

# ASSEMBLY BUDGET COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 3310

# STATE OF NEW JERSEY

DATED: JUNE 24, 2014

The Assembly Budget Committee reports favorably Assembly Bill No. 3310.

This bill provides that beginning with the July 1, 2015 actuarial valuations of the five State-administered defined benefit retirement systems, the increased employee contributions resulting from the employee rate increases required by P.L.2011, c.78 will be credited as additional contributions to those retirement systems and will not be used to reduce the normal contributions of the State and the other public employers.

P.L.2011, c.78 increases the percentage of salary employee members contribute as follows: Teachers' Pension and Annuity Fund, from 5.5% to 6.5%, with an additional contribution of 1% to be phased-in in equal increments over a period of seven years; Public Employees' Retirement System, from 5.5% to 6.5%, with an additional contribution of 1% to be phased-in in equal increments over a period of seven years; Judicial Retirement System an additional 9% to be phased-in in equal increments over a period of seven years; Police and Firemen's Retirement System, from 8.5% to 10%; and State Police Retirement System, from 7.5% to 9%. Under the bill, the pension funding yielded from these increases will not offset the State and local public employer shares of the normal cost of those systems but will be credited as additional contributions.

#### FISCAL IMPACT:

Although the actual fiscal impact will depend on subsequent actuarial determinations, the elimination of the offset to the State and local public employer shares will increase the required State and local public employer contributions. The use of the employee contributions will therefore have an increased impact on reducing the accrued unfunded liability of the systems.