

CHAPTER 92

AN ACT implementing various recommendations of the Joint Legislative Committee on Public Employee Benefits Reform concerning benefits and certain terms and conditions of public office and employment and amending and supplementing various parts of the statutory law.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

C.43:15C-1 Defined Contribution Retirement Program; terms defined.

1. There is hereby established in the Department of the Treasury a Defined Contribution Retirement Program. The program design shall be one that is permitted for governmental plans under the federal Internal Revenue Code as determined by the State Treasurer. The retirement program is deemed to be a pension fund or retirement system for purposes of P.L.1968, c.23 (C.43:3C-1 et seq.). For the purposes of the Defined Contribution Retirement Program:

“Base salary” means a participant’s regular base salary. It shall exclude overtime or other forms of extra compensation, including but not limited to, longevity lump sum payments, lump sum terminal sick leave or vacation pay, the value of maintenance, individual pay adjustments made within or at the conclusion of the participant’s final year of service, retroactive salary adjustments or other pay adjustments made in the participant’s final year of service unless the adjustment was made as a result of a general pay adjustment for all personnel of the public office or agency in which the participant is employed, or any unscheduled individual adjustment made in the final year to place the participant at the maximum salary level within salary range.

“Employer” means the State or a political subdivision thereof, or an agency, board, commission, authority or instrumentality of the State or a subdivision, that pays the base salary of a participant for services rendered by the participant.

“Retirement program” means the Defined Contribution Retirement Program established by this section.

C.43:15C-2 Eligibility for participation in the Defined Contribution Retirement program.

2. a. The following persons shall be eligible and shall participate in the Defined Contribution Retirement Program.

(1) A person who commences service on or after the effective date of this section of P.L.2007, c.92 (C.43:15C-2) in an elective public office of this State or of a political subdivision thereof, except that it shall not include a person who holds elective public office on the effective date of this section and is enrolled in the Public Employees’ Retirement System while that person continues to hold that elective public office without a break in service. Service in the Legislature shall be considered a single elective public office.

(2) A person who commences service on or after the effective date of this section in an employment, office or position of the State or of a political subdivision thereof, or an agency, board, commission, authority or instrumentality of the State or of a subdivision, pursuant to an appointment by the Governor that requires the advice and consent of the Senate, or pursuant to an appointment by the Governor to serve at the pleasure of the Governor only during his or her term of office. This paragraph shall not be deemed to include a person otherwise eligible for membership in the State Police Retirement System or the Judicial Retirement System.

(3) A person who commences service on or after the effective date of this section in an employment, office or position in a political subdivision of the State, or an agency, board,

commission, authority or instrumentality of a subdivision, pursuant to an appointment by an elected public official or elected governing body, that requires the specific consent or approval of the elected governing body of the political subdivision that is substantially similar in nature to the advice and consent of the Senate for appointments by the Governor of the State as that similarity is determined by the elected governing body and set forth in an adopted ordinance or resolution, pursuant to guidelines or policy that shall be established by the Local Finance Board in the Department of Community Affairs or the Department of Education, as appropriate to the elected governing body. This paragraph shall not be deemed to include a person otherwise eligible for membership in the Teachers' Pension and Annuity Fund or the Police and Firemen's Retirement System, or a person who is employed or appointed in the regular or normal course of employment or appointment procedures and consented to or approved in a general or routine manner appropriate for and followed by the political subdivision, or the agency, board, commission, authority or instrumentality of a subdivision, or a person who holds a professional license or certificate to perform and is performing as a certified health officer, tax assessor, tax collector, municipal planner, chief financial officer, registered municipal clerk, construction code official, licensed uniform subcode inspector, qualified purchasing agent, or certified public works manager.

(4) A person who is granted a pension or retirement allowance under any pension fund or retirement system established under the laws of this State and elects to participate pursuant to section 1 of P.L.1977, c.171 (C.43:3C-3) upon being elected to public office.

b. No person shall be eligible to participate in the retirement program with respect to any public employment, office, or position if:

(1) the base salary for that employment, office, or position is less than \$1,500 per year;

(2) the person is, on the basis of service in that employment, office, or position, eligible for membership or enrolled as a member of another State or locally-administered pension fund or retirement system established under the laws of this State including the Alternate Benefit Program, except as otherwise specifically provided in subsection a. of this section;

(3) the person is receiving a benefit as a retiree from any other State or locally-administered pension fund or retirement system established under the laws of this State, except as provided in section 1 of P.L.1977, c.171 (C.43:3C-3); or

(4) the person is an officer or employee of a political subdivision of this State or of a board of education, or of any agency, authority or instrumentality thereof, who is ineligible for membership in the Public Employees' Retirement System pursuant to section 20 of P.L.2007, c.92 (C.43:15A-7.2).

c. A person eligible and required to participate in the retirement program whose base salary is less than \$5,000 may at the commencement of service in an employment, office or position irrevocably elect to waive participation with regard to that employment, office, or position by filing, at the time and on a form required by the division, a written waiver with the Division of Pensions and Benefits that waives all rights and benefits that would otherwise be provided by the retirement program.

d. Service credited to a participant in the Defined Contribution Retirement Program shall not be recognized as service credit to determine eligibility for employer-paid health care benefits in retirement pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.), N.J.S.40A:10-16 et seq., P.L.1979, c.391 (C.18A:16-12 et al.) or any other law, rule or regulation.

C.43:15C-3 Employee, employer contributions.

3. a. The employer shall reduce the compensation of each participant in the Defined Contribution Retirement Program and pay over to the plan provider for the benefit of the

participant an employee contribution for the retirement benefit contract or contracts equal to 5% of the participant's base salary. At the option and request of a participant, the employer shall reduce the compensation of the participant for additional contributions as permitted by the federal Internal Revenue Code. The intervals for reductions and payments shall be determined by the Division of Pensions and Benefits.

All participant contributions shall be made in accordance with section 414(h) of the federal Internal Revenue Code (26 U.S.C. s.414(h)).

b. The employer shall make payment of the employer contributions to the program at a rate equal to 3% of the employee's base salary, which moneys shall be paid to the designated provider for the benefit of each participant. Additionally, employers shall pay their share of the administrative costs of the program. The intervals for all payments and the allocation of administrative costs shall be determined by the Division of Pensions and Benefits including due dates and penalties for non compliance.

c. No employer contributions shall be vested in a participant until after the participant commences the second year of employment unless the participant, at the time of initial employment, either (1) participates in a program substantially similar to the retirement program, or (2) is a member of another State-administered pension fund or retirement system.

C.43:15C-4 Defined Contribution Retirement Program Board.

4. There is established in, but not of, the Division of Pensions and Benefits in the Department of the Treasury the Defined Contribution Retirement Program Board, that shall consist of the Director of the Division of Pensions and Benefits or a designee; the Director of the Division of Investment or a designee; the Commissioner of the Department of Banking and Insurance or a designee; the Director of the Office of Management and Budget or a designee; and a person appointed by the Director of the Division of Pensions and Benefits who is an active participant or retiree of the Defined Contribution Retirement Program.

In order to expedite implementation of the Defined Contribution Retirement Program, the current third party administrator for the New Jersey State Employees Deferred Compensation Program selected through a competitive bidding process may be utilized as the initial provider for a period not to exceed the term of the contract in effect on the effective date of this section of P.L.2007, c.92 (C.43:15C-4) including extensions, to administer this program. Subsequent to the initial contract, the Defined Contribution Retirement Program Board shall select through a competitive bidding process a provider licensed or otherwise authorized to transact business in New Jersey. This provider shall be selected by competitive bidding in accordance with all applicable State laws and regulations.

C.43:15C-5 Allocation of contributions by participants.

5. Participants in the Defined Contribution Retirement Program shall be allowed to allocate their own contributions and the contributions of their employer into investment alternatives as determined by the Defined Contribution Retirement Program Board, including, but not limited, to mutual funds, subject to such rules and regulations as the Division of Pensions and Benefits may adopt, in accordance with all Internal Revenue Code rules and regulations. All moneys which are deferred and deducted in accordance with the provisions of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-135) and the program shall remain assets of the State and shall be invested in accordance with the provisions of this act and the program. The obligation of the State to participating employees and contractors shall be

contractual only and no preferred or special interest in the deferred moneys shall accrue to such employees or contractors, except that all assets and income of the program shall be held in trust for the exclusive benefit of participating employees and their beneficiaries.

C.43:15C-6 Provision of insurance by retirement program.

6. a. The retirement program shall, under a group contract or contracts, provide life insurance and provide the option of obtaining disability insurance benefits for all participants in the retirement program on a basis to be determined by the State Treasurer. The State Treasurer is authorized to promulgate appropriate rules and regulations and perform other duties as necessary for the implementation and operation of the program.

b. The State Treasurer is hereby authorized to purchase from one or more insurance companies, as the State Treasurer shall determine, group life insurance and disability benefit coverage to provide for the death benefits and disability benefits in the amounts specified in this act. Such group life insurance and disability benefit coverage may be provided under one or more policies issued to the State Treasurer specifically for this purpose or, in the discretion of the State Treasurer, under one or more policies issued to the State Treasurer which provide group life insurance coverage for members of one or more pension funds or retirement systems of the State of New Jersey. Any dividend or retrospective rate credit allowed by an insurance company attributable to the retirement program shall be credited to the funds available to meet the State's obligations under the retirement program.

Premiums for such group insurance coverage shall be paid from a special fund, hereby created, called the "Defined Contribution Retirement Program Group Insurance Premium Fund." The State Treasurer shall estimate annually the amount that will be required for premiums for such benefits for the ensuing fiscal year and shall certify such amounts that shall be applied to the total State and other employer contributions due on behalf of the participants in the retirement program from the State and other employers, depositing such amounts in the premium fund. Additionally, employers shall pay their share of the administrative costs of the program. The intervals for all payments and the allocation of administrative costs shall be determined by the Division of Pensions and Benefits including due dates and penalties for non compliance.

During the period such group insurance policy or policies are in effect with respect to participants in the retirement program, the State Treasurer shall not commingle moneys in this fund with any funds established under the retirement program.

c. A life insurance company shall meet the following requirements in order to provide coverage under this section:

(1) be licensed under the laws of the State of New Jersey to transact life and accidental death insurance, and the amount of its group life insurance in the State of New Jersey shall, at the time the insurance is to be purchased, equal at least 1% of the total amount of such group life insurance in the State of New Jersey in all life insurance companies; or

(2) come within the exceptions provided in P.L.1968, c.234 (C.17:32-16 et seq.).

C.43:15C-7 Insurance benefits under group contract.

7. The benefit under a group contract or contracts providing life insurance shall be in an amount equal to one and one-half the base annual salary of the participant in the retirement program, except that in the event of death after retirement, the amount payable shall equal 3/16 of the participant's base annual salary. "Base annual salary" means the base salary upon which contributions by the participant and the participant's employer to the retirement program were based during the last year of creditable service.

For purposes of this section, a participant shall be deemed to be in service and covered by the group life insurance for a period of official leave of absence without pay when such leave is due to illness or any reason other than illness, with such period to be determined by the Division of Pensions and Benefits, if satisfactory evidence is presented to the division of such official leave of absence. A participant shall be deemed to be on an official leave of absence only if the leave is formally approved by the employer prior to the time the leave commenced and timely notice is filed by the employer with the division. If timely notice is not filed, the employer shall be responsible for the payment of any benefits pursuant to this section if the participant was otherwise eligible for such benefits.

In the event of the death of a participant in active service in the first year of participation as a result of an accident met in the actual performance of duty at some definite time and place, the death benefit payable pursuant to this section shall be computed at the annual rate of base salary.

No beneficiary of a retired participant shall be entitled to receive the death benefits payable in the event of death after retirement pursuant to this section unless the participant either: had at least 25 years of credited participation in the retirement program established pursuant to this act; or had at least 10 years of such credited participation and had attained 60 years of age and was an actively employed participant in the program in the year immediately preceding initial receipt of a retirement annuity.

C.43:15C-8 Conversion privilege provided through group life insurance policies.

8. Any group life insurance policy or policies shall include, with respect to any insurance terminating or reducing because the participant has ceased to be in service or has retired, the conversion privilege available upon termination of employment as prescribed by the law relating to group life insurance, and shall also include, with respect to life insurance terminating because of termination of the group policy, the conversion privilege available upon termination of the group policy as prescribed by such law. Any such group policy or policies shall also provide that if the participant dies within the 31-day period during which the participant would be entitled to exercise the conversion privilege, the amount of life insurance with respect to which the participant could have exercised the conversion privilege shall be paid as a claim under the group policy. When benefits payable upon the death of a participant following retirement are determined as though the participant had not retired, the death benefits payable under the group policy or policies, together with the amount of life insurance paid under any individual policy obtained under the conversion privilege, shall in no event exceed the amount of insurance for which the participant was insured under the group policy or policies immediately prior to the date the right of conversion arose. If a participant who has exercised the conversion privilege under the group policy or policies while on leave of absence or upon termination of employment again becomes a participant of the retirement program and the individual policy obtained pursuant to the conversion privilege is still in force, the participant shall not again be eligible for any of the group life insurance provided under such policy or policies without furnishing satisfactory evidence of insurability.

C.43:15C-9 Payment of death benefits.

9. Death benefits under the group life insurance policy or policies shall be paid by the insurance company to such person, if living, as the participant shall have nominated by written designation duly executed and filed with the insurance company through the policyholder, otherwise to the executors or administrators of the participant's estate. A

participant may file with the insurance company through the policyholder and alter from time to time during life, as desired, a duly attested written nomination of the payee for the death benefit.

C.43:15C-10 Method of payment of death benefits.

10. Any group life insurance policy or policies shall provide that payment of any death benefits payable by the insurance company may be made in one sum directly to the beneficiary as hereinafter provided, in equal installments over a period of years or as a life annuity or in such other manner as may be made available by the insurance company. A participant may make such arrangements for settlement, and may alter from time to time during life any arrangement previously made, by making written request to the insurance company through the policyholder. Upon the death of the participant, a beneficiary to whom a benefit is payable in one sum by the insurance company may likewise arrange for a settlement as described above.

C.43:15C-11 Facts requiring evidence of insurability.

11. Any person entitled to become a participant in the retirement program shall not be allowed any of the group life insurance and disability benefits if on the date of filing an application for participation the person is 60 or more years of age, or if the person makes application for participation in the retirement program beyond the year after first becoming eligible for participation, regardless of age, unless the participant furnishes satisfactory evidence of insurability and on the effective date of participation is actively at work and performing all regular duties at the customary place of employment.

The effective date of coverage for such benefits shall be the first day of the month which immediately follows the date when such evidence is determined to be satisfactory.

Such evidence of insurability shall not be required of any person enrolling in the retirement program upon transfer from another State-administered retirement system, if such retirement system provided a benefit of a similar nature and the transferring person was covered by such a benefit at the time of the transfer. If such transferring person was not covered by such a benefit at the time of the transfer, the person may be allowed the benefit under the group policy or policies; however, any such person shall furnish satisfactory evidence of insurability if he had been unable or failed to give such evidence as a member of the retirement system from which the person transferred.

Any person who must furnish satisfactory evidence of insurability under the provisions of this section and who ceases to be a participant in the retirement program without such evidence having been given shall continue to be subject to the same requirement if the person subsequently becomes a participant.

C.43:15C-12 Designation of death benefit beneficiary.

12. The designation of a death benefit beneficiary by a participant or retiree shall be made in writing on a form satisfactory to the Division of Pensions and Benefits and filed with the division. The participant or retiree may, from time to time and without the consent of the designee, change the beneficiary by filing a written notice of the change on a satisfactory form. The new nomination shall be effective on the date the notice, in proper form, is received and any prior nomination shall thereupon become void.

If more than one beneficiary is nominated and in such nomination the participant or retiree has failed to specify their respective interests, the beneficiaries shall share equally. If any beneficiary predeceases the participant or retiree, the interest of that beneficiary shall

terminate and shall be shared equally by such of the beneficiaries as survive the participant or retiree, unless the participant or retiree has made written request to the contrary in the beneficiary nomination.

Any amounts due for which there is no beneficiary at the death of a participant, retiree or beneficiary shall be payable to the estate of the participant, retiree or beneficiary.

Except with regard to the payment of the group life insurance death benefit upon the death of a retiree, a participant may elect, by making written request, that the whole or any part of the participant's group life insurance death benefits be made payable to the beneficiary either as a life annuity or in equal installments over a period of years specified in such election, and may alter such election from time to time during the participant's lifetime by again making such written request. In the event of a change of beneficiary, any previous arrangement by the participant or retiree under this paragraph shall be void. The election set forth in this paragraph shall not apply or be available when the beneficiary is an estate, or a corporation, partnership, association, institution, trustee, or any fiduciary.

If, at the participant's death, an amount of group life insurance death benefit would be payable to the beneficiary in a single sum, any election with regard to such amount that was available to the participant immediately prior to death in accordance with the preceding paragraph shall then be available to such beneficiary for the benefit of the beneficiary.

With respect to any death benefits payable on the basis of the individual retirement annuity contract or contracts, all settlement options shall be made available to the participant, retiree or beneficiary as are allowed by the insurer or insurers.

The provisions of this section shall be construed separately with respect to each of the death benefits for which a beneficiary is designated by the participant or retiree.

C.43:15C-13 Disability benefit coverage.

13. The disability benefit coverage provided under a group policy or policies shall provide a monthly income if the participant becomes totally disabled from occupational or nonoccupational causes for a period of at least six consecutive months following the effective date of the coverage. The monthly disability benefit may be paid by the insurance company so long as the participant remains disabled up to the seventieth birthday, provided the disability commenced prior to the sixtieth birthday. The benefit shall terminate when the participant is no longer considered totally disabled or begins to receive retirement benefits.

The participant shall be considered totally disabled if the participant is unable to perform each duty of the participant's occupation and is under the regular care of a physician. After the 24 months following the commencement of such disability benefit payments, the participant shall be unable to engage in any gainful occupation for which the participant is reasonably fitted by education, training or experience. Total disability shall not be considered to exist if the participant is gainfully employed. Following an agreement with the insurance company and the policyholder, the participant may continue to receive disability benefits for a limited time while performing some type of work. During the period of rehabilitation, the monthly benefit shall be the regular payment less 80% of the participant's earnings from such rehabilitative position.

A participant shall be deemed to be in service and covered by the disability benefit insurance provisions for a period of no more than six months while on official leave of absence without pay if satisfactory evidence is presented to the Division of Pensions and Benefits that such leave of absence without pay is due to illness and that the participant was not actively engaged in any gainful occupation during such period of leave of absence without pay.

Disability benefit insurance provisions of the group policy or policies shall not cover disability resulting from or contributed to by pregnancy, act of war, intentionally self-inflicted injury, or attempted suicide whether or not sane. For purposes of such disability benefit coverage, the participant shall not be considered to be disabled while the participant is imprisoned or while outside the United States, its territories or possessions, or Canada.

If the participant has recovered from the disability for which the member had received benefits and again becomes totally disabled while insured, the later disability shall be regarded as a continuation of the prior one unless the participant has returned to full-time covered employment for at least six months. If the later absence is due to an unrelated cause and the participant had returned to full-time work, it shall be considered a new disability. The disability benefit insurance cannot be converted to an individual policy.

No participant shall be covered by the disability benefit provision of the group policy or policies except upon the completion of one year of full-time continuous employment in a position eligible for participation in the Defined Contribution Retirement Program.

C.43:15C-14 Amount of disability benefits; “Defined Contribution Retirement Program Disability Premium Fund.”

14. The disability benefit provided under a group policy or policies shall be in an amount equal to 60% of the participant’s base monthly salary, reduced by periodic benefits to which the participant may be entitled during the period of total disability.

The periodic benefit by which the monthly disability benefit may be reduced shall include salary or wages, retirement benefits or benefits from any source for which the State or other public employer has paid any part of the cost or made payroll deductions, Social Security disability or other benefits, including dependents’ benefits, and benefits paid by Social Security at the option of the participant before the age of 65, but not including any increase in Social Security benefits enacted after the disability benefit under such group policy or policies has commenced, and any other periodic benefits provided by law except on account of military service.

When a participant begins to receive a disability benefit under such group policy or policies, the insurance company shall pay an amount equal to the employee contribution which would have been required of the participant and deducted from the participant’s base salary in order to meet the participant’s obligation for the program. Such amount shall be paid by the insurance company without reduction by any other periodic benefit which the participant is eligible to receive. Such amount shall be paid by the insurance company to the insurer or insurers for the participant’s retirement annuity.

Premiums for such disability coverage shall be paid from a special fund, hereby created, called the “Defined Contribution Retirement Program Disability Premium Fund.” The State Treasurer shall estimate annually the amount that will be required for premiums for such benefits for the ensuing fiscal year and shall certify such amounts that shall be applied to the total State and other employer contributions due on behalf of the participants in the retirement program from the State and other employers, depositing such amounts in the premium fund. Additionally, employers will pay their share of the administrative costs of the program. The intervals for all payments and the allocation of administrative costs shall be determined by the Division of Pensions and Benefits including due dates and penalties for non compliance.

C.43:15C-15 Credit offered to policyholder by insurance company; additional coverage; health care coverage.

15. Notwithstanding any other provision of law, an insurance company or companies issuing such policy or policies may credit the policyholder either directly or in the form of reduced premiums, with savings by the company or companies in the event that no brokerage commission or commissions are paid by the company or companies on the issuance of such policy or policies.

No employer obligations shall be paid when the participant is on a leave of absence without pay or when the participant no longer is enrolled in the retirement program.

The group disability insurance policy or policies shall provide a participant with an opportunity to purchase additional coverage.

A participant who is disabled and receiving a benefit shall remain eligible for employer-provided healthcare benefits coverage in the same manner as such coverage is provided by the employer to retirees of the retirement system.

16. Section 1 of P.L.1986, c.188 (C.43:3C-9) is amended to read as follows:

C.43:3C-9 Employer pickup of employee contributions.

1. The mandatory contributions by members or participants to the Teachers' Pension and Annuity Fund required by N.J.S.18A:66-31, to alternate benefit providers under the alternate benefit program required by section 8 of P.L.1969, c.242 (C.18A:66-174), to the Judicial Retirement System required by section 26 of P.L.1981, c.470 (C.43:6A-34.1), to the Prison Officers' Pension Fund required by section 7 of P.L.1941, c.220 (C.43:7-13), to the Public Employees' Retirement System required by section 25 of P.L.1954, c.84 (C.43:15A-25), to the Defined Contribution Retirement Program required by section 3 of P.L.2007, c.92 (C.43:15C-3), to the Consolidated Police and Firemen's Pension Fund required by R.S.43:16-5, to the Police and Firemen's Retirement System required by section 15 of P.L.1944, c.255 (C.43:16A-15), and to the State Police Retirement System required by section 38 of P.L.1965, c.89 (C.53:5A-38), shall be picked up by their employers and shall be treated as employer contributions as provided by section 414(h) of the United States Internal Revenue Code. The amount of contributions on behalf of each member shall continue to be included as regular compensation for all other purposes, except that the amount shall not be included in the computation of federal income taxes withheld from the member's compensation.

17. Section 7 of P.L.1954, c.84 (C.43:15A-7) is amended to read as follows:

C.43:15A-7 Public Employees' Retirement System, established, membership.

7. There is hereby established the Public Employees' Retirement System of New Jersey in the Division of Pensions and Benefits of the Department of the Treasury. The membership of the retirement system shall include:

a. The members of the former "State Employees' Retirement System of New Jersey" enrolled as such as of December 30, 1954, who shall not have claimed for refund their accumulated deductions in said system as provided in this section;

b. Any person becoming an employee of the State or other employer after January 2, 1955 and every veteran, other than a retired member who returns to service pursuant to subsection b. of section 27 of P.L.1966, c.217 (C.43:15A-57.2) and other than those whose appointments are seasonal, becoming an employee of the State or other employer after such date, including a temporary employee with at least one year's continuous service. The membership of the retirement system shall not include those persons appointed to serve as

described in paragraphs (2) and (3) of subsection a. of section 2 of P.L.2007, c.92 (C.43:15C-2), except a person who was a member of the retirement system prior to the effective date of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-135) and continuously thereafter; and

c. Every employee veteran in the employ of the State or other employer on January 2, 1955, who is not a member of any retirement system supported wholly or partly by the State.

d. Membership in the retirement system shall be optional for elected officials other than veterans, and for school crossing guards, who having become eligible for benefits under other pension systems are so employed on a part-time basis. Elected officials commencing service on or after the effective date of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-135) shall not be eligible for membership in the retirement system based on service in the elective public office, except that an elected official enrolled in the retirement system as of that effective date who continues to hold that elective public office without a break in service shall be eligible to continue membership in the retirement system under the terms and conditions of enrollment. Service in the Legislature shall be considered a single elective public office. Any part-time school crossing guard who is eligible for benefits under any other pension system and who was hired as a part-time school crossing guard prior to March 4, 1976, may at any time terminate his membership in the retirement system by making an application in writing to the board of trustees of the retirement system. Upon receiving such application, the board of trustees shall terminate his enrollment in the system and direct the employer to cease accepting contributions from the member or deducting from the compensation paid to the member. State employees who become members of any other retirement system supported wholly or partly by the State as a condition of employment shall not be eligible for membership in this retirement system. Notwithstanding any other law to the contrary, all other persons accepting employment in the service of the State shall be required to enroll in the retirement system as a condition of their employment, regardless of age. No person in employment, office or position, for which the annual salary or remuneration is fixed at less than \$1,500.00, shall be eligible to become a member of the retirement system.

e. Membership of any person in the retirement system shall cease if he shall discontinue his service for more than two consecutive years.

f. The accumulated deductions of the members of the former "State Employees' Retirement System" which have been set aside in a trust fund designated as Fund A as provided in section 5 of this act and which have not been claimed for refund prior to February 1, 1955 shall be transferred from said Fund A to the Annuity Savings Fund of the Retirement System, provided for in section 25 of this act. Each member whose accumulated deductions are so transferred shall receive the same prior service credit, pension credit, and membership credit in the retirement system as he previously had in the former "State Employees' Retirement System" and shall have such accumulated deductions credited to his individual account in the Annuity Savings Fund. Any outstanding obligations of such member shall be continued.

g. Any school crossing guard electing to terminate his membership in the retirement system pursuant to subsection d. of this section shall, upon his request, receive a refund of his accumulated deductions as of the date of his appointment to the position of school crossing guard. Such refund of contributions shall serve as a waiver of all benefits payable to the employee, to his dependent or dependents, or to any of his beneficiaries under the retirement system.

h. A temporary employee who is employed under the federal Workforce Investment Act shall not be eligible for membership in the system. Membership for temporary employees employed under the federal Job Training Partnership Act, Pub.L. 97-300 (29 U.S.C. s.1501) who are in the system on September 19, 1986 shall be terminated, and affected employees shall receive a refund of their accumulated deductions as of the date of commencement of employment in a federal Job Training Partnership Act program. Such refund of contributions shall serve as a waiver of all benefits payable to the employee, to his dependent or dependents, or to any of his beneficiaries under the retirement system.

i. Membership in the retirement system shall be optional for a special service employee who is employed under the federal Older American Community Service Employment Act, Pub.L.94-135 (42 U.S.C. s.3056). Any special service employee employed under the federal Older American Community Service Employment Act, Pub.L.94-135 (42 U.S.C. s.3056), who is in the retirement system on the effective date of P.L.1996, c.139 may terminate membership in the retirement system by making an application in writing to the board of trustees of the retirement system. Upon receiving the application, the board shall terminate enrollment in the system and the member shall receive a refund of accumulated deductions as of the date of commencement of employment in a federal Older American Community Service Employment Act program. This refund of contributions shall serve as a waiver of all benefits payable to the employee, to any dependent or dependents, or to any beneficiary under the retirement system.

j. An employee of the South Jersey Port Corporation who was employed by the South Jersey Port Corporation as of the effective date of P.L.1997, c.150 (C.34:1B-144 et al.) and who shall be re-employed within 365 days of such effective date by a subsidiary corporation or other corporation, which has been established by the Delaware River Port Authority pursuant to subdivision (m) of Article I of the compact creating the Delaware River Port Authority (R.S.32:3-2), as defined in section 3 of P.L.1997, c.150 (C.34:1B-146), shall be eligible to continue membership while an employee of such subsidiary or other corporation.

18. Section 75 of P.L.1954, c.84 (C.43:15A-75) is amended to read as follows:

C.43:15A-75 Local employee membership.

75. (a) If this act is so adopted it shall become effective in the county or municipality adopting it on June 30 of the following year. Membership in the Public Employees' Retirement System shall be optional with the employees of the county, board of education or municipality in the service on the day the act becomes effective or on June 30, 1966, whichever is earlier, in such county, board of education or municipality except in the case of public employee veterans who on such date are members. An employee who elects to become a member within one year after this act so takes effect shall be entitled to prior service covering service rendered to the county, board of education or municipality prior to July 1, 1966 or prior to the date this act so becomes effective, whichever is earlier. Membership shall be compulsory for all employees entering the service of the county, board of education or municipality on July 1, 1966 or after the date this act becomes effective, whichever is earlier. Where any such employee entering the service of the county, board of education or municipality after the date this act so becomes effective has had prior service for which evidence satisfactory to the retirement system is presented, as an employee in such county, board of education or municipality before the date upon which this act so becomes effective, or July 1, 1966, whichever is earlier, such employee shall be entitled to prior

service covering service rendered to the county, board of education or municipality prior to the date this act so becomes effective, or July 1, 1966, whichever is earlier.

(b) Notwithstanding the provisions of section 74 of this act and subsection (a) of this section, every person, other than a non-veteran elected official, becoming an employee of a county, board of education, municipality or school district after June 30, 1966, who is not eligible to become a member of another retirement system, shall be required to become a member of the Public Employees' Retirement System. Notwithstanding the provisions of section 74 of this act and subsection (a) of this section, membership in the retirement system shall be optional with any elected official who is not a veteran, regardless of the date he assumes office, and with any other person in the employ of any county, board of education, municipality or school district on June 30, 1966, provided such elected official or other person is not then a member and is not required to be a member of the retirement system pursuant to another provision of this act, and provided further that such person is not eligible to be a member of another retirement system. Elected officials commencing service on or after the effective date of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-135) shall not be eligible for membership in the retirement system based on service in the elective public office, except that an elected official enrolled in the retirement system as of that effective date who continues to hold that elective public office without a break in service shall be eligible to continue membership in the retirement system under the terms and conditions of enrollment.

The provisions of this subsection shall not apply to any person whose position is temporary or seasonal, nor to any person in office, position or employment for which the annual salary or remuneration is fixed at less than \$1,500.00, nor to any person whose position is not covered by the old age and survivors' insurance provisions of the federal Social Security Act. No credit shall be allowed to any person becoming a member of the retirement system pursuant to this subsection for service rendered to the employer prior to July 1, 1966, until the provisions of section 74 of this act have been complied with, in which event such credit shall be allowed in accordance with the provisions of subsection (a) of this section; except that the governing body of any county, board of education or municipality may, by resolution, consent to the allowance of such credit and file a certified copy of such resolution with the board of trustees of the Public Employees' Retirement System.

19. Section 1 of P.L.1972, c.167 (C.43:15A-135) is amended to read as follows:

C.43:15A-135 Members of Legislature; membership in retirement system, service dates.

1. Members of the Legislature commencing service on or after the effective date of sections 1 through 19 of P.L.2007, c.92 (C.43:15C-1 through C.43:15C-15, C.43:3C-9, C.43:15A-7, C.43:15A-75 and C.43:15A-135) shall not be eligible for membership in the retirement system based on service in that elective office. A member of the Legislature enrolled in the retirement system as of that effective date who continues to hold office as a member of the Legislature without a break in service shall be eligible to continue membership in the retirement system under the terms and conditions of the member's enrollment.

C.43:15A-7.2 Ineligibility for PERS under professional services contract.

20. a. A person who performs professional services for a political subdivision of this State or a board of education, or of any agency, authority or instrumentality thereof, under a professional services contract awarded in accordance with section 5 of P.L.1971, c.198

(C.40A:11-5), N.J.S.18A:18A-5 or section 5 of P.L.1982, c.189 (C.18A:64A-25.5), on the basis of performance of the contract, shall not be eligible for membership in the Public Employees' Retirement System. A person who is a member of the retirement system as of the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall not accrue service credit on the basis of that performance following the expiration of an agreement or contract in effect on the effective date. Nothing contained in this subsection shall be construed as affecting the provisions of any agreement or contract in effect on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), whether or not the agreement or contract specifically provides by its terms for membership in the retirement system. No renewal, extension, modification, or other agreement or action to continue any professional services contract in effect on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) beyond its current term shall have the effect of continuing the membership of a person in the retirement system or continuing the accrual of service credit on the basis of performance of the contract.

b. A person who performs professional services for a political subdivision of this State or a board of education, or of any agency, authority or instrumentality thereof, shall not be eligible, on the basis of performance of those professional services, for membership in the Public Employees' Retirement System, if the person meets the definition of independent contractor as set forth in regulation or policy of the federal Internal Revenue Service for the purposes of the Internal Revenue Code. Such a person who is a member of the retirement system on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall not accrue service credit on the basis of that performance following the expiration of an agreement or contract in effect on the effective date.

Nothing contained in this subsection shall be construed as affecting the provisions of any agreement or contract of employment in effect on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), whether or not the agreement or contract specifically provides by its terms for membership in the retirement system. No renewal, extension, modification, or other agreement or action to continue any such agreement or contract in effect on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) beyond its current term shall have the effect of continuing the membership of a person in the retirement system or continuing the accrual of service credit on the basis of performance of the agreement or contract.

As used in this subsection, the term "professional services" shall have the meaning set forth in section 2 of P.L.1971, c.198 (C.40A:11-2).

C.43:3C-12 Investigation of certain increases in annual compensation for members of retirement systems.

21. a. With respect to all claims for benefits under the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, the Judicial Retirement System, the Police and Firemen's Retirement System, or the State Police Retirement System submitted on or after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), the Division of Pensions and Benefits shall investigate increases in compensation reported for credit that exceed reasonably anticipated annual compensation increases for members of the retirement system based upon consideration of the Consumer Price Index for the time period of the increases, the table of assumed salary increases recommended by the system's actuary and adopted by the board of trustees of the retirement system, and the annual percentage increases of salaries as indicated in data from the Public Employment Relations Commission established pursuant to P.L.1941, c.100 (C.34:13A-1 et seq.) or through other reliable industry sources of information regarding average annual salary increases.

b. Those cases in which a violation of the relevant statute or regulation is suspected shall be referred to the board of trustees of the relevant retirement system for further action.

22. Section 2 of P.L.2001, c.259 (C.43:15A-143) is amended to read as follows:

C.43:15A-143 Membership in Workers Compensation Judges Part; service dates.

2. Notwithstanding the provisions of any other law, workers compensation judges shall be members of the Workers Compensation Judges Part, established pursuant to this act, P.L.2001, c.259 (C.43:15A-142 et seq.), of the Public Employees' Retirement System, established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), if enrolled in the part prior to the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) and shall be subject to the same membership and benefit provisions as State employees, except as provided by P.L.2001, c.259. Membership in the retirement system shall be a condition of employment for service as a judge of compensation for a judge enrolled in the part prior to the effective date of P.L.2007, c.92 (C.43:15C-1 et al.).

A workers compensation judge who becomes a member of the retirement system on or after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall not be a member of the Workers Compensation Judges Part and the provisions of P.L.2001, c.259 (C.43:15A-142 et seq.) shall not apply to such judge or the judge's survivors.

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

C.43:16A-15 Contributions, expenses of administration.

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

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

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

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

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

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

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

(8) The deductions provided for herein shall be made notwithstanding that the minimum salary provided for by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made and provided for herein, and payment of salary or compensation less said deduction shall be a full and complete discharge and acquittance of all claims and demands whatsoever for the service rendered by such person during the period covered by such payment, except as to the benefits provided under this act. The chief fiscal officer of each employer shall certify to the retirement system in such

manner as the retirement system may prescribe, the amounts deducted; and when deducted shall be paid into said annuity savings fund, and shall be credited to the individual account of the member from whose salary said deduction was made.

(9) With respect to employers other than the State, upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall compute the amount of the accrued liability as of June 30, 1991 under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. Using the total amount of this unfunded accrued liability, the actuary shall compute the initial amount of contribution which, if the contribution is increased at a specific rate and paid annually for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the board of trustees and the actuary, the rate of increase for the contribution and the time period for full funding of this liability, which shall not exceed 40 years on initial application of this section as amended by this act, P.L.1994, c.62. This shall be known as the "accrued liability contribution." Any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for the 10 valuation years following valuation year 1991 shall serve to increase or decrease, respectively, the unfunded accrued liability contribution. Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section.

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

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

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

in accordance with the tables of actuarial assumptions applicable to the valuation period, and less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.2003, c.108 as amending section 16 of P.L.1964, c.241 (C.43:16A-11.1) payable on behalf of the active members employed by other employers as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, if the sum is greater than zero.

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

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

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

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

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

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

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

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

As of the valuation report in which the funded level is in excess of 104%, an amount equal to the present value of the future normal contributions for the benefits provided by P.L.2003, c.108 as amending section 16 of P.L.1964, c.241 (C.43:16A-11.1), shall be credited to the benefit enhancement fund. If there are excess valuation assets after reductions in normal contributions as authorized in the preceding paragraphs, for a valuation period beginning with the valuation period in which the benefits provided by section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.2003, c.108 apply, an amount of excess valuation assets

not to exceed the amount of the member contributions for the fiscal year in which the normal contributions are payable shall be credited to the benefit enhancement fund. The amount of excess valuation assets credited to the benefit enhancement fund shall not exceed the present value of the expected additional normal and accrued liability contributions attributable to the provisions of section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.2003, c.108, payable on behalf of the active members over the expected working lives of the active members in accordance with the tables of actuarial assumptions for the valuation period. No additional excess valuation assets shall be credited to the benefit enhancement fund after the maximum amount is attained. Interest shall be credited to the benefit enhancement fund.

The normal and accrued liability contributions for the increased benefits for active employees under section 16 of P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.2003, c.108, shall be paid from the benefit enhancement fund. If assets in the benefit enhancement fund are insufficient to pay the normal and accrued liability contributions for the increased benefits for a valuation period, the retirement system shall pay the amount of normal and accrued liability contributions for the increased benefits not covered by assets from the benefit enhancement fund.

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

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

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

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

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

(11) The expenses of administration of the retirement system shall be paid by the State of New Jersey. Each employer shall reimburse the State for a proportionate share of the amount paid by the State for administrative expense. This proportion shall be computed as the number of members under the jurisdiction of such employer bears to the total number of members in the system. The pro rata share of the cost of administrative expense shall be

included with the certification by the retirement system of the employer's contribution to the system.

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

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

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

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

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

24. N.J.S.18A:66-18 is amended to read as follows:

Contingent reserve fund.

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

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

b. Upon the basis of the tables recommended by the actuary which the board of trustees adopts and regular interest, the actuary of the board shall annually determine if there is an amount of the accrued liability of the retirement system, computed under the projected unit credit method, including the liability for pension adjustment benefits for active employees funded pursuant to section 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation

method established in this section. This shall be known as the “unfunded accrued liability.” If there was no unfunded accrued liability for the valuation period immediately preceding the current valuation period, the actuary, using the total amount of this unfunded accrued liability, shall compute the initial amount of contribution which, if the contribution is increased at a specific rate and paid annually for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the board of trustees and the actuary, the rate of increase for the contribution and the time period for full funding of this liability, which shall not exceed 30 years. This shall be known as the “accrued liability contribution.” Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. The State may pay all or any portion of its unfunded accrued liability under the retirement system from any source of funds legally available for the purpose, including, without limitation, the proceeds of bonds authorized by law for this purpose.

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the “valuation assets.” Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending March 31, 1996 shall be the full market value of the assets as of that date and shall include the proceeds from the bonds issued pursuant to the Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system. Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1999 shall be the full market value of the assets as of that date.

“Excess valuation assets” for a valuation period means:

- (1) the valuation assets; less
- (2) the actuarial accrued liability for basic benefits and pension adjustment benefits, excluding the unfunded accrued liability for early retirement incentive benefits pursuant to P.L.1991, c.231 and P.L.1993, c.163 for employers other than the State; less
- (3) the contributory group insurance premium fund created by N.J.S.18A:66-77; less
- (4) the post-retirement medical premium fund created pursuant to section 2 of P.L.1987, c.385 (C.18A:66-18.1), as amended by section 3 of P.L.1994, c.62; less
- (5) the present value of the projected total normal cost for pension adjustment benefits in excess of the projected total phased-in normal cost for pension adjustment benefits as originally authorized by section 2 of P.L.1987, c.385 (C.18A:66-18.1) over the full phase-in period, determined in the manner prescribed for the determination and amortization of the unfunded accrued liability of the system, if the sum of the foregoing items is greater than zero.

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

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

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

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

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

For calendar years 1998 and 1999, the rate of contribution of members of the retirement system under N.J.S.18A:66-29 shall be reduced by 1/2 of 1% from excess valuation assets. For calendar years 2000 and 2001, the rate of contribution of members of the retirement system shall be reduced equally with normal contributions to the extent possible, but not more than 1/2 of 1%, from excess valuation assets. Thereafter, through calendar year 2007, the rate of contribution of members of the retirement system under that section for a calendar year shall be reduced equally with normal contributions to the extent possible, but not by more than 2%, from excess valuation assets if the State Treasurer determines that excess valuation assets shall be used to reduce normal contributions by the State for the fiscal year beginning immediately prior to the calendar year, and excess valuation assets above the amount necessary to fund the reduction for that calendar year in the member contribution rate plus an equal reduction in the normal contribution shall be available for the further reduction of normal contributions, subject to the limitations prescribed by this subsection.

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

The normal contribution for the increased benefits for active members under P.L.2001, c.133 shall be paid from the benefit enhancement fund. If assets in the benefit enhancement fund are insufficient to pay the normal contribution for the increased benefits for a valuation

period, the State shall pay the amount of normal contribution for the increased benefits not covered by assets from the benefit enhancement fund.

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

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

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

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

25. Section 33 of P.L.1973, c.140 (C.43:6A-33) is amended to read as follows:

C.43:6A-33 Computation of contributions; valuation of assets; contingent reserve fund.

33. a. Upon the basis of the tables recommended by the actuary which the commission adopts and regular interest, the actuary shall compute annually, beginning as of June 30, 1992, the amount of the contribution which shall be the normal cost as computed under the projected unit credit method attributable to service rendered under the retirement system for the year beginning on July 1 immediately succeeding the date of the computation. This shall be known as the "normal contribution."

b. Upon the basis of the tables recommended by the actuary which the commission adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability of the retirement system, computed under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. This shall be known as the "unfunded accrued liability." If there was no unfunded accrued liability for the valuation period immediately preceding the current valuation period, the actuary, using the total amount of this unfunded accrued liability, shall compute the initial amount of contribution which, if the contribution is increased at a specific rate and paid annually for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the commission and the actuary, the rate of increase for the contribution and the time period for full funding of this liability, which shall not exceed 30 years. This shall be known as the "accrued liability contribution." Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. The State may pay all or any portion of its unfunded accrued liability under the retirement system from any source of funds legally available for the purpose, including, without limitation, the proceeds of bonds authorized by law for this purpose.

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation

period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the "valuation assets." Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1996 shall be the full market value of the assets as of that date and shall include the proceeds from the bonds issued pursuant to the Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system.

"Excess valuation assets" means the valuation assets for a valuation period less the actuarial accrued liability for the valuation period, if the sum is greater than zero. If there are excess valuation assets for the valuation period ending June 30, 1996, the normal contributions for the valuation periods ending June 30, 1996 and June 30, 1997 which have not yet been paid to the retirement system shall be reduced to the extent possible by the excess valuation assets, provided that the General Fund balances that would have been paid to the retirement system except for this provision shall first be allocated as State aid to public schools to the extent that additional sums are required to comply with the May 14, 1997 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If there are excess valuation assets for a valuation period ending after June 30, 1996, the State Treasurer may reduce the normal contribution payable for the next valuation period as follows:

(1) for valuation periods ending June 30, 1997 through June 30, 2001, to the extent possible by up to 100% of the excess valuation assets;

(2) for the valuation period ending June 30, 2002, to the extent possible by up to 84% of the excess valuation assets;

(3) for the valuation period ending June 30, 2003, to the extent possible by up to 68% of the excess valuation assets; and

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

c. The actuary shall certify annually the aggregate amount payable to the contingent reserve fund in the ensuing year, which amount shall be equal to the sum of the amounts described in this section. The State shall pay into the contingent reserve fund during the ensuing year the amount so determined.

The cash death benefits, payable as the result of contribution by the State under the provisions of this act upon the death of a member in active service and after retirement, shall be paid from the contingent reserve fund.

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

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

C.43:15A-24 Contingent reserve fund.

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

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

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

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

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the "valuation assets." Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending March 31, 1996 shall be the full market value of the assets as of that date and, with respect to the valuation assets allocated to the State, shall include the proceeds from the bonds issued pursuant to the "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system. Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1999 shall be the full market value of the assets as of that date.

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

- (1) the valuation assets allocated to the State; less
- (2) the actuarial accrued liability of the State for basic benefits and pension adjustment benefits under the retirement system; less
- (3) the contributory group insurance premium fund, created by section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section 4 of P.L.1960, c.79; less
- (4) the post retirement medical premium fund, created pursuant to section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by section 8 of P.L.1994, c.62; less
- (5) the present value of the projected total normal cost for pension adjustment benefits in excess of the projected total phased-in normal cost for pension adjustment benefits for the State authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the full phase-in period, determined in the manner prescribed for the determination and amortization of the unfunded accrued liability of the system, if the sum of the foregoing items is greater than zero.

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

- (1) the valuation assets allocated to the other employers; less
- (2) the actuarial accrued liability of the other employers for basic benefits and pension adjustment benefits under the retirement system, excluding the unfunded accrued liability for early retirement incentive benefits pursuant to P.L.1991, c.229, P.L.1991, c.230, P.L.1993, c.138, and P.L.1993, c.181, for employers other than the State; less
- (3) the contributory group insurance premium fund, created by section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section 4 of P.L.1960, c.79; less
- (4) the present value of the projected total normal cost for pension adjustment benefits in excess of the projected total phased-in normal cost for pension adjustment benefits for the other employers authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the full phase-in period, determined in the manner prescribed for the determination and amortization of the unfunded accrued liability of the system, if the sum of the foregoing items is greater than zero.

If there are excess valuation assets allocated to the State or to the other employers for the valuation period ending March 31, 1996, the normal contributions payable by the State or by the other employers for the valuation periods ending March 31, 1996 and March 31, 1997 which have not yet been paid to the retirement system shall be reduced to the extent possible

by the excess valuation assets allocated to the State or to the other employers, respectively, provided that with respect to the excess valuation assets allocated to the State, the General Fund balances that would have been paid to the retirement system except for this provision shall first be allocated as State aid to public schools to the extent that additional sums are required to comply with the May 14, 1997 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If there are excess valuation assets allocated to the State or to the other employers for a valuation period ending after March 31, 1996, the State Treasurer may reduce the normal contribution payable by the State or by the other employers for the next valuation period as follows:

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

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

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

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

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

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

The normal contribution for the increased benefits for active employees under P.L.2001, c.133 shall be paid from the benefit enhancement fund. If assets in the benefit enhancement

fund are insufficient to pay the normal contribution for the increased benefits for a valuation period, the State shall pay the amount of normal contribution for the increased benefits not covered by assets from the benefit enhancement fund.

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

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

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

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

27. Section 34 of P.L.1965, c.89 (C.53:5A-34) is amended to read as follows:

C.53:5A-34 Contingent reserve fund.

34. The Contingent Reserve Fund shall be the fund in which shall be credited contributions made by the State.

a. Upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall compute annually, beginning as of June 30, 1992, the amount of the contribution which shall be the normal cost as computed under the projected unit credit method attributable to service rendered under the retirement system for the year beginning on July 1 immediately succeeding the date of the computation. This shall be known as the "normal contribution."

b. Upon the basis of the tables recommended by the actuary which the board adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability of the retirement system, computed under the projected unit credit method, which is not already covered by the assets of the retirement system, valued in accordance with the asset valuation method established in this section. This shall be known as the "unfunded accrued liability." If there was no unfunded accrued liability for the valuation period immediately preceding the current valuation period, the actuary, using the total amount of this unfunded accrued liability, shall compute the initial amount of contribution which, if the contribution is increased at a specific rate and paid annually for a specific period of time, will amortize this liability. The State Treasurer shall determine, upon the advice of the Director of the Division of Pensions and Benefits, the board of trustees and the actuary, the rate of increase for the contribution and the time period for full funding of this liability, which shall not exceed 30 years. This shall be known as the "accrued liability contribution." Thereafter, any increase or decrease in the unfunded accrued liability as a result of actuarial losses or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 30 years. If an increase in the amortization

period as a result of actuarial losses for a valuation year would exceed 30 years, the accrued liability contribution shall be computed for the valuation year in the same manner provided for the computation of the initial accrued liability contribution under this section. The State may pay all or any portion of its unfunded accrued liability under the retirement system from any source of funds legally available for the purpose, including, without limitation, the proceeds of bonds authorized by law for this purpose.

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the "valuation assets." Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1996 shall be the full market value of the assets as of that date and shall include the proceeds from the bonds issued pursuant to the Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system.

"Excess valuation assets" means the valuation assets for a valuation period less the actuarial accrued liability for the valuation period, if the sum is greater than zero. If there are excess valuation assets for the valuation period ending June 30, 1996, the normal contributions for the valuation periods ending June 30, 1996 and June 30, 1997 which have not yet been paid to the retirement system shall be reduced to the extent possible by the excess valuation assets, provided that the General Fund balances that would have been paid to the retirement system except for this provision shall first be allocated as State aid to public schools to the extent that additional sums are required to comply with the May 14, 1997 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If there are excess valuation assets for a valuation period ending after June 30, 1996, the State Treasurer may reduce the normal contribution payable for the next valuation period as follows:

(1) for valuation periods ending June 30, 1997 through June 30, 2001, to the extent possible by up to 100% of the excess valuation assets;

(2) for the valuation period ending June 30, 2002, to the extent possible by up to 84% of the excess valuation assets;

(3) for the valuation period ending June 30, 2003, to the extent possible by up to 68% of the excess valuation assets; and

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

c. The actuary shall certify annually the aggregate amount payable to the Contingent Reserve Fund in the ensuing year, which amount shall be equal to the sum of the amounts described in this section. The State shall pay into the Contingent Reserve Fund during the ensuing year the amount so certified. In the event the amount certified to be paid by the State includes amounts due for services rendered by members to specific instrumentalities or authorities the total amounts so certified shall be paid to the retirement system by the State; provided, however, the full cost attributable to such services rendered to such instrumentalities and authorities shall be computed separately by the actuary and the State shall be reimbursed for such amounts by such instrumentalities or authorities.

The cash death benefits, payable as the result of contribution by the State under the provisions of this act upon the death of a member in active service and after retirement shall be paid from the Contingent Reserve Fund.

C.43:3C-13 Use of actuarial standards for retirement systems; disclosure, certain.

28. The Teachers' Pension and Annuity Fund, the Judicial Retirement System, the Prison Officers' Pension Fund, the Public Employees' Retirement System, the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System, and the State Police Retirement System shall use consistent and generally-accepted actuarial standards, as established by the Governmental Accounting Standards Board or its successor, for the purpose of determining fund or system asset values, obligations and annual employer contributions. Any modification of the assumptions or actuarial methodology at the direction of the State that changes asset values, obligations or annual contributions shall require public disclosure prior to adoption, including a financial impact analysis.

29. Section 8 of P.L. 1961, c. 49 (C.52:14-17.32) is amended to read as follows:

C.52:14-17.32 Health benefits of retirees.

8. a. The basic coverage and the major medical coverage of any employee, and the employee's dependents, if any, shall cease upon the discontinuance of the term of office or employment or upon cessation of active full-time employment subject to such regulations as may be prescribed by the commission for limited continuance of basic coverage and major medical coverage during disability, part-time employment, leave of absence or lay off, and for continuance of basic coverage and major medical coverage after retirement, any such continuance after retirement to be provided at such rates and under such conditions as shall be prescribed by the commission, subject, however, to the requirements hereinafter set forth in this section. Notwithstanding the provisions of any law to the contrary, for law enforcement officers employed by the State for whom there is a majority representative for collective negotiation purposes, and for nonaligned sworn members of the Division of State Police who retire after July 1, 2005, the coverage options available to such employees in retirement shall be limited to those options that were available to the employee on the employee's last day of employment. The commission may also establish regulations prescribing an extension of coverage when an employee or dependent is totally disabled at termination of coverage.

b. Rates payable by retired employees for themselves and their dependents, by active employees for dependents covered by medicare benefits, and by the State or other employer for an active employee alone covered by medicare benefits, shall be determined on the basis of utilization experience according to classifications determined by the commission, provided, however, that the total rate payable by such retired employee for the employee and the employee's dependents, or by such active employee for the employee's dependents and the State or other employer for such active employee alone, for coverage hereunder and for Part B of medicare, shall not exceed by more than 25%, as determined by the commission, the total amount which would have been required to have been paid by the employee and by the State or other employer for the coverage maintained had the employee continued in office or active employment and the employee and the employee's dependents were not eligible for medicare benefits. "Medicare" as used in this act means the coverage provided under Title XVIII of the Social Security Act as amended in 1965, or its successor plan or plans.

c. (1) From funds appropriated therefor, the State shall pay the premium or periodic charges for the benefits provided to a retired State employee and the employee's dependents covered under the program, but not including survivors, if such employee retired from one or more State or locally-administered retirement systems on a benefit or benefits based in the aggregate on 25 years or more of nonconcurrent service credited in the retirement systems, excluding service credited under the Defined Contribution Retirement Program established pursuant to P.L.2007, c.92 (C.43:15C-1 et al.), and excepting the employee who elected deferred retirement, but including the employee who retired on a disability pension based on fewer years of service credited in the retirement systems and shall also reimburse such retired employee for the premium charges under Part B of the federal medicare program covering the retired employee and the employee's spouse. In the case of full-time employees of the Rutgers University Cooperative Extension Service, service credited in the federal Civil Service Retirement System (5 U.S.C.s.8331 et seq.) which was earned as a result of full-time employment at Rutgers University, may be considered alone or in combination with service credited in one or more State or locally-administered retirement systems for the purposes of establishing the minimum 25-year service requirement to qualify for the benefits provided in this section. Any full-time employee of the Rutgers University Cooperative Extension Service who meets the eligibility requirements set forth in this amendatory act shall be eligible for the benefits provided in this section, provided that at the time of retirement such employee was covered by the State Health Benefits Program and elected to continue such coverage into retirement.

(2) Notwithstanding the provisions of this section to the contrary, from funds appropriated therefor, the State shall pay the premium or periodic charges for the benefits provided to a retired State employee and the employee's dependents covered under the program, but not including survivors, if: (a) the employee retires on or after the effective date of this 1987 amendatory act; (b) the employee was employed by Rutgers University prior to January 2, 1955 and remained in continuous service with Rutgers University until retirement even though the employee (i) did not join a State-administered retirement system, or, (ii) became a member of a State-administered retirement system, but accumulated less than 25 years of credited service; and (c) the employee is covered by the program at the time of retirement.

(3) Notwithstanding the provisions of this section to the contrary, in the case of an employee of a State college, as described in chapter 64 of Title 18A of the New Jersey Statutes, or of a county college, as defined in N.J.S.18A:64A-1, service credited in a private defined contribution retirement plan which was earned as an employee of an auxiliary organization, as defined in section 2 of P.L.1982, c.16 (C.18A:64-27), at a State or county college shall be considered in combination with service credited in a State-administered retirement system for the purposes of establishing the minimum 25-year service requirement to qualify for the benefits provided in this section, provided that the employee is covered by the program at the time of retirement.

(4) Notwithstanding the provisions of this section to the contrary, from funds appropriated therefor, the State shall pay the premium or periodic charges for the benefits provided to a retired State employee and any dependents covered under the program, but not including survivors, if the employee: (a) retired prior to the effective date of this act, P.L.1997, c.335 (C.52:14-17.32), under the State Police Retirement System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), with more than 20 but less than 25 years of service credit in the retirement system; (b) was subsequently employed by the State in another position or positions not covered by the State Police Retirement System; (c) has, in

the aggregate, at least 30 years of full-time employment with the State; and (d) is covered by the program at the time of terminating full-time employment with the State.

30. Section 7 of P.L.1964, c.125 (C.52:14-17.38) is amended to read as follows:

C.52:14-17.38 Certification of premium rates, charges; Medicare premiums; employer obligations.

7. a. The Division of Pensions and Benefits shall certify to the certifying agent of each employer electing participation under the program the premium rates and periodic charges applicable to the coverage provided for employees and dependents. The participating employer shall remit to the division all contributions to premiums and periodic charges in advance of their due dates, subject to the rules and regulations of the commission.

Notwithstanding the provisions of any other law to the contrary, the obligations of a participating employer other than the State to pay the premium or periodic charges for health benefits coverage provided under P.L.1961, c.49 (C.52:14-17.25 et seq.) may be determined by means of a binding collective negotiations agreement. With respect to employees for whom there is no majority representative for collective negotiations purposes, the employer may, in its sole discretion, modify the respective payment obligations set forth in law for the employer and such employees in a manner consistent with the terms of any collective negotiations agreement binding on the employer.

b. (1) From funds allocated therefor, the employer other than the State, upon the adoption and submission to the division of an appropriate resolution prescribed by the commission, may pay the premium or periodic charges for the benefits provided to a retired employee and the employee's dependents covered under the program, if the employee retired from a State or locally-administered retirement system, excepting the employee who elected deferred retirement, and may also reimburse the retired employee for the employee's premium charges under Part B of Medicare covering the retired employee and the employee's spouse if the employee:

(a) retired on a disability pension; or

(b) retired after 25 or more years of nonconcurrent service credit in one or more State or locally-administered retirement systems, excluding service credited under the Defined Contribution Retirement Program established pursuant to P.L.2007, c.92 (C.43:15C-1 et al.), and a period of service of up to 25 years with the employer at the time of retirement, such period of service to be determined by the employer and set forth in an ordinance or resolution as appropriate; or

(c) retired and reached the age of 65 years or older with 25 years or more of nonconcurrent service credit in one or more State or locally-administered retirement systems, excluding service credited under the Defined Contribution Retirement Program, and a period of service of up to 25 years with the employer at the time of retirement, such period of service to be determined by the employer and set forth in an ordinance or resolution as appropriate; or

(d) retired and reached the age of 62 years or older with at least 15 years of service with the employer, excluding service credited under the Defined Contribution Retirement Program.

"Retired employee and the employee's dependents" may, upon adoption of an appropriate resolution therefor by the participating employer, also include otherwise eligible employees, and their dependents, who retired from one or more State or locally-administered retirement systems prior to the date that the employer became a participating employer in the New

Jersey State Health Benefits Program or who did not elect to continue coverage in the program during such time after the employer became a participating employer that the employer did not pay premium or periodic charges for benefits to retired employees and their dependents pursuant to this section. Eligibility and enrollment of such employees and dependents shall be in accordance with such rules and regulations as may be adopted by the State Health Benefits Commission.

The employer other than the State may, by resolution, pay the premium or periodic charges for the benefits provided to the surviving spouse of a retired employee and the employee's dependents covered under the program as provided in this section.

(2) Notwithstanding the provisions of any other law to the contrary, the obligations of an employer other than the State, except an independent State authority, board, commission, corporation, agency, or organization deemed to be covered by section 6 of P.L.1996, c.8 (C.52:14-17.28b) and except school boards whose employees are covered by section 3 of P.L.1987, c.384 (C.52:14-17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1) and section 1 of P.L.1995, c.357 (C.52:14-17.32f2), to pay the premium or periodic charges for health benefits coverage under the provisions of paragraph (1) may be determined by means of a binding collective negotiations agreement, including any agreement in force at the time of the adoption of this act, P.L.1999, c.48. With respect to employees for whom there is no majority representative for collective negotiations purposes, the employer may, in its sole discretion, determine the payment obligations for the employer and the employees, except that if there are collective negotiations agreements binding upon the employer for employees who are within the same community of interest as employees in a collective negotiations unit but are excluded from participation in the unit by the "New Jersey Employer-Employee Relations Act," P.L.1941, c.100 (C.34:13A-1 et seq.), the payment obligations shall be determined in a manner consistent with the terms of any collective negotiations agreement applicable to the collective negotiations unit.

c. Notwithstanding the provisions of any other law to the contrary, the payment obligations of an employee of an employer other than the State, except an independent State authority, board, commission, corporation, agency, or organization, for health benefits coverage under subsection b. shall be the payment obligations applicable to the employee on the date the employee retires on a disability pension or the date the employee meets the service credit and service requirements for the employer payment for the coverage, as the case may be.

C.52:14-17.291 Disease and chronic care management plan.

31. The State Health Benefits Commission shall ensure that every contract purchased by the commission on or after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) to provide benefits under the State managed care plans includes a disease and chronic care management plan for specified conditions meeting nationally recognized accreditation standards and including specified outcome measures and objectives for disease and chronic care management.

32. N.J.S.18A:66-35 is amended to read as follows:

Loans, interest rates, administrative fees.

18A:66-35. Any member who has at least 3 years of service to his credit for which he has contributed as a member may borrow from the retirement system, an amount equal to not more than 50% of the amount of his accumulated deductions, but not less than \$50.00;

provided, that the amount so borrowed, together with interest thereon, can be repaid by additional deductions from compensation, not in excess of 25% of the member's compensation, made at the same time compensation is paid to the member. The amount so borrowed, together with interest on any unpaid balance thereof, shall be repaid to the retirement system in equal installments by deduction from the compensation of the member at the time the compensation is paid or in such lump sum amount to repay the balance of the loan but such installment shall be at least equal to the member's rate of contribution to the retirement system and at least sufficient to repay the amount borrowed with interest thereon. Not more than two loans may be granted to any member in any calendar year. Notwithstanding any other law affecting the salary or compensation of any person or persons to whom this article applies or shall apply, the additional deductions required to repay the loan shall be made.

The rate of interest for a loan requested by a member prior to the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per annum on any unpaid balance thereof. For a loan requested after the effective date of that act, the rate of interest per annum shall be a commercially reasonable rate as required by the Internal Revenue Code to be determined by the State Treasurer on that effective date, and on January 1 of each calendar year thereafter. An administrative fee in an amount set by the State Treasurer for each calendar year may be charged for any loan requested after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.). Loans shall be made to a member from his accumulated deductions. The interest earned on such loans shall be treated in the same manner as interest earned from investments of the retirement system.

33. Section 2 of P.L.1981, c.212 (C.18A:66-35.1) is amended to read as follows:

C.18A:66-35.1 Repayment of loans after retirement of members of TPAF.

2. In the case of any member who retires without paying the full amount so borrowed, the Division of Pensions and Benefits shall deduct from the retirement benefit payments the same monthly amount which was deducted from the compensation of the member immediately preceding retirement until the balance of the amount borrowed together with the interest is repaid. In the case of a pensioner who dies before the outstanding balance of the loan and interest thereon has been recovered, the remaining balance shall be repaid from the proceeds of any other benefit payable on the account of the pensioner either in the form of monthly payments due to his beneficiaries or in the form of lump sum payments payable for pension or group life insurance.

34. Section 1 of P.L.1997, c.25 (C.43:6A-34.3) is amended to read as follows:

C.43:6A-34.3 Borrowing by members from retirement system, interest rates.

1. Notwithstanding any provision to the contrary, any member who has at least three years of service to the member's credit for which the member has contributed as a member may borrow from the retirement system, an amount equal to not more than 50% of the amount of the member's accumulated deductions, but not less than \$50.00; provided, that the amount so borrowed, together with interest thereon, can be repaid by additional deductions from compensation, not in excess of 25% of the member's compensation, made at the same time compensation is paid to the member. The amount so borrowed, together with interest on any unpaid balance thereof, shall be repaid to the retirement system in equal installments by deduction from the compensation of the member at the time the compensation is paid or

in such lump sum amount to repay the balance of the loan but such installments shall be at least equal to the member's rate of contribution to the retirement system and at least sufficient to repay the amount borrowed with interest thereon. Not more than two loans may be granted to any member in any calendar year. Notwithstanding any other law affecting the salary or compensation of any person or persons to whom this act applies or shall apply, the additional deductions required to repay the loan shall be made.

The rate of interest for a loan requested by a member prior to the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per annum on any unpaid balance thereof. For a loan requested after the effective date of that act, the rate of interest per annum shall be a commercially reasonable rate as required by the Internal Revenue Code to be determined by the State Treasurer on that effective date, and on January 1 of each calendar year thereafter. An administrative fee in an amount set by the State Treasurer for each calendar year may be charged for any loan requested after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.).

Loans shall be made to a member from the member's accumulated deductions. The interest earned on such loans shall be treated in the same manner as interest earned from investments of the retirement system.

35. Section 2 of P.L.1997, c.25 (C.43:6A-34.4) is amended to read as follows:

C.43:6A-34.4 Repayment of loans after retirement of members of JRS.

2. In the case of any member who retires without repaying the full amount so borrowed, the Division of Pensions and Benefits shall deduct from the retirement benefit payments the same monthly amount which was deducted from the compensation of the member immediately preceding retirement until the balance of the amount borrowed together with the interest is repaid. In the case of a pensioner who dies before the outstanding balance of the loan and interest thereon has been recovered, the remaining balance shall be repaid from the proceeds of any other benefits payable on the account of the pensioner either in the form of monthly payments due to the pensioner's beneficiaries or in the form of lump sum payments payable for pension or group life insurance.

36. Section 34 of P.L.1954, c.84 (C.43:15A-34) is amended to read as follows:

C.43:15A-34 Borrowing from fund by members, interest rates.

34. Any member who has at least 3 years of service to his credit for which he has contributed as a member may borrow from the retirement system, an amount equal to not more than 50% of the amount of his accumulated deductions, but not less than \$50.00; provided, that the amount so borrowed, together with interest thereon, can be repaid by additional deductions from compensation, not in excess of 25% of the member's compensation, made at the same time compensation is paid to the member. The amount so borrowed, together with interest on any unpaid balance thereof, shall be repaid to the retirement system in equal installments by deduction from the compensation of the member at the time the compensation is paid or in such lump sum amount to repay the balance of the loan but such installments shall be at least equal to the member's rate of contribution to the retirement system and at least sufficient to repay the amount borrowed with interest thereon. Not more than two loans may be granted to any member in any calendar year. Notwithstanding any other law affecting the salary or compensation of any person or persons to whom this act applies or shall apply, the additional deductions required to repay the loan shall be made.

The rate of interest for a loan requested by a member prior to the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per annum on any unpaid balance thereof. For a loan requested after the effective date of that act, the rate of interest per annum shall be a commercially reasonable rate as required by the Internal Revenue Code to be determined by the State Treasurer on that effective date, and on January 1 of each calendar year thereafter. An administrative fee in an amount set by the State Treasurer for each calendar year may be charged for any loan requested after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.).

Loans shall be made to a member from his accumulated deductions. The interest earned on such loans shall be treated in the same manner as interest earned from investments of the retirement system.

37. Section 2 of P.L.1981, c.55 (C.43:15A-34.1) is amended to read as follows:

C.43:15A-34.1 Repayment of loans after retirement of members of PERS.

2. In the case of any member who retires without repaying the full amount so borrowed, the Division of Pensions and Benefits shall deduct from the retirement benefit payments the same monthly amount which was deducted from the compensation of the member immediately preceding retirement until the balance of the amount borrowed together with the interest is repaid. In the case of a pensioner who dies before the outstanding balance of the loan and interest thereon has been recovered, the remaining balance shall be repaid from the proceeds of any other benefits payable on the account of the pensioner either in the form of monthly payments due to his beneficiaries or in the form of lump sum payments payable for pension or group life insurance.

38. Section 18 of P.L.1964, c.241 (C.43:16A-16.1) is amended to read as follows:

C.43:16A-16.1 Loan to members, interest rates, repayment.

18. Any member who has at least 3 years of service to his credit for which he has contributed as a member may borrow from the retirement system, an amount equal to not more than 50% of the amount of his aggregate contributions, but not less than \$50.00; provided that the amount so borrowed, together with interest thereon, can be repaid by additional deductions from salary, not in excess of 25% of the member's salary, made at the time the salary is paid to the member. The amount so borrowed, together with interest on any unpaid balance thereof, shall be repaid to the retirement system in equal installments by deductions from the salary of the member at the time the salary is paid or in such lump sum amount to repay the balance of the loan but such installments shall be at least equal to the member's rate of contribution to the retirement system and at least sufficient to repay the amount borrowed with interest thereon. Not more than two loans may be granted to any member in any calendar year. Notwithstanding any other law affecting the salary or compensation of any person or persons to whom this act applies or shall apply, the additional deductions required to repay the loan shall be made.

The rate of interest for a loan requested by a member prior to the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per annum on any unpaid balance thereof. For a loan requested after the effective date of that act, the rate of interest per annum shall be a commercially reasonable rate as required by the Internal Revenue Code to be determined by the State Treasurer on that effective date, and on January 1 of each calendar year thereafter. An administrative fee in an amount set by the State Treasurer for each calendar

year may be charged for any loan requested after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.).

Loans shall be made to a member from his aggregate contributions. The interest earned on such loans shall be treated in the same manner as interest earned from investments of the retirement system.

39. Section 2 of P.L.1981, c.370 (C.43:16A-16.2) is amended to read as follows:

C.43:16A-16.2 Repayment of loans after retirement of member of PFRS.

2. In the case of any member who retires without repaying the full amount so borrowed, the Division of Pensions and Benefits shall deduct from the retirement benefit payments the same monthly amount which was deducted from the compensation of the member immediately preceding retirement until the balance of the amount borrowed together with the interest is repaid. In the case of a pensioner who dies before the outstanding balance of the loan and interest thereon has been recovered, the remaining balance shall be repaid from the proceeds of any other benefits payable on the account of the pensioner either in the form of monthly payments due to his beneficiaries or in the form of lump sum payments payable for pension or group life insurance.

40. Section 29 of P.L.1965, c.89 (C.53:5A-29) is amended to read as follows:

C.53:5A-29 Loan terms; repayment after retirement of member of SPRS.

29. Any member who has at least three years of service to the member's credit for which the member has contributed as a member may borrow from the retirement system, an amount equal to not more than 50% of the amount of the member's aggregate contributions, but not less than \$50.00; provided, that the amount so borrowed, together with interest thereon, can be repaid by additional deductions from salary, not in excess of 25% of the member's salary, made at the time the salary is paid to the member. The amount so borrowed, together with interest on any unpaid balance thereof, shall be repaid to the retirement system in equal installments by deductions from the salary of the member at the time the salary is paid or in such lump sum amount to repay the balance of the loan but such installments shall be at least equal to the member's rate of contribution to the retirement system and at least sufficient to repay the amount borrowed with interest thereon. Not more than two loans may be granted to any member in any calendar year. Notwithstanding any other law affecting the salary or compensation of any person or persons to whom this act applies or shall apply, the additional deductions required to repay the loan shall be made.

The rate of interest for a loan requested by a member prior to the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) shall be 4% per annum on any unpaid balance thereof. For a loan requested after the effective date of that act, the rate of interest per annum shall be a commercially reasonable rate as required by the Internal Revenue Code to be determined by the State Treasurer on that effective date, and on January 1 of each calendar year thereafter. An administrative fee in an amount set by the State Treasurer for each calendar year may be charged for any loan requested after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.).

Loans shall be made to a member from the member's aggregate contributions. The interest earned on such loans shall be treated in the same manner as interest earned from investments of the retirement system.

In the case of any member who retires without repaying the full amount so borrowed, the Division of Pensions and Benefits shall deduct from the retirement allowance payments the same monthly amount which was deducted from the salary of the member immediately preceding retirement until the balance of the amount borrowed together with the interest is repaid. In the case of a retirant who dies before the outstanding balance of the loan and interest thereon has been recovered, the remaining balance shall be repaid from the proceeds of any other benefits payable on the account of the retirant either in the form of monthly payments due to the retirant's beneficiaries or in the form of lump sum payments payable for pension or group life insurance.

C.43:3C-9.6 Accrued benefits, rights of members.

41. a. Upon the termination of the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, the Judicial Retirement System, the Police and Firemen's Retirement System, the State Police Retirement System, the Prison Officers' Pension Fund, or the Consolidated Police and Firemen's Fund, or upon complete discontinuance of contributions to any of the retirement systems, the rights of all members of such retirement system to benefits accrued to the date of such termination or discontinuance, to the extent then funded, are non-forfeitable.

b. Notwithstanding any law, rule or regulation to the contrary, the form and timing of all distributions from the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, the Judicial Retirement System, the Police and Firemen's Retirement System, the State Police Retirement System, the Prison Officers' Pension Fund, or the Consolidated Police and Firemen's Fund, to a member, or to the beneficiary of a member if the member dies before the member's entire interest has been distributed, shall conform to the required distribution provisions of section 401(a)(9) of the federal Internal Revenue Code and the regulations issued by the United States Department of the Treasury under that Code section, including the incidental death benefit requirements of section 401(a)(9)(G) of the federal Internal Revenue Code. In addition, in no event shall payments under any of the retirement systems commence to be paid to a member later than the member's required beginning date, without regard to whether the member has filed application therefor. For this purpose, a member's required beginning date is the April 1 of the calendar year following the later of (1) the calendar year in which the member attains age 70 ½ or (2) the calendar year in which the member retires. The actuarial adjustment described in section 401(a)(9)(C)(iii) of the federal Internal Revenue Code shall not apply.

C.11A:6-19.1 Payment of accumulated sick leave by political subdivision under civil service.

42. Notwithstanding any law, rule or regulation to the contrary, a political subdivision of the State, or an agency, authority or instrumentality thereof, that has adopted the provisions of Title 11A of the New Jersey Statutes, shall not pay supplemental compensation to any officer or employee for accumulated unused sick leave in an amount in excess of \$15,000, except that an officer or employee who:

(1) on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), or upon the expiration of a collective negotiations agreement or contract of employment applicable to that officer or employee in effect on that date has accrued supplemental compensation based upon accumulated unused sick leave shall, upon retirement, be eligible to receive for any unused leave not more than the amount so accumulated or not more than \$15,000, whichever is greater; or

(2) becomes an officer or employee after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) and has previously accrued supplemental compensation based upon accumulated unused sick leave shall, upon retirement, be eligible to receive for any unused leave not more than the amount so previously accumulated or not more than \$15,000, whichever is greater.

Supplemental compensation shall be payable only at the time of retirement from a State-administered or locally-administered retirement system based on the leave credited on the date of retirement.

As used in this section, "officer or employee" means an elected official; or a person appointed by the Governor with the advice and consent of the Senate, or appointed by the Governor to serve at the pleasure of the Governor only during his or her term of office; or a person appointed by an elected public official or elected governing body of a political subdivision of the State, with the specific consent or approval of the elected governing body of the political subdivision that is substantially similar in nature to the advice and consent of the Senate for appointments by the Governor of the State as that similarity is determined by the elected governing body and set forth in an adopted ordinance or resolution, pursuant to guidelines or policy that shall be established by the Local Finance Board in the Department of Community Affairs, but not including a person who is employed or appointed in the regular or normal course of employment or appointment procedures and consented to or approved in a general or routine manner appropriate for and followed by the political subdivision, or the agency, authority or instrumentality of a subdivision, or a person who holds a professional license or certificate to perform and is performing as a certified health officer, tax assessor, tax collector, municipal planner, chief financial officer, registered municipal clerk, construction code official, licensed uniform subcode inspector, qualified purchasing agent, or certified public works manager.

C.40A:9-10.2 Payment for accumulated sick leave by political subdivision, noncivil service.

43. Notwithstanding any law, rule or regulation to the contrary, a political subdivision of the State, or an agency, authority or instrumentality thereof, that has not adopted the provisions of Title 11A of the New Jersey Statutes, shall not pay supplemental compensation to any officer or employee for accumulated unused sick leave in an amount in excess of \$15,000, except that an officer or employee who:

(1) on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), or upon the expiration of a collective negotiations agreement or contract of employment applicable to that officer or employee in effect on that date has accrued supplemental compensation based upon accumulated unused sick leave shall, upon retirement, be eligible to receive for any unused leave not more than the amount so accumulated or not more than \$15,000, whichever is greater; or

(2) becomes an officer or employee after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) and has previously accrued supplemental compensation based upon accumulated unused sick leave shall, upon retirement, be eligible to receive for any unused leave not more than the amount so previously accumulated or not more than \$15,000, whichever is greater.

Supplemental compensation shall be payable only at the time of retirement from a State-administered or locally-administered retirement system based on the leave credited on the date of retirement.

As used in this section, "officer or employee" means an elected official; or a person appointed by the Governor with the advice and consent of the Senate, or appointed by the Governor to serve at the pleasure of the Governor only during his or her term of office; or a person appointed by an elected public official or elected governing body of a political

subdivision of the State, with the specific consent or approval of the elected governing body of the political subdivision that is substantially similar in nature to the advice and consent of the Senate for appointments by the Governor of the State as that similarity is determined by the elected governing body and set forth in an adopted ordinance or resolution, pursuant to guidelines or policy that shall be established by the Local Finance Board in the Department of Community Affairs, but not including a person who is employed or appointed in the regular or normal course of employment or appointment procedures and consented to or approved in a general or routine manner appropriate for and followed by the political subdivision, or the agency, authority or instrumentality of a subdivision, or a person who holds a professional license or certificate to perform and is performing as a certified health officer, tax assessor, tax collector, municipal planner, chief financial officer, registered municipal clerk, construction code official, licensed uniform subcode inspector, qualified purchasing agent, or certified public works manager.

C.18A:30-3.5 Payment for accumulated sick leave by board of education.

44. Notwithstanding any law, rule or regulation to the contrary, a board of education, or an agency or instrumentality thereof, shall not pay supplemental compensation to any officer or employee for accumulated unused sick leave in an amount in excess of \$15,000, except that an officer or employee who:

(1) on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), or upon the expiration of a collective negotiations agreement or contract of employment applicable to that officer or employee in effect on that date has accrued supplemental compensation based upon accumulated unused sick leave shall, upon retirement, be eligible to receive for any unused leave not more than the amount so accumulated or not more than \$15,000, whichever is greater; or

(2) becomes an officer or employee after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) and has previously accrued supplemental compensation based upon accumulated unused sick leave shall, upon retirement, be eligible to receive for any unused leave not more than the amount so previously accumulated or not more than \$15,000, whichever is greater.

Supplemental compensation shall be payable only at the time of retirement from a State-administered or locally-administered retirement system based on the leave credited on the date of retirement.

As used in this section, "officer or employee" means an elected official; or a person appointed by the Governor with the advice and consent of the Senate, or appointed by the Governor to serve at the pleasure of the Governor only during his or her term of office; or a person appointed by an elected public official or elected governing body of the political subdivision, with the specific consent or approval of the elected governing body of the political subdivision that is substantially similar in nature to the advice and consent of the Senate for appointments by the Governor of the State as that similarity is determined by the elected governing body and set forth in an adopted resolution, pursuant to guidelines or policy that shall be established by the Department of Education, but not including a person who is employed or appointed in the regular or normal course of employment or appointment procedures and consented to or approved in a general or routine manner appropriate for and followed by the political subdivision, or the agency or instrumentality thereof.

C.40A:9-10.3 Payment for accumulated vacation leave by political subdivision, noncivil service.

45. Notwithstanding any law or any rule or regulation to the contrary, an officer or

employee of a political subdivision of the State, or an agency, authority, or instrumentality of a subdivision, that has not adopted the provisions of Title 11A, Civil Service, of the New Jersey Statutes, who does not take vacation leave that accrues on or after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), or on or after the date on which the person becomes an officer or employee, in a given year because of business demands shall be granted that accrued leave only during the next succeeding year.

However, vacation leave not taken in a given year because of duties directly related to a state of emergency declared by the Governor may accumulate at the discretion of the appointing authority until, pursuant to a plan established by the officer or employee's appointing authority, the leave is used or the employee or officer is compensated for that leave, which shall not be subject to collective negotiation or collective bargaining.

A person who (1) is an officer or employee on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), or (2) becomes an officer or employee after that effective date, and has previously accrued vacation leave shall be eligible and shall be permitted to retain and use that accrued vacation leave.

As used in this section, "officer or employee" means an elected official; or a person appointed by the Governor with the advice and consent of the Senate, or appointed by the Governor to serve at the pleasure of the Governor only during his or her term of office; or a person appointed by an elected public official or elected governing body of a political subdivision of the State, with the specific consent or approval of the elected governing body of the political subdivision that is substantially similar in nature to the advice and consent of the Senate for appointments by the Governor of the State as that similarity is determined by the elected governing body and set forth in an adopted ordinance or resolution, pursuant to guidelines or policy that shall be established by the Local Finance Board in the Department of Community Affairs, but not including a person who is employed or appointed in the regular or normal course of employment or appointment procedures and consented to or approved in a general or routine manner appropriate for and followed by the political subdivision, or the agency, authority or instrumentality of a subdivision, or a person who holds a professional license or certificate to perform and is performing as a certified health officer, tax assessor, tax collector, municipal planner, chief financial officer, registered municipal clerk, construction code official, licensed uniform subcode inspector, qualified purchasing agent, or certified public works manager.

C.18A:30-9 Payment for accumulated vacation leave by board of education.

46. Notwithstanding any law, rule or regulation to the contrary, an officer or employee of a board of education, or an agency or instrumentality thereof, who does not take vacation leave that accrues on or after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), or on or after the date on which the person becomes an officer or employee, in a given year because of business demands shall be granted that accrued leave only during the next succeeding year.

However, vacation leave not taken in a given year because of duties directly related to a state of emergency declared by the Governor may accumulate at the discretion of the appointing authority until, pursuant to a plan established by the officer or employee's appointing authority, the leave is used or the employee or officer is compensated for that leave, which shall not be subject to collective negotiation or collective bargaining.

A person who (1) is an officer or employee on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), or (2) becomes an officer or employee after that effective date, and has previously accrued vacation leave shall be eligible and shall be permitted to retain and use

that accrued vacation leave.

As used in this section, “officer or employee” means an elected official; or a person appointed by the Governor with the advice and consent of the Senate, or appointed by the Governor to serve at the pleasure of the Governor only during his or her term of office; or a person appointed by an elected public official or elected governing body of the political subdivision, with the specific consent or approval of the elected governing body of the political subdivision that is substantially similar in nature to the advice and consent of the Senate for appointments by the Governor of the State as that similarity is determined by the elected governing body and set forth in an adopted resolution, pursuant to guidelines or policy that shall be established by the Department of Education, but not including a person who is employed or appointed in the regular or normal course of employment or appointment procedures and consented to or approved in a general or routine manner appropriate for and followed by the political subdivision, or the agency or instrumentality thereof.

47. Nothing contained in sections 42 through 46 of P.L.2007, c.92 (C.11A:6-19.1, C.40A:9-10.2, C.18A:30-3.5, C.40A:9-10.3 and C.18A:30-9) shall be construed as affecting the provisions of any collective bargaining agreement or individual contract of employment in effect on that act’s effective date.

48. Section 36 of P.L.1995, c.259 (C.52:14-17.31a) is amended to read as follows:

C.52:14-17.31a Employee permitted to waive benefits coverage under SHBP.

36. Notwithstanding the provisions of any other law to the contrary, an employer other than the State which participates in the State Health Benefits Program, established pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.), may allow any employee who is eligible for other health care coverage to waive coverage under the State Health Benefits Program to which the employee is entitled by virtue of employment with the employer. The waiver shall be in such form as the Director of the Division of Pensions and Benefits shall prescribe and shall be filed with the division. After such waiver has been filed and for so long as that waiver remains in effect, no premium shall be required to be paid by the employer for the employee or the employee’s dependents. Not later than the 180th day after the date on which the waiver is filed, the division shall refund to the employer the amount of any premium previously paid by the employer with respect to any period of coverage which followed the filing date. In consideration of filing such a waiver, an employer may pay to the employee annually an amount, to be established in the sole discretion of the employer, which shall not exceed 50% of the amount saved by the employer because of the employee’s waiver of coverage. An employee who waives coverage shall be permitted to immediately resume coverage if the employee ceases to be eligible for other health care coverage for any reason, including, but not limited to, the retirement or death of the spouse or divorce. An employee who resumes coverage shall repay, on a pro rata basis, any amount received from the employer which represents an advance payment for a period of time during which coverage is resumed. An employee who wishes to resume coverage shall notify the employer in writing and file a declaration with the division, in such form as the director of the division shall prescribe, that the waiver is revoked. The decision of an employer to allow its employees to waive coverage and the amount of consideration to be paid therefor shall not be subject to the collective bargaining process.

49. This act shall take effect on the 30th day after the date of enactment, except that

sections 1 through 19 shall take effect on July 1, 2007 and section 20 shall take effect January 1, 2008, but the State may take such anticipatory administrative action in advance thereof as shall be necessary for the implementation of this act.

Approved May 9, 2007.