SENATE, No. 3753

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED MAY 16, 2019

Sponsored by:
Senator STEPHEN M. SWEENEY
District 3 (Cumberland, Gloucester and Salem)
Senator STEVEN V. OROHO
District 24 (Morris, Sussex and Warren)
Senator DECLAN J. O'SCANLON, JR.
District 13 (Monmouth)

SYNOPSIS
Establishes cash balance plans in PERS and TPAF new public employees and employees with less than five years of service; makes various changes to PERS and TPAF retirement eligibility.

CURRENT VERSION OF TEXT
As introduced.
AN ACT concerning cash balance plans in the Public Employees’ Retirement System and Teachers’ Pension and Annuity Fund 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:

1. N.J.S.18A:66-2 is amended to read as follows:

18A:66-2. a. “Accumulated deductions” means the sum of all the amounts, deducted from the compensation of a member or contributed by or in behalf of the member, including interest credited to January 1, 1956, standing to the credit of the member's individual account in the annuity savings fund.

b. “Annuity” means payments for life derived from the accumulated deductions of a member as provided in this article.

c. “Beneficiary” means any person receiving a retirement allowance or other benefit as provided in this article.

d. (1) "Compensation" means the contractual salary, for services as a teacher as defined in this article, which is in accordance with established salary policies of the member's employer for all employees in the same position but shall not include individual salary adjustments which are granted primarily in anticipation of the member's retirement or additional remuneration for performing temporary or extracurricular duties beyond the regular school day or the regular school year.

(2) In the case of a person who becomes a member of the retirement system on or after July 1, 2007, "compensation" means the amount of the contractual salary equivalent to the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act, for services as a teacher as defined in this article, which is in accordance with established salary policies of the member's employer for all employees in the same position but shall not include individual salary adjustments which are granted primarily in anticipation of the member's retirement or additional remuneration for performing temporary or extracurricular duties beyond the regular school day or the regular school year.

(3) In the case of a person who becomes a member of the retirement system on or after July 1, 2020 or a person who has less than five years of service credit in the retirement system as of that date, "compensation" means the amount of the contractual salary that is $40,000 or less for services rendered after enrollment or after that effective date, as appropriate, as a teacher as defined in this article, which is in accordance with established salary policies of the member's employer for all employees in the same position but

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

Matter underlined thus is new matter.
shall not include individual salary adjustments which are granted primarily in anticipation of the member's retirement or additional remuneration for performing temporary or extracurricular duties beyond the regular school day or the regular school year.

This paragraph shall not apply to a person who at the time of enrollment in the retirement system on or after July 1, 2007 transfers service credit from another State-administered retirement system pursuant to N.J.S.18A:66-15.1, but shall apply to a former member of the retirement system who has been granted a retirement allowance and is reenrolled in the retirement system on or after July 1, 2007 pursuant to N.J.S.18A:66-53.2 after becoming employed again in a position that makes the person eligible to be a member of the retirement system.

For the period of July 1, 2009 through June 30, 2011, "contractual salary" for State employees shall include wage increases under a collective negotiations agreement notwithstanding that, by amendment to that collective negotiations agreement, the effective date of the contractual increase has been deferred. For the purpose of this paragraph, "State employee" means an employee in the Executive Branch of State government of New Jersey.

e. "Employer" means the State, the board of education or any educational institution or agency of or within the State by which a teacher is paid.

f. (1) "Final compensation" means the average annual compensation for which contributions are made for the three years of creditable service in New Jersey immediately preceding the member's retirement or death, or it shall mean the average annual compensation for New Jersey service for which contributions are made during any three fiscal years of his or her membership providing the largest possible benefit to the member or the member's beneficiary.

(2) In the case of a person who becomes a member of the retirement system on or after the effective date of P.L.2010, c.1, "final compensation" means the average annual compensation for which contributions are made for the five years of creditable service in New Jersey immediately preceding the member's retirement or death, or it shall mean the average annual compensation for New Jersey service for which contributions are made during any five fiscal years of his or her membership providing the largest possible benefit to the member or the member's beneficiary.

g. "Fiscal year" means any year commencing with July 1, and ending with June 30, next following.

h. "Pension" means payments for life derived from appropriations made by the State or employers to the Teachers' Pension and Annuity Fund.

i. "Annuity reserve" means the present value of all payments to be made on account of any annuity or benefit in lieu of an annuity, granted under the provisions of this article, computed on
the basis of such mortality tables recommended by the actuary as
the board of trustees adopts, with regular interest.

j. "Pension reserve" means the present value of all payments to
be made on account of any pension or benefit in lieu of a pension
granted to a member from the Teachers' Pension and Annuity Fund,
computed on the basis of such mortality tables recommended by the
actuary as the board of trustees adopts, with regular interest.

k. "Present-entrant" means any member of the Teachers' 
Pension and Annuity Fund who had established status as a "present-
entrant member" of said fund prior to January 1, 1956.

l. "Rate of contribution initially certified" means the rate of 
contribution certified by the retirement system in accordance with 

m. "Regular interest" shall mean interest as determined by the 
State Treasurer, after consultation with the Directors of the 
Divisions of Investment and Pensions, the board of trustees and the 
actuary. It shall bear a reasonable relationship to the percentage rate 
of earnings on investments based on the market value of assets but 
shall not exceed the assumed percentage rate of increase applied to 
salaries plus 3%, provided however that the board of trustees shall 
not set the average percentage rate of increase applied to salaries 
below 6%.

n. "Retirement allowance" means the pension plus the annuity.

o. "School service" means any service as a "teacher" as defined 
in this section.

p. "Teacher" means any regular teacher, special teacher, 
helping teacher, teacher clerk, principal, vice-principal, supervisor, 
supervising principal, director, superintendent, city superintendent, 
assistant city superintendent, county superintendent, State 
Commissioner or Assistant Commissioner of Education, members 
of the State Department of Education who are certificated, 
unclassified professional staff and other members of the teaching or 
professional staff of any class, public school, renaissance school 
project established pursuant to P.L.2011, c.176 (C.18A:36C-1 et 
seq.) upon commencement of employment, high school, normal 
school, model school, training school, vocational school, truant 
reformatory school, or parental school, and of any and all classes or 
schools within the State conducted under the order and 
superintendence, and wholly or partly at the expense of the State 
Board of Education, of a duly elected or appointed board of 
education, board of school directors, or board of trustees of the 
State or of any school district or normal school district thereof, and 
any persons under contract or engagement to perform one or more 
of these functions. It shall also mean any person who serves, while 
on an approved leave of absence from regular duties as a teacher, as 
an officer of a local, county or State labor organization which 
represents, or is affiliated with an organization which represents, 
teachers as defined in this subsection. No person shall be deemed a
teacher within the meaning of this article who is a substitute teacher. In all cases of doubt the board of trustees shall determine whether any person is a teacher as defined in this article.

q. "Teachers' Pension and Annuity Fund," hereinafter referred to as the "retirement system" or "system," is the corporate name of the arrangement for the payment of retirement allowances and other benefits under the provisions of this article, including the several funds placed under said system. By that name all its business shall be transacted, its funds invested, warrants for money drawn, and payments made and all of its cash and securities and other property held.

r. "Veteran" means any honorably discharged officer, soldier, sailor, airman, marine or nurse who served in any Army, Air Force or Navy of the Allies of the United States in World War I between July 14, 1914, and November 11, 1918, or who served in any Army, Air Force or Navy of the Allies of the United States in World War II, between September 1, 1939, and September 2, 1945, and who was inducted into such service through voluntary enlistment, and was a citizen of the United States at the time of such enlistment, and who did not, during or by reason of such service, renounce or lose United States citizenship, and any officer, soldier, sailor, marine, airman, nurse or army field clerk who has served in the active military or naval service of the United States and has or shall be discharged or released therefrom under conditions other than dishonorable, in any of the following wars, uprisings, insurrections, expeditions or emergencies, and who has presented to the retirement system evidence of such record of service in form and content satisfactory to said retirement system:

(1) The Indian wars and uprisings during any of the periods recognized by the War Department of the United States as periods of active hostility;
(2) The Spanish-American War between April 20, 1898, and April 11, 1899;
(3) The Philippine insurrections and expeditions during the periods recognized by the War Department of the United States as of active hostility from February 4, 1899, to the end of 1913;
(4) The Peking relief expedition between June 20, 1900, and May 27, 1902;
(5) The army of Cuban occupation between July 18, 1898, and May 20, 1902;
(6) The army of Cuban pacification between October 6, 1906, and April 1, 1909;
(7) The Mexican punitive expedition between March 14, 1916, and February 7, 1917;
(8) The Mexican border patrol, having actually participated in engagements against Mexicans between April 12, 1911, and June 16, 1919;
(9) World War I, between April 6, 1917, and November 11, 1918;

(10) World War II, between September 16, 1940, and December 31, 1946, who shall have served at least 90 days in such active service, exclusive of any period of assignment (1) for a course of education or training under the Army Specialized Training Program or the Navy College Training Program, which course was a continuation of a civilian course and was pursued to completion, or (2) as a cadet or midshipman at one of the service academies, any part of which 90 days was served between said dates; provided that any person receiving an actual service-incurred injury or disability shall be classed as a veteran, whether or not that person has completed the 90-day service as herein provided;

(11) Korean conflict on or after June 23, 1950, and on or prior to January 31, 1955, who shall have served at least 90 days in such active service, exclusive of any period of assignment (1) for a course of education or training under the Army Specialized Training Program or the Navy College Training Program, which course was a continuation of a civilian course and was pursued to completion, or (2) as a cadet or midshipman at one of the service academies, any part of which 90 days was served between said dates; provided that any person receiving an actual service-incurred injury or disability shall be classed as a veteran, whether or not that person has completed the 90-day service as herein provided; and provided further that any member classed as a veteran pursuant to this subsection prior to August 1, 1966, shall continue to be classed as a veteran, whether or not that person completed the 90-day service between said dates as herein provided;

(12) Lebanon crisis, on or after July 1, 1958, who has served in Lebanon or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuous or in the aggregate, of at least 14 days commencing on or before November 1, 1958 or the date of termination of that conflict, as proclaimed by the President of the United States or Congress, whichever date of termination is the latest, in such active service; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days’ service as herein provided;

(13) Vietnam conflict, on or after December 31, 1960, and on or prior to May 7, 1975, who shall have served at least 90 days in such active service, exclusive of any period of assignment (1) for a course of education or training under the Army Specialized Training Program or the Navy College Training Program, which course was a continuation of a civilian course and was pursued to completion, or (2) as a cadet or midshipman at one of the service academies, any part of which 90 days was served between said dates; and exclusive of any service performed pursuant to the provisions of section 511(d) of Title 10, United States Code,
pursuant to an enlistment in the Army National Guard or as a reserve for service in the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided that any person receiving an actual service-incurred injury or disability shall be classed as a veteran, whether or not that person has completed the 90-day service as herein provided;

(14) Lebanon peacekeeping mission, on or after September 26, 1982, who has served in Lebanon or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuous or in the aggregate, of at least 14 days commencing on or before December 1, 1987 or the date of termination of that mission, as proclaimed by the President of the United States or Congress, whichever date of termination is the latest, in such active service; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided;

(15) Grenada peacekeeping mission, on or after October 23, 1983, who has served in Grenada or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuous or in the aggregate, of at least 14 days commencing on or before November 21, 1983 or the date of termination of that mission, as proclaimed by the President of the United States or Congress, whichever date of termination is the latest, in such active service; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided;

(16) Panama peacekeeping mission, on or after December 20, 1989 or the date of inception of that mission, as proclaimed by the President of the United States or Congress, whichever date of inception is earliest, who has served in Panama or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuous or in the aggregate, of at least 14 days commencing on or before January 31, 1990 or the date of termination of that mission, as proclaimed by the President of the United States or Congress, whichever date of termination is the latest, in such active service; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided;

(17) Operation "Desert Shield/Desert Storm" mission in the Arabian peninsula and the Persian Gulf, on or after August 2, 1990 or the date of inception of that operation, as proclaimed by the President of the United States or Congress, whichever date of inception is earliest, who has served in the Arabian peninsula or on board any ship actively engaged in patrolling the Persian Gulf for a period, continuous or in the aggregate, of at least 14 days
commencing on or before the date of termination of that mission, as
proclaimed by the President of the United States or Congress,
whichever date of termination is the latest, in such active service;
provided, that any person receiving an actual service-incurred injury
or disability shall be classed as a veteran whether or not that person
has completed the 14 days' service as herein provided;

(18) Operation Northern Watch and Operation Southern Watch,
on or after August 27, 1992, or the date of inception of that
operation, as proclaimed by the President of the United States,
Congress or United States Secretary of Defense, whichever date of
inception is earliest, who served in the theater of operation,
including in the Arabian peninsula and the Persian Gulf, and in
direct support of that operation for a period, continuously or in the
aggregate, of at least 14 days in such active service, commencing on
or before the date of termination of the operation, as proclaimed by
the President of the United States, Congress or United States
Secretary of Defense, whichever date of termination is latest;
provided, that any person receiving an actual service-incurred injury
or disability while engaged in such service shall be classed as a
veteran whether or not that person has completed the 14 days'
service as herein provided;

(19) Operation "Restore Hope" in Somalia, on or after December
5, 1992, or the date of inception of that operation as proclaimed by
the President of the United States or Congress, whichever date is
earliest, who has served in Somalia or on board any ship actively
engaged in patrolling the territorial waters of that nation for a
period, continuously or in the aggregate, of at least 14 days in such
active service commencing on or before March 31, 1994; provided
that any person receiving an actual service-incurred injury or
disability shall be classed as a veteran whether or not that person
has completed the 14-day service as herein provided;

(20) Operations "Joint Endeavor" and "Joint Guard" in the
Republic of Bosnia and Herzegovina, on or after November 20,
1995, who served in such active service in direct support of one or
both of the operations for at least 14 days, continuously or in the
aggregate, commencing on or before June 20, 1998, and (1) was
deployed in that nation or in another area in the region, or (2) was
on board a United States naval vessel operating in the Adriatic Sea,
or (3) operated in airspace above the Republic of Bosnia and
Herzegovina; provided that any person receiving an actual service-
incurred injury or disability shall be classed as a veteran whether or
not that person completed the 14-day service requirement;

(21) Operation "Enduring Freedom", on or after September 11,
2001, who served in a theater of operation and in direct support of
that operation for a period, continuously or in the aggregate, of at
least 14 days in such active service commencing on or before the
date the President of the United States or the United States
Secretary of Defense designates as the termination date of that
operation; provided, that any person receiving an actual service-incurred injury or disability while engaged in such service shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided; and

(22) Operation "Iraqi Freedom", on or after the date the President of the United States or the United States Secretary of Defense designates as the inception date of that operation, who served in Iraq or in another area in the region in direct support of that operation for a period, continuously or in the aggregate, of at least 14 days in such active service commencing on or before the date the President of the United States or the United States Secretary of Defense designates as the termination date of that operation; provided, that any person receiving an actual service-incurred injury or disability while engaged in such service shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided.

"Veteran" also means any honorably discharged member of the American Merchant Marine who served during World War II and is declared by the United States Department of Defense to be eligible for federal veterans' benefits.

s. "Child" means a deceased member's unmarried child either (a) under the age of 18 or (b) of any age who, at the time of the member's death, is disabled because of mental retardation or physical incapacity, is unable to do any substantial, gainful work because of the impairment and the impairment has lasted or can be expected to last for a continuous period of not less than 12 months, as affirmed by the medical board.

t. (1) "Widower," for employees of the State, means the man to whom a member was married, or a domestic partner as defined in section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before the date of her death and to whom she continued to be married or a domestic partner until the date of her death and who was receiving at least one-half of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a widower will be considered terminated by marriage of, or establishment of a domestic partnership by, the widower subsequent to the death of the member. In the event of the payment of an accidental death benefit, the five-year qualification shall be waived.

(2) Subject to the provisions of paragraph (3) of this subsection, "widower," for employees of public employers other than the State, means the man to whom a member was married at least five years before the date of her death and to whom she continued to be married until the date of her death and who was receiving at least one-half of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a widower shall be considered terminated by marriage of the
widower subsequent to the death of the member. In the event of the
payment of an accidental death benefit, the five-year qualification
shall be waived.

(3) A public employer other than the State may adopt a
resolution providing that the term "widower" as defined in
paragraph (2) of this subsection shall include domestic partners as
provided in paragraph (1) of this subsection.

u. (1) "Widow," for employees of the State, means the woman
to whom a member was married, or a domestic partner as defined in
section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before
the date of his death and to whom he continued to be married or a
domestic partner until the date of his death and who was receiving
at least one-half of her support from the member in the 12-month
period immediately preceding the member's death or the accident
which was the direct cause of the member's death. The dependency
of such a widow will be considered terminated by the marriage of,
or establishment of a domestic partnership by, the widow
subsequent to the member's death. In the event of the payment of an
accidental death benefit, the five-year qualification shall be waived.

(2) Subject to the provisions of paragraph (3) of this subsection,
"widow," for employees of public employers other than the State,
means the woman to whom a member was married at least five
years before the date of his death and to whom he continued to be
married until the date of his death and who was receiving at least
one-half of her support from the member in the 12-month period
immediately preceding the member's death or the accident which
was the direct cause of the member's death. The dependency of such
a widow shall be considered terminated by the marriage of the
widow subsequent to the member's death. In the event of the
payment of an accidental death benefit, the five-year qualification
shall be waived.

(3) A public employer other than the State may adopt a
resolution providing that the term "widower" as defined in
paragraph (2) of this subsection shall include domestic partners as
provided in paragraph (1) of this subsection.

v. "Parent" means the parent of a member who was receiving at
least one-half of the parent's support from the member in the 12-
month period immediately preceding the member's death or the
accident which was the direct cause of the member's death. The
dependency of such a parent will be considered terminated by
marriage of the parent subsequent to the death of the member.

w. "Medical board" means the board of physicians provided for

x. (1) "Spouse," for employees of the State, means the husband
or wife, or domestic partner as defined in section 3 of P.L.2003,
c.246 (C.26:8A-3), of a member.
(2) Subject to the provisions of paragraph (1) of this subsection, "spouse," for employees of public employers other than the State, means the husband or wife of a member.

(3) A public employer other than the State may adopt a resolution providing that the term "spouse" as defined in paragraph (2) of this subsection shall include domestic partners as provided in paragraph (1) of this subsection.

(cf: P.L.2018, c.129, s.1)

2. Section 6 of P.L.1954, c.84 (C.43:15A-6) is amended to read as follows:

6. a. Accumulated deductions" means the sum of all the amounts, deducted from the compensation of a member or contributed by or on behalf of the member, standing to the credit of the member's individual account in the annuity savings fund.

b. "Annuity" means payments for life derived from the accumulated deductions of a member as provided in this act.

c. "Annuity reserve" means the present value of all payments to be made on account of any annuity or benefit in lieu of an annuity, granted under the provisions of this act, computed on the basis of such mortality tables recommended by the actuary as the board of trustees adopts, with regular interest.

d. "Beneficiary" means any person receiving a retirement allowance or other benefit as provided in this act.

e. "Child" means a deceased member's unmarried child either (1) under the age of 18 or (2) of any age who, at the time of the member's death, is disabled because of an intellectual disability or physical incapacity, is unable to do any substantial, gainful work because of the impairment and the impairment has lasted or can be expected to last for a continuous period of not less than 12 months, as affirmed by the medical board.

f. "Parent" shall mean the parent of a member who was receiving at least 1/2 of the parent's support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a parent will be considered terminated by marriage of the parent subsequent to the death of the member.

g. (1) "Widower," for employees of the State, means the man to whom a member was married, or a domestic partner as defined in section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before the date of her death and to whom she continued to be married or a domestic partner until the date of her death and who was receiving at least 1/2 of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a widower will be considered terminated by marriage of, or establishment of a domestic partnership by, the widower subsequent
to the death of the member. In the event of the payment of an accidental death benefit, the five-year qualification shall be waived.

(2) Subject to the provisions of paragraph (3) of this subsection, "widower," for employees of public employers other than the State, means the man to whom a member was married at least five years before the date of her death and to whom she continued to be married until the date of her death and who was receiving at least 1/2 of his support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a widower shall be considered terminated by marriage of the widower subsequent to the death of the member. In the event of the payment of an accidental death benefit, the five-year qualification shall be waived.

(3) A public employer other than the State may adopt a resolution providing that the term "widower" as defined in paragraph (2) of this subsection shall include domestic partners as provided in paragraph (1) of this subsection.

h. (1) "Final compensation" means the average annual compensation for which contributions are made for the three years of creditable service in New Jersey immediately preceding the member's retirement or death, or it shall mean the average annual compensation for New Jersey service for which contributions are made during any three fiscal years of his or her membership providing the largest possible benefit to the member or the member's beneficiary.

(2) In the case of a person who becomes a member of the retirement system on or after the effective date of P.L.2010, c.1, "final compensation" means the average annual compensation for which contributions are made for the five years of creditable service in New Jersey immediately preceding the member's retirement or death, or it shall mean the average annual compensation for New Jersey service for which contributions are made during any five fiscal years of his or her membership providing the largest possible benefit to the member or the member's beneficiary.

i. "Fiscal year" means any year commencing with July 1 and ending with June 30 next following.

j. "Medical board" shall mean the board of physicians provided for in section 17 of P.L.1954, c.84 (C.43:15A-17).

k. "Pension" means payments for life derived from appropriations made by the employer as provided in this act.

l. "Pension reserve" means the present value of all payments to be made on account of any pension or benefit in lieu of a pension granted under the provisions of this act, computed on the basis of such mortality tables recommended by the actuary as the board of trustees adopts, with regular interest.

m. "Public Employees' Retirement System of New Jersey," hereinafter referred to as the "retirement system" or "system," is the
corporate name of the arrangement for the payment of retirement
allowances and other benefits under the provisions of this act
including the several funds placed under said system. By that name
all of its business shall be transacted, its funds invested, warrants
for money drawn, and payments made and all of its cash and
securities and other property held.

n. "Regular interest" shall mean interest as determined by the
State Treasurer, after consultation with the Directors of the
Divisions of Investment and Pensions, the board of trustees and the
actuary. It shall bear a reasonable relationship to the percentage rate
of earnings on investments based on the market value of the assets
but shall not exceed the assumed percentage rate of increase applied
to salaries plus 3%, provided however that the board of trustees
shall not set the average percentage rate of increase applied to
salaries below 6%.

o. "Retirement allowance" means the pension plus the annuity.

p. "Veteran" means any honorably discharged officer, soldier,
sailor, airman, marine or nurse who served in any Army, Air Force
or Navy of the Allies of the United States in World War I, between
July 14, 1914, and November 11, 1918, or who served in any Army,
Air Force or Navy of the Allies of the United States in World War
II, between September 1, 1939, and September 2, 1945, and who
was inducted into such service through voluntary enlistment, and
was a citizen of the United States at the time of such enlistment, and
who did not, during or by reason of such service, renounce or lose
United States citizenship, and any officer, soldier, sailor, marine,
airman, nurse or army field clerk, who has served in the active
military or naval service of the United States and has or shall be
discharged or released therefrom under conditions other than
dishonorable, in any of the following wars, uprisings, insurrections,
expeditions, or emergencies, and who has presented to the
retirement system evidence of such record of service in form and
content satisfactory to said retirement system:

(1) The Indian wars and uprisings during any of the periods
recognized by the War Department of the United States as periods
of active hostility;

(2) The Spanish-American War between April 20, 1898, and
April 11, 1899;

(3) The Philippine insurrections and expeditions during the
periods recognized by the War Department of the United States as
of active hostility from February 4, 1899, to the end of 1913;

(4) The Peking relief expedition between June 20, 1900, and
May 27, 1902;

(5) The army of Cuban occupation between July 18, 1898, and
May 20, 1902;

(6) The army of Cuban pacification between October 6, 1906,
and April 1, 1909;
(7) The Mexican punitive expedition between March 14, 1916, and February 7, 1917;
(8) The Mexican border patrol, having actually participated in engagements against Mexicans between April 12, 1911, and June 16, 1919;
(9) World War I, between April 6, 1917, and November 11, 1918;
(10) World War II, between September 16, 1940, and December 31, 1946, who shall have served at least 90 days in such active service, exclusive of any period of assignment (1) for a course of education or training under the Army Specialized Training Program or the Navy College Training Program which course was a continuation of a civilian course and was pursued to completion, or (2) as a cadet or midshipman at one of the service academies any part of which 90 days was served between said dates; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 90-day service as herein provided;
(11) Korean conflict on or after June 23, 1950, and on or prior to January 31, 1955, who shall have served at least 90 days in such active service, exclusive of any period of assignment (1) for a course of education or training under the Army Specialized Training Program or the Navy College Training Program which course was a continuation of a civilian course and was pursued to completion, or (2) as a cadet or midshipman at one of the service academies, any part of which 90 days was served between said dates; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 90-day service as herein provided; and provided further, that any member classed as a veteran pursuant to this paragraph prior to August 1, 1966, shall continue to be classed as a veteran whether or not that person completed the 90-day service between said dates as herein provided;
(12) Lebanon crisis, on or after July 1, 1958, who has served in Lebanon or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuous or in the aggregate, of at least 14 days commencing on or before November 1, 1958 or the date of termination of that conflict, as proclaimed by the President of the United States or Congress, whichever date of termination is the latest, in such active service; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided;
(13) Vietnam conflict on or after December 31, 1960, and on or prior to May 7, 1975, who shall have served at least 90 days in such active service, exclusive of any period of assignment (1) for a course of education or training under the Army Specialized Training Program or the Navy College Training Program which
course was a continuation of a civilian course and was pursued to completion, or (2) as a cadet or midshipman at one of the service academies, any part of which 90 days was served between said dates; and exclusive of any service performed pursuant to the provisions of section 511(d) of Title 10, United States Code, pursuant to an enlistment in the Army National Guard or as a reserve for service in the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps Reserve, or Coast Guard Reserve; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 90 days' service as herein provided;

(14) Lebanon peacekeeping mission, on or after September 26, 1982, who has served in Lebanon or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuous or in the aggregate, of at least 14 days commencing on or before December 1, 1987 or the date of termination of that mission, as proclaimed by the President of the United States or Congress, whichever date of termination is the latest, in such active service; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided;

(15) Grenada peacekeeping mission, on or after October 23, 1983, who has served in Grenada or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuous or in the aggregate, of at least 14 days commencing on or before November 21, 1983 or the date of termination of that mission, as proclaimed by the President of the United States or Congress, whichever date of termination is the latest, in such active service; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided;

(16) Panama peacekeeping mission, on or after December 20, 1989 or the date of inception of that mission, as proclaimed by the President of the United States or Congress, whichever date of inception is earliest, who has served in Panama or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuous or in the aggregate, of at least 14 days commencing on or before January 31, 1990 or the date of termination of that mission, as proclaimed by the President of the United States or Congress, whichever date of termination is the latest, in such active service; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided;

(17) Operation "Desert Shield/Desert Storm" mission in the Arabian peninsula and the Persian Gulf, on or after August 2, 1990
or the date of inception of that operation, as proclaimed by the President of the United States or Congress, whichever date of inception is earliest, who has served in the Arabian peninsula or on board any ship actively engaged in patrolling the Persian Gulf for a period, continuous or in the aggregate, of at least 14 days commencing on or before the date of termination of that mission, as proclaimed by the President of the United States or Congress, whichever date of termination is the latest, in such active service; provided, that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided;

(18) Operation Northern Watch and Operation Southern Watch, on or after August 27, 1992, or the date of inception of that operation, as proclaimed by the President of the United States, Congress or United States Secretary of Defense, whichever date of inception is earliest, who served in the theater of operation, including in the Arabian peninsula and the Persian Gulf, and in direct support of that operation for a period, continuously or in the aggregate, of at least 14 days in such active service, commencing on or before the date of termination of that operation, as proclaimed by the President of the United States, Congress or United States Secretary of Defense, whichever date of termination is the latest; provided, that any person receiving an actual service-incurred injury or disability while engaged in such service shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided;

(19) Operation "Restore Hope" in Somalia, on or after December 5, 1992, or the date of inception of that operation as proclaimed by the President of the United States or Congress, whichever date is earliest, who has served in Somalia or on board any ship actively engaged in patrolling the territorial waters of that nation for a period, continuously or in the aggregate, of at least 14 days in such active service commencing on or before March 31, 1994; provided that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person has completed the 14-day service as herein provided;

(20) Operations "Joint Endeavor" and "Joint Guard" in the Republic of Bosnia and Herzegovina, on or after November 20, 1995, who served in such active service in direct support of one or both of the operations for at least 14 days, continuously or in the aggregate, commencing on or before June 20, 1998 and (1) was deployed in that nation or in another area in the region, or (2) was on board a United States naval vessel operating in the Adriatic Sea, or (3) operated in airspace above the Republic of Bosnia and Herzegovina; provided that any person receiving an actual service-incurred injury or disability shall be classed as a veteran whether or not that person completed the 14-day service requirement;
(21) Operation "Enduring Freedom", on or after September 11, 2001, who served in a theater of operation and in direct support of that operation for a period, continuously or in the aggregate, of at least 14 days in such active service commencing on or before the date the President of the United States or the United States Secretary of Defense designates as the termination date of that operation; provided, that any person receiving an actual service-incurred injury or disability while engaged in such service shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided; and

(22) Operation "Iraqi Freedom", on or after the date the President of the United States or the United States Secretary of Defense designates as the inception date of that operation, who served in Iraq or in another area in the region in direct support of that operation for a period, continuously or in the aggregate, of at least 14 days in such active service commencing on or before the date the President of the United States or the United States Secretary of Defense designates as the termination date of that operation; provided, that any person receiving an actual service-incurred injury or disability while engaged in such service shall be classed as a veteran whether or not that person has completed the 14 days' service as herein provided.

"Veteran" also means any honorably discharged member of the American Merchant Marine who served during World War II and is declared by the United States Department of Defense to be eligible for federal veterans' benefits.

q. (1) "Widow," for employees of the State, means the woman to whom a member was married, or a domestic partner as defined in section 3 of P.L.2003, c.246 (C.26:8A-3), at least five years before the date of his death and to whom he continued to be married or a domestic partner until the date of his death and who was receiving at least 1/2 of her support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a widow will be considered terminated by the marriage of, or establishment of a domestic partnership by, the widow subsequent to the member's death. In the event of the payment of an accidental death benefit, the five-year qualification shall be waived.

(2) Subject to the provisions of paragraph (3) of this subsection, "widow," for employees of public employers other than the State, means the woman to whom a member was married at least five years before the date of his death and to whom he continued to be married until the date of his death and who was receiving at least 1/2 of her support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of such a widow shall be considered terminated by the marriage of the widow subsequent to the member's death. In the event of the
payment of an accidental death benefit, the five-year qualification shall be waived.

(3) A public employer other than the State may adopt a resolution providing that the term "widow" as defined in paragraph (2) of this subsection shall include domestic partners as provided in paragraph (1) of this subsection.

r. (1) "Compensation" means the base or contractual salary, for services as an employee, which is in accordance with established salary policies of the member's employer for all employees in the same position but shall not include individual salary adjustments which are granted primarily in anticipation of the member's retirement or additional remuneration for performing temporary or extracurricular duties beyond the regular workday or the regular work year.

(2) In the case of a person who becomes a member of the retirement system on or after July 1, 2007, "compensation" means the amount of base or contractual salary equivalent to the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act, for services as an employee, which is in accordance with established salary policies of the member's employer for all employees in the same position but shall not include individual salary adjustments which are granted primarily in anticipation of the member's retirement or additional remuneration for performing temporary or extracurricular duties beyond the regular workday or the regular work year.

(3) In the case of a person who becomes a member of the retirement system on or after July 1, 2020 or a person who has less than five years of service credit in the retirement system as of that date, "compensation" means the amount of base or contractual salary that is $40,000 or less for services rendered after enrollment or after that effective date, as appropriate, as an employee, which is in accordance with established salary policies of the member's employer for all employees in the same position but shall not include individual salary adjustments which are granted primarily in anticipation of the member's retirement or additional remuneration for performing temporary or extracurricular duties beyond the regular workday or the regular work year.

This paragraph shall not apply to a person who at the time of enrollment in the retirement system on or after July 1, 2007 transfers service credit from another State-administered retirement system pursuant to section 14 of P.L.1954, c.84 (C.43:15A-14), but shall apply to a former member of the retirement system who has been granted a retirement allowance and is reenrolled in the retirement system on or after July 1, 2007 pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after becoming employed again in a position that makes the person eligible to be a member of the retirement system.
In cases where salary includes maintenance, the retirement system shall fix the value of that part of the salary not paid in money which shall be considered under this act.

For the period of July 1, 2009 through June 30, 2011, "contractual salary" for State employees shall include across the board negotiated wage increases under a collective negotiations agreement that were payable to all State employees covered by that agreement notwithstanding that, by amendment to that collective negotiations agreement, the effective date of the contractual increase has been deferred. For the purpose of this paragraph, "State employee" means an employee in the Executive Branch or the Judicial Branch of State government of New Jersey or an employee of the State University authorized to participate in the system under subsection b. of section 73 of P.L.1954, c.84 (C.43:15A-73), but shall not include employees of agencies authorized to participate in the system under subsections a., c., d., e., f., and g. of section 73 of P.L.1954, c.84 (C.43:15A-73) or under P.L.1990, c.25 (C.43:15A-73.2 et al.).

For the period of July 1, 2009 through June 30, 2011, "contractual salary" for county and municipal employees shall include across the board negotiated wage increases under a collective negotiations agreement that were payable to all county or municipal employees covered by that agreement notwithstanding that, by amendment to that collective negotiations agreement which has been filed with the Division of Pensions and Benefits, the effective date of the contractual increase has been deferred. For the purpose of this paragraph, "county and municipal employees" means all persons employed by a county or municipality in this State.

(cf: P.L.2010, c.50, s.71)

3. N.J.S.18A:66-36 is amended to read as follows:

18A:66-36. Should a member of the Teachers' Pension and Annuity Fund, after having completed 10 years of service, be separated voluntarily or involuntarily from the service, before reaching service retirement age, and not by removal for conduct unbecoming a teacher or other just cause under the provisions of N.J.S.18A:28-4 to 18A:28-5 and 18A:28-9 to 18A:28-13 inclusive, such person may elect to receive, in lieu of the payment provided in N.J.S.18A:66-34:

a. The payments provided for in N.J.S.18A:66-37, if he so qualified under said section; or

b. A deferred retirement allowance beginning at age 60, or for a person who becomes a member of the retirement system on or after the effective date of P.L.2008, c.89 beginning at age 62, or for a person who becomes a member of the retirement system on or after July 1, 2020 or a person who has less than five years of service credit in the retirement system as of that date beginning at age 67,
which shall be made up of an annuity derived from the member's accumulated deductions at the time of his severance from the service, and a pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 1/64 of final compensation for each year of service credited as Class A service and 1/55 of final compensation for each year of service credited as class B service, or for a person who becomes a member of the retirement system on or after the effective date of P.L.2010, c.1 1/60 of final compensation for each year of service credited as class B service, calculated in accordance with N.J.S.18A:66-44, with optional privileges provided for in N.J.S.18A:66-44 if he exercises such optional privilege at least 30 days before his attainment of the normal retirement age; provided, that such election is communicated by such member to the retirement system in writing stating at what time subsequent to the execution and filing thereof he desires to be retired; and provided, further, that such member may later elect: (1) to receive the payments provided for in N.J.S.18A:66-37, if he had qualified under that section at the time of leaving service, except that in order to avail himself of the optional privileges pursuant to N.J.S.18A:66-47, he must exercise such optional privilege at least 30 days before the effective date of his retirement; or (2) to withdraw his accumulated deductions with interest as provided in N.J.S.18A:66-34. If such member shall die before attaining service retirement age, then his accumulated deductions, plus regular interest after January 1, 1956, shall be paid in accordance with N.J.S.18A:66-38, and, in addition if such member shall die after attaining service retirement age and has not withdrawn his accumulated deductions, an amount equal to 3/16 of the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service shall be paid to such member's beneficiary.

Any member who, having elected to receive a deferred retirement allowance, again becomes an employee covered by the retirement system while under the age of 60 or, if that person became a member of the retirement system on or after the effective date of P.L.2008, c.89, while under the age of 62, or if that person became a member of the retirement system on or after July 1, 2020 or if that person had less than five years of service credit in the retirement system as of that date while under the age of 67, shall thereupon be reenrolled. If he had discontinued his service for more than two consecutive years, subsequent contributions shall be at a rate applicable to the age resulting from the subtraction of his years of creditable service at the time of his last discontinuance of contributing membership from his age at the time of his return to service. He shall be credited with all service as a member standing to his credit at the time of his election to receive a deferred retirement allowance.

(cf: P.L.2010, c.1, s.8)
4. N.J.S.18A:66-37 is amended to read as follows:
18A:66-37. Should a member resign after having established 25 years of creditable service before reaching age 60, or before reaching the age of 62 if the person became a member of the retirement system on or after the effective date of P.L.2008, c.89, or after having established 30 years of creditable service before reaching the age of 65 if the person became a member of the retirement system on or after the effective date of P.L.2011, c.78, or after having established 30 years of creditable service before reaching the age of 67 if the person became a member of the retirement system on or after July 1, 2020 or if that person had less than five years of service credit in the retirement system as of that date, the member may elect "early retirement," provided, that such election is communicated by such member to the retirement system by filing a written application, duly attested, stating at what time subsequent to the execution and filing thereof the member desires to be retired. The member shall receive, in lieu of the payment provided in N.J.S.18A:66-34, an annuity which is the actuarial equivalent of the member's accumulated deductions and a pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 1/64 of the member's final compensation for each year of service credited as class A service and 1/55 of the member's final compensation for each year of service credited as class B service, or for a person who becomes a member of the retirement system on or after the effective date of P.L.2010, c.1 1/60 of final compensation for each year of service credited as class B service, calculated in accordance with N.J.S.18A:66-44, reduced:

(a) by 1/4 of 1% for each month that the member lacks of being age 55; or

(b) for a person who becomes a member of the retirement system on or after July 1, 2007, by 1/4 of 1% for each month that the member lacks of being age 55 and by 1/12 of 1% for each month that the member lacks of being age 60 but over age 55; or

(c) for a person who becomes a member of the retirement system on or after the effective date of P.L.2008, c.89, by 1/4 of 1% for each month that the member lacks of being age 55 and by 1/12 of 1% for each month that the member lacks of being age 62 but over age 55; or

(d) for a person who becomes a member of the retirement system on or after the effective date of P.L.2011, c.78, by 1/4 of 1% for each month that the member lacks of being age 65; or

(e) for a person who becomes a member of the retirement system on or after July 1, 2020 or a person who has less than five years of service credit in the retirement system as of that date by 1/4 of 1% for each month that the member lacks of being age 67; provided, however, that upon the receipt of proper proofs of the death of such a member there shall be paid to the member's
beneficiary an amount equal to 3/16 of the compensation upon
which contributions by the member to the annuity savings fund
were based in the last year of creditable service or in the year of the
member's highest contractual salary, whichever is higher.

Subparagraph (b) or (c) or (e) of this section shall not apply to a
person who at the time of enrollment in the retirement system on or
after July 1, 2007 transfers service credit from another State-
administered retirement system pursuant to N.J.S.18A:66-15.1, but
shall apply to a former member of the retirement system who has
been granted a retirement allowance and is reenrolled in the
retirement system on or after July 1, 2007 pursuant to
N.J.S.18A:66-53.2 after becoming employed again in a position that
makes the person eligible to be a member of the retirement system.
The board of trustees shall retire the member at the time
specified or at such other time within one month after the date so
specified as the board finds advisable.

(cf: P.L.2011, c.78, s.17)

5. Section 41 of P.L.1954, c.84 (C.43:15A-41) is amended to
read as follows:

41. a. A member who withdraws from service or ceases to be an
employee for any cause other than death or retirement shall, upon
the filing of an application therefor, receive all of his accumulated
deductions standing to the credit of his individual account in the
annuity savings fund, plus regular interest, less any outstanding
loan, except that for any period after June 30, 1944, the interest
payable shall be such proportion of the interest determined at the
regular rate of 2% per annum bears to the regular rate of interest,
and except that no interest shall be payable in the case of a member
who has less than three years of membership credit for which he has
made contributions. He shall cease to be a member two years from
the date he discontinued service as an eligible employee, or, if prior
thereto, upon payment to him of his accumulated deductions. If any
such person or member shall die before withdrawing or before
endorsing the check constituting the return of his accumulated
deductions, such deductions shall be paid to the member's
beneficiary. No member shall be entitled to withdraw the amounts
contributed by his employer covering his military leave unless he
shall have returned to the payroll and contributed to the retirement
system for a period of 90 days.

b. Should a member resign after having established 25 years of
creditable service before reaching age 60, or before reaching age 62
if the person became a member of the retirement system on or after
the effective date of P.L.2008, c.89, or after having established 30
years of creditable service before reaching the age of 65 if the
person became a member of the retirement system on or after the
effective date of P.L.2011, c.78, or after having established 30 years
of creditable service before reaching the age of 67 if the person
became a member of the retirement system on or after July 1, 2020
or if that person had less than five years of service credit in the
retirement system as of that date, he may elect "early retirement,"
provided, that such election is communicated by such member to
the retirement system by filing a written application, duly attested,
stating at what time subsequent to the execution and filing thereof
he desires to be retired. He shall receive, in lieu of the payment
provided in subsection a. of this section, an annuity which is the
actuarial equivalent of his accumulated deductions together with
regular interest, and a pension in the amount which, when added to
the member's annuity, will provide a total retirement allowance of
1/64 of final compensation for each year of service credited as
Class A service and 1/55 of final compensation for each year of
service credited as Class B service, or for a person who becomes a
member of the retirement system on or after the effective date of
P.L.2010, c.1 1/60 of final compensation for each year of service
credited as Class B service, calculated in accordance with section
48 (C.43:15A-48) of this act, reduced:
   (a) by 1/4 of 1% for each month that the member lacks of being
   age 55; or
   (b) for a person who becomes a member of the retirement
system on or after July 1, 2007, by 1/4 of 1% for each month that
the member lacks of being age 55 and by 1/12 of 1% for each
month that the member lacks of being age 60 but over age 55; or
   (c) for a person who becomes a member of the retirement
system on or after the effective date of P.L.2008, c.89, by 1/4 of 1%
for each month that the member lacks of being age 55 and by 1/12
of 1% for each month that the member lacks of being age 62 but
over age 55; or
   (d) for a person who becomes a member of the retirement
system on or after the effective date of P.L.2011, c.78, by 1/4 of 1%
for each month that the member lacks of being age 65; or
   (e) for a person who becomes a member of the retirement
system on or after July 1, 2020 or a person who has less than five
years of service credit in the retirement system as of that date by 1/4
of 1% for each month that the member lacks of being age 67;
provided, however, that upon the receipt of proper proofs of the
death of such a member there shall be paid to his beneficiary an
amount equal to three-sixteenths of the compensation upon which
contributions by the member to the annuity savings fund were based
in the last year of creditable service
Paragraph (b) or (c) or (e) of this subsection shall not apply to a
person who at the time of enrollment in the retirement system on or
after July 1, 2007 transfers service credit from another State-
administered retirement system pursuant to section 14 of P.L.1954,
c.84 (C.43:15A-14), but shall apply to a former member of the
retirement system who has been granted a retirement allowance and
is reenrolled in the retirement system on or after July 1, 2007
pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after becoming employed again in a position that makes the person eligible to be a member of the retirement system.

The board of trustees shall retire him at the time specified or at such other time within one month after the date so specified as the board finds advisable.

c. Upon the receipt of proper proofs of the death of a member in service on account of which no accidental death benefit is payable under section 49 there shall be paid to such member's beneficiary:

   (1) The member's accumulated deductions at the time of death together with regular interest; and

   (2) An amount equal to one and one-half times the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service.

(cf: P.L.2011, c.78, s.18)

6. N.J.S.18A:66-43 is amended to read as follows:

18A:66-43. Retirement for service shall be as follows: (a) A person who was a member before the effective date of P.L.2008, c.89 and has attained 60 years of age may retire on a service retirement allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof he desires to be retired. The board of trustees shall retire him at the time specified or at such other time within 1 month after the date so specified as the board finds advisable.

(b) A person who becomes a member on or after the effective date of P.L.2008, c.89 and has attained 62 years of age may retire on a service retirement allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof the member desires to be retired. The board of trustees shall retire the member at the time specified or at such other time within 1 month after the date so specified as the board finds advisable.

(c) A person who becomes a member on or after the effective date of P.L.2011, c.78 and has attained 65 years of age may retire on a service retirement allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof the member desires to be retired. The board of trustees shall retire the member at the time specified or at such other time within 1 month after the date so specified as the board finds advisable.

(d) A person who becomes a member of the retirement system on or after the July 1, 2020 or a person who has less than five years of service credit in the retirement system as of that date and has attained 67 years of age may retire on a service retirement
allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof the member desires to be retired. The board of trustees shall retire the member at the time specified or at such other time within 1 month after the date so specified as the board finds advisable.

(cf: P.L.2011, c.78, s.37)

7. Section 47 of P.L.1954, c.84 (C.43:15A-47) is amended to read as follows:

47. a. A person who was a member before the effective date of P.L.2008, c.89 and has attained 60 years of age may retire on a service retirement allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof the member desires to be retired. The board of trustees shall retire him at the time specified or at such other time within one month after the date so specified as the board finds advisable.

b. A person who becomes a member on or after the effective date of P.L.2008, c.89 and has attained 62 years of age may retire on a service retirement allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof the member desires to be retired. The board of trustees shall retire the member at the time specified or at such other time within one month after the date so specified as the board finds advisable.

c. A person who becomes a member on or after the effective date of P.L.2011, c.78 and has attained 65 years of age may retire on a service retirement allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof the member desires to be retired. The board of trustees shall retire the member at the time specified or at such other time within one month after the date so specified as the board finds advisable.

d. A person who becomes a member of the retirement system on or after July 1, 2020 or a person who has less than five years of service credit in the retirement system as of that date and has attained 67 years of age may retire on a service retirement allowance by filing with the retirement system a written application, duly attested, stating at which time subsequent to the execution and filing thereof the member desires to be retired. The board of trustees shall retire the member at the time specified or at such other time within one month after the date so specified as the board finds advisable.

(cf: P.L.2011, c.78, s.38)

8. Section 7 of P.L.1950, c.270 (C.52:18A-85) is amended to read as follows:
7. The functions, powers and duties vested by law in the following enumerated agencies:

The Board of Trustees of the Public Employees' Retirement System; the Board of Trustees of the State Police Retirement System; the Prison Officers' Pension Commission; the Board of Trustees of the Teachers' Pension and Annuity Fund; and the Consolidated Police and Firemen's Pension Fund Commission; of, or relating to, investment or reinvestment of moneys of, and purchase, sale or exchange of any investments or securities of or for any funds or accounts under the control and management of such agencies, are hereby transferred to and shall be exercised and performed for such agencies by the Director of the Division of Investment established hereunder. The investment or reinvestment of moneys of, and purchase, sale or exchange of, any investments or securities of or for any funds or accounts for the Public Employees' Retirement System cash balance plan and the Teachers' Pension and Annuity Fund cash balance plan shall be under the control and management of the Director of the Division of Investment.

Notwithstanding this provision, the Board of Trustees of the Police and Firemen's Retirement System shall have the authority to direct investment policy. The purchase, sale or exchange of any investments or securities under the control and management of the Board of Trustees of the Police and Firemen's Retirement System shall be exercised and performed by the Director of the Division of Investment. Notwithstanding this provision, Common Pension Fund L and the assets held by Common Pension Fund L as of the effective date of this Act and thereafter, including the interest of the Police and Firemen's Retirement System of New Jersey therein shall remain within the Division of Investment. The Division of Investment, the Director of the Division of Investment and the State Investment Council shall retain all functions, powers, and duties relating to Common Pension Fund L assigned to the Division of Investment, the Director of the Division of Investment, and the State Investment Council, by P.L.2017, c.98 (C.5:9-22.5 et seq.).

(cf: P.L.2018, c.55, s.35)

9. Section 1 of P.L.1959, c.17 (C.52:18A-88.1) is amended to read as follows:

1. The Director of the Division of Investment, in addition to other investments, presently or from time to time hereafter authorized by law, shall have authority to invest and reinvest the moneys in, and to acquire for or on behalf of the funds of the following enumerated agencies:

The Consolidated Police and Firemen's Pension Fund;

The Police and Firemen's Retirement System of New Jersey;

The Prison Officers' Pension Fund;

The Public Employees' Retirement System of New Jersey and the cash balance plan;
The State Police Retirement System;
The Teachers' Pension and Annuity Fund and the cash balance plan;
The Judicial Retirement System of New Jersey;
The Trustees for the Support of Public Schools;
and all other funds in the custody of the State Treasurer, unless otherwise provided by law;
such investments which shall be authorized or approved for investment by regulation of the State Investment Council, or in the case of the Police and Firemen's Retirement System of New Jersey, by regulation of the Board of Trustees of the Police and Firemen's Retirement System of New Jersey, except that notwithstanding this provision, Common Pension Fund L and the assets held by Common Pension Fund L as of the effective date of this Act and thereafter, including the interest of the Police and Firemen's Retirement System of New Jersey therein shall remain within the Division of Investment. The Director of the Division of Investment and the State Investment Council shall retain all functions, powers, and duties relating to Common Pension Fund L assigned to the Division of Investment, the Director of the Division of Investment, and the State Investment Council, by P.L.2017, c.98 (C.5:9-22.5 et seq.).
(cf: P.L.2018, c.55, s.36)

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

1. The mandatory contributions by members or participants to the Teachers' Pension and Annuity Fund required by N.J.S.18A:66-31, to the Teachers' Pension and Annuity Fund cash balance plan, 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 Public Employees' Retirement System cash balance plan, 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.
(cf: P.L.2007, c.92, s.16)

11. Section 1 of P.L.1997, c.113 (C.43:3C-9.1) is amended to
read as follows:
1. In accordance with the provisions of section 401 (a) (2) of
the federal Internal Revenue Code, and subject to such exceptions
as may be permitted for governmental plans under section 401 (a)
(2) of the federal Internal Revenue Code, at no time prior to the
satisfaction of all liabilities with respect to members and their
beneficiaries under the Teachers' Pension and Annuity Fund,
established pursuant to N.J.S.18A:66-1 et seq., the Teachers'
Pension and Annuity Fund cash balance plan, the Judicial
Retirement System, established pursuant to P.L.1973, c.140
(C.43:6A-1 et seq.), the Prison Officers' Pension Fund, established
pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the Public
Employees' Retirement System, established pursuant to P.L.1954,
c.84 (C.43:15A-1 et seq.), Public Employees' Retirement System
cash balance plan, the Consolidated Police and Firemen's Pension
Fund, established pursuant to R.S.43:16-1 et seq., the Police and
Firemen's Retirement System, established pursuant to P.L.1944,
c.255 (C.43:16A-1 et seq.), the State Police Retirement System,
established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), the
Alternate Benefit Program, established pursuant to P.L.1969, c.242
(C.18A:66-167 et seq.), and the Defined Contribution Retirement
Program, established pursuant to P.L.2007, c.92 (C.43:15C-1 et
seq.), shall any part of the corpus or income of the respective
retirement systems, within the taxable year or thereafter, be used for
or diverted to purposes other than for the exclusive benefit of the
members or their beneficiaries.
(cf: P.L.2011, c.78, s.56)

12. Section 2 of P.L.1997, c.113 (C.43:3C-9.2) is amended to
read as follows:
2. Notwithstanding any law, rule or regulation to the contrary,
the contributions to and benefits payable under the Teachers'
Pension and Annuity Fund, Teachers' Pension and Annuity Fund
cash balance plan, the Judicial Retirement System, the Prison
Officers' Pension Fund, the Public Employees' Retirement System,
the Public Employees' Retirement System cash balance plan, the
Consolidated Police and Firemen's Pension Fund, the Police and
Firemen's Retirement System, the State Police Retirement System,
the Alternate Benefit Program, and the Defined Contribution
Retirement Program shall not exceed the limitations provided under
section 415 of the federal Internal Revenue Code. The Division of
Pensions and Benefits in the Department of the Treasury shall be
responsible for implementation and enforcement of these limitations.

(cf: P.L.2011, c.78, s.57)

13. Section 3 of P.L.1997, c.113 (C.43:3C-9.3) is amended to read as follows:

3. Notwithstanding any law, rule or regulation to the contrary, for members of the Teachers' Pension and Annuity Fund, the Judicial Retirement System, the Public Employees' Retirement System, the Police and Firemen's Retirement System, to the Teachers' Pension and Annuity Fund and Public Employees' Retirement System cash balance plans, and the State Police Retirement System, the amount of compensation which may be used for member contributions and benefits under the retirement systems after June 30, 1996 shall not exceed the compensation limitation of section 401(a)(17) of the federal Internal Revenue Code of 1986, (26 U.S.C. s.401(a)(17)), as amended pursuant to section 13212 of the Omnibus Budget Reconciliation Act of 1993, Pub. L.103-66, 107 Stat. 312 or as hereafter amended or supplemented, to the extent applicable to governmental plans. The provisions of this section shall not be applicable to members enrolled prior to July 1, 1996 if the employer of the members certifies to the Director of the Division of Pensions and Benefits, in the form and manner prescribed by the director, prior to July 1, 1997, that the employer will pay the additional cost for not applying the limit to the members.

(cf: P.L.1997, c.113, s.3)

14. Section 41 of P.L.2007, c.92 (C.43:3C-9.6) is amended to read as follows:

41. a. Upon the termination of the Teachers' Pension and Annuity Fund, the Teachers' Pension and Annuity Fund cash balance plan, the Public Employees' Retirement System, Public Employees' Retirement System cash balance plan, the Judicial Retirement System, the Police and Firemen's Retirement System, the State Police Retirement System, the Prison Officers' Pension Fund, the Consolidated Police and Firemen's Fund, the Alternate Benefit Program, or the Defined Contribution Retirement Program, 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 Teachers' Pension and Annuity Fund cash balance plan, the Public Employees' Retirement System, the Public Employees' Retirement System cash balance plan, the Judicial Retirement System, the Police and Firemen's Retirement System,
the State Police Retirement System, the Prison Officers' Pension 
Fund, the Consolidated Police and Firemen's Fund, the Alternate 
Benefit Program, or the Defined Contribution Retirement Program, 
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 1/2 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.

15. Section 60 of P.L.2011, c.78 (C.43:3C-18) is amended to 
read as follows:

60. a. Notwithstanding any law, rule or regulation to the 
contrary, the Teachers' Pension and Annuity Fund, established 
pursuant to N.J.S.18A:66-1 et seq., the Judicial Retirement System, 
established pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the 
Prison Officers' Pension Fund, established pursuant to P.L.1941, 
c.220 (C.43:7-7 et seq.), the Public Employees' Retirement System, 
established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the 
Consolidated Police and Firemen's Pension Fund, established 
pursuant to R.S.43:16-1 et seq., the Police and Firemen's 
Retirement System, established pursuant to P.L.1944, c.255 
(C.43:16A-1 et seq.), and the State Police Retirement System, 
established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.), are 
established as qualified governmental defined benefit plans 
pursuant to sections 401(a) and 414(d) of the federal Internal 
Revenue Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as 
amended, or such other provision of the federal Internal Revenue 
Code, as applicable, regulations of the U.S. Treasury Department, 
and other guidance of the federal Internal Revenue Service.

The Teachers' Pension and Annuity Fund cash balance plan and 
the Public Employees' Retirement System cash balance plan shall 
be established as qualified governmental plans pursuant to the 
federal Internal Revenue Code, regulations of the U.S. Treasury 
Department, and other guidance of the federal Internal Revenue 
Service.
b. Notwithstanding any law, rule or regulation to the contrary, the Alternate Benefit Program, established pursuant to P.L.1969, c.242 (C.18A:66-167 et seq.), and the Defined Contribution Retirement Program, established pursuant to P.L.2007, c.92 (C.43:15C-1 et seq.) are established as qualified governmental defined contribution plans pursuant to sections 401(a) and 414(d) of the federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as amended, or such other provision of the federal Internal Revenue Code, as applicable, regulations of the U.S. Treasury Department, and other guidance of the federal Internal Revenue Service.

c. Notwithstanding the provisions of any law, rule or regulation to the contrary, the Director of the Division of Pensions and Benefits in the Department of the Treasury, and in the case of the Police and Firemen's Retirement System, the board of trustees of that system, shall be authorized to modify the provisions of the foregoing retirement plans, when a modification is required to maintain the qualified status of the retirement plans under the Internal Revenue Code of 1986, applicable regulations of the U.S. Treasury Department or other guidance of the federal Internal Revenue Service. Notwithstanding the provisions of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), the director, and in the case of the Police and Firemen's Retirement System, the board, may modify the provisions of the foregoing retirement plans, when a modification is required to maintain the qualified status of the retirement plans by promulgating a rule or regulation which shall be effective upon filing with the Office of Administrative Law.

16. Section 62 of P.L.2011, c.78 (C.43:3C-20) is amended to read as follows:

62. Notwithstanding any law, rule or regulation to the contrary, the Teachers' Pension and Annuity Fund, Teachers' Pension and Annuity Fund cash balance plan, the Judicial Retirement System, the Prison Officers' Pension Fund, the Public Employees' Retirement System, the Public Employees' Retirement System cash balance plan, the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System, the State Police Retirement System, the Alternate Benefit Program, and the Defined Contribution Retirement Program shall be administered in accordance with the rollover requirements of section 401(a)(31) of the federal Internal Revenue Code (26 U.S.C. s.401(a)(31)).

17. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to read as follows:
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 paid annually in level dollars 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 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. Beginning with the July 1, 2019 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed 30-year period. Beginning with the July 1, 2023 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed
29-year period, with that closed amortization period decreasing by one year in each subsequent fiscal year. Beginning with the July 1, 2029 actuarial valuation, when the remaining amortization period reaches 15 years, 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 15 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 15 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 paid annually in level dollars 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 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. Beginning with the July 1, 2019 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize this unfunded accrued liability over a closed 30-year period. Beginning with the July 1, 2023 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level
dollars, it will amortize this unfunded accrued liability over a closed
29-year period, with that closed amortization period decreasing by
one year in each subsequent fiscal year. [Beginning with the July 1,
2029 actuarial valuation, when] When the remaining amortization
period reaches [20] 15 years, 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 [20] 15 years. If an increase in the amortization period
as a result of actuarial losses for a valuation year would exceed
[20] 15 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, excluding the special asset value set
forth in section 38 of P.L.2010, c.1 (C.43:3C-14), 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 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 50 percent of the amount certified annually by the retirement system, for payments due in the State fiscal year ending June 30, 2009. An employer that elects to pay the reduced normal and accrued liability contribution shall adopt a resolution, separate and apart from other budget resolutions, stating that the employer needs to pay the reduced contribution and providing an explanation of that need which shall include (1) a description of its inability to meet the levy cap without jeopardizing public safety, health, and welfare or without jeopardizing the fiscal stability of the employer, or (2) a description of another condition that offsets the long term fiscal impact of the payment of the reduced contribution. An employer also shall document those actions it has taken to reduce its operating costs, or provide a description of relevant anticipated circumstances that could have an impact on revenues or expenditures. This resolution shall be submitted to and approved by the Local Finance Board after making a finding that these fiscal conditions are valid and affirming the findings contained in the employer resolution.
An employer that elects to pay 100 percent of the amount certified by the retirement system for the State fiscal year ending June 30, 2009 shall be credited with such payment and any such amounts shall not be included in the employer’s unfunded liability.

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

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

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.

(cf: P.L.2017, c.98, s.24)

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

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 paid annually in level dollars 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 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.

Beginning with the July 1, 2019 actuarial valuation, the accrued
liability contribution shall be computed so that if the contribution is
paid annually in level dollars, it will amortize this unfunded accrued
liability over a closed 30-year period. Beginning with the July 1,
2023 actuarial valuation, the accrued liability contribution shall be
computed so that if the contribution is paid annually in level
dollars, it will amortize this unfunded accrued liability over a closed
29-year period, with that closed amortization period decreasing by
one year in each subsequent fiscal year. Beginning with the July 1,
2029 actuarial valuation, when the remaining amortization
period reaches 15 years, 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 15 years. If an increase in the amortization period
as a result of actuarial losses for a valuation year would exceed
15 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, excluding the special asset value set forth in section 38 of P.L.2010, c.1 (C.43:3C-14), 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

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 N.J.S.18A:66-33.
e. Except as provided in N.J.S.18A:66-26 and N.J.S.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.
(cf: P.L.2017, c.98, s.20)

a. There is hereby created a cash balance
plan within the Public Employees’ Retirement System, established
pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), and a cash balance
plan within the Teachers’ Pension and Annuity Fund, established
pursuant to N.J.S.18A:66-1 et seq.).
The cash balance plan shall be part of the Public Employees’
Retirement System and the Teachers’ Pension and Annuity Fund to
the extent permitted by the federal Internal Revenue Code,
regulations of the U.S. Treasury Department, and other guidance of
the federal Internal Revenue Service. The provisions of P.L.1954,
c.84 (C.43:15A-1 et seq.), and N.J.S.18A:66-1 et seq., as
appropriate, shall be applicable to the cash balance plan of the
Public Employees’ Retirement System and the Teachers’ Pension
and Annuity Fund and the members of each cash balance plan to the
extent not inconsistent with the requirements and limitations
contained in this section.
The board of trustees of the Public Employees’ Retirement
System and the Teachers’ Pension and Annuity Fund shall be
trustees of the cash balance plan and shall have the general
responsibility for the proper operation of their respective cash
balance plan.
Participating employers in the Public Employees’ Retirement
System and the Teachers’ Pension and Annuity Fund shall pay their
pro rata share of the administrative costs of the cash balance plan.
The board of trustees shall provide to members online access to
their accounts in the cash balance plans for information purposes.

b. A person who becomes a member of the Public Employees’
Retirement System or the Teachers’ Pension and Annuity Fund on
or after July 1, 2020, or a member who has less than five years of
service credit in the Public Employees’ Retirement System or the
Teachers’ Pension and Annuity Fund as of that date, shall be
simultaneously a member of the cash balance plan of that system or
fund with regard to any excess over the maximum base or
contractual compensation for contribution and benefit purposes of
the Public Employees’ Retirement System and the Teachers’
Pension and Annuity Fund, defined as no more than $40,000 of
annual base or contractual compensation.

The member shall receive, if eligible, the benefits provided by
the cash balance plan in addition to the benefits provided under
Public Employees’ Retirement System or the Teachers’ Pension and
Annuity Fund, as appropriate.

Service credit in the Public Employees’ Retirement System or
the Teachers’ Pension and Annuity Fund, as appropriate, shall
include any period of time during a year when a member is making
contributions to the member’s account in the cash balance plan.
c. A member shall be enrolled in the cash balance plan and an
account shall be established in the plan for that member in the year
in which the member’s annual base or contractual compensation
exceeds $40,000, and that year shall be considered the first year of
membership in the cash balance plan. Additions to and deductions
from the account shall be made in accordance with the provisions of
this section or other applicable State and federal law.

The account shall be a notational account for recordkeeping
purposes only. Neither the maintenance nor the adding of credits
thereto shall be construed as an allocation of assets of the system,
fund, or plan to, or a segregation of such assets in, any such
account, or otherwise creating a right for any member to receive
specific assets of the system, fund, or plan. Benefits provided under
the plan shall be paid from general assets in the amounts, in the
forms, and at the times provided under the terms of the plan and in
accordance with applicable State and federal law.
The members’ contributions to the account in the cash balance
plan shall be considered assets of the Public Employees’ Retirement
System or Teachers’ Retirement and Annuity Fund, as appropriate,
for valuation report purposes.
Each member of the cash balance plan shall contribute to the member’s plan account the same percentage of the annual base or contractual compensation that is in excess of $40,000 as required for contributions to the Public Employees’ Retirement System, pursuant to section 25 of P.L.1954, c.84 (C.43:15A-25), and the Teachers’ Pension and Annuity Fund, pursuant to N.J.S.18A:66-29, as appropriate.

The account of each member of the plan shall be credited with the amount of the member’s contributions. The member shall be vested with regard to the member’s mandatory contributions to the account from the date the member is enrolled in the plan.

e. A member’s account shall include the member’s mandatory contributions to the account plus a minimum interest credit on those contributions. The minimum interest credit shall be four percent per annum. The interest shall be credited quarterly based on the accumulated account balance on the last day of each preceding quarter.

In addition, the member’s account shall reflect the member’s mandatory contributions to the account plus an alternate interest credit on those contributions. The alternate interest credit shall be 75 percent of the rate of return on the asset investments for a fiscal year, as that rate of return is certified by the actuary in the actuarial valuation when the valuation is adopted by the board of trustees of the system or fund, as appropriate.

The alternate interest credit shall be added annually based on the member’s accumulated account balance on the last day of each fiscal year.

The Legislature may prospectively change, from time to time by law, the minimum interest credit and the alternate interest credit provided in this section and expressly reserves the right to do so.

For a member to be eligible for an interest credit and an alternate interest credit, the member shall have an account balance at the time the interest is credited to the account.

No employer contributions shall be credited to the member’s account in the cash balance plan.

f. Upon termination of employment, a member’s cash balance account shall remain active, shall not expire, and the member shall not be required to withdraw funds after any specified time period, regardless of the member’s years of service upon termination. The closing of the account and withdrawal of funds shall be at the discretion of the member, except that the member shall cease to be a member when so required by the provisions of P.L.1954, c.84 (C.43:15A-1 et seq.) or N.J.S.18A:66-1 et seq.

After termination of employment, or during any period of employment when contributions are not being made to the account, by a member who has less than 10 years of service credit, the
minimum interest credit shall be added to member’s account, but no alternate interest credit shall be added to the member’s account.

After termination of employment, or during any period of employment when contributions are not being made to the account, by a member who has 10 or more years of service credit, the minimum interest credit and the alternate interest credit shall be added to member’s account.

After termination of employment, a member who has less than 10 years of service credit and who elects to take a refund of the member’s accumulated contributions to the account shall receive the member’s contributions and interest as follows. The member shall receive no interest for the first two years of plan membership and the minimum interest credit and the alternate interest credit added to the member’s account for the first two years shall be forfeit. The minimum interest credit and the alternate interest credit added to the member’s account for the third and each subsequent year of plan membership shall be recalculated. Only 30 percent of the minimum interest credit and only 30 percent of the alternate interest credit shall be added to the member’s account for the third year of membership. That 30 percent shall be increased by an additional 10 percent in each subsequent year of membership until 90 percent of the minimum interest credit and 90 percent of the alternate interest credit are added to the member’s account in the 9th year of membership. A member who elects to take a refund of the member’s accumulated contributions shall receive the accumulated contributions with the recalculated minimum interest credit or the accumulated contributions with the alternate interest credit, whichever is greater. A member who has less than 10 years of service credit upon the termination of employment shall receive a distribution as recalculated pursuant to this paragraph based on the percentage for recalculation purposes applicable to the year of plan membership in which employment was terminated, regardless of how much time has elapsed since the date of termination of employment.

After termination of employment, a member who has 10 years or more of service credit and who elects to take a refund of the member’s accumulated account balance shall receive the member’s contributions with the minimum interest credit or the accumulated contribution with the alternate interest credit, whichever is greater. The distribution shall be in a manner or by a method permitted by the regulations of the board of trustees and applicable State and federal law. The board of trustees shall ensure that the refund of contributions and the distribution of an accumulated account balance comply with the federal Internal Revenue Code, regulations of the U.S. Treasury Department, and other guidance of the federal Internal Revenue Service.

If a member elects a deferred retirement, the member’s accumulated account balance shall remain, after termination of
employment, as an active account, in the cash balance plan and the minimum interest credit and the alternate interest shall continue to be added to the account until the member’s retirement.

g. A member may elect at retirement to receive a monthly retirement allowance payable for life by having the member’s accumulated contributions with the minimum interest credit or the accumulated contributions with alternate interest credit, whichever is greater, converted to an annuity in accordance with the actuarial assumptions and actuarial methods adopted by the board of trustees and in effect on the member's retirement date. The member may also elect an annuity that includes an option provided in section 50 of P.L.1954, c.84 (C.43:15A-50) or in N.J.S.18A:66-46. The member may also elect to take the member’s accumulated account balance as a lump sum payment, or in the form of a direct rollover to a qualified plan, or as a payment directly to a qualified individual retirement account, or any other method permitted by the regulations of the board of trustees and applicable State and federal law.

The board of trustees may specify minimum account balances for purposes of allowing benefit payment options and rollovers or transfers in accordance with applicable State or federal law

h. Upon the death of a member, the member’s beneficiary or estate shall receive the member’s accumulated contributions in the account with the minimum interest credit or the accumulated contributions with the alternate interest credit, whichever is greater, regardless of the member’s years of service and even if the beneficiary is eligible for an accidental death pension. The distribution to the beneficiary or estate shall be in a manner or by a method permitted by the regulations of the board of trustees and applicable State and federal law. The board of trustees shall ensure that the payment of contributions and the terms and conditions and interest of the refund comply with the federal Internal Revenue Code, regulations of the U.S. Treasury Department, and other guidance of the federal Internal Revenue Service.

i. For distributions of accumulated account balances in any manner or by any method or for conversion to an annuity, interest credits shall be added to the account for the accumulated account balance as of the last day of the quarter preceding the distribution or conversion. Interest credits from the first day of the following quarter to the date of distribution or conversion shall be the same as for the prior quarter.

The calculation required to be made in accordance with the following sections of law for group life insurance payments using the compensation upon which contributions by the member to the annuity savings fund were based in the last year of creditable service shall include the compensation upon which contributions by the member to the cash balance account were based in the last year of creditable service: N.J.S.18A:66-37, 38, 44, and subsection e. of
Calculation of the maximum amount that may be borrowed from the retirement system or fund shall include the member’s accumulated deductions to the member’s account in the cash balance plan.

When a member with an account in the cash balance plan begins to receive a disability benefit under a group policy in accordance with sections 10 or 11 of P.L.2010, c.3 (C.18A:66-39.1 or C.43:15A-42.1), the insurance company shall also pay an amount equal to the member’s contribution which would have been required of the member and deducted from the member’s base or contractual compensation in order to meet the member’s obligation for deposit in the member’s account in the cash balance plan. Minimum interest credits and alternate interest credits shall be added to the member’s account during the period such disability benefits are paid.

j. For a member of the Public Employees’ Retirement System and the Teacher’s Pension and Annuity Fund who has less than five years of service credit in the system or fund on July 1, 2020, the board of trustees and the Division of Pensions and Benefits shall, within 90 days following the establishment of a cash balance plan in the system or fund, make such adjustments to the member’s accounts and records as to comply with the provisions of this section for membership in the cash balance plan for that member for any year of service prior to July 1, 2020, provided such retroactive membership and adjustment is permitted by federal law.

k. The board of trustees shall make such provision for interfund transfers to and from accounts in the cash balance plan, and for the manner of adding interest credit and additional interest credit to a cash balance account subject to an interfund transfer, as shall be required to comply with this section, the provisions of P.L.1954, c.84 (C.43:15A-1 et seq.), N.J.S.18A:66-1 et seq., the federal Internal Revenue Code, regulations of the U.S. Treasury Department, and other guidance of the federal Internal Revenue Service.

20. (New section) Savings realized by a school district as a result of the implementation of P.L. , c. (pending before the Legislature as this bill) shall be used solely and exclusively by the school district for the purpose of reducing the amount that is required to be raised by the local property tax levy by the school district for school district purposes. When a cap on the annual increase in the property tax levy for a school district is imposed by law, the savings realized shall be deducted, when determined to be appropriate by the Department of Education, from the adjusted tax levy for the previous budget year and the difference shall serve as the basis for calculating the adjusted tax levy for the next year.
The savings shall be calculated in the manner prescribed by the Department of Education.

21. (New section) Savings realized by a local unit as a result of the implementation of P.L. , c. (pending before the Legislature as this bill) shall be used solely and exclusively by the local unit for the purpose of reducing the amount that is required to be raised by the local property tax levy by the local unit for local unit purposes. When a cap on the annual increase in the property tax levy for a local unit is imposed by law, the savings realized shall be deducted, when determined to be appropriate by the Department of Community Affairs, from the adjusted tax levy for the previous budget year and the difference shall serve as the basis for calculating the adjusted tax levy for the next year.

The savings shall be calculated in the manner prescribed by the Department of Community Affairs.

22. This act shall take effect on the first day of the fifth month following enactment.

STATEMENT

This bill makes various changes to the Public Employees’ Retirement System and the Teachers’ Pension and Annuity Fund. All the changes in the bill apply only to public employees who become members of the PERS or TPAF on or after July 1, 2020 or who have been members of the PERS or TPAF for less than five years as of that date.

Under the bill, these employees will not be eligible for service retirement until they are at least 67 years of age. An employee will be required to have at least 30 years of service credit to be eligible to retire before 67 years of age, but the employee’s pension will be reduced by 3 percent per year for each year that the employee is under 67 years of age.

The bill also changes the amortization period for the unfunded liability of the PERS and the TPAF, beginning July 1, 2023.

In addition, these employees will be members of the new cash balance plans to be established, one in the PERS and one in the TPAF. When the annual salary of these employees exceeds $40,000, the employee will be enrolled in the cash balance plan and the employee’s mandatory contribution as a percentage of the salary amount that exceeds $40,000 will be deposited into the employee’s account in the cash balance plan.

An annual minimum interest credit of 4 percent annually will be added to the account. Also, a separate alternate interest credit will also be added to the account of each employee annually. The alternate interest credit will be 75 percent of the rate of return on
the asset investments for a fiscal year, as that rate of return is
certified by the actuary in the actuarial valuation when the valuation
is adopted by the board of trustees of the system or fund, as
appropriate. Upon a member’s retirement or a distribution of the
accumulated account balance, the member or beneficiary will
receive the accumulated member contribution with the minimum
interest credit or the accumulated member contribution with the
alternate interest credit, whichever is greater.

If a member terminates employment after less than 10 years of
service and requests a distribution, there will be no interest paid on
the member contributions to the account for the first two years. For
the third and each subsequent year of plan membership, distribution
of the accumulated account balance at the request of the member
will only include a portion of the interest for each year of plan
membership commencing with 30 percent in the third year of plan
membership and increasing by 10 percent for each year thereafter.

There will be no employer contributions added to an employee’s
account in the cash balance plan.

The bill contains provisions for distribution of accumulated
account balances in the cash balance plans when an employee
terminates employment, retires, or dies, and for the enrollment
retroactively of employees who have less than five years of service
credit in the PERS or TPAF as of July 1, 2020.

The board of trustees of the PERS and TPAF will be responsible
for the operation of the cash balance plans, in compliance with State
law, the federal Internal Revenue Code, regulations of the U.S.
Treasury Department, and other guidance of the federal Internal
Revenue Service.

The bill requires the savings realized by a local unit or a school
district as a result of this bill to be used solely and exclusively for
the purpose of reducing the amount that is required to be raised by
the local property tax levy for the local unit or school district.