

ASSEMBLY, No. 2794

STATE OF NEW JERSEY

INTRODUCED MARCH 3, 1997

By Assemblymen KAVANAUGH, AUGUSTINE,
Assemblywoman Murphy, Assemblymen Blee and Malone

1 AN ACT concerning State contributions to the State retirement
2 systems and revising various parts of the statutory law.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

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

8 18A:66-18. The contingent reserve fund shall be the fund in which
9 shall be credited contributions made by the State and other employers.

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

18 b. Upon the basis of the tables recommended by the actuary which
19 the board of trustees adopts and regular interest, the actuary of the
20 board shall compute the amount of the accrued liability of the
21 retirement system as of March 31, 1992 under the projected unit credit
22 method, excluding the liability for pension adjustment benefits for
23 active employees funded pursuant to section 2 of P.L.1987, c.385
24 (C.18A:66-18.1), which is not already covered by the assets of the
25 retirement system, valued in accordance with the asset valuation
26 method established in this section. Using the total amount of this
27 unfunded accrued liability, the actuary shall compute the initial amount
28 of contribution which, if the contribution is increased at a specific rate
29 and paid annually for a specific period of time, will amortize this
30 liability. The State Treasurer shall determine, upon the advice of the
31 Director of the Division of Pensions and Benefits, the board of trustees
32 and the actuary, the rate of increase for the contribution and the time
33 period for full funding of this liability, which shall not exceed 40 years

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

Matter underlined thus is new matter.

1 on initial application of this section as amended by this act, P.L.1994,
2 c.62. This shall be known as the "accrued liability contribution." Any
3 increase or decrease in the unfunded accrued liability as a result of
4 actuarial losses or gains for the 10 valuation years following valuation
5 year 1992 shall serve to increase or decrease, respectively, the
6 unfunded accrued liability contribution. Thereafter, any increase or
7 decrease in the unfunded accrued liability as a result of actuarial losses
8 or gains for subsequent valuation years shall serve to increase or
9 decrease, respectively, the amortization period for the unfunded
10 accrued liability, unless an increase in the amortization period will
11 cause it to exceed 30 years. If an increase in the amortization period
12 as a result of actuarial losses for a valuation year would exceed 30
13 years, the accrued liability contribution shall be computed for the
14 valuation year in the same manner provided for the computation of the
15 initial accrued liability contribution under this section. The State may
16 pay all or any portion of its unfunded accrued liability under the
17 retirement system from any source of funds legally available for the
18 purpose, including, without limitation, the proceeds of bonds
19 authorized by law for this purpose.

20 The value of the assets to be used in the computation of the
21 contributions provided for under this section for valuation periods
22 shall be the value of the assets for the preceding valuation period
23 increased by the regular interest rate, plus the net cash flow for the
24 valuation period (the difference between the benefits and expenses
25 paid by the system and the contributions to the system) increased by
26 one half of the regular interest rate, plus 20% of the difference
27 between this expected value and the full market value of the assets as
28 of the end of the valuation period. This shall be known as the
29 "valuation assets." Notwithstanding the first sentence of this
30 paragraph, the valuation assets for the valuation period ending March
31 31, 1996 shall be the full market value of the assets as of that date and
32 shall include the proceeds from the bonds issued pursuant to the
33 Pension Bond Financing Act of 1997, P.L. , c. (now pending before
34 the Legislature as), paid to the system by the New Jersey
35 Economic Development Authority to fund the unfunded accrued
36 liability of the system.

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

- 38 (1) the valuation assets; less
- 39 (2) the actuarial accrued liability for basic benefits and pension
40 adjustment benefits, excluding the unfunded accrued liability for early
41 retirement incentive benefits pursuant to P.L.1991, c.231 and
42 P.L.1993, c.163 for employers other than the State; less
- 43 (3) the contributory group insurance premium fund created by
44 N.J.S.18A:66-77; less
- 45 (4) the post-retirement medical premium fund created pursuant to
46 section 2 of P.L.1987, c.385 (C.18A:66-18.1), as amended by section

1 3 of P.L.1994, c.62; less

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

9 If there are excess valuation assets for the valuation period ending
10 March 31, 1996, the normal contributions for the valuation periods
11 ending March 31, 1996 and March 31, 1997 which have not yet been
12 paid to the retirement system shall be reduced to the extent possible
13 by the excess valuation assets, but the normal contribution for the
14 valuation period ending March 31, 1996 shall not be less than
15 \$54,000,000. If there are excess valuation assets for a valuation
16 period ending after March 31, 1996, the normal contribution payable
17 for the next valuation period shall be reduced to the extent possible by
18 the excess valuation assets.

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

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

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

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

32 (cf: P.L.1994, c.62, s.2)

33

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

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

44 b. Upon the basis of the tables recommended by the actuary which
45 the commission adopts and regular interest, the actuary shall compute
46 the amount of the accrued liability of the retirement system as of June

1 30, 1992, which is not already covered by the assets of the retirement
2 system, valued in accordance with the asset valuation method
3 established in this section. Using the total amount of this unfunded
4 accrued liability, the actuary shall compute the initial amount of
5 contribution which, if the contribution is increased at a specific rate
6 and paid annually for a specific period of time, will amortize this
7 liability. The State Treasurer shall determine, upon the advice of the
8 Director of the Division of Pensions and Benefits, the commission and
9 the actuary, the rate of increase for the contribution and the time
10 period for full funding of this liability, which shall not exceed 40 years
11 on initial application of this section as amended by this act, P.L.1994,
12 c.62. This shall be known as the "accrued liability contribution." Any
13 increase or decrease in the unfunded accrued liability as a result of
14 actuarial losses or gains for the 10 valuation years following valuation
15 year 1992 shall serve to increase or decrease, respectively, the
16 unfunded accrued liability contribution. Thereafter, any increase or
17 decrease in the unfunded accrued liability as a result of actuarial losses
18 or gains for subsequent valuation years shall serve to increase or
19 decrease, respectively, the amortization period for the unfunded
20 accrued liability, unless an increase in the amortization period will
21 cause it to exceed 30 years. If an increase in the amortization period
22 as a result of actuarial losses for a valuation year would exceed 30
23 years, the accrued liability contribution shall be computed for the
24 valuation year in the same manner provided for the computation of the
25 initial accrued liability contribution under this section. The State may
26 pay all or any portion of its unfunded accrued liability under the
27 retirement system from any source of funds legally available for the
28 purpose, including, without limitation, the proceeds of bonds
29 authorized by law for this purpose.

30 The value of the assets to be used in the computation of the
31 contributions provided for under this section for valuation periods
32 shall be the value of the assets for the preceding valuation period
33 increased by the regular interest rate, plus the net cash flow for the
34 valuation period (the difference between the benefits and expenses
35 paid by the system and the contributions to the system) increased by
36 one half of the regular interest rate, plus 20% of the difference
37 between this expected value and the full market value of the assets as
38 of the end of the valuation period. This shall be known as the
39 "valuation assets." Notwithstanding the first sentence of this
40 paragraph, the valuation assets for the valuation period ending June
41 30, 1996 shall be the full market value of the assets as of that date and
42 shall include the proceeds from the bonds issued pursuant to the
43 Pension Bond Financing Act of 1997, P.L. ., c. (now pending before
44 the Legislature as _____), paid to the system by the New Jersey
45 Economic Development Authority to fund the unfunded accrued
46 liability of the system.

1 "Excess valuation assets" means the valuation assets for a valuation
2 period less the actuarial accrued liability for the valuation period, if the
3 sum is greater than zero. If there are excess valuation assets for the
4 valuation period ending June 30, 1996, the normal contributions for
5 the valuation periods ending June 30, 1996 and June 30, 1997 which
6 have not yet been paid to the retirement system shall be reduced to the
7 extent possible by the excess valuation assets. If there are excess
8 valuation assets for a valuation period ending after June 30, 1996, the
9 normal contribution payable for the next valuation period shall be
10 reduced to the extent possible by the excess valuation assets.

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

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

20 d. (Deleted by amendment, P.L.1992, c.125.)
21 (cf: P.L.1994, c.62, s.5)

22
23 3. Section 7 of P.L.1941, c.220 (C.43:7-13) is amended to read as
24 follows:

25 7. For the purpose of paying the pensions, a fund shall be created
26 as follows:

27 (a) There shall be deducted from every payment of salary to a
28 prison officer benefited by this act, 6% of the amount thereof.

29 (b) That the State shall pay into said fund yearly an amount equal
30 to 6% of the total salaries paid to the said prison officers who shall
31 benefit by this act, which amount shall be submitted to the Legislature
32 yearly by the pension commission. The Legislature shall make an
33 appropriation sufficient to provide for such obligation of the State;

34 (c) There shall be added to such fund all fines imposed upon any
35 such prison officer, all money donated to the fund, all moneys
36 deducted from the salary of such prison officers because of absence
37 or loss of time due to suspension, and 1/2 of all rewards paid for
38 any purpose to such prison officer;

39 (d) If there shall not be sufficient money in the fund so created, the
40 Legislature shall include in any appropriation bill a sum sufficient to
41 meet the requirements of the fund for the time being;

42 (e) All pensions granted under this article shall be exempt from any
43 State or municipal tax, levy and sale, garnishment or attachment, or
44 any other process whatsoever, and shall be unassignable.

45 The State may pay all or any portion of its unfunded accrued
46 liability under the retirement system from any source of funds legally

1 available for the purpose, including, without limitation, the proceeds
2 of bonds authorized by law for this purpose.

3 (cf: P.L.1969, c. 56, s. 5).

4

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

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

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

17 b. Upon the basis of the tables recommended by the actuary which
18 the board adopts and regular interest, the actuary shall compute the
19 amount of the accrued liability of the retirement system as of March
20 31, 1992 under the projected unit credit method, excluding the liability
21 for pension adjustment benefits for active employees funded pursuant
22 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already
23 covered by the assets of the retirement system, valued in accordance
24 with the asset valuation method established in this section. Using the
25 total amount of this unfunded accrued liability, the actuary shall
26 compute the initial amount of contribution which, if the contribution
27 is increased at a specific rate and paid annually for a specific period of
28 time, will amortize this liability. The State Treasurer shall determine,
29 upon the advice of the Director of the Division of Pensions and
30 Benefits, the board of trustees and the actuary, the rate of increase for
31 the contribution and the time period for full funding of this liability,
32 which shall not exceed 40 years on initial application of this section as
33 amended by this act, P.L.1994, c.62. This shall be known as the
34 "accrued liability contribution." Any increase or decrease in the
35 unfunded accrued liability as a result of actuarial losses or gains for the
36 10 valuation years following valuation year 1992 shall serve to
37 increase or decrease, respectively, the unfunded accrued liability
38 contribution. Thereafter, any increase or decrease in the unfunded
39 accrued liability as a result of actuarial losses or gains for subsequent
40 valuation years shall serve to increase or decrease, respectively, the
41 amortization period for the unfunded accrued liability, unless an
42 increase in the amortization period will cause it to exceed 30 years.
43 If an increase in the amortization period as a result of actuarial losses
44 for a valuation year would exceed 30 years, the accrued liability
45 contribution shall be computed for the valuation year in the same
46 manner provided for the computation of the initial accrued liability

1 contribution under this section. The State may pay all or any portion
2 of its unfunded accrued liability under the retirement system from any
3 source of funds legally available for the purpose, including, without
4 limitation, the proceeds of bonds authorized by law for this purpose.

5 The value of the assets to be used in the computation of the
6 contributions provided for under this section for valuation periods
7 shall be the value of the assets for the preceding valuation period
8 increased by the regular interest rate, plus the net cash flow for the
9 valuation period (the difference between the benefits and expenses
10 paid by the system and the contributions to the system) increased by
11 one half of the regular interest rate, plus 20% of the difference
12 between this expected value and the full market value of the assets as
13 of the end of the valuation period. This shall be known as the
14 "valuation assets." Notwithstanding the first sentence of this
15 paragraph, the valuation assets allocated to the State for the valuation
16 period ending March 31, 1996 shall be the full market value of the
17 assets as of that date and shall include the proceeds from the bonds
18 issued pursuant to the Pension Bond Financing Act of 1997, P.L. ,
19 c. (now pending before the Legislature as), paid to the system by
20 the New Jersey Economic Development Authority to fund the
21 unfunded accrued liability of the system.

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

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

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

26 (3) the contributory group insurance premium fund, created by
27 section 4 of P.L.1954, c.214 (C.43:15A-91), as amended by section 4
28 of P.L.1960, c.79; less

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

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

39 If there are excess valuation assets allocated to the State for the
40 valuation period ending March 31, 1996, the normal contributions
41 payable by the State for the valuation periods ending March 31, 1996
42 and March 31, 1997 which have not yet been paid to the retirement
43 system shall be reduced to the extent possible by the excess valuation
44 assets allocated to the State. If there are excess valuation assets
45 allocated to the State for a valuation period ending after March 31,
46 1996, the normal contribution payable by the State for the next

1 valuation period shall be reduced to the extent possible by the excess
2 valuation assets allocated to the State.

3 c. The retirement system shall certify annually the aggregate
4 amount payable to the contingent reserve fund in the ensuing year,
5 which amount shall be equal to the sum of the amounts described in
6 this section. The State shall pay into the contingent reserve fund
7 during the ensuing year the amount so determined. The death benefits,
8 payable as a result of contribution by the State under the provisions of
9 this chapter upon the death of an active or retired member, shall be
10 paid from the contingent reserve fund.

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

14 (cf: P.L.1994, c.62, s.7)

15

16 5. R.S.43:16-5 is amended to read as follows:

17 43:16-5. For the purpose of paying the pensions provided by this
18 chapter, all pension funds heretofore created and in existence pursuant
19 to the provisions of an act entitled "An act providing for the retirement
20 of policemen and firemen of the police and fire departments in
21 municipalities of this State, including all police officers having
22 supervision of regulation of traffic upon county roads, and providing
23 a pension for such retired policemen and firemen and members of the
24 police and fire departments, and the widows, children and sole
25 dependent parents of deceased members of said departments,"
26 approved April 15, 1920 (P.L.1920, c.160), and chapter 16 of Title 43
27 of the Revised Statutes, shall, from and after July 1, 1953, be
28 consolidated, and, as so consolidated, shall be transferred to and
29 placed under the Consolidated Police and Firemen's Pension Fund
30 created by the provisions of this chapter. All rights and privileges
31 created and extended to members of a municipal police department or
32 of a paid or part-paid fire department or of a county police
33 department, including members of the paid or part-paid fire
34 department of any fire district located in any township which has
35 adopted said act or said chapter of the Revised Statutes are hereby
36 expressly preserved, continued and transferred from said pension funds
37 to said consolidated fund. Nothing herein contained shall be deemed
38 to affect or impair the right of any beneficiary of any of the funds so
39 created, but all rights of such beneficiaries which have accrued or may
40 accrue in or against any such pension fund shall be deemed to have
41 accrued or to accrue against the funds so consolidated. Said
42 consolidated fund shall be maintained as follows:

43 (a) There shall be deducted from every payment of salary to each
44 member, as defined in the supplement to this chapter enacted by laws
45 of 1944, c.253, s.12, as amended and supplemented, and paid into said
46 consolidated fund 7% of the amount thereof.

1 (b) All employers, as defined in the supplement to this chapter
2 enacted by laws of 1944, c.253, s.21, as amended and supplemented,
3 shall contribute to the said consolidated fund in the following manner
4 and amounts:

5 (1) An amount equal to 6% of the total of salaries annually paid to
6 the members of the consolidated fund under said employer's
7 jurisdiction, which shall be known as the employer's normal
8 contribution, and which shall be paid into said fund no later than April
9 1 of the State's fiscal year in which payment is due.

10 (2) An additional amount annually for a period of 30 years,
11 commencing July 1, 1953, equal to $66 \frac{2}{3}\%$ of the share of the
12 particular employer of the annual amortization payment determined by
13 the actuary to be required to bring the fund to a state of actuarial
14 solvency at the end of the said 30-year period. In determining an
15 employer's share of said annual amortization payment, the actuary shall
16 determine separately, and give due credit to the value of the assets
17 transferred by such employer to said consolidated fund. The amount
18 of each of such annual payments shall be certified by the fund to the
19 treasurer of each employer prior to the first day of the year in which
20 such payment is required to be made, and said amount shall be
21 appropriated in said employer's budget for that year. Said annual
22 payment, which shall be known as the employer's accrued liability
23 contribution, shall be made in two equal portions; the first on the first
24 day of each year, and the second on July 1 of each year.

25 (3) An additional amount to be paid each year following the
26 termination of the 30-year period provided for in subsection (b)(2) of
27 this section, sufficient to meet the requirements of the fund.

28 (4) A fee, payable no later than April 1 of the State's fiscal year in
29 which payment of the employer's normal contribution is due and
30 consisting of such proportion of the administrative expense of the
31 consolidated fund as the number of active and retired members under
32 the jurisdiction of such employer, or their beneficiaries, then bears to
33 the total number of active and retired members under the jurisdiction
34 of such employer, or their beneficiaries, then bears to the total number
35 of active and retired members and beneficiaries in the consolidated
36 fund.

37 (c) The State of New Jersey shall contribute annually, throughout
38 a period of 20 years, commencing July 1, 1972, such amount as may
39 be necessary to make up the balance of the accrued liability of the
40 consolidated fund. The amount of such annual contributions by the
41 State shall be certified to the State Treasurer by the actuary at the time
42 required for other State departmental budgetary certifications. All
43 funds necessary to meet the State's share of said annual payments shall
44 be included in the annual State budget and appropriated by the
45 Legislature.

46 (d) If payment of the full amount of the employer's obligation is not

1 made within 30 days of the due date established by the act, interest at
2 the rate of 10% per annum shall commence to run against unpaid
3 balance thereof on the first day after such thirtieth day.

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

9 (e) The accrued liability contribution of any employer shall be
10 payable by the employer for the entire period of the financing of such
11 liability and shall continue to be due and owing to the fund even when
12 there are no longer any beneficiaries entitled to benefits.

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

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

15 (h) Upon the basis of tables recommended by the actuary which the
16 commission adopts after consultation with the Director of the Division
17 of Pensions and Benefits, the actuary shall compute the amount of
18 unfunded liability of the fund as of June 30, 1990 which is not already
19 covered by the assets of the fund, valued in accordance with the asset
20 valuation method established in this section, and prospective employer
21 normal contributions and employee contributions. Using the total
22 amount of this unfunded liability, the actuary shall compute the
23 amount of the flat annual payment which, if paid in each succeeding
24 fiscal year, commencing with July 1, 1991, for a period of nine years,
25 will provide for this liability. This payment shall be increased or
26 decreased in succeeding fiscal years to amortize any actuarial loss or
27 gain over the remaining time in this nine-year period. Any unfunded
28 liability remaining after this nine-year period shall be funded by direct
29 State appropriations. The actuary shall annually certify over the
30 nine-year period the amount payable to the fund in the ensuing year,
31 and the State shall pay into the fund during the ensuing year the
32 amount so certified. The State may pay all or any portion of its
33 unfunded accrued liability under the retirement system from any source
34 of funds legally available for the purpose, including, without limitation,
35 the proceeds of bonds authorized by law for this purpose.

36 [The value of the assets for the valuation period ending June 30,
37 1990 shall be the full market value of the assets as of that date. The
38 value of the assets for the valuation period ending June 30, 1991 shall
39 be the value of the assets for the preceding valuation period increased
40 by 8 3/4%, plus the net cash flow for the valuation period (the
41 difference between the benefits paid by the system and the
42 contributions to the system) increased by 4 3/8%, plus 20% of the
43 difference between this expected value and the full market value of the
44 assets as of June 30, 1991.] The value of the assets for the valuation
45 periods ending on or after June 30, 1992 shall be the value of the
46 assets for the preceding valuation period increased by the regular

1 interest rate, plus the net cash flow for the valuation period (the
2 difference between the benefits paid by the system and the
3 contributions to the system) increased by one half of the regular
4 interest rate, plus 20% of the difference between this expected value
5 and the full market value of the assets as of the end of the valuation
6 period.

7 The tables of actuarial assumptions previously adopted by the
8 commission for the valuation periods ending June 30, 1990 and June
9 30, 1991 shall be applicable to the revaluations of the retirement
10 system under P.L.1992, c.125 (C.43:4B-1 et al.).
11 (cf: P.L.1992, c.125, s.10)

12

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

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

17 (2) The uniform percentage contribution rate for members shall be
18 8.5% of compensation.

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

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

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

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

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

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

1 said annuity savings fund, and shall be credited to the individual
2 account of the member from whose salary said deduction was made.

3 (9) Upon the basis of the tables recommended by the actuary which
4 the board adopts and regular interest, the actuary shall compute the
5 amount of the accrued liability as of June 30, 1991 under the projected
6 unit credit method, which is not already covered by the assets of the
7 retirement system, valued in accordance with the asset valuation
8 method established in this section. Using the total amount of this
9 unfunded accrued liability, the actuary shall compute the initial amount
10 of contribution which, if the contribution is increased at a specific rate
11 and paid annually for a specific period of time, will amortize this
12 liability. The State Treasurer shall determine, upon the advice of the
13 Director of the Division of Pensions and Benefits, the board of trustees
14 and the actuary, the rate of increase for the contribution and the time
15 period for full funding of this liability, which shall not exceed 40 years
16 on initial application of this section as amended by this act, P.L.1994,
17 c.62. This shall be known as the "accrued liability contribution." Any
18 increase or decrease in the unfunded accrued liability as a result of
19 actuarial losses or gains for the 10 valuation years following valuation
20 year 1991 shall serve to increase or decrease, respectively, the
21 unfunded accrued liability contribution. Thereafter, any increase or
22 decrease in the unfunded accrued liability as a result of actuarial losses
23 or gains for subsequent valuation years shall serve to increase or
24 decrease, respectively, the amortization period for the unfunded
25 accrued liability, unless an increase in the amortization period will
26 cause it to exceed 30 years. If an increase in the amortization period
27 as a result of actuarial losses for a valuation year would exceed 30
28 years, the accrued liability contribution shall be computed for the
29 valuation year in the same manner provided for the computation of the
30 initial accrued liability contribution under this section. The State may
31 pay all or any portion of its unfunded accrued liability under the
32 retirement system from any source of funds legally available for the
33 purpose, including, without limitation, the proceeds of bonds
34 authorized by law for this purpose.

35 The value of the assets to be used in the computation of the
36 contributions provided for under this section for valuation periods
37 shall be the value of the assets for the preceding valuation period
38 increased by the regular interest rate, plus the net cash flow for the
39 valuation period (the difference between the benefits and expenses
40 paid by the system and the contributions to the system) increased by
41 one half of the regular interest rate, plus 20% of the difference
42 between this expected value and the full market value of the assets as
43 of the end of the valuation period. This shall be known as the
44 "valuation assets." Notwithstanding the first sentence of this
45 paragraph, the valuation assets allocated to the State for the valuation
46 period ending June 30, 1995 shall be the full market value of the assets

1 as of that date and shall include the proceeds from the bonds issued
2 pursuant to the Pension Bond Financing Act of 1997, P.L. _____, c.
3 (now pending before the Legislature as _____), paid to the system by the
4 New Jersey Economic Development Authority to fund the unfunded
5 accrued liability of the system.

6 "Excess valuation assets" means the valuation assets allocated to
7 the State for a valuation period less the actuarial accrued liability of
8 the State for the valuation period, if the sum is greater than zero. If
9 there are excess valuation assets allocated to the State for the
10 valuation period ending June 30, 1995, the normal contributions
11 payable by the State for the valuation periods ending June 30, 1995,
12 and June 30, 1996 which have not yet been paid to the retirement
13 system shall be reduced to the extent possible by the excess valuation
14 assets allocated to the State. If there are excess valuation assets
15 allocated to the State for a valuation period ending after June 30,
16 1995, the normal contribution payable by the State for the next
17 valuation period shall be reduced to the extent possible by the excess
18 valuation assets allocated to the State.

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

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

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

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

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

1 by the retirement system of the employer's contribution to the system.

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

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

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

16 (cf: P.L.1994, c.62, s.11)

17

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

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

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

30 b. Upon the basis of the tables recommended by the actuary which
31 the board adopts and regular interest, the actuary shall compute the
32 amount of the accrued liability of the retirement system as of June 30,
33 1992, which is not already covered by the assets of the retirement
34 system, valued in accordance with the asset valuation method
35 established in this section. Using the total amount of this unfunded
36 accrued liability, the actuary shall compute the initial amount of
37 contribution which, if the contribution is increased at a specific rate
38 and paid annually for a specific period of time, will amortize this
39 liability. The State Treasurer shall determine, upon the advice of the
40 Director of the Division of Pensions and Benefits, the board of trustees
41 and the actuary, the rate of increase for the contribution and the time
42 period for full funding of this liability, which shall not exceed 40 years
43 on initial application of this section as amended by this act, P.L.1994,
44 c.62. This shall be known as the "accrued liability contribution." Any
45 increase or decrease in the unfunded accrued liability as a result of
46 actuarial losses or gains for the 10 valuation years following valuation

1 year 1992 shall serve to increase or decrease, respectively, the
2 unfunded accrued liability contribution. Thereafter, any increase or
3 decrease in the unfunded accrued liability as a result of actuarial losses
4 or gains for subsequent valuation years shall serve to increase or
5 decrease, respectively, the amortization period for the unfunded
6 accrued liability, unless an increase in the amortization period will
7 cause it to exceed 30 years. If an increase in the amortization period
8 as a result of actuarial losses for a valuation year would exceed 30
9 years, the accrued liability contribution shall be computed for the
10 valuation year in the same manner provided for the computation of the
11 initial accrued liability contribution under this section. The State may
12 pay all or any portion of its unfunded accrued liability under the
13 retirement system from any source of funds legally available for the
14 purpose, including, without limitation, the proceeds of bonds
15 authorized by law for this purpose.

16 The value of the assets to be used in the computation of the
17 contributions provided for under this section for valuation periods
18 shall be the value of the assets for the preceding valuation period
19 increased by the regular interest rate, plus the net cash flow for the
20 valuation period (the difference between the benefits and expenses
21 paid by the system and the contributions to the system) increased by
22 one half of the regular interest rate, plus 20% of the difference
23 between this expected value and the full market value of the assets as
24 of the end of the valuation period. This shall be known as the
25 "valuation assets." Notwithstanding the first sentence of this
26 paragraph, the valuation assets for the valuation period ending June
27 30, 1996 shall be the full market value of the assets as of that date and
28 shall include the proceeds from the bonds issued pursuant to the
29 Pension Bond Financing Act of 1997, P.L. , c. (now pending
30 before the Legislature as), paid to the system by the New Jersey
31 Economic Development Authority to fund the unfunded accrued
32 liability of the system.

33 "Excess valuation assets" means the valuation assets for a valuation
34 period less the actuarial accrued liability for the valuation period, if the
35 sum is greater than zero. If there are excess valuation assets for the
36 valuation period ending June 30, 1996, the normal contributions for
37 the valuation periods ending June 30, 1996 and June 30, 1997 which
38 have not yet been paid to the retirement system shall be reduced to the
39 extent possible by the excess valuation assets. If there are excess
40 valuation assets for a valuation period ending after June 30, 1996, the
41 normal contribution payable for the next valuation period shall be
42 reduced to the extent possible by the excess valuation assets.

43 c. The actuary shall certify annually the aggregate amount payable
44 to the Contingent Reserve Fund in the ensuing year, which amount
45 shall be equal to the sum of the amounts described in this section. The
46 State shall pay into the Contingent Reserve Fund during the ensuing

1 year the amount so certified. In the event the amount certified to be
2 paid by the State includes amounts due for services rendered by
3 members to specific instrumentalities or authorities the total amounts
4 so certified shall be paid to the retirement system by the State;
5 provided, however, the full cost attributable to such services rendered
6 to such instrumentalities and authorities shall be computed separately
7 by the actuary and the State shall be reimbursed for such amounts by
8 such instrumentalities or authorities.

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

13 (cf: P.L.1994, c.62, ss.13,1)

14

15 8. This act shall take effect immediately.

16

17

18 STATEMENT

19

20 The purpose of this legislation is to revise the funding provisions
21 applicable to the State retirement systems to provide that the State
22 may pay its unfunded accrued liabilities under the systems from any
23 source of funds legally available for the purpose, including, without
24 limitation, the proceeds of bonds authorized by law for this purpose,
25 and may reduce its normal contributions to the systems to the extent
26 possible from excess assets not needed to cover the costs of all
27 accrued benefits under the systems and the projected liability of the
28 State from the phase-in of funding for COLA benefits under the Public
29 Employees' Retirement System and the Teachers' Pension and Annuity
30 Fund. The legislation further provides that the value of the assets of
31 the retirement systems shall be set at the full market value of the assets
32 as of the valuation date of the valuation reports applicable to fiscal
33 year 1998.

34

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36

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38 Revises funding provisions applicable to State retirement systems.