

# 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 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

## STATEMENT

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

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38 Revises funding provisions applicable to State retirement systems.