

SENATE, No. 2148

STATE OF NEW JERSEY

INTRODUCED MAY 22, 1997

By Senator EWING

1 AN ACT concerning employer and employee contributions to the State
2 retirement 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]** annually determine if there is an amount of
21 the accrued liability of the retirement system **[as of March 31, 1992]**
22 , computed under the projected unit credit method, **[excluding]**
23 including 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. **[Using]** This shall be known as the
28 "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 the total amount of this unfunded
31 accrued liability, **[the actuary]** shall compute the initial amount of
32 contribution which, if the contribution is increased at a specific rate
33 and paid annually for a specific period of time, will amortize this
34 liability. The State Treasurer shall determine, upon the advice of the

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

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

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

- 41 (1) the valuation assets; less
- 42 (2) the actuarial accrued liability for basic benefits and pension
43 adjustment benefits, excluding the unfunded accrued liability for early
44 retirement incentive benefits pursuant to P.L.1991, c.231 and
45 P.L.1993, c.163 for employers other than the State; less
- 46 (3) the contributory group insurance premium fund created by

1 N.J.S.18A:66-77; less

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

5 (5) 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 as originally authorized by section
8 2 of P.L.1987, c.385 (C.18A:66-18.1) over the full phase-in period,
9 determined in the manner prescribed for the determination and
10 amortization of the unfunded accrued liability of the system, if the sum
11 of the foregoing items is greater than zero.

12 If there are excess valuation assets for the valuation period ending
13 March 31, 1996, the normal contributions for the valuation periods
14 ending March 31, 1996 and March 31, 1997 which have not yet been
15 paid to the retirement system shall be reduced to the extent possible
16 by the excess valuation assets, provided that the General Fund
17 balances that would have been paid to the retirement system except for
18 this provision shall first be allocated as State aid to public schools to
19 the extent that additional sums are required to comply with the May
20 14, 1997 decision of the New Jersey Supreme Court in Abbott v.
21 Burke, and provided further that the normal contribution for the
22 valuation period ending March 31, 1996 shall not be less than
23 \$54,000,000. If there are excess valuation assets for a valuation
24 period ending after March 31, 1996, the State Treasurer may reduce
25 the normal contribution payable for the next valuation period as
26 follows:

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

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

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

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

36 For calendar years 1998 and 1999, the rate of contribution of
37 members of the retirement system under N.J.S.18A:66-29 shall be
38 reduced by ½ of 1% from excess valuation assets. Thereafter, the rate
39 of contribution of members of the retirement system under that section
40 for a calendar year shall be reduced equally with normal contributions
41 to the extent possible, but not by more than ½ of 1%, from excess
42 valuation assets if the State Treasurer determines that excess valuation
43 assets shall be used to reduce normal contributions by the State for the
44 fiscal year beginning immediately prior to the calendar year, and excess
45 valuation assets above the amount necessary to fund the reduction for
46 that calendar year in the member contribution rate plus an equal

1 reduction in the normal contribution shall be available for the further
2 reduction of normal contributions, subject to the limitations prescribed
3 by this subsection.

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

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

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

14 f. The disbursements for benefits not covered by reserves in the
15 system on account of veterans shall be met by direct contribution of
16 the State.

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

18

19 2. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended to
20 read as follows:

21 2. Pension adjustment benefits for members and beneficiaries of the
22 Teachers' Pension and Annuity Fund as provided by the "Pension
23 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) shall be paid by
24 the retirement system and shall be funded as employer obligations by
25 the same method provided by law for the funding of employer
26 obligations for the basic retirement benefits provided by the retirement
27 system. [Normal and accrued liability contributions for pension
28 adjustment benefits for active employees shall be determined for the
29 1992 valuation year and shall be phased in so that the level of
30 recognition of the full normal and accrued liability contributions shall
31 be 20% for valuation year 1992 and 23.33% for valuation year 1993,
32 and shall be increased by 2.33% for each valuation year thereafter until
33 the full normal and accrued liability contributions are fully
34 recognized.]

35 Health care benefits for qualified retirees and their dependents as
36 provided by section 3 of P.L.1987, c.384 (C.52:14-17.32f) shall be
37 funded and paid by the retirement system through a separate fund or
38 trust of the retirement system in accordance with the requirements of
39 the federal Internal Revenue Code. Beginning with the actuarial
40 valuation period ending March 31, 1994, the actuary of the retirement
41 system shall annually compute a contribution to fund these health care
42 benefits which shall be the amount necessary to pay the anticipated
43 premiums or periodic charges for the benefits for the following
44 valuation period and to provide that the balance in the fund as of the
45 end of the following valuation period shall be increased by 1/2 of 1%
46 of the salary of the active members for the valuation period. If the

1 assets in the fund are insufficient to pay the premiums or periodic
2 charges for the benefits, they shall be paid directly by the State.
3 (cf: P.L.1994, c.62, s.3)

4
5 3. Section 33 of P.L.1973, c.140 (C.43:6A-33) is amended to read
6 as follows:

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

15 b. Upon the basis of the tables recommended by the actuary which
16 the commission adopts and regular interest, the actuary shall [compute
17 the] annually determine if there is an amount of the accrued liability of
18 the retirement system [as of June 30, 1992], computed under the
19 projected unit credit method, which is not already covered by the
20 assets of the retirement system, valued in accordance with the asset
21 valuation method established in this section. [Using] This shall be
22 known as the "unfunded accrued liability." If there was no unfunded
23 accrued liability for the valuation period immediately preceding the
24 current valuation period, the actuary, using the total amount of this
25 unfunded accrued liability, [the actuary] shall compute the initial
26 amount of contribution which, if the contribution is increased at a
27 specific rate and paid annually for a specific period of time, will
28 amortize this liability. The State Treasurer shall determine, upon the
29 advice of the Director of the Division of Pensions and Benefits, the
30 commission and the actuary, the rate of increase for the contribution
31 and the time period for full funding of this liability, which shall not
32 exceed [40] 30 years [on initial application of this section as amended
33 by this act, P.L.1994, c.62]. This shall be known as the "accrued
34 liability contribution." [Any increase or decrease in the unfunded
35 accrued liability as a result of actuarial losses or gains for the 10
36 valuation years following valuation year 1992 shall serve to increase
37 or decrease, respectively, the unfunded accrued liability contribution.]
38 Thereafter, any increase or decrease in the unfunded accrued liability
39 as a result of actuarial losses or gains for subsequent valuation years
40 shall serve to increase or decrease, respectively, the amortization
41 period for the unfunded accrued liability, unless an increase in the
42 amortization period will cause it to exceed 30 years. If an increase in
43 the amortization period as a result of actuarial losses for a valuation
44 year would exceed 30 years, the accrued liability contribution shall be
45 computed for the valuation year in the same manner provided for the
46 computation of the initial accrued liability contribution under this

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

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

22 "Excess valuation assets" means the valuation assets for a valuation
23 period less the actuarial accrued liability for the valuation period, if the
24 sum is greater than zero. If there are excess valuation assets for the
25 valuation period ending June 30, 1996, the normal contributions for
26 the valuation periods ending June 30, 1996 and June 30, 1997 which
27 have not yet been paid to the retirement system shall be reduced to the
28 extent possible by the excess valuation assets, provided that the
29 General Fund balances that would have been paid to the retirement
30 system except for this provision shall first be allocated as State aid to
31 public schools to the extent that additional sums are required to
32 comply with the May 14, 1997 decision of the New Jersey Supreme
33 Court in Abbott v. Burke. If there are excess valuation assets for a
34 valuation period ending after June 30, 1996, the State Treasurer may
35 reduce the normal contribution payable for the next valuation period
36 as follows:

37 (1) for valuation periods ending June 30, 1997 through June 30,
38 2001, to the extent possible by up to 100% of the excess valuation
39 assets;

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

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

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

46 c. The actuary shall certify annually the aggregate amount payable

1 to the contingent reserve fund in the ensuing year, which amount shall
2 be equal to the sum of the amounts described in this section. The
3 State shall pay into the contingent reserve fund during the ensuing year
4 the amount so determined.

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

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

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

11
12 4. Section 7 of P.L.1941, c.220 (C.43:7-13) is amended to read as
13 follows:

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

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

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

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

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

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

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

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

39
40 5. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to read
41 as follows:

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

44 a. Upon the basis of the tables recommended by the actuary which
45 the board adopts and regular interest, the actuary shall compute
46 annually, beginning as of March 31, 1992, the amount of contribution

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

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

38 With respect to the State, upon the basis of the tables recommended
39 by the actuary which the commission adopts and regular interest, the
40 actuary shall annually determine if there is an amount of the accrued
41 liability of the retirement system, computed under the projected unit
42 credit method, which is not already covered by the assets of the
43 retirement system, valued in accordance with the asset valuation
44 method established in this section. This shall be known as the
45 "unfunded accrued liability." If there was no unfunded accrued
46 liability for the valuation period immediately preceding the current

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

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

41 "Excess valuation assets" for a valuation period means, with respect
42 to the valuation assets allocated to the State:

- 43 (1) the valuation assets allocated to the State; less
- 44 (2) the actuarial accrued liability of the State for basic benefits and
45 pension adjustment benefits under the retirement system; less
- 46 (3) the contributory group insurance premium fund, created by

1 section 4 of P.L.1954, c.214 (C.43:15A-91), as amended by section 4
2 of P.L.1960, c.79; less

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

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

13 "Excess valuation assets" for a valuation period means, with respect
14 to the valuation assets allocated to other employers:

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

16 (2) the actuarial accrued liability of the other employers for basic
17 benefits and pension adjustment benefits under the retirement system,
18 excluding the unfunded accrued liability for early retirement incentive
19 benefits pursuant to P.L.1991, c.229, P.L.1991, c.230, P.L.1993,
20 c.138, and P.L.1993, c.181, for employers other than the State; less

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

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

31 If there are excess valuation assets allocated to the State or to the
32 other employers for the valuation period ending March 31, 1996, the
33 normal contributions payable by the State or by the other employers
34 for the valuation periods ending March 31, 1996 and March 31, 1997
35 which have not yet been paid to the retirement system shall be reduced
36 to the extent possible by the excess valuation assets allocated to the
37 State or to the other employers, respectively, provided that with
38 respect to the excess valuation assets allocated to the State, the
39 General Fund balances that would have been paid to the retirement
40 system except for this provision shall first be allocated as State aid to
41 public schools to the extent that additional sums are required to
42 comply with the May 14, 1997 decision of the New Jersey Supreme
43 Court in Abbott v. Burke. If there are excess valuation assets
44 allocated to the State or to the other employers for a valuation period
45 ending after March 31, 1996, the State Treasurer may reduce the
46 normal contribution payable by the State or by the other employers for

1 the next valuation period as follows:

2 (1) for valuation periods ending March 31, 1997 through March
3 31, 2001, to the extent possible by up to 100% of the excess valuation
4 assets allocated to the State or to the other employers, respectively;

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

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

11 (4) for valuation periods ending on or after March 31, 2004, to the
12 extent possible by up to 50% of the excess valuation assets allocated
13 to the State or to the other employers, respectively.

14 For calendar years 1998 and 1999, the rate of contribution of
15 members of the retirement system under section 25 of P.L.1954, c.84
16 (C.43:15A-25) shall be reduced by ½ of 1% from excess valuation
17 assets. Thereafter, the rate of contribution of members of the
18 retirement system under that section for a calendar year shall be
19 reduced equally with normal contributions to the extent possible, but
20 not by more than ½ of 1%, from excess valuation assets if the State
21 Treasurer determines that excess valuation assets shall be used to
22 reduce normal contributions by the State and local employers for the
23 fiscal year beginning immediately prior to the calendar year, or for the
24 calendar year for local employers whose fiscal year is the calendar
25 year, and excess valuation assets above the amount necessary to fund
26 the reduction for that calendar year in the member contribution rate
27 plus an equal reduction in the normal contribution shall be available for
28 the further reduction of normal contributions, subject to the limitations
29 prescribed by this subsection.

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

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

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

42

43 6. Section 2 of P.L.1990, c.6 (C.43:15A-24.1) is amended to read
44 as follows:

45 2. Pension adjustment benefits for members and beneficiaries of the
46 Public Employees' Retirement System provided by the "Pension

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

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

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

30

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

32 43:16-5. For the purpose of paying the pensions provided by this
33 chapter, all pension funds heretofore created and in existence pursuant
34 to the provisions of an act entitled "An act providing for the retirement
35 of policemen and firemen of the police and fire departments in
36 municipalities of this State, including all police officers having
37 supervision of regulation of traffic upon county roads, and providing
38 a pension for such retired policemen and firemen and members of the
39 police and fire departments, and the widows, children and sole
40 dependent parents of deceased members of said departments,"
41 approved April 15, 1920 (P.L.1920, c.160), and chapter 16 of Title 43
42 of the Revised Statutes, shall, from and after July 1, 1953, be
43 consolidated, and, as so consolidated, shall be transferred to and
44 placed under the Consolidated Police and Firemen's Pension Fund
45 created by the provisions of this chapter. All rights and privileges
46 created and extended to members of a municipal police department or

1 of a paid or part-paid fire department or of a county police
2 department, including members of the paid or part-paid fire
3 department of any fire district located in any township which has
4 adopted said act or said chapter of the Revised Statutes are hereby
5 expressly preserved, continued and transferred from said pension funds
6 to said consolidated fund. Nothing herein contained shall be deemed
7 to affect or impair the right of any beneficiary of any of the funds so
8 created, but all rights of such beneficiaries which have accrued or may
9 accrue in or against any such pension fund shall be deemed to have
10 accrued or to accrue against the funds so consolidated. Said
11 consolidated fund shall be maintained as follows:

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

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

20 (1) An amount equal to 6% of the total of salaries annually paid to
21 the members of the consolidated fund under said employer's
22 jurisdiction, which shall be known as the employer's normal
23 contribution, and which shall be paid into said fund no later than April
24 1 of the State's fiscal year in which payment is due.

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

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

43 (4) A fee, payable no later than April 1 of the State's fiscal year in
44 which payment of the employer's normal contribution is due and
45 consisting of such proportion of the administrative expense of the
46 consolidated fund as the number of active and retired members under

1 the jurisdiction of such employer, or their beneficiaries, then bears to
2 the total number of active and retired members under the jurisdiction
3 of such employer, or their beneficiaries, then bears to the total number
4 of active and retired members and beneficiaries in the consolidated
5 fund.

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

15 (d) If payment of the full amount of the employer's obligation is not
16 made within 30 days of the due date established by the act, interest at
17 the rate of 10% per annum shall commence to run against unpaid
18 balance thereof on the first day after such thirtieth 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 pension fund, interest at the rate of 10% per annum
22 shall commence to run against the total transmittal of salary
23 deductions for the period on the first day after such fifteenth day.

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

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

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

30 (h) Upon the basis of tables recommended by the actuary which the
31 commission adopts after consultation with the Director of the Division
32 of Pensions and Benefits, the actuary shall compute the amount of
33 unfunded liability of the fund as of June 30, 1990 which is not already
34 covered by the assets of the fund, valued in accordance with the asset
35 valuation method established in this section, and prospective employer
36 normal contributions and employee contributions. Using the total
37 amount of this unfunded liability, the actuary shall compute the
38 amount of the flat annual payment which, if paid in each succeeding
39 fiscal year, commencing with July 1, 1991, for a period of nine years,
40 will provide for this liability. This payment shall be increased or
41 decreased in succeeding fiscal years to amortize any actuarial loss or
42 gain over the remaining time in this nine-year period. Any unfunded
43 liability remaining after this nine-year period shall be funded by direct
44 State appropriations. The actuary shall annually certify over the
45 nine-year period the amount payable to the fund in the ensuing year,
46 and the State shall pay into the fund during the ensuing year the

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

5 [The value of the assets for the valuation period ending June 30,
6 1990 shall be the full market value of the assets as of that date. The
7 value of the assets for the valuation period ending June 30, 1991 shall
8 be the value of the assets for the preceding valuation period increased
9 by 8 3/4%, plus the net cash flow for the valuation period (the
10 difference between the benefits paid by the system and the
11 contributions to the system) increased by 4 3/8%, plus 20% of the
12 difference between this expected value and the full market value of the
13 assets as of June 30, 1991.] The value of the assets for the valuation
14 periods ending on or after June 30, 1992 shall be the value of the
15 assets for the preceding valuation period increased by the regular
16 interest rate, 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 one half of the regular
19 interest rate, plus 20% of the difference between this expected value
20 and the full market value of the assets as of the end of the valuation
21 period.

22 The tables of actuarial assumptions previously adopted by the
23 commission for the valuation periods ending June 30, 1990 and June
24 30, 1991 shall be applicable to the revaluations of the retirement
25 system under P.L.1992, c.125 (C.43:4B-1 et al.).

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

27
28 8. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
29 read as follows:

30 15. (1) The contributions required for the support of the
31 retirement system shall be made by members and their employers.

32 (2) The uniform percentage contribution rate for members shall be
33 8.5% of compensation.

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

35 (4) Upon the basis of the tables recommended by the actuary which
36 the board adopts and regular interest, the actuary shall compute
37 annually, beginning as of June 30, 1991, the amount of contribution
38 which shall be the normal cost as computed under the projected unit
39 credit method attributable to service rendered under the retirement
40 system for the year beginning on July 1 immediately succeeding the
41 date of the computation. This shall be known as the "normal
42 contribution."

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

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

45 (7) Each employer shall cause to be deducted from the salary of
46 each member the percentage of earnable compensation prescribed in

1 subsection (2) of this section. To facilitate the making of deductions,
2 the retirement system may modify the amount of deduction required
3 of any member by an amount not to exceed 1/10 of 1% of the
4 compensation upon which the deduction is based.

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

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

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

31 The value of the assets to be used in the computation of the
32 contributions provided for under this section for valuation periods
33 shall be the value of the assets for the preceding valuation period
34 increased by the regular interest rate, plus the net cash flow for the
35 valuation period (the difference between the benefits and expenses
36 paid by the system and the contributions to the system) increased by
37 one half of the regular interest rate, plus 20% of the difference
38 between this expected value and the full market value of the assets as
39 of the end of the valuation period. This shall be known as the
40 "valuation assets." Notwithstanding the first sentence of this
41 paragraph, the valuation assets for the valuation period ending June
42 30, 1995 shall be the full market value of the assets as of that date
43 and , with respect to the valuation assets allocated to the State, shall
44 include the proceeds from the bonds issued pursuant to the Pension
45 Bond Financing Act of 1997, P.L. , c. (now pending before the
46 Legislature as), paid to the system by the New Jersey Economic

1 Development Authority to fund the unfunded accrued liability of the
2 system.

3 "Excess valuation assets" means, with respect to the valuation
4 assets allocated to the State, the valuation assets allocated to the State
5 for a valuation period less the actuarial accrued liability of the State
6 for the valuation period, if the sum is greater than zero. "Excess
7 valuation assets" means, with respect to the valuation assets allocated
8 to other employers, the valuation assets allocated to the other
9 employers for a valuation period less the actuarial accrued liability of
10 the other employers for the valuation period, excluding the unfunded
11 accrued liability for early retirement incentive benefits pursuant to
12 P.L.1993, c.99 for the other employers, if the sum is greater than zero.

13 If there are excess valuation assets allocated to the State or to the
14 other employers for the valuation period ending June 30, 1995, the
15 normal contributions payable by the State or by the other employers
16 for the valuation periods ending June 30, 1995, and June 30, 1996
17 which have not yet been paid to the retirement system shall be reduced
18 to the extent possible by the excess valuation assets allocated to the
19 State or to the other employers, respectively, provided that with
20 respect to the excess valuation assets allocated to the State, the
21 General Fund balances that would have been paid to the retirement
22 system except for this provision shall first be allocated as State aid to
23 public schools to the extent that additional sums are required to
24 comply with the May 14, 1997 decision of the New Jersey Supreme
25 Court in Abbott v. Burke. If there are excess valuation assets
26 allocated to the State or to the other employers for a valuation period
27 ending after June 30, 1995, the State Treasurer may reduce the normal
28 contribution payable by the State or by other employers for the next
29 valuation period as follows:

30 (1) for valuation periods ending June 30, 1996 through June 30,
31 2000, to the extent possible by up to 100% of the excess valuation
32 assets allocated to the State or to the other employers, respectively;

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

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

39 (4) for valuation periods ending on or after June 30, 2003, to the
40 extent possible by up to 50% of the excess valuation assets allocated
41 to the State or to the other employers, respectively.

42 The normal and accrued liability contributions shall be certified
43 annually by the retirement system and shall be included in the budget
44 of the employer and levied and collected in the same manner as any
45 other taxes are levied and collected for the payment of the salaries of
46 members.

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

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

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

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

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

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

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

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

40
41 9. Section 34 of P.L.1965, c.89 (C.53:5A-34) is amended to read
42 as follows:

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

45 a. Upon the basis of the tables recommended by the actuary which
46 the board adopts and regular interest, the actuary shall compute

1 annually, beginning as of June 30, 1992, the amount of the
2 contribution which shall be the normal cost as computed under the
3 projected unit credit method attributable to service rendered under the
4 retirement system for the year beginning on July 1 immediately
5 succeeding the date of the computation. This shall be known as the
6 "normal contribution."

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

43 The value of the assets to be used in the computation of the
44 contributions provided for under this section for valuation periods
45 shall be the value of the assets for the preceding valuation period
46 increased by the regular interest rate, plus the net cash flow for the

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

14 "Excess valuation assets" means the valuation assets for a valuation
15 period less the actuarial accrued liability for the valuation period, if the
16 sum is greater than zero. If there are excess valuation assets for the
17 valuation period ending June 30, 1996, the normal contributions for
18 the valuation periods ending June 30, 1996 and June 30, 1997 which
19 have not yet been paid to the retirement system shall be reduced to the
20 extent possible by the excess valuation assets, provided that the
21 General Fund balances that would have been paid to the retirement
22 system except for this provision shall first be allocated as State aid to
23 public schools to the extent that additional sums are required to
24 comply with the May 14, 1997 decision of the New Jersey Supreme
25 Court in Abbott v. Burke. If there are excess valuation assets for a
26 valuation period ending after June 30, 1996, the State Treasurer may
27 reduce the normal contribution payable for the next valuation period
28 as follows:

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

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

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

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

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

1 to such instrumentalities and authorities shall be computed separately
2 by the actuary and the State shall be reimbursed for such amounts by
3 such instrumentalities or authorities.

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

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

9

10 10. This act shall take effect immediately.

11

12

13

STATEMENT

14

15 This bill changes the value of the assets of the retirement systems
16 to "full-market" value of assets, for the State and participating local
17 governments, as of the valuation reports applicable to FY1998. This
18 one-time accounting change from the current "market-related" value
19 of assets (20 percent of full-market) to "full-market" immediately
20 recognizes recent capital gains instead of recognizing those gains over
21 five years, resulting in an increased value of the accumulated assets.
22 For valuation reports applicable to FY 1999 and thereafter, the
23 actuarial value of assets will revert to "market-related" value of assets.

24 The bill authorizes the State Treasurer to reduce the "normal
25 contributions" of State and local employers to the systems, to the
26 extent possible, from up to 100 percent of excess assets through
27 FY2002, and on a declining maximum percentage of excess thereafter.
28 In addition, the bill permits the State to pay its unfunded accrued
29 liabilities under the various pension systems from any source of funds,
30 including the proceeds of pension obligation bonds (POBs) to be
31 issued by the New Jersey Economic Development Authority (EDA).

32 The bill provides that in the case of any General Fund savings
33 resulting from any excess assets allocated to the State in the various
34 retirement systems for the valuation period ending in March or June
35 1996 (or June 1995 with respect to the Police and Firemen's
36 Retirement System), the General Fund balances that would have been
37 paid to the retirement systems for normal contributions shall first be
38 allocated as State aid to public schools to the extent that additional
39 sums are required to comply with the May 14, 1997 decision of the
40 New Jersey Supreme Court in *Abbott v. Burke*.

41 The bill also provides for a reduction from excess assets, during
42 calendar years 1998 and 1999, of the contributions by employees of
43 the State and local employers representing 1/2 of 1% of the salaries of
44 employees, and for a similar reduction in contributions thereafter
45 under certain circumstances.

46

- 1
- 2 Revises funding provisions applicable to State retirement systems.