

SENATE, No. 1906

STATE OF NEW JERSEY

INTRODUCED MARCH 20, 1997

By Senator EWING

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
34 on initial application of this section as amended by this act, P.L.1994,

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

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

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

37 (1) the valuation assets; less

38 (2) the actuarial accrued liability for basic benefits and pension
39 adjustment benefits, excluding the unfunded accrued liability for early
40 retirement incentive benefits pursuant to P.L.1991, c.231 and
41 P.L.1993, c.163 for employers other than the State; less

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

44 (4) the post-retirement medical premium fund created pursuant to
45 section 2 of P.L.1987, c.385 (C.18A:66-18.1), as amended by section
46 3 of P.L.1994, c.62; less

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

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

17 (1) for valuation periods ending March 31, 1997 through March
18 31, 2001, to the extent possible by 100% of the excess valuation
19 assets;

20 (2) for the valuation period ending March 31, 2002, to the extent
21 possible by 83% of the excess valuation assets;

22 (3) for the valuation period ending March 31, 2003, to the extent
23 possible by 66% of the excess valuation assets; and

24 (4) for valuation periods ending on or after March 31, 2004, to the
25 extent possible by 50% of the excess valuation assets.

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

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

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

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

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

40

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

43 33. a. Upon the basis of the tables recommended by the actuary
44 which the commission adopts and regular interest, the actuary shall
45 compute annually, beginning as of June 30, 1992, the amount of the
46 contribution which shall be the normal cost as computed under the

1 projected unit credit method attributable to service rendered under the
2 retirement system for the year beginning on July 1 immediately
3 succeeding the date of the computation. This shall be known as the
4 "normal contribution."

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

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 as follows:

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

20 (2) for the valuation period ending June 30, 2002, to the extent
21 possible by 83% of the excess valuation assets;

22 (3) for the valuation period ending June 30, 2003, to the extent
23 possible by 66% of the excess valuation assets; and

24 (4) for valuation periods ending on or after June 30, 2004, to the
25 extent possible by 50% of the excess valuation assets.

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

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

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

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

37
38 3. Section 7 of P.L.1941, c.220 (C.43:7-13) is amended to read as
39 follows:

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

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

44 (b) That the State shall pay into said fund yearly an amount equal
45 to 6% of the total salaries paid to the said prison officers who shall
46 benefit by this act, which amount shall be submitted to the Legislature

1 yearly by the pension commission. The Legislature shall make an
2 appropriation sufficient to provide for such obligation of the State;

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

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

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

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

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

19

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

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

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

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

1 which shall not exceed 40 years on initial application of this section as
2 amended by this act, P.L.1994, c.62. This shall be known as the
3 "accrued liability contribution." Any increase or decrease in the
4 unfunded accrued liability as a result of actuarial losses or gains for the
5 10 valuation years following valuation year 1992 shall serve to
6 increase or decrease, respectively, the unfunded accrued liability
7 contribution. Thereafter, any increase or decrease in the unfunded
8 accrued liability as a result of actuarial losses or gains for subsequent
9 valuation years shall serve to increase or decrease, respectively, the
10 amortization period for the unfunded accrued liability, unless an
11 increase in the amortization period will cause it to exceed 30 years.
12 If an increase in the amortization period as a result of actuarial losses
13 for a valuation year would exceed 30 years, the accrued liability
14 contribution shall be computed for the valuation year in the same
15 manner provided for the computation of the initial accrued liability
16 contribution under this section. The State may pay all or any portion
17 of its unfunded accrued liability under the retirement system from any
18 source of funds legally available for the purpose, including, without
19 limitation, the proceeds of bonds 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 allocated to the State for the valuation
31 period ending March 31, 1996 shall be the full market value of the
32 assets as of that date and shall include the proceeds from the bonds
33 issued pursuant to the Pension Bond Financing Act of 1997, P.L. ,
34 c. (now pending before the Legislature as), paid to the system by
35 the New Jersey Economic Development Authority to fund the
36 unfunded accrued liability of the system.

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

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

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

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

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

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

8 If there are excess valuation assets allocated to the State for the
9 valuation period ending March 31, 1996, the normal contributions
10 payable by the State for the valuation periods ending March 31, 1996
11 and March 31, 1997 which have not yet been paid to the retirement
12 system shall be reduced to the extent possible by the excess valuation
13 assets allocated to the State. If there are excess valuation assets
14 allocated to the State for a valuation period ending after March 31,
15 1996, the normal contribution payable by the State for the next
16 valuation period shall be reduced as follows:

17 (1) for valuation periods ending March 31, 1997 through March
18 31, 2001, to the extent possible by 100% of the excess valuation
19 assets;

20 (2) for the valuation period ending March 31, 2002, to the extent
21 possible by 83% of the excess valuation assets;

22 (3) for the valuation period ending March 31, 2003, to the extent
23 possible by 66% of the excess valuation assets; and

24 (4) for valuation periods ending on or after March 31, 2004, to the
25 extent possible by 50% of the excess valuation assets.

26 c. The retirement system shall certify annually the aggregate
27 amount payable to the contingent reserve fund in the ensuing year,
28 which amount shall be equal to the sum of the amounts described in
29 this section. The State shall pay into the contingent reserve fund
30 during the ensuing year the amount so determined. The death benefits,
31 payable as a result of contribution by the State under the provisions of
32 this chapter upon the death of an active or retired member, shall be
33 paid from the contingent reserve fund.

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

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

38
39 5. R.S.43:16-5 is amended to read as follows:

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

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

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

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

28 (1) An amount equal to 6% of the total of salaries annually paid to
29 the members of the consolidated fund under said employer's
30 jurisdiction, which shall be known as the employer's normal
31 contribution, and which shall be paid into said fund no later than April
32 1 of the State's fiscal year in which payment is due.

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

1 day of each year, and the second on July 1 of each year.

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

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

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

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

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

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

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

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

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

1 fiscal year, commencing with July 1, 1991, for a period of nine years,
2 will provide for this liability. This payment shall be increased or
3 decreased in succeeding fiscal years to amortize any actuarial loss or
4 gain over the remaining time in this nine-year period. Any unfunded
5 liability remaining after this nine-year period shall be funded by direct
6 State appropriations. The actuary shall annually certify over the
7 nine-year period the amount payable to the fund in the ensuing year,
8 and the State shall pay into the fund during the ensuing year the
9 amount so certified. The State may pay all or any portion of its
10 unfunded accrued liability under the retirement system from any source
11 of funds legally available for the purpose, including, without limitation,
12 the proceeds of bonds authorized by law for this purpose.

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

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

34 (cf: P.L.1992, c.125, s.10)

35

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

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

40 (2) The uniform percentage contribution rate for members shall be
41 8.5% of compensation.

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

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

1 credit method attributable to service rendered under the retirement
2 system for the year beginning on July 1 immediately succeeding the
3 date of the computation. This shall be known as the "normal
4 contribution."

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

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

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

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

26 (9) Upon the basis of the tables recommended by the actuary which
27 the board adopts and regular interest, the actuary shall compute the
28 amount of the accrued liability as of June 30, 1991 under the projected
29 unit credit method, which is not already covered by the assets of the
30 retirement system, valued in accordance with the asset valuation
31 method established in this section. Using the total amount of this
32 unfunded accrued liability, the actuary shall compute the initial amount
33 of 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. The State may
8 pay all or any portion of its unfunded accrued liability under the
9 retirement system from any source of funds legally available for the
10 purpose, including, without limitation, the proceeds of bonds
11 authorized by law for this purpose.

12 The value of the assets to be used in the computation of the
13 contributions provided for under this section for valuation periods
14 shall be the value of the assets for the preceding valuation period
15 increased by the regular interest rate, plus the net cash flow for the
16 valuation period (the difference between the benefits and expenses
17 paid by the system and the contributions to the system) increased by
18 one half of the regular interest rate, plus 20% of the difference
19 between this expected value and the full market value of the assets as
20 of the end of the valuation period. This shall be known as the
21 "valuation assets." Notwithstanding the first sentence of this
22 paragraph, the valuation assets allocated to the State for the valuation
23 period ending June 30, 1995 shall be the full market value of the assets
24 as of that date and shall include the proceeds from the bonds issued
25 pursuant to the Pension Bond Financing Act of 1997, P.L. , c.
26 (now pending before the Legislature as), paid to the system by the
27 New Jersey Economic Development Authority to fund the unfunded
28 accrued liability of the system.

29 "Excess valuation assets" means the valuation assets allocated to
30 the State for a valuation period less the actuarial accrued liability of
31 the State for the valuation period, if the sum is greater than zero. If
32 there are excess valuation assets allocated to the State for the
33 valuation period ending June 30, 1995, the normal contributions
34 payable by the State for the valuation periods ending June 30, 1995,
35 and June 30, 1996 which have not yet been paid to the retirement
36 system shall be reduced to the extent possible by the excess valuation
37 assets allocated to the State. If there are excess valuation assets
38 allocated to the State for a valuation period ending after June 30,
39 1995, the normal contribution payable by the State for the next
40 valuation period shall be reduced as follows:

41 (1) for valuation periods ending June 30, 1996 through June 30,
42 2000, to the extent possible by 100% of the excess valuation assets;

43 (2) for the valuation period ending June 30, 2001, to the extent
44 possible by 83% of the excess valuation assets;

45 (3) for the valuation period ending June 30, 2002, to the extent
46 possible by 66% of the excess valuation assets; and

1 (4) for valuation periods ending on or after June 30, 2003, to the
2 extent possible by 50% of the excess valuation assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

45 The value of the assets to be used in the computation of the
46 contributions provided for under this section for valuation periods

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

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

26 (1) for valuation periods ending June 30, 1997 through June 30,
27 2001, to the extent possible by 100% of the excess valuation assets;

28 (2) for the valuation period ending June 30, 2002, to the extent
29 possible by 83% of the excess valuation assets;

30 (3) for the valuation period ending June 30, 2003, to the extent
31 possible by 66% of the excess valuation assets; and

32 (4) for valuation periods ending on or after June 30, 2004, to the
33 extent possible by 50% of the excess valuation assets.

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

46 The cash death benefits, payable as the result of contribution by the

1 State under the provisions of this act upon the death of a member in
2 active service and after retirement shall be paid from the Contingent
3 Reserve Fund.

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

5

6 8. This act shall take effect immediately.

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STATEMENT

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

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29 _____
Revises funding provisions applicable to State retirement systems.