

[Passed Both Houses]

SENATE, No. 2148

STATE OF NEW JERSEY

INTRODUCED MAY 22, 1997

By Senator EWING, Assemblymen Kavanaugh and Augustine

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

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

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

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

- 44 (1) the valuation assets; less
45 (2) the actuarial accrued liability for basic benefits and pension
46 adjustment benefits, excluding the unfunded accrued liability for early

1 retirement incentive benefits pursuant to P.L.1991, c.231 and
2 P.L.1993, c.163 for employers other than the State; less

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

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

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

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

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

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

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

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

39 For calendar years 1998 and 1999, the rate of contribution of
40 members of the retirement system under N.J.S.18A:66-29 shall be
41 reduced by ½ of 1% from excess valuation assets. Thereafter, the rate
42 of contribution of members of the retirement system under that section
43 for a calendar year shall be reduced equally with normal contributions
44 to the extent possible, but not by more than ½ of 1%, from excess
45 valuation assets if the State Treasurer determines that excess valuation
46 assets shall be used to reduce normal contributions by the State for the

1 fiscal year beginning immediately prior to the calendar year, and excess
2 valuation assets above the amount necessary to fund the reduction for
3 that calendar year in the member contribution rate plus an equal
4 reduction in the normal contribution shall be available for the further
5 reduction of normal contributions, subject to the limitations prescribed
6 by this subsection.

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

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

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

17 f. The disbursements for benefits not covered by reserves in the
18 system on account of veterans shall be met by direct contribution of
19 the State.

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

21
22 2. Section 2 of P.L.1987, c.385 (C.18A:66-18.1) is amended to
23 read as follows:

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

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

1 valuation period and to provide that the balance in the fund as of the
2 end of the following valuation period shall be increased by 1/2 of 1%
3 of the salary of the active members for the valuation period. If the
4 assets in the fund are insufficient to pay the premiums or periodic
5 charges for the benefits, they shall be paid directly by the State.
6 (cf: P.L.1994, c.62, s.3)

7

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

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

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

1 year would exceed 30 years, the accrued liability contribution shall be
2 computed for the valuation year in the same manner provided for the
3 computation of the initial accrued liability contribution under this
4 section. The State may pay all or any portion of its unfunded accrued
5 liability under the retirement system from any source of funds legally
6 available for the purpose, including, without limitation, the proceeds
7 of bonds authorized by law for this purpose.

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

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

40 (1) for valuation periods ending June 30, 1997 through June 30,
41 2001, to the extent possible by up to 100% of the excess valuation
42 assets;

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

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

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

3 c. The actuary shall certify annually the aggregate amount payable
4 to the contingent reserve fund in the ensuing year, which amount shall
5 be equal to the sum of the amounts described in this section. The
6 State shall pay into the contingent reserve fund during the ensuing year
7 the amount so determined.

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

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

14
15 4. Section 7 of P.L.1941, c.220 (C.43:7-13) is amended to read as
16 follows:

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

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

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

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

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

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

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

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

42
43 5. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to read
44 as follows:

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

1 a. Upon the basis of the tables recommended by the actuary which
2 the board adopts and regular interest, the actuary shall compute
3 annually, beginning as of March 31, 1992, the amount of contribution
4 which shall be the normal cost as computed under the projected unit
5 credit method attributable to service rendered under the retirement
6 system for the year beginning on July 1 immediately succeeding the
7 date of the computation. This shall be known as the "normal
8 contribution."

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

41 With respect to the State, upon the basis of the tables recommended
42 by the actuary which the commission adopts and regular interest, the
43 actuary shall annually determine if there is an amount of the accrued
44 liability of the retirement system, computed under the projected unit
45 credit method, which is not already covered by the assets of the
46 retirement system, valued in accordance with the asset valuation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 allocated to the State or to the other employers for a valuation period
2 ending after March 31, 1996, the State Treasurer may reduce the
3 normal contribution payable by the State or by the other employers for
4 the next valuation period as follows:

5 (1) for valuation periods ending March 31, 1997 through March
6 31, 2001, to the extent possible by up to 100% of the excess valuation
7 assets allocated to the State or to the other employers, respectively;

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

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

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

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

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

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

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

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

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

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

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

34

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

36 43:16-5. For the purpose of paying the pensions provided by this
37 chapter, all pension funds heretofore created and in existence pursuant
38 to the provisions of an act entitled "An act providing for the retirement
39 of policemen and firemen of the police and fire departments in
40 municipalities of this State, including all police officers having
41 supervision of regulation of traffic upon county roads, and providing
42 a pension for such retired policemen and firemen and members of the
43 police and fire departments, and the widows, children and sole
44 dependent parents of deceased members of said departments,"
45 approved April 15, 1920 (P.L.1920, c.160), and chapter 16 of Title 43
46 of the Revised Statutes, shall, from and after July 1, 1953, be

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 liability remaining after this nine-year period shall be funded by direct
2 State appropriations. The actuary shall annually certify over the
3 nine-year period the amount payable to the fund in the ensuing year,
4 and the State shall pay into the fund during the ensuing year the
5 amount so certified. The State may pay all or any portion of its
6 unfunded accrued liability under the retirement system from any source
7 of funds legally available for the purpose, including, without limitation,
8 the proceeds of bonds authorized by law for this purpose.

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

26 The tables of actuarial assumptions previously adopted by the
27 commission for the valuation periods ending June 30, 1990 and June
28 30, 1991 shall be applicable to the revaluations of the retirement
29 system under P.L.1992, c.125 (C.43:4B-1 et al.).
30 (cf: P.L.1992, c.125, s.10)

31

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

34 15. (1) The contributions required for the support of the
35 retirement system shall be made by members and their employers.

36 (2) The uniform percentage contribution rate for members shall be
37 8.5% of compensation.

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

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

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

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

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

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

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

1 as a result of actuarial losses for a valuation year would exceed 30
2 years, the accrued liability contribution shall be computed for the
3 valuation year in the same manner provided for the computation of the
4 initial accrued liability contribution under this section.

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

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

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

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

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

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

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

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

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

46 The normal and accrued liability contributions shall be certified

1 annually by the retirement system and shall be included in the budget
2 of the employer and levied and collected in the same manner as any
3 other taxes are levied and collected for the payment of the salaries of
4 members.

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

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

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

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

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

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

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

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

44

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

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

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

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

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

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

33 (1) for valuation periods ending June 30, 1997 through June 30,
34 2001, to the extent possible by up to 100% of the excess valuation
35 assets;

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

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

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

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

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

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

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

13

14 10. This act shall take effect immediately.

15

16

17

STATEMENT

18

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

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

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

45 The bill also provides for a reduction from excess assets, during
46 calendar years 1998 and 1999, of the contributions by employees of

1 the State and local employers representing 1/2 of 1% of the salaries of
2 employees, and for a similar reduction in contributions thereafter
3 under certain circumstances.

4

5

6

7 Revises funding provisions applicable to State retirement systems.