bill), the Director of the Division of Investment,
46 a full and complete statement of lottery **[revenues]** proceeds, prize
47 disbursements and other expenses for the preceding month.

1 j. During the term of the lottery contribution, operate, manage,
2 conduct, and control the retained assets and the retained liabilities,
3 as each term is defined in the “Lottery Enterprise Contribution
4 Act,” P.L. , c. (C.) (pending before the Legislature as this
5 bill).

6 (cf: P.L.1983, c.60, s. 2)

7
8 13. Section 17 of P.L.1970, c.13 (C.5:9-17) is amended to read
9 as follows:

10 17. Unclaimed prize money for the prize on a winning ticket or
11 share shall be retained by the director for the person entitled thereto
12 for 1 year after the drawing in which the prize was won. If no claim
13 is made for said money within such year, the prize money shall be
14 allocated to State institutions and State aid for education in the
15 same manner as lottery **[revenues]** proceeds are allocated for such
16 purposes under this act.

17 (cf: P.L.1970, c.13, s.17)

18
19 14. Section 18 of P.L.1970, c.13 (C.5:9-18) is amended to read
20 as follows:

21 18. The director may, in his discretion, require any or all lottery
22 sales agents to deposit to the credit of the operations account of
23 Common Pension Fund L, as provided in the “Lottery Enterprise
24 Contribution Act,” P.L. , c. (C.) (pending before the
25 Legislature as this bill) during the term of the lottery contribution
26 made pursuant to section 4 of P.L. , c. (C.) (pending before the
27 Legislature as this bill), and otherwise deposit to the credit of the
28 State Lottery Fund in banks, designated by the State Treasurer all
29 moneys received by such agents from the sale of lottery tickets or
30 shares, less the amount, if any, retained as compensation for the
31 sale of the tickets or shares, and to file with the director or his
32 designated agents reports of their receipts and transactions in the
33 sale of lottery tickets in such form and containing such information
34 as he may require. The director may make such arrangements for
35 any person, including a bank, to perform such functions, activities
36 or services in connection with the operation of the lottery as he
37 may deem advisable pursuant to this act and the rules and
38 regulations of the commission, and such functions, activities or
39 services shall constitute lawful functions, activities and services of
40 such person.

41 (cf: P.L.1970, c.13, s.18)

42
43 15. Section 21 of P.L.1970, c.13 (C.5:9-21) is amended to read
44 as follows:

45 21. There is hereby created and established in the Department of
46 the Treasury a separate fund, to be known as the "State Lottery
47 Fund," to be deposited in such depositories as the State Treasurer
48 may select. Such fund shall consist of all **[revenues]** proceeds
49 received from the sale of lottery tickets or shares, and all other

1 moneys credited or transferred thereto from any other fund or
2 source pursuant to law.

3 During the term of the lottery contribution made pursuant to
4 section 4 of P.L. , c. (C.) (pending before the Legislature as this
5 bill), no proceeds received from the sale of lottery tickets or shares,
6 and no other moneys credited or transferred to the Lottery
7 Enterprise, as defined as section 3 of P.L. , c. (C.) (pending
8 before the Legislature as this bill), from any other fund or source,
9 shall be deposited into the State Lottery Fund, and instead all such
10 amounts shall be deposited into the operations account of Common
11 Pension Fund L, established pursuant to the “Lottery Enterprise
12 Contribution Act,” P.L. , c. (C.) (pending before the
13 Legislature as this bill).

14 (cf: P.L.1970, c.13, s.21)

15

16 16. Section 22 of P.L.1970, c.13 (C.5:9-22) is amended to read
17 as follows:

18 22. The moneys in said State Lottery Fund shall be appropriated
19 only (a) for the payment of prizes to the holders of winning lottery
20 tickets or shares, (b) for the expenses of the division in its
21 operation of the lottery, (c) for State institutions and State aid for
22 education as shall be provided by law, and (d) for the repayment to
23 the general treasury of the amount appropriated to the fund
24 pursuant to section 23 of this act.

25 On or about March 15 and September 15 of each year, the State
26 Treasurer shall publish in at least 10 newspapers circulating
27 generally in the State a report accounting for the total revenues
28 received in the State Lottery Fund and the specific amounts of
29 money appropriated therefrom for specific expenditures during the
30 preceding six months ending December 31 and June 30.

31 During the term of the lottery contribution made pursuant to
32 section 4 of P.L. , c. (C.) (pending before the Legislature as this
33 bill), the moneys in the operations account of Common Pension
34 Fund L, established pursuant to section 6 of P.L. , c. (C.)
35 (pending before the Legislature as this bill), shall be used only (a)
36 for the payment of prizes to the holders of winning lottery tickets or
37 shares, (b) for the expenses of the division in its operation of the
38 lottery and the Lottery Enterprise, as defined in section 3 of P.L. ,
39 c. (C.) (pending before the Legislature as this bill), and (c) for
40 transfer to the investment account of Common Pension Fund L for
41 the benefit of the retirement systems.

42 (cf: P.L.1984, c.136, s.1)

43

44 17. Section 38 of P.L.2010, c.1 (C.43:3C-14) is amended as
45 follows:

46 38. a. (1) Commencing July 1, 2011 and thereafter, the
47 contribution required, by law, to be made by the State to the
48 Teachers' Pension and Annuity Fund, established pursuant to
49 N.J.S.18A:66-1 et seq., the Judicial Retirement System, established

1 pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the Prison Officers'
2 Pension Fund, established pursuant to P.L.1941, c.220 (C.43:7-7 et
3 seq.), the Public Employees' Retirement System, established
4 pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the Consolidated
5 Police and Firemen's Pension Fund, established pursuant to
6 R.S.43:16-1 et seq., the Police and Firemen's Retirement System,
7 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), and
8 the State Police Retirement System, established pursuant to
9 P.L.1965, c.89 (C.53:5A-1 et seq.), shall be made in full each year
10 to each system or fund in the manner and at the time provided by
11 law. The contribution shall be computed by actuaries for each
12 system or fund based on an annual valuation of the assets and
13 liabilities of the system or fund pursuant to consistent and generally
14 accepted actuarial standards and shall include the normal
15 contribution and the unfunded accrued liability contribution.
16 Notwithstanding the provisions of any law to the contrary, the
17 assets to be included in the calculation described in this paragraph
18 shall not include the special asset value.

19 (2) The State with regard to its obligations funded through the
20 annual appropriations act shall be in compliance with this
21 requirement provided the State makes a payment, to each State-
22 administered retirement system or fund, of at least 1/7th of the full
23 contribution, as computed by the actuaries, in the State fiscal year
24 commencing July 1, 2011 and a payment in each subsequent fiscal
25 year that increases by at least an additional 1/7th until payment of
26 the full contribution is made in the seventh fiscal year and
27 thereafter.

28 (3) The sum of the accrued liability and the normal contribution,
29 calculated by the actuaries with respect to the unfunded accrued
30 liability and normal cost for each retirement system, as defined
31 pursuant to section 3 of P.L. , c. (C.) (pending before the
32 Legislature as this bill), shall be reduced annually by the product of
33 the allocable percentage for such retirement system, established in
34 section 5 of P.L. , c. (C.) (pending before the Legislature as
35 this bill), the adjustment percentage for such retirement system, as
36 set forth in subsection c. of this section, and the special asset
37 adjustment as set forth in this paragraph.

38 For State fiscal year 2018, the annual special asset adjustment
39 shall equal \$1,000,976,874.

40 For State fiscal year 2019, the annual special asset adjustment
41 shall equal \$1,037,148,584.

42 For State fiscal year 2020, the annual special asset adjustment
43 shall equal \$1,070,451,102.

44 For State fiscal year 2021, the annual special asset adjustment
45 shall equal \$1,084,354,841.

46 For State fiscal year 2022, the annual special asset adjustment
47 shall equal \$1,095,871,137.

48 After State fiscal year 2022, the special asset adjustment shall be
49 determined based on an amortization of the special asset value over

1 the remaining term of the lottery contribution made pursuant to
2 section 4 of P.L. , c. (C.) (pending before the Legislature as this
3 bill), at the regular interest rate applicable to the retirement
4 systems; provided, however, in no event shall the annual special
5 asset adjustment be more than the maximum special asset
6 adjustment.

7 The maximum special asset adjustment shall be determined
8 based on a 30-year amortization of the initial special asset value at
9 the regular interest rate applicable to the retirement systems.

10 The special asset value shall initially be the value set forth in
11 section 5 of P.L. , c. (C.) (pending before the Legislature as
12 this bill), and shall be revalued periodically as follows:

13 (a) if and as requested by the State Treasurer, in the Treasurer's
14 discretion, which revaluation shall not occur more than once in any
15 State fiscal year; and

16 (b) five years from the date of the last valuation performed,
17 whether discretionary or otherwise.

18 The special asset value shall exclude proceeds counted in any
19 prior actuarial valuation as a receivable. The special asset shall be
20 depreciated on a straight-line basis over the remaining term of the
21 lottery contribution based on the special asset value.

22 As used in this paragraph:

23 "Special asset adjustment" means the periodic actuarial
24 adjustment with respect to the special asset applicable to the
25 retirement systems.

26 b. In the State fiscal year commencing July 1, 2017 and in each
27 State fiscal year thereafter, the contribution required to be made by
28 the State pursuant to [subsection a. of] this section shall be made to
29 each system on the following schedule: at least 25 percent by
30 September 30, at least 50 percent by December 31, at least 75
31 percent by March 31, and at least 100 percent by June 30. The
32 amount of the contribution shall be net of the amount of any
33 increase in the interest on the tax and revenue anticipation notes
34 attributable solely to the need to borrow an increased amount in
35 order to make the quarterly payments.

36 c. For State fiscal years 2018 through 2022, the adjustment
37 percentage applicable to the Teachers' Pension and Annuity Fund,
38 established pursuant to N.J.S.18A:66-1 et seq., the Public
39 Employees' Retirement System, established pursuant to P.L.1954,
40 c.84 (C.43:15A-1 et seq.), and the Police and Firemen's Retirement
41 System, established pursuant to P.L.1944, c.255 (C.43:16A-1 et
42 seq.), shall be 100 percent. For State fiscal years beginning 2023
43 and thereafter, the adjustment percentage applicable to: (1) the
44 Teachers' Pension and Annuity Fund shall be 88.27 percent; (2) the
45 Public Employees' Retirement System shall be 57.29 percent; and
46 (3) the Police and Firemen's Retirement System shall be 0.00
47 percent. In State fiscal years 2023 and thereafter, for each of the
48 Teachers' Pension and Annuity Fund, the Public Employees'
49 Retirement System, and the Police and Firemen's Retirement

1 System, in their entirety, if the funded ratio falls below 50 percent
2 for any State fiscal year, the adjustment percentage for such fiscal
3 year shall be reduced by a number of percentage points equal to
4 three times the difference between 50 percent and the funded ratio,
5 rounded to the nearest percentage point. For the purposes of this
6 subsection, the funded ratio shall include the special asset value.
7 (cf: P.L.2016, c.83, s.1)

8
9 18. Section 27 of P.L.2011, c.78 (C.43:3C-16) is amended as
10 follows:

11 27. For the purpose of the Teachers' Pension and Annuity Fund,
12 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
13 Retirement System, established pursuant to P.L.1973, c.140
14 (C.43:6A-1 et seq.), the Public Employees' Retirement System,
15 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the
16 Police and Firemen's Retirement System, established pursuant to
17 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police
18 Retirement System, established pursuant to P.L.1965, c.89
19 (C.53:5A-1 et seq.), "target funded ratio" means a ratio of the
20 actuarial value of assets to the actuarially determined accrued
21 liabilities expressed as a percentage that shall be for the State part
22 of each system, and the local part of each system, if any, 75 percent
23 in State fiscal year 2012, and increased in each fiscal year thereafter
24 by equal increments for seven years, until the ratio reaches 80
25 percent at which it shall remain for all subsequent fiscal years.

26 During the term of the lottery contribution made pursuant to
27 section 4 of P.L. , c. (C.) (pending before the Legislature as
28 this bill), for the purpose of the retirement systems, as defined in
29 section 3 of P.L. , c. (C.) (pending before the Legislature as
30 this bill), "target funded ratio" means a ratio of the actuarial value
31 of assets plus the allocable special asset value, as determined in
32 section 38 of P.L.2010, c.1 (C.43:3C-14), to the actuarially
33 determined accrued liabilities expressed as a percentage that shall
34 be for the State part of each system, and the local part of each
35 system, if any, 75 percent in State fiscal year 2012, and increased in
36 each State fiscal year thereafter by equal increments for seven
37 years, until the ratio reaches 80 percent at which it shall remain for
38 all subsequent State fiscal years.
39 (cf: P.L.2011, c.78, s.27)

40
41 19. N.J.S.18A:66-17 is amended as follows:

42 18A:66-17. The expenses of administration of the retirement
43 system shall be paid by the State of New Jersey. Each employing
44 school district shall reimburse the State for a proportionate share of
45 the amount paid by the State for administrative expense. This
46 proportion shall be computed as the number of members under the
47 jurisdiction of such employing school district bears to the total
48 number of members in the system. The pro rata share of the cost of
49 the administrative expense shall be included with the certification

1 by the board of trustees to the Commissioner of Education, the
2 State Treasurer and to each employing school district. The
3 commissioner shall deduct the amount so certified from the
4 certification, to the State Treasurer and the Director of the Division
5 of Budget and Accounting, of State aid payable to such employing
6 school district under the provisions of c. 85, P.L.1954. Similar
7 reimbursement shall be made to the State by institutions and
8 districts to which c. 85, P.L.1954 does not pertain.

9 For purposes of this section, during the term of the lottery
10 contribution made pursuant to section 4 of P.L. , c. (C.)
11 (pending before the Legislature as this bill), the expenses of the
12 Lottery Enterprise shall not be considered to be expenses of the
13 retirement system but shall be paid in accordance with section 6 of
14 P.L. , c. (C.) (pending before the Legislature as this bill).
15 (cf: P.L.1971, c.121, s.7)

16
17 20. N.J.S.18A:66-18 is amended to read as follows:

18 18A:66-18. The contingent reserve fund shall be the fund in
19 which shall be credited contributions made by the State and other
20 employers.

21 a. Upon the basis of the tables recommended by the actuary
22 which the board of trustees adopts and regular interest, the actuary
23 of the board shall compute annually, beginning as of March 31,
24 1992, the amount of contribution which shall be the normal cost as
25 computed under the projected unit credit method attributable to
26 service rendered under the retirement system for the year beginning
27 on July 1 immediately succeeding the date of the computation. This
28 shall be known as the "normal contribution."

29 b. Upon the basis of the tables recommended by the actuary
30 which the board of trustees adopts and regular interest, the actuary
31 of the board shall annually determine if there is an amount of the
32 accrued liability of the retirement system, computed under the
33 projected unit credit method, including the liability for pension
34 adjustment benefits for active employees funded pursuant to section
35 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered
36 by the assets of the retirement system, valued in accordance with
37 the asset valuation method established in this section. This shall be
38 known as the "unfunded accrued liability." If there was no
39 unfunded accrued liability for the valuation period immediately
40 preceding the current valuation period, the actuary, using the total
41 amount of this unfunded accrued liability, shall compute the initial
42 amount of contribution which, if paid annually in level dollars for a
43 specific period of time, will amortize this liability. The State
44 Treasurer shall determine, upon the advice of the Director of the
45 Division of Pensions and Benefits, the board of trustees and the
46 actuary, the time period for full funding of this liability, which shall
47 not exceed 30 years. This shall be known as the "accrued liability
48 contribution." Thereafter, any increase or decrease in the unfunded
49 accrued liability as a result of actuarial losses or gains for

1 subsequent valuation years shall serve to increase or decrease,
2 respectively, the amortization period for the unfunded accrued
3 liability, unless an increase in the amortization period will cause it
4 to exceed 30 years. If an increase in the amortization period as a
5 result of actuarial losses for a valuation year would exceed 30 years,
6 the accrued liability contribution shall be computed for the
7 valuation year in the same manner provided for the computation of
8 the initial accrued liability contribution under this section.
9 Beginning with the July 1, 2019 actuarial valuation, the accrued
10 liability contribution shall be computed so that if the contribution is
11 paid annually in level dollars, it will amortize this unfunded accrued
12 liability over a closed 30-year period. Beginning with the July 1,
13 2029 actuarial valuation, when the remaining amortization period
14 reaches 20 years, any increase or decrease in the unfunded accrued
15 liability as a result of actuarial losses or gains for subsequent
16 valuation years shall serve to increase or decrease, respectively, the
17 amortization period for the unfunded accrued liability, unless an
18 increase in the amortization period will cause it to exceed 20 years.
19 If an increase in the amortization period as a result of actuarial
20 losses for a valuation year would exceed 20 years, the accrued
21 liability contribution shall be computed for the valuation year in the
22 same manner provided for the computation of the initial accrued
23 liability contribution under this section.

24 The State may pay all or any portion of its unfunded accrued
25 liability under the retirement system from any source of funds
26 legally available for the purpose, including, without limitation, the
27 proceeds of bonds authorized by law for this purpose.

28 The value of the assets, excluding the special asset value set
29 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
30 computation of the contributions provided for under this section for
31 valuation periods shall be the value of the assets for the preceding
32 valuation period increased by the regular interest rate, plus the net
33 cash flow for the valuation period (the difference between the
34 benefits and expenses paid by the system and the contributions to
35 the system) increased by one half of the regular interest rate, plus
36 20% of the difference between this expected value and the full
37 market value of the assets as of the end of the valuation period.
38 This shall be known as the "valuation assets." Notwithstanding the
39 first sentence of this paragraph, the valuation assets for the
40 valuation period ending March 31, 1996 shall be the full market
41 value of the assets as of that date and shall include the proceeds
42 from the bonds issued pursuant to the "Pension Bond Financing Act
43 of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system
44 by the New Jersey Economic Development Authority to fund the
45 unfunded accrued liability of the system. Notwithstanding the first
46 sentence of this paragraph, the valuation assets for the valuation
47 period ending June 30, 1999 shall be the full market value of the
48 assets as of that date.

49 "Excess valuation assets" for a valuation period means:

1 (1) the valuation assets; less

2 (2) the actuarial accrued liability for basic benefits and pension
3 adjustment benefits, excluding the unfunded accrued liability for
4 early retirement incentive benefits pursuant to P.L.1991, c.231 and
5 P.L.1993, c.163 for employers other than the State; less

6 (3) the contributory group insurance premium fund created by
7 N.J.S.18A:66-77; less

8 (4) the post-retirement medical premium fund created pursuant
9 to section 2 of P.L.1987, c.385 (C.18A:66-18.1), as amended by
10 section 3 of P.L.1994, c.62; less

11 (5) the present value of the projected total normal cost for
12 pension adjustment benefits in excess of the projected total phased-
13 in normal cost for pension adjustment benefits as originally
14 authorized by section 2 of P.L.1987, c.385 (C.18A:66-18.1) over
15 the full phase-in period, determined in the manner prescribed for
16 the determination and amortization of the unfunded accrued liability
17 of the system, if the sum of the foregoing items is greater than zero.

18 If there are excess valuation assets for the valuation period
19 ending March 31, 1996, the normal contributions for the valuation
20 periods ending March 31, 1996 and March 31, 1997 which have not
21 yet been paid to the retirement system shall be reduced to the extent
22 possible by the excess valuation assets, provided that the General
23 Fund balances that would have been paid to the retirement system
24 except for this provision shall first be allocated as State aid to
25 public schools to the extent that additional sums are required to
26 comply with the May 14, 1997 decision of the New Jersey Supreme
27 Court in *Abbott v. Burke*, and provided further that the normal
28 contribution for the valuation period ending March 31, 1996 shall
29 not be less than \$54,000,000. If there are excess valuation assets
30 for a valuation period ending after March 31, 1996, the State
31 Treasurer may reduce the normal contribution payable for the next
32 valuation period as follows:

33 (1) for valuation periods ending March 31, 1997 through March
34 31, 2001, to the extent possible by up to 100% of the excess
35 valuation assets;

36 (2) for the valuation period ending March 31, 2002, to the extent
37 possible by up to 84% of the excess valuation assets;

38 (3) for the valuation period ending March 31, 2003, to the extent
39 possible by up to 68% of the excess valuation assets; and

40 (4) for valuation periods ending March 31, 2004 through June
41 30, 2007, to the extent possible by up to 50% of the excess
42 valuation assets.

43 For calendar years 1998 and 1999, the rate of contribution of
44 members of the retirement system under N.J.S.18A:66-29 shall be
45 reduced by 1/2 of 1% from excess valuation assets. For calendar
46 years 2000 and 2001, the rate of contribution of members of the
47 retirement system shall be reduced equally with normal
48 contributions to the extent possible, but not more than 1/2 of 1%,
49 from excess valuation assets. Thereafter, through calendar year

1 2007, the rate of contribution of members of the retirement system
2 under that section for a calendar year shall be reduced equally with
3 normal contributions to the extent possible, but not by more than
4 2%, from excess valuation assets if the State Treasurer determines
5 that excess valuation assets shall be used to reduce normal
6 contributions by the State for the fiscal year beginning immediately
7 prior to the calendar year, and excess valuation assets above the
8 amount necessary to fund the reduction for that calendar year in the
9 member contribution rate plus an equal reduction in the normal
10 contribution shall be available for the further reduction of normal
11 contributions, subject to the limitations prescribed by this
12 subsection.

13 If there are excess valuation assets after reductions in normal
14 contributions and member contributions as authorized in the
15 preceding paragraphs for a valuation period beginning with the
16 valuation period ending June 30, 1999, an amount of excess
17 valuation assets not to exceed the amount of the member
18 contributions for the fiscal year in which the normal contributions
19 are payable shall be credited to the benefit enhancement fund. The
20 amount of excess valuation assets credited to the benefit
21 enhancement fund shall not exceed the present value of the
22 expected additional normal contributions attributable to the
23 provisions of P.L.2001, c.133 payable on behalf of the active
24 members over the expected working lives of the active members in
25 accordance with the tables of actuarial assumptions for the
26 valuation period. No additional excess valuation assets shall be
27 credited to the benefit enhancement fund after the maximum
28 amount is attained. Interest shall be credited to the benefit
29 enhancement fund as provided under N.J.S.18A:66-25.

30 The normal contribution for the increased benefits for active
31 members under P.L.2001, c.133 shall be paid from the benefit
32 enhancement fund. If assets in the benefit enhancement fund are
33 insufficient to pay the normal contribution for the increased benefits
34 for a valuation period, the State shall pay the amount of normal
35 contribution for the increased benefits not covered by assets from
36 the benefit enhancement fund.

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

38 d. The retirement system shall certify annually the aggregate
39 amount payable to the contingent reserve fund in the ensuing year,
40 which amount shall be equal to the sum of the amounts described in
41 this section, and which shall be paid into the contingent reserve
42 fund in the manner provided by N.J.S.18A:66-33.

43 e. Except as provided in N.J.S.18A:66-26 and N.J.S.18A:66-
44 53, the death benefits payable under the provisions of this article
45 upon the death of an active or retired member shall be paid from the
46 contingent reserve fund.

47 f. The disbursements for benefits not covered by reserves in
48 the system on account of veterans shall be met by direct

1 contribution of the State.
2 (cf: P.L.2011, c.78, s.20)

3

4 21. Section 3 of P.L.1993, c.375 (C.18A:72A-51) is amended to
5 read as follows:

6 3. There is created within the New Jersey Educational
7 Facilities Authority, established pursuant to N.J.S.18A:72A-1 et
8 seq., the "Higher Education Facilities Trust Fund," hereinafter
9 referred to as the "trust fund." The trust fund shall be maintained as
10 a separate account and administered by the authority to carry out
11 the provisions of this act. The trust fund shall consist of:

12 a. moneys received from the issuance of bonds or notes
13 pursuant to section 9 of P.L.1993, c.375 (C.18A:72A-57) and an
14 annual appropriation [from the net proceeds of the State lottery
15 established by P.L.1970, c.13 (C.5:9-1 et seq.)] in an amount
16 sufficient to pay the principal and interest on the bonds or notes;

17 b. all moneys appropriated by the State for the purposes of the
18 trust fund; and

19 c. all interest and investment earnings received on moneys in
20 the trust fund.

21 (cf: P.L.1993, c.375, s.3)

22

23 22. Section 3 of P.L.1999, c.217 (C.18A:72A-74) is amended to
24 read as follows:

25 3. There is created within the New Jersey Educational
26 Facilities Authority, established pursuant to chapter 72A of Title
27 18A of the New Jersey Statutes, the "Higher Education Capital
28 Improvement Fund," hereinafter referred to as the "capital
29 improvement fund." The capital improvement fund shall be
30 maintained as a separate account and administered by the authority
31 to carry out the provisions of this act. The capital improvement
32 fund shall consist of:

33 a. moneys received from the issuance of bonds, notes or other
34 obligations issued pursuant to section 7 of P.L.1999, c.217
35 (C.18A:72A-78) and an annual appropriation [from the net
36 proceeds of the State lottery established by P.L.1970, c.13 (C.5:9-1
37 et seq.)] in an amount sufficient to pay the principal and interest on
38 the bonds, notes or other obligations;

39 b. all moneys appropriated by the State for the purposes of the
40 capital improvement fund; and

41 c. all interest and investment earnings received on moneys in
42 the capital improvement fund.

43 (cf: P.L.1999, c.217, s.3)

44

45 23. Section 23 of P.L.1954, c.84 (C.43:15A-23) is amended to
46 read as follows:

1 23. The expenses of administration of the retirement system on
2 behalf of State employee members shall be paid by the State of New
3 Jersey.

4 The administration fees hereafter paid by participating employers
5 other than the State, shall be used to pay the expenses of
6 administration of the retirement system on behalf of all members
7 other than State employees.

8 For purposes of this section, during the term of the lottery
9 contribution made pursuant to section 4 of P.L. _____, c. (C.)
10 (pending before the Legislature as this bill), the expenses of the
11 Lottery Enterprise shall not be considered to be expenses of the
12 retirement system.

13 (cf: P.L.1954, c.84, s.23)

14

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

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

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

27 b. With respect to employers other than the State, upon the
28 basis of the tables recommended by the actuary which the board
29 adopts and regular interest, the actuary shall compute the amount of
30 the accrued liability of the retirement system as of March 31, 1992
31 under the projected unit credit method, excluding the liability for
32 pension adjustment benefits for active employees funded pursuant
33 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already
34 covered by the assets of the retirement system, valued in accordance
35 with the asset valuation method established in this section. Using
36 the total amount of this unfunded accrued liability, the actuary shall
37 compute the initial amount of contribution which, if paid annually
38 in level dollars for a specific period of time, will amortize this
39 liability. The State Treasurer shall determine, upon the advice of
40 the Director of the Division of Pensions and Benefits, the board of
41 trustees and the actuary, the time period for full funding of this
42 liability, which shall not exceed 40 years on initial application of
43 this section as amended by this act, P.L.1994, c.62. This shall be
44 known as the "accrued liability contribution." Any increase or
45 decrease in the unfunded accrued liability as a result of actuarial
46 losses or gains for the 10 valuation years following valuation year
47 1992 shall serve to increase or decrease, respectively, the unfunded
48 accrued liability contribution. Thereafter, any increase or decrease
49 in the unfunded accrued liability as a result of actuarial losses or

1 gains for subsequent valuation years shall serve to increase or
2 decrease, respectively, the amortization period for the unfunded
3 accrued liability, unless an increase in the amortization period will
4 cause it to exceed 30 years. If an increase in the amortization period
5 as a result of actuarial losses for a valuation year would exceed 30
6 years, the accrued liability contribution shall be computed for the
7 valuation year in the same manner provided for the computation of
8 the initial accrued liability contribution under this section.
9 Beginning with the July 1, 2019 actuarial valuation, the accrued
10 liability contribution shall be computed so that if the contribution is
11 paid annually in level dollars, it will amortize this unfunded accrued
12 liability over a closed 30-year period. Beginning with the July 1,
13 2029 actuarial valuation, when the remaining amortization period
14 reaches 20 years, any increase or decrease in the unfunded accrued
15 liability as a result of actuarial losses or gains for subsequent
16 valuation years shall serve to increase or decrease, respectively, the
17 amortization period for the unfunded accrued liability, unless an
18 increase in the amortization period will cause it to exceed 20 years.
19 If an increase in the amortization period as a result of actuarial
20 losses for a valuation year would exceed 20 years, the accrued
21 liability contribution shall be computed for the valuation year in the
22 same manner provided for the computation of the initial accrued
23 liability contribution under this section.

24 With respect to the State, upon the basis of the tables
25 recommended by the actuary which the commission adopts and
26 regular interest, the actuary shall annually determine if there is an
27 amount of the accrued liability of the retirement system, computed
28 under the projected unit credit method, which is not already covered
29 by the assets of the retirement system, valued in accordance with
30 the asset valuation method established in this section. This shall be
31 known as the "unfunded accrued liability." If there was no
32 unfunded accrued liability for the valuation period immediately
33 preceding the current valuation period, the actuary, using the total
34 amount of this unfunded accrued liability, shall compute the initial
35 amount of contribution which, if paid annually in level dollars for a
36 specific period of time, will amortize this liability. The State
37 Treasurer shall determine, upon the advice of the Director of the
38 Division of Pensions and Benefits, the commission and the actuary,
39 the time period for full funding of this liability, which shall not
40 exceed 30 years. This shall be known as the "accrued liability
41 contribution." Thereafter, any increase or decrease in the unfunded
42 accrued liability as a result of actuarial losses or gains for
43 subsequent valuation years shall serve to increase or decrease,
44 respectively, the amortization period for the unfunded accrued
45 liability, unless an increase in the amortization period will cause it
46 to exceed 30 years. If an increase in the amortization period as a
47 result of actuarial losses for a valuation year would exceed 30 years,
48 the accrued liability contribution shall be computed for the
49 valuation year in the same manner provided for the computation of

1 the initial accrued liability contribution under this section.
2 Beginning with the July 1, 2019 actuarial valuation, the accrued
3 liability contribution shall be computed so that if the contribution is
4 paid annually in level dollars, it will amortize this unfunded accrued
5 liability over a closed 30-year period. Beginning with the July 1,
6 2029 actuarial valuation, when the remaining amortization period
7 reaches 20 years, any increase or decrease in the unfunded accrued
8 liability as a result of actuarial losses or gains for subsequent
9 valuation years shall serve to increase or decrease, respectively, the
10 amortization period for the unfunded accrued liability, unless an
11 increase in the amortization period will cause it to exceed 20 years.
12 If an increase in the amortization period as a result of actuarial
13 losses for a valuation year would exceed 20 years, the accrued
14 liability contribution shall be computed for the valuation year in the
15 same manner provided for the computation of the initial accrued
16 liability contribution under this section.

17 The State may pay all or any portion of its unfunded accrued
18 liability under the retirement system from any source of funds
19 legally available for the purpose, including, without limitation, the
20 proceeds of bonds authorized by law for this purpose.

21 The value of the assets, excluding the special asset value set
22 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
23 computation of the contributions provided for under this section for
24 valuation periods shall be the value of the assets for the preceding
25 valuation period increased by the regular interest rate, plus the net
26 cash flow for the valuation period (the difference between the
27 benefits and expenses paid by the system and the contributions to
28 the system) increased by one half of the regular interest rate, plus
29 20% of the difference between this expected value and the full
30 market value of the assets as of the end of the valuation period.
31 This shall be known as the "valuation assets." Notwithstanding the
32 first sentence of this paragraph, the valuation assets for the
33 valuation period ending March 31, 1996 shall be the full market
34 value of the assets as of that date and, with respect to the valuation
35 assets allocated to the State, shall include the proceeds from the
36 bonds issued pursuant to the "Pension Bond Financing Act of
37 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system
38 by the New Jersey Economic Development Authority to fund the
39 unfunded accrued liability of the system. Notwithstanding the first
40 sentence of this paragraph, the valuation assets for the valuation
41 period ending June 30, 1999 shall be the full market value of the
42 assets as of that date.

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

- 45 (1) the valuation assets allocated to the State; less
- 46 (2) the actuarial accrued liability of the State for basic benefits
47 and pension adjustment benefits under the retirement system; less

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

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

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

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

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

17 (2) the actuarial accrued liability of the other employers for
18 basic benefits and pension adjustment benefits under the retirement
19 system, excluding the unfunded accrued liability for early
20 retirement incentive benefits pursuant to P.L.1991, c.229, P.L.1991,
21 c.230, P.L.1993, c.138, and P.L.1993, c.181, for employers other
22 than the State; less

23 (3) the contributory group insurance premium fund, created by
24 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
25 4 of P.L.1960, c.79; less

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

34 If there are excess valuation assets allocated to the State or to the
35 other employers for the valuation period ending March 31, 1996,
36 the normal contributions payable by the State or by the other
37 employers for the valuation periods ending March 31, 1996 and
38 March 31, 1997 which have not yet been paid to the retirement
39 system shall be reduced to the extent possible by the excess
40 valuation assets allocated to the State or to the other employers,
41 respectively, provided that with respect to the excess valuation
42 assets allocated to the State, the General Fund balances that would
43 have been paid to the retirement system except for this provision
44 shall first be allocated as State aid to public schools to the extent
45 that additional sums are required to comply with the May 14, 1997
46 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If
47 there are excess valuation assets allocated to the State or to the
48 other employers for a valuation period ending after March 31, 1996,
49 the State Treasurer may reduce the normal contribution payable by

1 the State or by the other employers for the next valuation period as
2 follows:

3 (1) for valuation periods ending March 31, 1997 through March
4 31, 2001, to the extent possible by up to 100% of the excess
5 valuation assets allocated to the State or to the other employers,
6 respectively;

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

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

13 (4) for valuation periods ending March 31, 2004 through June
14 30, 2007, to the extent possible by up to 50% of the excess
15 valuation assets allocated to the State or to the other employers,
16 respectively.

17 For calendar years 1998 and 1999, the rate of contribution of
18 members of the retirement system under section 25 of P.L.1954,
19 c.84 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess
20 valuation assets and for calendar years 2000 and 2001, the rate of
21 contribution shall be reduced by 2% from excess valuation assets.
22 Thereafter, through calendar year 2007, the rate of contribution of
23 members of the retirement system under that section for a calendar
24 year shall be reduced equally with normal contributions to the
25 extent possible, but not by more than 2%, from excess valuation
26 assets if the State Treasurer determines that excess valuation assets
27 shall be used to reduce normal contributions by the State and local
28 employers for the fiscal year beginning immediately prior to the
29 calendar year, or for the calendar year for local employers whose
30 fiscal year is the calendar year, and excess valuation assets above
31 the amount necessary to fund the reduction for that calendar year in
32 the member contribution rate plus an equal reduction in the normal
33 contribution shall be available for the further reduction of normal
34 contributions, subject to the limitations prescribed by this
35 subsection.

36 If there are excess valuation assets after reductions in normal
37 contributions and member contributions as authorized in the
38 preceding paragraphs for a valuation period beginning with the
39 valuation period ending June 30, 1999, an amount of excess
40 valuation assets not to exceed the amount of the member
41 contributions for the fiscal year in which the normal contributions
42 are payable shall be credited to the benefit enhancement fund. The
43 amount of excess valuation assets credited to the benefit
44 enhancement fund shall not exceed the present value of the
45 expected additional normal contributions attributable to the
46 provisions of P.L.2001, c.133 payable on behalf of the active
47 members over the expected working lives of the active members in
48 accordance with the tables of actuarial assumptions for the
49 valuation period. No additional excess valuation assets shall be

1 credited to the benefit enhancement fund after the maximum
2 amount is attained. Interest shall be credited to the benefit
3 enhancement fund as provided under section 33 of P.L.1954, c.84
4 (C.43:15A-33).

5 The normal contribution for the increased benefits for active
6 employees under P.L.2001, c.133 shall be paid from the benefit
7 enhancement fund. If assets in the benefit enhancement fund are
8 insufficient to pay the normal contribution for the increased benefits
9 for a valuation period, the State shall pay the amount of normal
10 contribution for the increased benefits not covered by assets from
11 the benefit enhancement fund.

12 c. The retirement system shall certify annually the aggregate
13 amount payable to the contingent reserve fund in the ensuing year,
14 which amount shall be equal to the sum of the amounts described in
15 this section.

16 The State Treasurer shall reduce the normal and accrued liability
17 contributions payable by employers other than the State, excluding
18 the contribution payable from the benefit enhancement fund, to a
19 percentage of the amount certified annually by the retirement
20 system, which percentage shall be: for payments due in the State
21 fiscal year ending June 30, 2005, 20%; for payments due in the
22 State fiscal year ending June 30, 2006, not more than 40%; for
23 payments due in the State fiscal year ending June 30, 2007, not
24 more than 60%; and for payments due in the State fiscal year ending
25 June 30, 2008, not more than 80%.

26 The State Treasurer shall reduce the normal and accrued liability
27 contributions payable by employers other than the State, excluding
28 the contribution payable from the benefit enhancement fund, to 50
29 percent of the amount certified annually by the retirement system,
30 for payments due in the State fiscal year ending June 30, 2009. An
31 employer that elects to pay the reduced normal and accrued liability
32 contribution shall adopt a resolution, separate and apart from other
33 budget resolutions, stating that the employer needs to pay the
34 reduced contribution and providing an explanation of that need
35 which shall include (1) a description of its inability to meet the levy
36 cap without jeopardizing public safety, health, and welfare or
37 without jeopardizing the fiscal stability of the employer, or (2) a
38 description of another condition that offsets the long term fiscal
39 impact of the payment of the reduced contribution. An employer
40 also shall document those actions it has taken to reduce its
41 operating costs, or provide a description of relevant anticipated
42 circumstances that could have an impact on revenues or
43 expenditures. This resolution shall be submitted to and approved by
44 the Local Finance Board after making a finding that these fiscal
45 conditions are valid and affirming the findings contained in the
46 employer resolution.

47 An employer that elects to pay 100 percent of the amount
48 certified by the retirement system for the State fiscal year ending

1 June 30, 2009 shall be credited with such payment and any such
2 amounts shall not be included in the employer's unfunded liability.

3 The actuaries for the retirement system shall determine the
4 unfunded liability of the retirement system, by employer, for the
5 reduced normal and accrued liability contributions provided under
6 P.L.2009, c.19. This unfunded liability shall be paid by the
7 employer in level annual payments over a period of 15 years
8 beginning with the payments due in the State fiscal year ending
9 June 30, 2012 and shall be adjusted by the rate of return on the
10 actuarial value of assets.

11 The retirement system shall annually certify to each employer
12 the contributions due to the contingent reserve fund for the liability
13 under P.L.2009, c.19. The contributions certified by the retirement
14 system shall be paid by the employer to the retirement system on or
15 before the date prescribed by law for payment of employer
16 contributions for basic retirement benefits. If payment of the full
17 amount of the contribution certified is not made within 30 days
18 after the last date for payment of employer contributions for basic
19 retirement benefits, interest at the rate of 10% per year shall be
20 assessed against the unpaid balance on the first day after the
21 thirtieth day.

22 The State shall pay into the contingent reserve fund during the
23 ensuing year the amount so determined. The death benefits,
24 payable as a result of contribution by the State under the provisions
25 of this chapter upon the death of an active or retired member, shall
26 be paid from the contingent reserve fund.

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

30 (cf: P.L.2011, c.78, s.22)

31

32 25. Section 37 of P.L.1954, c.84 (C.43:15A-37) is amended to
33 read as follows:

34 37. Regular interest charges payable, the creation and
35 maintenance of reserves in the contingent reserve fund, the
36 maintenance of retirement reserves as provided for in this act and
37 the payment of all retirement allowances and other benefits granted
38 by the board of trustees under the provisions of this act, except the
39 amounts payable by other employers, are hereby made obligations
40 of the State. All income, interest and dividends derived from
41 deposits and investments authorized by this act shall be used for the
42 payment of these obligations of the State and other employers,
43 including, during the term of the lottery contribution made pursuant
44 to section 4 of P.L. , c. (C.) (pending before the Legislature as
45 this bill), all income, interest, and dividends derived from deposits
46 and investments in the investment account of Common Pension
47 Fund L, established pursuant to section 6 of P.L. , c. (C.)
48 (pending before the Legislature as this bill).

1 Upon the basis of each actuarial determination and appraisal
2 provided for in this act, the board of trustees shall submit to the
3 Governor in each year an itemized statement of the amounts
4 necessary to be appropriated by the State to provide for payment in
5 full during the ensuing fiscal year of the obligations of the State
6 accruing during that year. The Legislature shall make an
7 appropriation sufficient to provide for such obligations of the State.
8 The amounts so appropriated shall be paid into the contingent
9 reserve fund.
10 (cf: P.L.1971, c.213, s.15)

11
12 26. Section 14 of P.L.1944, c.255 (C.43:16A-14) is amended to
13 read as follows:

14 14. (1) The board of trustees shall be and are hereby constituted
15 trustees of the various funds and accounts established by this act;
16 provided, however, that all functions, powers and duties relating to
17 the investment or reinvestment of moneys of, and purchase, sale or
18 exchange of any investments or securities, of or for any fund or
19 account established under this act shall be exercised and performed
20 by the director of the Division of Investment in accordance with the
21 provisions of chapter 270, of the laws of 1950. The secretary of the
22 board of trustees shall determine from time to time the cash
23 requirements of the various funds and accounts established by this
24 act and the amount available for investment, all of which shall be
25 certified to the Director of the Division of Investment.

26 An elected member of the board of trustees to be designated by a
27 majority vote thereof shall serve on the State Investment Council as
28 a representative of said board of trustees, for a term of three years
29 and until a successor is designated and qualified.

30 (2) The Treasurer of the State of New Jersey shall be the
31 custodian of the several funds created by this act, shall select all
32 depositories and custodians and shall negotiate and execute custody
33 agreements in connection with the assets or investments of any of
34 said funds. All payments from said funds shall be made by him
35 only upon vouchers signed by the chairman and countersigned by
36 the secretary of the board of trustees. No voucher shall be drawn,
37 except upon the authority of the board duly entered in the records
38 of its proceedings.

39 (3) (Deleted by amendment.)

40 (4) Except as otherwise herein provided, no trustee and no
41 employee of the board of trustees shall have any direct interest in
42 the gains or profits of any investments of the retirement system;
43 nor shall any trustee or employee of the board directly or
44 indirectly, for himself or as an agent in any manner use the moneys
45 of the retirement system, except to make such current and necessary
46 payments as are authorized by the board of trustees; nor shall any
47 trustee or employee of the board of trustees become an endorser or
48 surety, or in any manner an obligor for moneys loaned to or
49 borrowed from the retirement system.

1 (5) For purposes of this section, during the term of the lottery
2 contribution made pursuant to section 4 of P.L. , c. (C.)
3 (pending before the Legislature as this bill), the expenses of the
4 Lottery Enterprise shall not be considered to be expenses of the
5 retirement system.

6 (cf: P.L.2011, c.78, s.31)

7
8 27. Section 15 of P.L.1944, c.225 (C.43:16A-15) is amended to
9 read as follows:

10 15. (1) The contributions required for the support of the
11 retirement system shall be made by members and their employers.

12 (2) The uniform percentage contribution rate for members shall
13 be 8.5% of compensation. Members of the retirement system shall
14 contribute 10% of compensation to the system on and after the
15 effective date of P.L.2011, c.78.

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

17 (4) Upon the basis of the tables recommended by the actuary
18 which the board adopts and regular interest, the actuary shall
19 compute annually, beginning as of June 30, 1991, the amount of
20 contribution which shall be the normal cost as computed under the
21 projected unit credit method attributable to service rendered under
22 the retirement system for the year beginning on July 1 immediately
23 succeeding the date of the computation. This shall be known as the
24 "normal contribution."

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

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

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

33 (8) The deductions provided for herein shall be made
34 notwithstanding that the minimum salary provided for by law for
35 any member shall be reduced thereby. Every member shall be
36 deemed to consent and agree to the deductions made and provided
37 for herein, and payment of salary or compensation less said
38 deduction shall be a full and complete discharge and acquittance of
39 all claims and demands whatsoever for the service rendered by such
40 person during the period covered by such payment, except as to the
41 benefits provided under this act. The chief fiscal officer of each
42 employer shall certify to the retirement system in such manner as
43 the retirement system may prescribe, the amounts deducted; and
44 when deducted shall be paid into said annuity savings fund, and
45 shall be credited to the individual account of the member from
46 whose salary said deduction was made.

47 (9) With respect to employers other than the State, upon the
48 basis of the tables recommended by the actuary which the board
49 adopts and regular interest, the actuary shall compute the amount of

1 the accrued liability as of June 30, 1991 under the projected unit
2 credit method, which is not already covered by the assets of the
3 retirement system, valued in accordance with the asset valuation
4 method established in this section. Using the total amount of this
5 unfunded accrued liability, the actuary shall compute the initial
6 amount of contribution which, if the contribution is paid annually
7 in level dollars for a specific period of time, will amortize this
8 liability. The State Treasurer shall determine, upon the advice of
9 the Director of the Division of Pensions and Benefits, the board of
10 trustees and the actuary, the time period for full funding of this
11 liability, which shall not exceed 40 years on initial application of
12 this section as amended by this act, P.L.1994, c.62. This shall be
13 known as the "accrued liability contribution." Any increase or
14 decrease in the unfunded accrued liability as a result of actuarial
15 losses or gains for the 10 valuation years following valuation year
16 1991 shall serve to increase or decrease, respectively, the unfunded
17 accrued liability contribution. Thereafter, any increase or decrease
18 in the unfunded accrued liability as a result of actuarial losses or
19 gains for subsequent valuation years shall serve to increase or
20 decrease, respectively, the amortization period for the unfunded
21 accrued liability, unless an increase in the amortization period will
22 cause it to exceed 30 years. If an increase in the amortization
23 period as a result of actuarial losses for a valuation year would
24 exceed 30 years, the accrued liability contribution shall be
25 computed for the valuation year in the same manner provided for
26 the computation of the initial accrued liability contribution under
27 this section. Beginning with the July 1, 2018 actuarial valuation, the
28 accrued liability contribution shall be computed so that if the
29 contribution is paid annually in level dollars, it will amortize this
30 unfunded accrued liability over a closed 30-year period. Beginning
31 with the July 1, 2028 actuarial valuation, when the remaining
32 amortization period reaches 20 years, any increase or decrease in
33 the unfunded accrued liability as a result of actuarial losses or gains
34 for subsequent valuation years shall serve to increase or decrease,
35 respectively, the amortization period for the unfunded accrued
36 liability, unless an increase in the amortization period will cause it
37 to exceed 20 years. If an increase in the amortization period as a
38 result of actuarial losses for a valuation year would exceed 20 years,
39 the accrued liability contribution shall be computed for the
40 valuation year in the same manner provided for the computation of
41 the initial accrued liability contribution under this section.

42 With respect to the State, upon the basis of the tables
43 recommended by the actuary which the board adopts and regular
44 interest, the actuary shall annually determine if there is an amount
45 of the accrued liability, computed under the projected unit credit
46 method, which is not already covered by the assets of the retirement
47 system, valued in accordance with the asset valuation method
48 established in this section. This shall be known as the "unfunded
49 accrued liability." If there was no unfunded accrued liability for the

1 valuation period immediately preceding the current valuation
2 period, the actuary, using the total amount of this unfunded accrued
3 liability, shall compute the initial amount of contribution which, if
4 the contribution is paid annually in level dollars for a specific
5 period of time, will amortize this liability. The State Treasurer shall
6 determine, upon the advice of the Director of the Division of
7 Pensions and Benefits, the board of trustees and the actuary, the
8 time period for full funding of this liability, which shall not exceed
9 30 years. This shall be known as the "accrued liability
10 contribution." Thereafter, any increase or decrease in the unfunded
11 accrued liability as a result of actuarial losses or gains for
12 subsequent valuation years shall serve to increase or decrease,
13 respectively, the amortization period for the unfunded accrued
14 liability, unless an increase in the amortization period will cause it
15 to exceed 30 years. If an increase in the amortization period as a
16 result of actuarial losses for a valuation year would exceed 30 years,
17 the accrued liability contribution shall be computed for the
18 valuation year in the same manner provided for the computation of
19 the initial accrued liability contribution under this section.
20 Beginning with the July 1, 2018 actuarial valuation, the accrued
21 liability contribution shall be computed so that if the contribution is
22 paid annually in level dollars, it will amortize this unfunded accrued
23 liability over a closed 30-year period. Beginning with the July 1,
24 2028 actuarial valuation, when the remaining amortization period
25 reaches 20 years, any increase or decrease in the unfunded accrued
26 liability as a result of actuarial losses or gains for subsequent
27 valuation years shall serve to increase or decrease, respectively, the
28 amortization period for the unfunded accrued liability, unless an
29 increase in the amortization period will cause it to exceed 20 years.
30 If an increase in the amortization period as a result of actuarial
31 losses for a valuation year would exceed 20 years, the accrued
32 liability contribution shall be computed for the valuation year in the
33 same manner provided for the computation of the initial accrued
34 liability contribution under this section.

35 The State may pay all or any portion of its unfunded accrued
36 liability under the retirement system from any source of funds
37 legally available for the purpose, including, without limitation, the
38 proceeds of bonds authorized by law for this purpose.

39 The value of the assets, excluding the special asset value set
40 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
41 computation of the contributions provided for under this section for
42 valuation periods shall be the value of the assets for the preceding
43 valuation period increased by the regular interest rate, plus the net
44 cash flow for the valuation period (the difference between the
45 benefits and expenses paid by the system and the contributions to
46 the system) increased by one half of the regular interest rate, plus
47 20% of the difference between this expected value and the full
48 market value of the assets as of the end of the valuation period.
49 This shall be known as the "valuation assets." Notwithstanding the

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

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

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

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

31 If there are excess valuation assets allocated to the other
32 employers for the valuation period ending June 30, 1998, the
33 accrued liability contributions payable by the other employers for
34 the valuation period ending June 30, 1997 shall be reduced to the
35 extent possible by the excess valuation assets allocated to the other
36 employers.

37 If there are excess valuation assets allocated to the State or to the
38 other employers for a valuation period ending after June 30, 1998,
39 the State Treasurer may reduce the normal contribution payable by
40 the State or by other employers for the next valuation period as
41 follows:

42 (1) for valuation periods ending June 30, 1996 through June 30,
43 2000, to the extent possible by up to 100% of the excess valuation
44 assets allocated to the State or to the other employers, respectively;

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

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

4 (4) for valuation periods ending June 30, 2003 through June 30,
5 2007, to the extent possible by up to 50% of the excess valuation
6 assets allocated to the State or to the other employers, respectively.

7 Notwithstanding the discretion provided to the State Treasurer in
8 the previous paragraph to reduce the amount of the normal
9 contribution payable by employers other than the State, the State
10 Treasurer shall reduce the amount of the normal contribution
11 payable by employers other than the State by \$150,000,000 in the
12 aggregate for the valuation period ending June 30, 1998, and then
13 the State Treasurer may reduce further pursuant to the provisions of
14 the previous paragraph the normal contribution payable by such
15 employers for that valuation period.

16 The normal and accrued liability contributions shall be certified
17 annually by the retirement system and shall be included in the
18 budget of the employer and levied and collected in the same manner
19 as any other taxes are levied and collected for the payment of the
20 salaries of members.

21 Notwithstanding the preceding sentence, the normal and accrued
22 liability contributions to be included in the budget of and paid by
23 the employer other than the State shall be as follows: for the
24 payment due in the State fiscal year ending on June 30, 2004, 20%
25 of the amount certified by the retirement system; for the payment
26 due in the State fiscal year ending on June 30, 2005, a percentage of
27 the amount certified by the retirement system as the State Treasurer
28 shall determine but not more than 40%; for the payment due in the
29 State fiscal year ending on June 30, 2006, a percentage of the
30 amount certified by the retirement system as the State Treasurer
31 shall determine but not more than 60%; and for the payment due in
32 the State fiscal year ending on June 30, 2007, a percentage of the
33 amount certified by the retirement system as the State Treasurer
34 shall determine but not more than 80%.

35 The State Treasurer shall reduce the normal and accrued liability
36 contributions payable by employers other than the State to 50
37 percent of the amount certified annually by the retirement system
38 for payments due in the State fiscal year ending June 30, 2009. An
39 employer that elects to pay the reduced normal and accrued liability
40 contribution shall adopt a resolution, separate and apart from other
41 budget resolutions, stating that the employer needs to pay the
42 reduced contribution and providing an explanation of that need
43 which shall include (1) a description of its inability to meet the levy
44 cap without jeopardizing public safety, health, and welfare or
45 without jeopardizing the fiscal stability of the employer, or (2) a
46 description of another condition that offsets the long term fiscal
47 impact of the payment of the reduced contribution. An employer
48 also shall document those actions it has taken to reduce its
49 operating costs, or provide a description of relevant anticipated

1 circumstances that could have an impact on revenues or
2 expenditures. This resolution shall be submitted to and approved by
3 the Local Finance Board after making a finding that these fiscal
4 conditions are valid and affirming the findings contained in the
5 employer resolution.

6 An employer that elects to pay 100 percent of the amount
7 certified by the retirement system for the State fiscal year ending
8 June 30, 2009 shall be credited with such payment and any such
9 amounts shall not be included in the employer's unfunded liability.

10 The actuaries for the retirement system shall determine the
11 unfunded liability of the retirement system, by employer, for the
12 reduced normal and accrued liability contributions provided under
13 P.L.2009, c.19. This unfunded liability shall be paid by the
14 employer in level annual payments over a period of 15 years
15 beginning with the payments due in the State fiscal year ending
16 June 30, 2012 and shall be adjusted by the rate of return on the
17 actuarial value of assets.

18 The retirement system shall annually certify to each employer
19 the contributions due to the contingent reserve fund for the liability
20 under P.L.2009, c.19. The contributions certified by the retirement
21 system shall be paid by the employer to the retirement system on or
22 before the date prescribed by law for payment of employer
23 contributions for basic retirement benefits. If payment of the full
24 amount of the contribution certified is not made within 30 days
25 after the last date for payment of employer contributions for basic
26 retirement benefits, interest at the rate of 10% per year shall be
27 assessed against the unpaid balance on the first day after the
28 thirtieth day.

29 (10) The treasurer or corresponding officer of the employer shall
30 pay to the State Treasurer no later than April 1 of the State's fiscal
31 year in which payment is due the amount so certified as payable by
32 the employer, and shall pay monthly to the State Treasurer the
33 amount of the deductions from the salary of the members in the
34 employ of the employer, and the State Treasurer shall credit such
35 amount to the appropriate fund or funds, of the retirement system.

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

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

45 (11) The expenses of administration of the retirement system
46 shall be paid by the State of New Jersey. Each employer shall
47 reimburse the State for a proportionate share of the amount paid by
48 the State for administrative expense. This proportion shall be
49 computed as the number of members under the jurisdiction of such

1 employer bears to the total number of members in the system. The
2 pro rata share of the cost of administrative expense shall be
3 included with the certification by the retirement system of the
4 employer's contribution to the system.

5 (12) Notwithstanding anything to the contrary, the retirement
6 system shall not be liable for the payment of any pension or other
7 benefits on account of the employees or beneficiaries of any
8 employer participating in the retirement system, for which reserves
9 have not been previously created from funds, contributed by such
10 employer or its employees for such benefits.

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

12 (14) Commencing with valuation year 1991, with payment to be
13 made in Fiscal Year 1994, the Legislature shall annually
14 appropriate and the State Treasurer shall pay into the pension
15 accumulation fund of the retirement system an amount equal to
16 1.1% of the compensation of the members of the system for the
17 valuation year to fund the benefits provided by section 16 of
18 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

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

24 (16) The savings realized as a result of the amendments to this
25 section by P.L.2001, c.44 in the payment of normal contributions
26 computed by the actuary for the valuation periods ending June 30,
27 1998 for employers other than the State shall be used solely and
28 exclusively by a county or municipality for the purpose of reducing
29 the amount that is required to be raised by the local property tax
30 levy by the county for county purposes or by the municipality for
31 municipal purposes, as appropriate. The Director of the Division of
32 Local Government Services in the Department of Community
33 Affairs shall certify for each year that each county or municipality
34 has complied with the requirements set forth herein. If the director
35 finds that a county or municipality has not used the savings solely
36 and exclusively for the purpose of reducing the amount that is
37 required to be raised by the local property tax levy by the county for
38 county purposes or by the municipality for municipal purposes, as
39 appropriate, the director shall direct the county or municipal
40 governing body, as appropriate, to make corrections to its budget.
41 (cf: P.L.2011, c.78, s.15)

42

43 28. Section 13 of P.L.1950, c.270 (C.52:18A-91) is amended to
44 read as follows:

45 13. a. The State Investment Council shall consult with the
46 Director of the Division of Investment from time to time with
47 respect to the work of the division. It shall have access to all files
48 and records of the division and may require any officer or employee
49 therein to provide such information as it may deem necessary in the

1 performance of its functions. The council shall have authority to
2 inspect and audit the respective accounts and funds administered
3 through the Division of Investment. It shall formulate and establish,
4 and may from time to time amend, modify or repeal, such policies
5 as it may deem necessary or proper, which shall govern the
6 methods, practices or procedures for investment, reinvestment,
7 purchase, sale or exchange transactions to be followed by the
8 Director of the Division of Investment established hereunder,
9 except that the provisions of this subsection shall not apply to the
10 operations account of Common Pension Fund L established
11 pursuant to section 6 of P.L. , c. (C.) (pending before the
12 Legislature as this bill). Notwithstanding any provision of the
13 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
14 seq.) to the contrary, the council may adopt, immediately upon
15 filing with the Office of Administrative Law such policies and
16 regulations relating to the investment account, established pursuant
17 to section 6 of P.L. , c. (C.) (pending before the Legislature as
18 this bill), as are necessary to implement that section, which
19 regulations shall be effective for a period not to exceed 12 months
20 following adoption, and may thereafter be amended, adopted, or
21 readopted by the council in accordance with the requirements of the
22 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
23 seq.).

24 b. On or before January first of each year, and at such other
25 times as it may deem in the public interest, the council shall report
26 to the Governor, the Legislature, and the State Treasurer with
27 respect to its work and the work of the Division of Investment. In
28 addition to the reports specified above and in section 14 of
29 P.L.1950, c.270 (C.52:18A-92), the council shall issue a report by
30 March 1 of each year on the investment activities for the prior
31 **【calendar】** State fiscal year, which shall include a summary of the
32 current investment policies and strategies of the council and those
33 in effect during the prior **【calendar】** State fiscal year, a detailed
34 summary for each financial product of the amount invested,
35 **【whether the investments were made by employees of the Division**
36 **of Investment or by external managers,】** performance benchmarks,
37 and actual performance during the **【calendar】** State fiscal year. The
38 report shall be submitted to the Governor, the Legislature, and the
39 State Treasurer, and shall be made available to the public through
40 the official Internet site of the State.

41 c. The council shall hold a meeting each year that shall be open
42 to the public, and shall accept comments from the public at such
43 meeting. The matters that shall be open to discussion and public
44 comment during this annual meeting shall include the investment
45 policies and strategies of the council, the investment activities of
46 the council, the financial disclosure statements filed by council
47 members, and the certification of contributions filed by external

1 managers, as well as other appropriate matters concerning the
2 operations, activities and reports of the council.

3 d. An external manager shall be required to file a certification
4 before being retained, and annually thereafter, that discloses the
5 political contributions made, during the 12 months preceding the
6 certification, by the manager or the manager's firm, or a political
7 committee in which the manager or firm was active. The
8 certification shall specify the political contributions made to
9 candidates for elective public office in this State and any political
10 committee established for the support of such candidates, and
11 contributions made for the transition and inaugural expenses of any
12 candidate who is elected to public office. As used in this subsection,
13 "contribution" and "political committee" shall have the meaning set
14 forth in "The New Jersey Campaign Contributions and Expenditures
15 Reporting Act," P.L.1973, c.83 (C.19:44A-1 et al.). This
16 certification shall be in addition to any other such disclosure
17 required by law or executive order of the Governor.

18 (cf: P.L.2007, c.103, s.51)

19

20 29. This act shall take effect immediately.

21

22

23

24

25 Transfers State Lottery Enterprise to TPAF, PERS, and PFRS.