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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 <sup>1</sup>[compute the] annually determine if there is an<sup>1</sup> amount  
21 of the accrued liability of the retirement system <sup>1</sup>[as of March 31,  
22 1992], computed<sup>1</sup> under the projected unit credit method, <sup>1</sup>[excluding]  
23 including<sup>1</sup> the liability for pension adjustment benefits for active  
24 employees funded pursuant to section 2 of P.L.1987, c.385  
25 (C.18A:66-18.1), which is not already covered by the assets of the  
26 retirement system, valued in accordance with the asset valuation  
27 method established in this section. <sup>1</sup>[Using] This shall be known as  
28 the "unfunded accrued liability." If there was no unfunded accrued  
29 liability for the valuation period immediately preceding the current  
30 valuation period, the actuary, using<sup>1</sup> the total amount of this unfunded

**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.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Assembly AAP committee amendments adopted March 20, 1997.

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

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

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

45 (1) the valuation assets; less

46 (2) the actuarial accrued liability for basic benefits and pension

1 adjustment benefits, excluding the unfunded accrued liability for early  
2 retirement incentive benefits pursuant to P.L.1991, c.231 and  
3 P.L.1993, c.163 for employers other than the State; less

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

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

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

16 If there are excess valuation assets for the valuation period ending  
17 March 31, 1996, the normal contributions for the valuation periods  
18 ending March 31, 1996 and March 31, 1997 which have not yet been  
19 paid to the retirement system shall be reduced to the extent possible  
20 by the excess valuation assets, but the normal contribution for the  
21 valuation period ending March 31, 1996 shall not be less than  
22 \$54,000,000. If there are excess valuation assets for a valuation  
23 period ending after March 31, 1996, the normal contribution payable  
24 for the next valuation period shall be reduced<sup>1</sup>[to the extent possible  
25 by the excess valuation assets] as follows:

26 (1) for valuation periods ending March 31, 1997 through March  
27 31, 2001, to the extent possible by 100% of the excess valuation  
28 assets;

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

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

33 (4) for valuation periods ending on or after March 31, 2004, to the  
34 extent possible by 50% of the excess valuation assets<sup>1</sup>.

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

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

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

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

1 the State.  
2 (cf: P.L.1994, c.62, s.2)

3  
4 <sup>1</sup>2. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended to  
5 read as follows:

6 2. Pension adjustment benefits for members and beneficiaries of  
7 the Teachers' Pension and Annuity Fund as provided by the "Pension  
8 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) shall be paid by  
9 the retirement system and shall be funded as employer obligations by  
10 the same method provided by law for the funding of employer  
11 obligations for the basic retirement benefits provided by the retirement  
12 system. [Normal and accrued liability contributions for pension  
13 adjustment benefits for active employees shall be determined for the  
14 1992 valuation year and shall be phased in so that the level of  
15 recognition of the full normal and accrued liability contributions shall  
16 be 20% for valuation year 1992 and 23.33% for valuation year 1993,  
17 and shall be increased by 2.33% for each valuation year thereafter until  
18 the full normal and accrued liability contributions are fully  
19 recognized.]

20 Health care benefits for qualified retirees and their dependents as  
21 provided by section 3 of P.L.1987, c.384 (C.52:14-17.32f) shall be  
22 funded and paid by the retirement system through a separate fund or  
23 trust of the retirement system in accordance with the requirements of  
24 the federal Internal Revenue Code. Beginning with the actuarial  
25 valuation period ending March 31, 1994, the actuary of the retirement  
26 system shall annually compute a contribution to fund these health care  
27 benefits which shall be the amount necessary to pay the anticipated  
28 premiums or periodic charges for the benefits for the following  
29 valuation period and to provide that the balance in the fund as of the  
30 end of the following valuation period shall be increased by 1/2 of 1%  
31 of the salary of the active members for the valuation period. If the  
32 assets in the fund are insufficient to pay the premiums or periodic  
33 charges for the benefits, they shall be paid directly by the State.<sup>1</sup>

34 (cf: P.L.1994,c.62,s.3)

35  
36 <sup>1</sup>[2.] 3.<sup>1</sup> Section 33 of P.L.1973, c.140 (C.43:6A-33) is amended  
37 to read as follows:

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

46 b. Upon the basis of the tables recommended by the actuary which

1 the commission adopts and regular interest, the actuary shall  
2 <sup>1</sup>[compute the] annually determine if there is an <sup>1</sup>amount of the  
3 accrued liability of the retirement system <sup>1</sup>[as of June 30, 1992],  
4 computed under the projected unit credit method<sup>1</sup>, which is not  
5 already covered by the assets of the retirement system, valued in  
6 accordance with the asset valuation method established in this section.  
7 <sup>1</sup>[Using] This shall be known as the "unfunded accrued liability." If  
8 there was no unfunded accrued liability for the valuation period  
9 immediately preceding the current valuation period, the actuary, using<sup>1</sup>  
10 the total amount of this unfunded accrued liability, <sup>1</sup>[the actuary]<sup>1</sup>  
11 shall compute the initial amount of contribution which, if the  
12 contribution is increased at a specific rate and paid annually for a  
13 specific period of time, will amortize this liability. The State Treasurer  
14 shall determine, upon the advice of the Director of the Division of  
15 Pensions and Benefits, the commission and the actuary, the rate of  
16 increase for the contribution and the time period for full funding of this  
17 liability, which shall not exceed <sup>1</sup>[40] 30<sup>1</sup> years <sup>1</sup>[on initial application  
18 of this section as amended by this act, P.L.1994, c.62]<sup>1</sup>. This shall be  
19 known as the "accrued liability contribution." <sup>1</sup>[Any increase or  
20 decrease in the unfunded accrued liability as a result of actuarial losses  
21 or gains for the 10 valuation years following valuation year 1992 shall  
22 serve to increase or decrease, respectively, the unfunded accrued  
23 liability contribution.]<sup>1</sup> Thereafter, any increase or decrease in the  
24 unfunded accrued liability as a result of actuarial losses or gains for  
25 subsequent valuation years shall serve to increase or decrease,  
26 respectively, the amortization period for the unfunded accrued liability,  
27 unless an increase in the amortization period will cause it to exceed 30  
28 years. If an increase in the amortization period as a result of actuarial  
29 losses for a valuation year would exceed 30 years, the accrued liability  
30 contribution shall be computed for the valuation year in the same  
31 manner provided for the computation of the initial accrued liability  
32 contribution under this section. The State may pay all or any portion  
33 of its unfunded accrued liability under the retirement system from any  
34 source of funds legally available for the purpose, including, without  
35 limitation, the proceeds of bonds authorized by law for this purpose.  
36

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

1 paragraph, the valuation assets for the valuation period ending June  
 2 30, 1996 shall be the full market value of the assets as of that date and  
 3 shall include the proceeds from the bonds issued pursuant to the  
 4 Pension Bond Financing Act of 1997, P.L. , c. (now pending before  
 5 the Legislature as ), paid to the system by the New Jersey  
 6 Economic Development Authority to fund the unfunded accrued  
 7 liability of the system.

8 "Excess valuation assets" means the valuation assets for a valuation  
 9 period less the actuarial accrued liability for the valuation period, if the  
 10 sum is greater than zero. If there are excess valuation assets for the  
 11 valuation period ending June 30, 1996, the normal contributions for  
 12 the valuation periods ending June 30, 1996 and June 30, 1997 which  
 13 have not yet been paid to the retirement system shall be reduced to the  
 14 extent possible by the excess valuation assets. If there are excess  
 15 valuation assets for a valuation period ending after June 30, 1996, the  
 16 normal contribution payable for the next valuation period shall be  
 17 reduced<sup>1</sup>[to the extent possible by the excess valuation assets] as  
 18 follows:

19 (1) for valuation periods ending June 30, 1997 through June 30,  
 20 2001, to the extent possible by 100% of the excess valuation assets;

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

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

25 (4) for valuation periods ending on or after June 30, 2004, to the  
 26 extent possible by 50% of the excess valuation assets<sup>1</sup>.

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

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

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

37 (cf: P.L.1994, c.62, s.5)

38

39 <sup>1</sup>[3.] 4.<sup>1</sup> Section 7 of P.L.1941, c.220 (C.43:7-13) is amended to  
 40 read as follows:

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

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

45 (b) That the State shall pay into said fund yearly an amount equal  
 46 to 6% of the total salaries paid to the said prison officers who shall

1 benefit by this act, which amount shall be submitted to the Legislature  
2 yearly by the pension commission. The Legislature shall make an  
3 appropriation sufficient to provide for such obligation of the State;

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

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

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

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

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

20

21 <sup>1</sup>[4.] 5.<sup>1</sup> Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended  
22 to read as follows:

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

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

33 b. <sup>1</sup>[Upon] With respect to employers other than the State, upon<sup>1</sup>  
34 the basis of the tables recommended by the actuary which the board  
35 adopts and regular interest, the actuary shall compute the amount of  
36 the accrued liability of the retirement system as of March 31, 1992  
37 under the projected unit credit method, excluding the liability for  
38 pension adjustment benefits for active employees funded pursuant to  
39 section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already  
40 covered by the assets of the retirement system, valued in accordance  
41 with the asset valuation method established in this section. Using the  
42 total amount of this unfunded accrued liability, the actuary shall  
43 compute the initial amount of contribution which, if the contribution  
44 is increased at a specific rate and paid annually for a specific period of  
45 time, will amortize this liability. The State Treasurer shall determine,  
46 upon the advice of the Director of the Division of Pensions and

1 Benefits, the board of trustees and the actuary, the rate of increase for  
2 the contribution and the time period for full funding of this liability,  
3 which shall not exceed 40 years on initial application of this section as  
4 amended by this act, P.L.1994, c.62. This shall be known as the  
5 "accrued liability contribution." Any increase or decrease in the  
6 unfunded accrued liability as a result of actuarial losses or gains for the  
7 10 valuation years following valuation year 1992 shall serve to  
8 increase or decrease, respectively, the unfunded accrued liability  
9 contribution. Thereafter, any increase or decrease in the unfunded  
10 accrued liability as a result of actuarial losses or gains for subsequent  
11 valuation years shall serve to increase or decrease, respectively, the  
12 amortization period for the unfunded accrued liability, unless an  
13 increase in the amortization period will cause it to exceed 30 years.  
14 If an increase in the amortization period as a result of actuarial losses  
15 for a valuation year would exceed 30 years, the accrued liability  
16 contribution shall be computed for the valuation year in the same  
17 manner provided for the computation of the initial accrued liability  
18 contribution under this section.

19 <sup>1</sup>With respect to the State, upon the basis of the tables  
20 recommended by the actuary which the commission adopts and regular  
21 interest, the actuary shall annually determine if there is an amount of  
22 the accrued liability of the retirement system, computed under the  
23 projected unit credit method, which is not already covered by the  
24 assets of the retirement system, valued in accordance with the asset  
25 valuation method established in this section. This shall be known as  
26 the "unfunded accrued liability." If there was no unfunded accrued  
27 liability for the valuation period immediately preceding the current  
28 valuation period, the actuary, using the total amount of this unfunded  
29 accrued liability, shall compute the initial amount of contribution  
30 which, if the contribution is increased at a specific rate and paid  
31 annually for a specific period of time, will amortize this liability. The  
32 State Treasurer shall determine, upon the advice of the Director of the  
33 Division of Pensions and Benefits, the commission and the actuary, the  
34 rate of increase for the contribution and the time period for full  
35 funding of this liability, which shall not exceed 30 years. This shall be  
36 known as the "accrued liability contribution." Thereafter, any increase  
37 or decrease in the unfunded accrued liability as a result of actuarial  
38 losses or gains for subsequent valuation years shall serve to increase  
39 or decrease, respectively, the amortization period for the unfunded  
40 accrued liability, unless an increase in the amortization period will  
41 cause it to exceed 30 years. If an increase in the amortization period  
42 as a result of actuarial losses for a valuation year would exceed 30  
43 years, the accrued liability contribution shall be computed for the  
44 valuation year in the same manner provided for the computation of the  
45 initial accrued liability contribution under this section.<sup>1</sup> The State may  
46 pay all or any portion of its unfunded accrued liability under the

1 retirement system from any source of funds legally available for the  
 2 purpose, including, without limitation, the proceeds of bonds  
 3 authorized by law for this purpose.

4 The value of the assets to be used in the computation of the  
 5 contributions provided for under this section for valuation periods  
 6 shall be the value of the assets for the preceding valuation period  
 7 increased by the regular interest rate, plus the net cash flow for the  
 8 valuation period (the difference between the benefits and expenses  
 9 paid by the system and the contributions to the system) increased by  
 10 one half of the regular interest rate, plus 20% of the difference  
 11 between this expected value and the full market value of the assets as  
 12 of the end of the valuation period. This shall be known as the  
 13 "valuation assets." Notwithstanding the first sentence of this  
 14 paragraph, the valuation assets <sup>1</sup>[allocated to the State]<sup>1</sup> for the  
 15 valuation period ending March 31, 1996 shall be the full market value  
 16 of the assets as of that date and <sup>1</sup>, with respect to the valuation assets  
 17 allocated to the State,<sup>1</sup> 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<sup>1</sup>, with  
 23 respect to the valuation assets allocated to the State<sup>1</sup>:

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

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

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

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

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

40 <sup>1</sup>"Excess valuation assets" for a valuation period means, with  
 41 respect to the valuation assets allocated to other employers:

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

43 (2) the actuarial accrued liability of the other employers for basic  
 44 benefits and pension adjustment benefits under the retirement system,  
 45 excluding the unfunded accrued liability for early retirement incentive  
 46 benefits pursuant to P.L.1991, c.229, P.L.1991, c.230, P.L.1993,

1 c.138, and P.L.1993, c.181, for employers other than the State; less  
2 (3) the contributory group insurance premium fund, created by  
3 section 4 of P.L.1954, c.214 (C.43:15A-91), as amended by section 4  
4 of P.L.1960, c.79; less

5 (4) the present value of the projected total normal cost for pension  
6 adjustment benefits in excess of the projected total phased-in normal  
7 cost for pension adjustment benefits for the other employers  
8 authorized by section 2 of P.L.1990, c. 6 (C.43:15A-24.1) over the  
9 full phase-in period, determined in the manner prescribed for the  
10 determination and amortization of the unfunded accrued liability of the  
11 system, if the sum of the foregoing items is greater than zero.<sup>1</sup>

12 If there are excess valuation assets allocated to the State<sup>1</sup> or to the  
13 other employers<sup>1</sup> for the valuation period ending March 31, 1996, the  
14 normal contributions payable by the State<sup>1</sup> or by the other employers  
15 <sup>1</sup>for the valuation periods ending March 31, 1996 and March 31, 1997  
16 which have not yet been paid to the retirement system shall be reduced  
17 to the extent possible by the excess valuation assets allocated to the  
18 State<sup>1</sup> or to the other employers, respectively<sup>1</sup>. If there are excess  
19 valuation assets allocated to the State<sup>1</sup> or to the other employers<sup>1</sup> for  
20 a valuation period ending after March 31, 1996, the normal  
21 contribution payable by the State<sup>1</sup> or by the other employers<sup>1</sup> for the  
22 next valuation period shall be reduced<sup>1</sup> [to the extent possible by the  
23 excess valuation assets allocated to the State] as follows:

24 (1) for valuation periods ending March 31, 1997 through March  
25 31, 2001, to the extent possible by 100% of the excess valuation assets  
26 allocated to the State or to the other employers, respectively;

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

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

33 (4) for valuation periods ending on or after March 31, 2004, to the  
34 extent possible by 50% of the excess valuation assets allocated to the  
35 State or to the other employers, respectively<sup>1</sup>.

36 c. The retirement system shall certify annually the aggregate  
37 amount payable to the contingent reserve fund in the ensuing year,  
38 which amount shall be equal to the sum of the amounts described in  
39 this section. The State shall pay into the contingent reserve fund  
40 during the ensuing year the amount so determined. The death benefits,  
41 payable as a result of contribution by the State under the provisions of  
42 this chapter upon the death of an active or retired member, shall be  
43 paid from the contingent reserve fund.

44 d. The disbursements for benefits not covered by reserves in the  
45 system on account of veterans shall be met by direct contributions of

1 the State and other employers.

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

3

4 <sup>1</sup>6. Section 2 of P.L.1990, c.6 (C.43:15A-24.1) is amended to read  
5 as follows:

6 2. Pension adjustment benefits for members and beneficiaries of  
7 the Public Employees' Retirement System provided by the "Pension  
8 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) shall be paid by  
9 the retirement system and shall be funded as employer obligations by  
10 the same method provided by law for the funding of employer  
11 obligations for the basic retirement benefits provided by the retirement  
12 system. Normal and accrued liability contributions for pension  
13 adjustment benefits for active employees of employers other than the  
14 State shall be determined for the 1992 valuation year and shall be  
15 phased in so that the level of recognition of the full normal and  
16 accrued liability contributions for the State and other employers shall  
17 be 20% for valuation year 1992 and 24% for valuation year 1993, and  
18 shall be increased by 2.24% for each valuation year thereafter until the  
19 full normal and accrued liability contributions are fully recognized.

20 Health care benefits for retired State employees and their  
21 dependents for which the State is required to pay the premiums or  
22 periodic charges under the "New Jersey State Health Benefits Program  
23 Act," P.L.1961, c.49 (C.52:14-17.25 et seq.), shall be funded and paid  
24 by the retirement system through a separate fund or trust of the  
25 retirement system in accordance with the requirements of the federal  
26 Internal Revenue Code. Beginning with the actuarial valuation period  
27 ending March 31, 1994, the actuary of the retirement system shall  
28 annually compute a contribution to fund these health care benefits  
29 which shall be the amount necessary to pay the anticipated premiums  
30 or periodic charges for the benefits for the following valuation period  
31 and to provide that the balance in the fund as of the end of the  
32 following valuation period shall be increased by 1/2 of 1% of the  
33 salary of the active members for the valuation period. If the assets in  
34 the fund are insufficient to pay the premiums or periodic charges for  
35 the benefits, they shall be paid directly by the State.<sup>1</sup>

36 (cf: P.L.1994,c.62,s.8)

37

38 <sup>1</sup>[5.] 7.<sup>1</sup> R.S.43:16-5 is amended to read as follows:

39 43:16-5. For the purpose of paying the pensions provided by this  
40 chapter, all pension funds heretofore created and in existence pursuant  
41 to the provisions of an act entitled "An act providing for the retirement  
42 of policemen and firemen of the police and fire departments in  
43 municipalities of this State, including all police officers having  
44 supervision of regulation of traffic upon county roads, and providing  
45 a pension for such retired policemen and firemen and members of the  
46 police and fire departments, and the widows, children and sole

1 dependent parents of deceased members of said departments,"  
2 approved April 15, 1920 (P.L.1920, c.160), and chapter 16 of Title 43  
3 of the Revised Statutes, shall, from and after July 1, 1953, be  
4 consolidated, and, as so consolidated, shall be transferred to and  
5 placed under the Consolidated Police and Firemen's Pension Fund  
6 created by the provisions of this chapter. All rights and privileges  
7 created and extended to members of a municipal police department or  
8 of a paid or part-paid fire department or of a county police  
9 department, including members of the paid or part-paid fire  
10 department of any fire district located in any township which has  
11 adopted said act or said chapter of the Revised Statutes are hereby  
12 expressly preserved, continued and transferred from said pension funds  
13 to said consolidated fund. Nothing herein contained shall be deemed  
14 to affect or impair the right of any beneficiary of any of the funds so  
15 created, but all rights of such beneficiaries which have accrued or may  
16 accrue in or against any such pension fund shall be deemed to have  
17 accrued or to accrue against the funds so consolidated. Said  
18 consolidated fund shall be maintained as follows:

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

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

27 (1) An amount equal to 6% of the total of salaries annually paid to  
28 the members of the consolidated fund under said employer's  
29 jurisdiction, which shall be known as the employer's normal  
30 contribution, and which shall be paid into said fund no later than April  
31 1 of the State's fiscal year in which payment is due.

32 (2) An additional amount annually for a period of 30 years,  
33 commencing July 1, 1953, equal to  $66 \frac{2}{3}\%$  of the share of the  
34 particular employer of the annual amortization payment determined by  
35 the actuary to be required to bring the fund to a state of actuarial  
36 solvency at the end of the said 30-year period. In determining an  
37 employer's share of said annual amortization payment, the actuary shall  
38 determine separately, and give due credit to the value of the assets  
39 transferred by such employer to said consolidated fund. The amount  
40 of each of such annual payments shall be certified by the fund to the  
41 treasurer of each employer prior to the first day of the year in which  
42 such payment is required to be made, and said amount shall be  
43 appropriated in said employer's budget for that year. Said annual  
44 payment, which shall be known as the employer's accrued liability  
45 contribution, shall be made in two equal portions; the first on the first  
46 day of each year, and the second on July 1 of each year.

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

4 (4) A fee, payable no later than April 1 of the State's fiscal year in  
5 which payment of the employer's normal contribution is due and  
6 consisting of such proportion of the administrative expense of the  
7 consolidated fund as the number of active and retired members under  
8 the jurisdiction of such employer, or their beneficiaries, then bears to  
9 the total number of active and retired members under the jurisdiction  
10 of such employer, or their beneficiaries, then bears to the total number  
11 of active and retired members and beneficiaries in the consolidated  
12 fund.

13 (c) The State of New Jersey shall contribute annually, throughout  
14 a period of 20 years, commencing July 1, 1972, such amount as may  
15 be necessary to make up the balance of the accrued liability of the  
16 consolidated fund. The amount of such annual contributions by the  
17 State shall be certified to the State Treasurer by the actuary at the time  
18 required for other State departmental budgetary certifications. All  
19 funds necessary to meet the State's share of said annual payments shall  
20 be included in the annual State budget and appropriated by the  
21 Legislature.

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

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

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

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

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

37 (h) Upon the basis of tables recommended by the actuary which the  
38 commission adopts after consultation with the Director of the Division  
39 of Pensions and Benefits, the actuary shall compute the amount of  
40 unfunded liability of the fund as of June 30, 1990 which is not already  
41 covered by the assets of the fund, valued in accordance with the asset  
42 valuation method established in this section, and prospective employer  
43 normal contributions and employee contributions. Using the total  
44 amount of this unfunded liability, the actuary shall compute the  
45 amount of the flat annual payment which, if paid in each succeeding  
46 fiscal year, commencing with July 1, 1991, for a period of nine years,

1 will provide for this liability. This payment shall be increased or  
2 decreased in succeeding fiscal years to amortize any actuarial loss or  
3 gain over the remaining time in this nine-year period. Any unfunded  
4 liability remaining after this nine-year period shall be funded by direct  
5 State appropriations. The actuary shall annually certify over the  
6 nine-year period the amount payable to the fund in the ensuing year,  
7 and the State shall pay into the fund during the ensuing year the  
8 amount so certified. The State may pay all or any portion of its  
9 unfunded accrued liability under the retirement system from any source  
10 of funds legally available for the purpose, including, without limitation,  
11 the proceeds of bonds authorized by law for this purpose.

12 [The value of the assets for the valuation period ending June 30,  
13 1990 shall be the full market value of the assets as of that date. The  
14 value of the assets for the valuation period ending June 30, 1991 shall  
15 be the value of the assets for the preceding valuation period increased  
16 by 8 3/4%, plus the net cash flow for the valuation period (the  
17 difference between the benefits paid by the system and the  
18 contributions to the system) increased by 4 3/8%, plus 20% of the  
19 difference between this expected value and the full market value of the  
20 assets as of June 30, 1991.] The value of the assets for the valuation  
21 periods ending on or after June 30, 1992 shall be the value of the  
22 assets for the preceding valuation period increased by the regular  
23 interest rate, plus the net cash flow for the valuation period (the  
24 difference between the benefits paid by the system and the  
25 contributions to the system) increased by one half of the regular  
26 interest rate, plus 20% of the difference between this expected value  
27 and the full market value of the assets as of the end of the valuation  
28 period.

29 The tables of actuarial assumptions previously adopted by the  
30 commission for the valuation periods ending June 30, 1990 and June  
31 30, 1991 shall be applicable to the revaluations of the retirement  
32 system under P.L.1992, c.125 (C.43:4B-1 et al.).  
33 (cf: P.L.1992, c.125, s.10)

34  
35 <sup>1</sup>[6.] §.1 Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended  
36 to read as follows:

37 15. (1) The contributions required for the support of the  
38 retirement system shall be made by members and their employers.

39 (2) The uniform percentage contribution rate for members shall be  
40 8.5% of compensation.

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

42 (4) Upon the basis of the tables recommended by the actuary which  
43 the board adopts and regular interest, the actuary shall compute  
44 annually, beginning as of June 30, 1991, the amount of contribution  
45 which shall be the normal cost as computed under the projected unit  
46 credit method attributable to service rendered under the retirement

1 system for the year beginning on July 1 immediately succeeding the  
2 date of the computation. This shall be known as the "normal  
3 contribution."

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

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

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

12 (8) The deductions provided for herein shall be made  
13 notwithstanding that the minimum salary provided for by law for any  
14 member shall be reduced thereby. Every member shall be deemed to  
15 consent and agree to the deductions made and provided for herein, and  
16 payment of salary or compensation less said deduction shall be a full  
17 and complete discharge and acquittance of all claims and demands  
18 whatsoever for the service rendered by such person during the period  
19 covered by such payment, except as to the benefits provided under this  
20 act. The chief fiscal officer of each employer shall certify to the  
21 retirement system in such manner as the retirement system may  
22 prescribe, the amounts deducted; and when deducted shall be paid into  
23 said annuity savings fund, and shall be credited to the individual  
24 account of the member from whose salary said deduction was made.

25 (9) <sup>1</sup>[Upon] With respect to employers other than the State, upon<sup>1</sup>  
26 the basis of the tables recommended by the actuary which the board  
27 adopts and regular interest, the actuary shall compute the amount of  
28 the accrued liability as of June 30, 1991 under the projected unit credit  
29 method, which is not already covered by the assets of the retirement  
30 system, valued in accordance with the asset valuation method  
31 established in this section. Using the total amount of this unfunded  
32 accrued liability, the actuary shall compute the initial amount of  
33 contribution which, if the contribution is increased at a specific rate  
34 and paid annually for a specific period of time, will amortize this  
35 liability. The State Treasurer shall determine, upon the advice of the  
36 Director of the Division of Pensions and Benefits, the board of trustees  
37 and the actuary, the rate of increase for the contribution and the time  
38 period for full funding of this liability, which shall not exceed 40 years  
39 on initial application of this section as amended by this act, P.L.1994,  
40 c.62. This shall be known as the "accrued liability contribution." Any  
41 increase or decrease in the unfunded accrued liability as a result of  
42 actuarial losses or gains for the 10 valuation years following valuation  
43 year 1991 shall serve to increase or decrease, respectively, the  
44 unfunded accrued liability contribution. Thereafter, any increase or  
45 decrease in the unfunded accrued liability as a result of actuarial losses  
46 or gains for subsequent valuation years shall serve to increase or

1 decrease, respectively, the amortization period for the unfunded  
2 accrued liability, unless an increase in the amortization period will  
3 cause it to exceed 30 years. If an increase in the amortization period  
4 as a result of actuarial losses for a valuation year would exceed 30  
5 years, the accrued liability contribution shall be computed for the  
6 valuation year in the same manner provided for the computation of the  
7 initial accrued liability contribution under this section.

8 <sup>1</sup>With respect to the State, upon the basis of the tables  
9 recommended by the actuary which the board adopts and regular  
10 interest, the actuary shall annually determine if there is an amount of  
11 the accrued liability, computed under the projected unit credit method,  
12 which is not already covered by the assets of the retirement system,  
13 valued in accordance with the asset valuation method established in  
14 this section. This shall be known as the "unfunded accrued liability."  
15 If there was no unfunded accrued liability for the valuation period  
16 immediately preceding the current valuation period, the actuary, using  
17 the total amount of this unfunded accrued liability, shall compute the  
18 initial amount of contribution which, if the contribution is increased at  
19 a specific rate and paid annually for a specific period of time, will  
20 amortize this liability. The State Treasurer shall determine, upon the  
21 advice of the Director of the Division of Pensions and Benefits, the  
22 board of trustees and the actuary, the rate of increase for the  
23 contribution and the time period for full funding of this liability, which  
24 shall not exceed 30 years. This shall be known as the "accrued liability  
25 contribution." Thereafter, any increase or decrease in the unfunded  
26 accrued liability as a result of actuarial losses or gains for subsequent  
27 valuation years shall serve to increase or decrease, respectively, the  
28 amortization period for the unfunded accrued liability, unless an  
29 increase in the amortization period will cause it to exceed 30 years.  
30 If an increase in the amortization period as a result of actuarial losses  
31 for a valuation year would exceed 30 years, the accrued liability  
32 contribution shall be computed for the valuation year in the same  
33 manner provided for the computation of the initial accrued liability  
34 contribution under this section.<sup>1</sup> The State may pay all or any portion  
35 of its unfunded accrued liability under the retirement system from any  
36 source of funds legally available for the purpose, including, without  
37 limitation, the proceeds of bonds authorized by law for this purpose.

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

1 "valuation assets." Notwithstanding the first sentence of this  
2 paragraph, the valuation assets <sup>1</sup>[allocated to the State]<sup>1</sup> for the  
3 valuation period ending June 30, 1995 shall be the full market value of  
4 the assets as of that date and<sup>1</sup>, with respect to the valuation assets  
5 allocated to the State,<sup>1</sup> shall include the proceeds from the bonds  
6 issued pursuant to the Pension Bond Financing Act of 1997, P.L. \_\_,   
7 c. (now pending before the Legislature as \_\_), paid to the system  
8 by the New Jersey Economic Development Authority to fund the  
9 unfunded accrued liability of the system.

10 "Excess valuation assets" means<sup>1</sup>, with respect to the valuation  
11 assets allocated to the State,<sup>1</sup> the valuation assets allocated to the  
12 State for a valuation period less the actuarial accrued liability of the  
13 State for the valuation period, if the sum is greater than zero.  
14 <sup>1</sup>"Excess valuation assets" means, with respect to the valuation assets  
15 allocated to other employers, the valuation assets allocated to the  
16 other employers for a valuation period less the actuarial accrued  
17 liability of the other employers for the valuation period, excluding the  
18 unfunded accrued liability for early retirement incentive benefits  
19 pursuant to P.L.1993, c.99 for the other employers, if the sum is  
20 greater than zero.<sup>1</sup>

21 If there are excess valuation assets allocated to the State <sup>1</sup>or to the  
22 other employers<sup>1</sup> for the valuation period ending June 30, 1995, the  
23 normal contributions payable by the State <sup>1</sup>or by the other employers<sup>1</sup>  
24 for the valuation periods ending June 30, 1995, and June 30, 1996  
25 which have not yet been paid to the retirement system shall be reduced  
26 to the extent possible by the excess valuation assets allocated to the  
27 State <sup>1</sup>or to the other employers, respectively<sup>1</sup>. If there are excess  
28 valuation assets allocated to the State <sup>1</sup>or to the other employers<sup>1</sup> for  
29 a valuation period ending after June 30, 1995, the normal contribution  
30 payable by the State <sup>1</sup>or by the other employers<sup>1</sup> for the next valuation  
31 period shall be reduced <sup>1</sup>[to the extent possible by the excess valuation  
32 assets allocated to the State] as follows:

33 (1) for valuation periods ending June 30, 1996 through June 30,  
34 2000, to the extent possible by 100% of the excess valuation assets  
35 allocated to the State or to the other employers, respectively;

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

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

42 (4) for valuation periods ending on or after June 30, 2003, to the  
43 extent possible by 50% of the excess valuation assets allocated to the  
44 State or to the other employers, respectively <sup>1</sup>.

45 The normal and accrued liability contributions shall be certified  
46 annually by the retirement system and shall be included in the budget

1 of the employer and levied and collected in the same manner as any  
2 other taxes are levied and collected for the payment of the salaries of  
3 members.

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

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

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

20 (11) The expenses of administration of the retirement system shall  
21 be paid by the State of New Jersey. Each employer shall reimburse the  
22 State for a proportionate share of the amount paid by the State for  
23 administrative expense. This proportion shall be computed as the  
24 number of members under the jurisdiction of such employer bears to  
25 the total number of members in the system. The pro rata share of the  
26 cost of administrative expense shall be included with the certification  
27 by the retirement system of the employer's contribution to the system.

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

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

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

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

43

44 <sup>1</sup>[7.] 9.<sup>1</sup> Section 34 of P.L.1965, c.89 (C.53:5A-34) is amended to  
45 read as follows:

46 34. The Contingent Reserve Fund shall be the fund in which shall

1 be credited contributions made by the State.

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

10 b. Upon the basis of the tables recommended by the actuary which  
11 the board adopts and regular interest, the actuary shall <sup>1</sup>[compute the]  
12 annually determine if there is an<sup>1</sup> amount of the accrued liability of the  
13 retirement system <sup>1</sup>[as of June 30, 1992], computed under the  
14 projected unit credit method<sup>1</sup>, which is not already covered by the  
15 assets of the retirement system, valued in accordance with the asset  
16 valuation method established in this section. <sup>1</sup>[Using] This shall be  
17 known as the "unfunded accrued liability." If there was no unfunded  
18 accrued liability for the valuation period immediately preceding the  
19 current valuation period, the actuary, using<sup>1</sup> the total amount of this  
20 unfunded accrued liability, <sup>1</sup>[the actuary]<sup>1</sup> shall compute the initial  
21 amount of contribution which, if the contribution is increased at a  
22 specific rate and paid annually for a specific period of time, will  
23 amortize this liability. The State Treasurer shall determine, upon the  
24 advice of the Director of the Division of Pensions and Benefits, the  
25 board of trustees and the actuary, the rate of increase for the  
26 contribution and the time period for full funding of this liability, which  
27 shall not exceed <sup>1</sup>[40] 30<sup>1</sup> years <sup>1</sup>[on initial application of this section  
28 as amended by this act, P.L.1994, c.62]<sup>1</sup>. This shall be known as the  
29 "accrued liability contribution." <sup>1</sup>[Any increase or decrease in the  
30 unfunded accrued liability as a result of actuarial losses or gains for the  
31 10 valuation years following valuation year 1992 shall serve to  
32 increase or decrease, respectively, the unfunded accrued liability  
33 contribution.]<sup>1</sup> Thereafter, any increase or decrease in the unfunded  
34 accrued liability as a result of actuarial losses or gains for subsequent  
35 valuation years shall serve to increase or decrease, respectively, the  
36 amortization period for the unfunded accrued liability, unless an  
37 increase in the amortization period will cause it to exceed 30 years.  
38 If an increase in the amortization period as a result of actuarial losses  
39 for a valuation year would exceed 30 years, the accrued liability  
40 contribution shall be computed for the valuation year in the same  
41 manner provided for the computation of the initial accrued liability  
42 contribution under this section. The State may pay all or any portion  
43 of its unfunded accrued liability under the retirement system from any  
44 source of funds legally available for the purpose, including, without  
45 limitation, the proceeds of bonds authorized by law for this purpose.

46 The value of the assets to be used in the computation of the

1 contributions provided for under this section for valuation periods  
2 shall be the value of the assets for the preceding valuation period  
3 increased by the regular interest rate, plus the net cash flow for the  
4 valuation period (the difference between the benefits and expenses  
5 paid by the system and the contributions to the system) increased by  
6 one half of the regular interest rate, plus 20% of the difference  
7 between this expected value and the full market value of the assets as  
8 of the end of the valuation period. This shall be known as the  
9 "valuation assets." Notwithstanding the first sentence of this  
10 paragraph, the valuation assets for the valuation period ending June  
11 30, 1996 shall be the full market value of the assets as of that date and  
12 shall include the proceeds from the bonds issued pursuant to the  
13 Pension Bond Financing Act of 1997, P.L. , c. (now pending  
14 before the Legislature as ), paid to the system by the New Jersey  
15 Economic Development Authority to fund the unfunded accrued  
16 liability of the system.

17 "Excess valuation assets" means the valuation assets for a valuation  
18 period less the actuarial accrued liability for the valuation period, if the  
19 sum is greater than zero. If there are excess valuation assets for the  
20 valuation period ending June 30, 1996, the normal contributions for  
21 the valuation periods ending June 30, 1996 and June 30, 1997 which  
22 have not yet been paid to the retirement system shall be reduced to the  
23 extent possible by the excess valuation assets. If there are excess  
24 valuation assets for a valuation period ending after June 30, 1996, the  
25 normal contribution payable for the next valuation period shall be  
26 reduced<sup>1</sup>[to the extent possible by the excess valuation assets] as  
27 follows:

28 (1) for valuation periods ending June 30, 1997 through June 30,  
29 2001, to the extent possible by 100% of the excess valuation assets;

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

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

34 (4) for valuation periods ending on or after June 30, 2004, to the  
35 extent possible by 50% of the excess valuation assets<sup>1</sup>.

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

1 such instrumentalities or authorities.

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

6 (cf: P.L.1994, c.62, s.13)

7

8 <sup>1</sup>[8.] 10.<sup>1</sup> This act shall take effect immediately.

9

10

11

12

13 Revises funding provisions applicable to State retirement systems.

WITHDRAWN