

SENATE, No. 2269

STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED JUNE 23, 2013

Sponsored by:

Senator ROBERT M. GORDON

District 38 (Bergen and Passaic)

SYNOPSIS

Credits increases in employee contributions required by P.L.2011, c.78 as additional contributions to TPAF, JRS, PERS, PFRS and SPRS unavailable to reduce normal contributions of State and local employers for actuarial valuations beginning July 1, 2015.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the actuarial valuation treatment of employee
2 contributions to the five State-administered retirement systems
3 and amending various parts of the statutory law.
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*
7

8 1. N.J.S.18A:66-18 is amended to read as follows:

9 18A:66-18. The contingent reserve fund shall be the fund in
10 which shall be credited contributions made by the State and other
11 employers.

12 a. Upon the basis of the tables recommended by the actuary
13 which the board of trustees adopts and regular interest, the actuary
14 of the board shall compute annually, beginning as of March 31,
15 1992, the amount of contribution which shall be the normal cost as
16 computed under the projected unit credit method attributable to
17 service rendered under the retirement system for the year beginning
18 on July 1 immediately succeeding the date of the computation. This
19 shall be known as the "normal contribution." Beginning with the
20 July 1, 2015 actuarial valuation, the increased employee
21 contributions resulting from the employee rate increase from 5.5%
22 to 6.5%, with an additional contribution of 1% to be phased-in in
23 equal increments over a period of seven years, pursuant to section 8
24 of P.L.2011, c.78 (C.18A:66-29), shall be credited as additional
25 contributions to the retirement system and shall not be used to
26 offset the employer's share of the normal cost.

27 b. Upon the basis of the tables recommended by the actuary
28 which the board of trustees adopts and regular interest, the actuary
29 of the board shall annually determine if there is an amount of the
30 accrued liability of the retirement system, computed under the
31 projected unit credit method, including the liability for pension
32 adjustment benefits for active employees funded pursuant to section
33 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered
34 by the assets of the retirement system, valued in accordance with
35 the asset valuation method established in this section. This shall be
36 known as the "unfunded accrued liability." If there was no
37 unfunded accrued liability for the valuation period immediately
38 preceding the current valuation period, the actuary, using the total
39 amount of this unfunded accrued liability, shall compute the initial
40 amount of contribution which, if paid annually in level dollars for a
41 specific period of time, will amortize this liability. The State
42 Treasurer shall determine, upon the advice of the Director of the
43 Division of Pensions and Benefits, the board of trustees and the
44 actuary, the time period for full funding of this liability, which shall
45 not exceed 30 years. This shall be known as the "accrued liability

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 contribution." Thereafter, any increase or decrease in the unfunded
2 accrued liability as a result of actuarial losses or gains for
3 subsequent valuation years shall serve to increase or decrease,
4 respectively, the amortization period for the unfunded accrued
5 liability, unless an increase in the amortization period will cause it
6 to exceed 30 years. If an increase in the amortization period as a
7 result of actuarial losses for a valuation year would exceed 30 years,
8 the accrued liability contribution shall be computed for the
9 valuation year in the same manner provided for the computation of
10 the initial accrued liability contribution under this section.
11 Beginning with the July 1, 2019 actuarial valuation, the accrued
12 liability contribution shall be computed so that if the contribution is
13 paid annually in level dollars, it will amortize this unfunded accrued
14 liability over a closed 30-year period. Beginning with the July 1,
15 2029 actuarial valuation, when the remaining amortization period
16 reaches 20 years, any increase or decrease in the unfunded accrued
17 liability as a result of actuarial losses or gains for subsequent
18 valuation years shall serve to increase or decrease, respectively, the
19 amortization period for the unfunded accrued liability, unless an
20 increase in the amortization period will cause it to exceed 20 years.
21 If an increase in the amortization period as a result of actuarial
22 losses for a valuation year would exceed 20 years, the accrued
23 liability contribution shall be computed for the valuation year in the
24 same manner provided for the computation of the initial accrued
25 liability contribution under this section.

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

30 The value of the assets to be used in the computation of the
31 contributions provided for under this section for valuation periods
32 shall be the value of the assets for the preceding valuation period
33 increased by the regular interest rate, plus the net cash flow for the
34 valuation period (the difference between the benefits and expenses
35 paid by the system and the contributions to the system) increased by
36 one half of the regular interest rate, plus 20% of the difference
37 between this expected value and the full market value of the assets
38 as of the end of the valuation period. This shall be known as the
39 "valuation assets." Notwithstanding the first sentence of this
40 paragraph, the valuation assets for the valuation period ending
41 March 31, 1996 shall be the full market value of the assets as of that
42 date and shall include the proceeds from the bonds issued pursuant
43 to the "Pension Bond Financing Act of 1997," P.L.1997,
44 c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey
45 Economic Development Authority to fund the unfunded accrued
46 liability of the system. Notwithstanding the first sentence of this
47 paragraph, the valuation assets for the valuation period ending June
48 30, 1999 shall be the full market value of the assets as of that date.

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

2 (1) the valuation assets; less

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

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

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

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

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

34 (1) for valuation periods ending March 31, 1997 through March
35 31, 2001, to the extent possible by up to 100% of the excess
36 valuation assets;

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

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

41 (4) for valuation periods ending March 31, 2004 through June
42 30, 2007, to the extent possible by up to 50% of the excess
43 valuation assets.

44 For calendar years 1998 and 1999, the rate of contribution of
45 members of the retirement system under N.J.S.18A:66-29 shall be
46 reduced by 1/2 of 1% from excess valuation assets. For calendar
47 years 2000 and 2001, the rate of contribution of members of the
48 retirement system shall be reduced equally with normal

1 contributions to the extent possible, but not more than 1/2 of 1%,
2 from excess valuation assets. Thereafter, through calendar year
3 2007, the rate of contribution of members of the retirement system
4 under that section for a calendar year shall be reduced equally with
5 normal contributions to the extent possible, but not by more than
6 2%, from excess valuation assets if the State Treasurer determines
7 that excess valuation assets shall be used to reduce normal
8 contributions by the State for the fiscal year beginning immediately
9 prior to the calendar year, and excess valuation assets above the
10 amount necessary to fund the reduction for that calendar year in the
11 member contribution rate plus an equal reduction in the normal
12 contribution shall be available for the further reduction of normal
13 contributions, subject to the limitations prescribed by this
14 subsection.

15 If there are excess valuation assets after reductions in normal
16 contributions and member contributions as authorized in the
17 preceding paragraphs for a valuation period beginning with the
18 valuation period ending June 30, 1999, an amount of excess
19 valuation assets not to exceed the amount of the member
20 contributions for the fiscal year in which the normal contributions
21 are payable shall be credited to the benefit enhancement fund. The
22 amount of excess valuation assets credited to the benefit
23 enhancement fund shall not exceed the present value of the
24 expected additional normal contributions attributable to the
25 provisions of P.L.2001, c.133 payable on behalf of the active
26 members over the expected working lives of the active members in
27 accordance with the tables of actuarial assumptions for the
28 valuation period. No additional excess valuation assets shall be
29 credited to the benefit enhancement fund after the maximum
30 amount is attained. Interest shall be credited to the benefit
31 enhancement fund as provided under N.J.S.18A:66-25.

32 The normal contribution for the increased benefits for active
33 members under P.L.2001, c.133 shall be paid from the benefit
34 enhancement fund. If assets in the benefit enhancement fund are
35 insufficient to pay the normal contribution for the increased benefits
36 for a valuation period, the State shall pay the amount of normal
37 contribution for the increased benefits not covered by assets from
38 the benefit enhancement fund.

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

40 d. The retirement system shall certify annually the aggregate
41 amount payable to the contingent reserve fund in the ensuing year,
42 which amount shall be equal to the sum of the amounts described in
43 this section, and which shall be paid into the contingent reserve
44 fund in the manner provided by N.J.S.18A:66-33.

45 e. Except as provided in N.J.S.18A:66-26 and N.J.S.18A:66-
46 53, the death benefits payable under the provisions of this article
47 upon the death of an active or retired member shall be paid from the
48 contingent reserve fund.

1 f. The disbursements for benefits not covered by reserves in
2 the system on account of veterans shall be met by direct
3 contribution of the State.

4 (cf: P.L.2011, c.78, s.20)

5

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

8 33. a. Upon the basis of the tables recommended by the actuary
9 which the commission adopts and regular interest, the actuary shall
10 compute annually, beginning as of June 30, 1992, the amount of the
11 contribution which shall be the normal cost as computed under the
12 projected unit credit method attributable to service rendered under
13 the retirement system for the year beginning on July 1 immediately
14 succeeding the date of the computation. This shall be known as the
15 "normal contribution." Beginning with the July 1, 2015 actuarial
16 valuation, the increased employee contributions resulting from the
17 employee rate increase of an additional 9% to be phased-in in equal
18 increments over a period of seven years, pursuant to section 9 of
19 P.L.2011, c.78 (C.43:6A-34.1), shall be credited as additional
20 contributions to the retirement system and shall not be used to
21 offset the employer's share of the normal cost.

22 b. Upon the basis of the tables recommended by the actuary
23 which the commission adopts and regular interest, the actuary shall
24 annually determine if there is an amount of the accrued liability of
25 the retirement system, computed 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. This shall be known as the "unfunded
29 accrued liability." If there was no unfunded accrued liability for the
30 valuation period immediately preceding the current valuation
31 period, the actuary, using the total amount of this unfunded accrued
32 liability, shall compute the initial amount of contribution which, if
33 paid annually in level dollars for a specific period of time, will
34 amortize this liability. The State Treasurer shall determine, upon
35 the advice of the Director of the Division of Pensions and Benefits,
36 the commission and the actuary, the time period for full funding of
37 this liability, which shall not exceed 30 years. This shall be known
38 as the "accrued liability contribution." Thereafter, any increase or
39 decrease in the unfunded accrued liability as a result of actuarial
40 losses or gains for subsequent valuation years shall serve to increase
41 or decrease, respectively, the amortization period for the unfunded
42 accrued liability, unless an increase in the amortization period will
43 cause it to exceed 30 years. If an increase in the amortization
44 period as a result of actuarial losses for a valuation year would
45 exceed 30 years, the accrued liability contribution shall be
46 computed for the valuation year in the same manner provided for
47 the computation of the initial accrued liability contribution under
48 this section. Beginning with the July 1, 2019 actuarial valuation,

1 the accrued liability contribution shall be computed so that if the
2 contribution is paid annually in level dollars, it will amortize this
3 unfunded accrued liability over a closed 30-year period. Beginning
4 with the July 1, 2029 actuarial valuation, when the remaining
5 amortization period reaches 20 years, any increase or decrease in
6 the unfunded accrued liability as a result of actuarial losses or gains
7 for subsequent valuation years shall serve to increase or decrease,
8 respectively, the amortization period for the unfunded accrued
9 liability, unless an increase in the amortization period will cause it
10 to exceed 20 years. If an increase in the amortization period as a
11 result of actuarial losses for a valuation year would exceed 20 years,
12 the accrued liability contribution shall be computed for the
13 valuation year in the same manner provided for the computation of
14 the initial accrued liability contribution under this section.

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

19 The value of the assets to be used in the computation of the
20 contributions provided for under this section for valuation periods
21 shall be the value of the assets for the preceding valuation period
22 increased by the regular interest rate, plus the net cash flow for the
23 valuation period (the difference between the benefits and expenses
24 paid by the system and the contributions to the system) increased by
25 one half of the regular interest rate, plus 20% of the difference
26 between this expected value and the full market value of the assets
27 as of the end of the valuation period. This shall be known as the
28 "valuation assets." Notwithstanding the first sentence of this
29 paragraph, the valuation assets for the valuation period ending June
30 30, 1996 shall be the full market value of the assets as of that date
31 and shall include the proceeds from the bonds issued pursuant to the
32 "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-
33 7.45 et seq.), paid to the system by the New Jersey Economic
34 Development Authority to fund the unfunded accrued liability of
35 the system.

36 "Excess valuation assets" means the valuation assets for a
37 valuation period less the actuarial accrued liability for the valuation
38 period, if the sum is greater than zero. If there are excess valuation
39 assets for the valuation period ending June 30, 1996, the normal
40 contributions for the valuation periods ending June 30, 1996 and
41 June 30, 1997 which have not yet been paid to the retirement
42 system shall be reduced to the extent possible by the excess
43 valuation assets, provided that the General Fund balances that
44 would have been paid to the retirement system except for this
45 provision shall first be allocated as State aid to public schools to the
46 extent that additional sums are required to comply with the May 14,
47 1997 decision of the New Jersey Supreme Court in *Abbott v. Burke*.
48 If there are excess valuation assets for a valuation period ending

1 after June 30, 1996, the State Treasurer may reduce the normal
2 contribution payable for the next valuation period as follows:

3 (1) for valuation periods ending June 30, 1997 through June 30,
4 2001, to the extent possible by up to 100% of the excess valuation
5 assets;

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

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

10 (4) for valuation periods ending June 30, 2004 through June 30,
11 2007, to the extent possible by up to 50% of the excess valuation
12 assets.

13 c. The actuary shall certify annually the aggregate amount
14 payable to the contingent reserve fund in the ensuing year, which
15 amount shall be equal to the sum of the amounts described in this
16 section. The State shall pay into the contingent reserve fund during
17 the ensuing year the amount so determined.

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

22 d. (Deleted by amendment, P.L.1992, c.125.)
23 (cf: P.L.2011, c.78, s.21)
24

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

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

29 a. Upon the basis of the tables recommended by the actuary
30 which the board adopts and regular interest, the actuary shall
31 compute annually, beginning as of March 31, 1992, the amount of
32 contribution which shall be the normal cost as computed under the
33 projected unit credit method attributable to service rendered under
34 the retirement system for the year beginning on July 1 immediately
35 succeeding the date of the computation. This shall be known as the
36 "normal contribution." Beginning with the July 1, 2015 actuarial
37 valuation, the increased employee contributions resulting from the
38 employee rate increase from 5.5% to 6.5%, with an additional
39 contribution of 1% to be phased-in in equal increments over a
40 period of seven years, pursuant to sections 10 through 13 of
41 P.L.2011, c.78 (C.43:15A-25, 43:15A-104, 43:15A-136, and
42 43:15A-144), and the increased employee contributions resulting
43 from the employee rate increase to 10%, pursuant to section 14 of
44 P.L.2011, c.78 (C.43:15A-157), shall be credited as additional
45 contributions to the retirement system and shall not be used to
46 offset the employer's share of the normal cost.

47 b. With respect to employers other than the State, upon the
48 basis of the tables recommended by the actuary which the board

1 adopts and regular interest, the actuary shall compute the amount of
2 the accrued liability of the retirement system as of March 31, 1992
3 under the projected unit credit method, excluding the liability for
4 pension adjustment benefits for active employees funded pursuant
5 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already
6 covered by the assets of the retirement system, valued in accordance
7 with the asset valuation method established in this section. Using
8 the total amount of this unfunded accrued liability, the actuary shall
9 compute the initial amount of contribution which, if paid annually
10 in level dollars for a specific period of time, will amortize this
11 liability. The State Treasurer shall determine, upon the advice of
12 the Director of the Division of Pensions and Benefits, the board of
13 trustees and the actuary, the time period for full funding of this
14 liability, which shall not exceed 40 years on initial application of
15 this section as amended by this act, P.L.1994, c.62. This shall be
16 known as the "accrued liability contribution." Any increase or
17 decrease in the unfunded accrued liability as a result of actuarial
18 losses or gains for the 10 valuation years following valuation year
19 1992 shall serve to increase or decrease, respectively, the unfunded
20 accrued liability contribution. Thereafter, any increase or decrease
21 in the unfunded accrued liability as a result of actuarial losses or
22 gains for subsequent valuation years shall serve to increase or
23 decrease, respectively, the amortization period for the unfunded
24 accrued liability, unless an increase in the amortization period will
25 cause it to exceed 30 years. If an increase in the amortization period
26 as a result of actuarial losses for a valuation year would exceed 30
27 years, the accrued liability contribution shall be computed for the
28 valuation year in the same manner provided for the computation of
29 the initial accrued liability contribution under this section.
30 Beginning with the July 1, 2019 actuarial valuation, the accrued
31 liability contribution shall be computed so that if the contribution is
32 paid annually in level dollars, it will amortize this unfunded accrued
33 liability over a closed 30-year period. Beginning with the July 1,
34 2029 actuarial valuation, when the remaining amortization period
35 reaches 20 years, any increase or decrease in the unfunded accrued
36 liability as a result of actuarial losses or gains for subsequent
37 valuation years shall serve to increase or decrease, respectively, the
38 amortization period for the unfunded accrued liability, unless an
39 increase in the amortization period will cause it to exceed 20 years.
40 If an increase in the amortization period as a result of actuarial
41 losses for a valuation year would exceed 20 years, the accrued
42 liability contribution shall be computed for the valuation year in the
43 same manner provided for the computation of the initial accrued
44 liability contribution under this section.

45 With respect to the State, upon the basis of the tables
46 recommended by the actuary which the commission adopts and
47 regular interest, the actuary shall annually determine if there is an
48 amount of the accrued liability of the retirement system, computed

1 under the projected unit credit method, which is not already covered
2 by the assets of the retirement system, valued in accordance with
3 the asset valuation method established in this section. This shall be
4 known as the "unfunded accrued liability." If there was no
5 unfunded accrued liability for the valuation period immediately
6 preceding the current valuation period, the actuary, using the total
7 amount of this unfunded accrued liability, shall compute the initial
8 amount of contribution which, if paid annually in level dollars for a
9 specific period of time, will amortize this liability. The State
10 Treasurer shall determine, upon the advice of the Director of the
11 Division of Pensions and Benefits, the commission and the actuary,
12 the time period for full funding of this liability, which shall not
13 exceed 30 years. This shall be known as the "accrued liability
14 contribution." Thereafter, any increase or decrease in the unfunded
15 accrued liability as a result of actuarial losses or gains for
16 subsequent valuation years shall serve to increase or decrease,
17 respectively, the amortization period for the unfunded accrued
18 liability, unless an increase in the amortization period will cause it
19 to exceed 30 years. If an increase in the amortization period as a
20 result of actuarial losses for a valuation year would exceed 30 years,
21 the accrued liability contribution shall be computed for the
22 valuation year in the same manner provided for the computation of
23 the initial accrued liability contribution under this section.
24 Beginning with the July 1, 2019 actuarial valuation, the accrued
25 liability contribution shall be computed so that if the contribution is
26 paid annually in level dollars, it will amortize this unfunded accrued
27 liability over a closed 30-year period. Beginning with the July 1,
28 2029 actuarial valuation, when the remaining amortization period
29 reaches 20 years, any increase or decrease in the unfunded accrued
30 liability as a result of actuarial losses or gains for subsequent
31 valuation years shall serve to increase or decrease, respectively, the
32 amortization period for the unfunded accrued liability, unless an
33 increase in the amortization period will cause it to exceed 20 years.
34 If an increase in the amortization period as a result of actuarial
35 losses for a valuation year would exceed 20 years, the accrued
36 liability contribution shall be computed for the valuation year in the
37 same manner provided for the computation of the initial accrued
38 liability contribution under this section.

39 The State may pay all or any portion of its unfunded accrued
40 liability under the retirement system from any source of funds
41 legally available for the purpose, including, without limitation, the
42 proceeds 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
47 valuation period (the difference between the benefits and expenses
48 paid by the system and the contributions to the system) increased by

1 one half of the regular interest rate, plus 20% of the difference
2 between this expected value and the full market value of the assets
3 as of the end of the valuation period. This shall be known as the
4 "valuation assets." Notwithstanding the first sentence of this
5 paragraph, the valuation assets for the valuation period ending
6 March 31, 1996 shall be the full market value of the assets as of that
7 date and, with respect to the valuation assets allocated to the State,
8 shall include the proceeds from the bonds issued pursuant to the
9 "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-
10 7.45 et seq.), paid to the system by the New Jersey Economic
11 Development Authority to fund the unfunded accrued liability of
12 the system. Notwithstanding the first sentence of this paragraph,
13 the valuation assets for the valuation period ending June 30, 1999
14 shall be the full market value of the assets as of that date.

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

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

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

20 (3) the contributory group insurance premium fund, created by
21 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
22 4 of P.L.1960, c.79; less

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

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

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

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

36 (2) the actuarial accrued liability of the other employers for
37 basic benefits and pension adjustment benefits under the retirement
38 system, excluding the unfunded accrued liability for early
39 retirement incentive benefits pursuant to P.L.1991, c.229,
40 P.L.1991, c.230, P.L.1993, c.138, and P.L.1993, c.181, for
41 employers other than the State; less

42 (3) the contributory group insurance premium fund, created by
43 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
44 4 of P.L.1960, c.79; less

45 (4) the present value of the projected total normal cost for
46 pension adjustment benefits in excess of the projected total phased-
47 in normal cost for pension adjustment benefits for the other
48 employers authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1)

1 over the full phase-in period, determined in the manner prescribed
2 for the determination and amortization of the unfunded accrued
3 liability of the system, if the sum of the foregoing items is greater
4 than zero.

5 If there are excess valuation assets allocated to the State or to the
6 other employers for the valuation period ending March 31, 1996,
7 the normal contributions payable by the State or by the other
8 employers for the valuation periods ending March 31, 1996 and
9 March 31, 1997 which have not yet been paid to the retirement
10 system shall be reduced to the extent possible by the excess
11 valuation assets allocated to the State or to the other employers,
12 respectively, provided that with respect to the excess valuation
13 assets allocated to the State, the General Fund balances that would
14 have been paid to the retirement system except for this provision
15 shall first be allocated as State aid to public schools to the extent
16 that additional sums are required to comply with the May 14, 1997
17 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If
18 there are excess valuation assets allocated to the State or to the
19 other employers for a valuation period ending after March 31, 1996,
20 the State Treasurer may reduce the normal contribution payable by
21 the State or by the other employers for the next valuation period as
22 follows:

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

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

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

33 (4) for valuation periods ending March 31, 2004 through June
34 30, 2007, to the extent possible by up to 50% of the excess
35 valuation assets allocated to the State or to the other employers,
36 respectively.

37 For calendar years 1998 and 1999, the rate of contribution of
38 members of the retirement system under section 25 of
39 P.L.1954, c.84 (C.43:15A-25) shall be reduced by 1/2 of 1% from
40 excess valuation assets and for calendar years 2000 and 2001, the
41 rate of contribution shall be reduced by 2% from excess valuation
42 assets. Thereafter, through calendar year 2007, the rate of
43 contribution of members of the retirement system under that section
44 for a calendar year shall be reduced equally with normal
45 contributions to the extent possible, but not by more than 2%, from
46 excess valuation assets if the State Treasurer determines that excess
47 valuation assets shall be used to reduce normal contributions by the
48 State and local employers for the fiscal year beginning immediately

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

8 If there are excess valuation assets after reductions in normal
9 contributions and member contributions as authorized in the
10 preceding paragraphs for a valuation period beginning with the
11 valuation period ending June 30, 1999, an amount of excess
12 valuation assets not to exceed the amount of the member
13 contributions for the fiscal year in which the normal contributions
14 are payable shall be credited to the benefit enhancement fund. The
15 amount of excess valuation assets credited to the benefit
16 enhancement fund shall not exceed the present value of the
17 expected additional normal contributions attributable to the
18 provisions of P.L.2001, c.133 payable on behalf of the active
19 members over the expected working lives of the active members in
20 accordance with the tables of actuarial assumptions for the
21 valuation period. No additional excess valuation assets shall be
22 credited to the benefit enhancement fund after the maximum
23 amount is attained. Interest shall be credited to the benefit
24 enhancement fund as provided under section 33 of P.L.1954,
25 c.84 (C.43:15A-33).

26 The normal contribution for the increased benefits for active
27 employees under P.L.2001, c.133 shall be paid from the benefit
28 enhancement fund. If assets in the benefit enhancement fund are
29 insufficient to pay the normal contribution for the increased benefits
30 for a valuation period, the State shall pay the amount of normal
31 contribution for the increased benefits not covered by assets from
32 the benefit enhancement fund.

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.

37 The State Treasurer shall reduce the normal and accrued liability
38 contributions payable by employers other than the State, excluding
39 the contribution payable from the benefit enhancement fund, to a
40 percentage of the amount certified annually by the retirement
41 system, which percentage shall be: for payments due in the State
42 fiscal year ending June 30, 2005, 20%; for payments due in the
43 State fiscal year ending June 30, 2006, not more than 40%; for
44 payments due in the State fiscal year ending June 30, 2007, not
45 more than 60%; and for payments due in the State fiscal year ending
46 June 30, 2008, not more than 80%.

47 The State Treasurer shall reduce the normal and accrued liability
48 contributions payable by employers other than the State, excluding

1 the contribution payable from the benefit enhancement fund, to 50
2 percent of the amount certified annually by the retirement system,
3 for payments due in the State fiscal year ending June 30, 2009. An
4 employer that elects to pay the reduced normal and accrued liability
5 contribution shall adopt a resolution, separate and apart from other
6 budget resolutions, stating that the employer needs to pay the
7 reduced contribution and providing an explanation of that need
8 which shall include (1) a description of its inability to meet the levy
9 cap without jeopardizing public safety, health, and welfare or
10 without jeopardizing the fiscal stability of the employer, or (2) a
11 description of another condition that offsets the long term fiscal
12 impact of the payment of the reduced contribution. An employer
13 also shall document those actions it has taken to reduce its
14 operating costs, or provide a description of relevant anticipated
15 circumstances that could have an impact on revenues or
16 expenditures. This resolution shall be submitted to and approved by
17 the Local Finance Board after making a finding that these fiscal
18 conditions are valid and affirming the findings contained in the
19 employer resolution.

20 An employer that elects to pay 100 percent of the amount
21 certified by the retirement system for the State fiscal year ending
22 June 30, 2009 shall be credited with such payment and any such
23 amounts shall not be included in the employer's unfunded liability.

24 The actuaries for the retirement system shall determine the
25 unfunded liability of the retirement system, by employer, for the
26 reduced normal and accrued liability contributions provided under
27 P.L.2009, c.19. This unfunded liability shall be paid by the
28 employer in level annual payments over a period of 15 years
29 beginning with the payments due in the State fiscal year ending
30 June 30, 2012 and shall be adjusted by the rate of return on the
31 actuarial value of assets.

32 The retirement system shall annually certify to each employer
33 the contributions due to the contingent reserve fund for the liability
34 under P.L.2009, c.19. The contributions certified by the retirement
35 system shall be paid by the employer to the retirement system on or
36 before the date prescribed by law for payment of employer
37 contributions for basic retirement benefits. If payment of the full
38 amount of the contribution certified is not made within 30 days
39 after the last date for payment of employer contributions for basic
40 retirement benefits, interest at the rate of 10% per year shall be
41 assessed against the unpaid balance on the first day after the
42 thirtieth day.

43 The State shall pay into the contingent reserve fund during the
44 ensuing year the amount so determined. The death benefits, payable
45 as a result of contribution by the State under the provisions of this
46 chapter upon the death of an active or retired member, shall be paid
47 from the contingent reserve fund.

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

4 (cf: P.L.2011, c.78, s.22)

5
6 4. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
7 read as follows:

8 15. (1) The contributions required for the support of the
9 retirement system shall be made by members and their employers.

10 (2) The uniform percentage contribution rate for members shall
11 be 8.5% of compensation. Members of the retirement system shall
12 contribute 10% of compensation to the system on and after the
13 effective date of P.L.2011, c.78.

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

15 (4) Upon the basis of the tables recommended by the actuary
16 which the board adopts and regular interest, the actuary shall
17 compute annually, beginning as of June 30, 1991, the amount of
18 contribution which shall be the normal cost as computed under the
19 projected unit credit method attributable to service rendered under
20 the retirement system for the year beginning on July 1 immediately
21 succeeding the date of the computation. This shall be known as the
22 "normal contribution." Beginning with the July 1, 2015 actuarial
23 valuation, the increased employee contributions resulting from the
24 employee rate increase from 8.5% to 10%, pursuant to subsection
25 (2) of this section, shall be credited as additional contributions to
26 the retirement system and shall not be used to offset the employer's
27 share of the normal cost.

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

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

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

36 (8) The deductions provided for herein shall be made
37 notwithstanding that the minimum salary provided for by law for
38 any member shall be reduced thereby. Every member shall be
39 deemed to consent and agree to the deductions made and provided
40 for herein, and payment of salary or compensation less said
41 deduction shall be a full and complete discharge and acquittance of
42 all claims and demands whatsoever for the service rendered by such
43 person during the period covered by such payment, except as to the
44 benefits provided under this act. The chief fiscal officer of each
45 employer shall certify to the retirement system in such manner as
46 the retirement system may prescribe, the amounts deducted; and
47 when deducted shall be paid into said annuity savings fund, and

1 shall be credited to the individual account of the member from
2 whose salary said deduction was made.

3 (9) With respect to employers other than the State, upon the
4 basis of the tables recommended by the actuary which the board
5 adopts and regular interest, the actuary shall compute the amount of
6 the accrued liability as of June 30, 1991 under the projected unit
7 credit method, which is not already covered by the assets of the
8 retirement system, valued in accordance with the asset valuation
9 method established in this section. Using the total amount of this
10 unfunded accrued liability, the actuary shall compute the initial
11 amount of contribution which, if the contribution is paid annually
12 in level dollars for a specific period of time, will amortize this
13 liability. The State Treasurer shall determine, upon the advice of
14 the Director of the Division of Pensions and Benefits, the board of
15 trustees and the actuary, the time period for full funding of this
16 liability, which shall not exceed 40 years on initial application of
17 this section as amended by this act, P.L.1994, c.62. This shall be
18 known as the "accrued liability contribution." Any increase or
19 decrease in the unfunded accrued liability as a result of actuarial
20 losses or gains for the 10 valuation years following valuation year
21 1991 shall serve to increase or decrease, respectively, the unfunded
22 accrued liability contribution. Thereafter, any increase or decrease
23 in the unfunded accrued liability as a result of actuarial losses or
24 gains for subsequent valuation years shall serve to increase or
25 decrease, respectively, the amortization period for the unfunded
26 accrued liability, unless an increase in the amortization period will
27 cause it to exceed 30 years. If an increase in the amortization
28 period as a result of actuarial losses for a valuation year would
29 exceed 30 years, the accrued liability contribution shall be
30 computed for the valuation year in the same manner provided for
31 the computation of the initial accrued liability contribution under
32 this section. Beginning with the July 1, 2018 actuarial valuation, the
33 accrued liability contribution shall be computed so that if the
34 contribution is paid annually in level dollars, it will amortize this
35 unfunded accrued liability over a closed 30-year period. Beginning
36 with the July 1, 2028 actuarial valuation, when the remaining
37 amortization period reaches 20 years, any increase or decrease in
38 the unfunded accrued liability as a result of actuarial losses or gains
39 for subsequent valuation years shall serve to increase or decrease,
40 respectively, the amortization period for the unfunded accrued
41 liability, unless an increase in the amortization period will cause it
42 to exceed 20 years. If an increase in the amortization period as a
43 result of actuarial losses for a valuation year would exceed 20 years,
44 the accrued liability contribution shall be computed for the
45 valuation year in the same manner provided for the computation of
46 the initial accrued liability contribution under this section.

47 With respect to the State, upon the basis of the tables
48 recommended by the actuary which the board adopts and regular

1 interest, the actuary shall annually determine if there is an amount
2 of the accrued liability, computed under the projected unit credit
3 method, which is not already covered by the assets of the retirement
4 system, valued in accordance with the asset valuation method
5 established in this section. This shall be known as the "unfunded
6 accrued liability." If there was no unfunded accrued liability for the
7 valuation period immediately preceding the current valuation
8 period, the actuary, using the total amount of this unfunded accrued
9 liability, shall compute the initial amount of contribution which, if
10 the contribution is paid annually in level dollars for a specific
11 period of time, will amortize this liability. The State Treasurer shall
12 determine, upon the advice of the Director of the Division of
13 Pensions and Benefits, the board of trustees and the actuary, the
14 time period for full funding of this liability, which shall not exceed
15 30 years. This shall be known as the "accrued liability
16 contribution." Thereafter, any increase or decrease in the unfunded
17 accrued liability as a result of actuarial losses or gains for
18 subsequent valuation years shall serve to increase or decrease,
19 respectively, the amortization period for the unfunded accrued
20 liability, unless an increase in the amortization period will cause it
21 to exceed 30 years. If an increase in the amortization period as a
22 result of actuarial losses for a valuation year would exceed 30 years,
23 the accrued liability contribution shall be computed for the
24 valuation year in the same manner provided for the computation of
25 the initial accrued liability contribution under this section.
26 Beginning with the July 1, 2018 actuarial valuation, the accrued
27 liability contribution shall be computed so that if the contribution is
28 paid annually in level dollars, it will amortize this unfunded accrued
29 liability over a closed 30-year period. Beginning with the July 1,
30 2028 actuarial valuation, when the remaining amortization period
31 reaches 20 years, any increase or decrease in the unfunded accrued
32 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 20 years.
36 If an increase in the amortization period as a result of actuarial
37 losses for a valuation year would exceed 20 years, the accrued
38 liability contribution shall be computed for the valuation year in the
39 same manner provided for the computation of the initial accrued
40 liability contribution under this section.

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

45 The value of the assets to be used in the computation of the
46 contributions provided for under this section for valuation periods
47 shall be the value of the assets for the preceding valuation period
48 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
5 as 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, 1995 shall be the full market value of the assets as of that date
9 and, with respect to the valuation assets allocated to the State, shall
10 include the proceeds from the bonds issued pursuant to the "Pension
11 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et
12 seq.), paid to the system by the New Jersey Economic Development
13 Authority to fund the unfunded accrued liability of the system.
14 Notwithstanding the first sentence of this paragraph, the percentage
15 of the difference between the expected value and the full market
16 value of the assets to be added to the expected value of the assets
17 for the valuation period ending June 30, 1998 for the State shall be
18 100% and for other employers shall be 57% plus such additional
19 percentage as is equivalent to \$150,000,000. Notwithstanding the
20 first sentence of this paragraph, the amount of the difference
21 between the expected value and the full market value of the assets
22 to be added to the expected value of the assets for the valuation
23 period ending June 30, 1999 shall include an additional amount of
24 the market value of the assets sufficient to fund (1) the unfunded
25 accrued liability for the supplementary "special retirement"
26 allowances provided under subsection b. of section 16 of P.L.1964,
27 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the
28 full credit toward benefits under the retirement system for service
29 credited in the Public Employees' Retirement System and
30 transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8)
31 and the reimbursement of the cost of any credit purchase pursuant
32 to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under
33 section 1 of P.L.2001, c.201 (C.43:16A-3.14).

34 "Excess valuation assets" means, with respect to the valuation
35 assets allocated to the State, the valuation assets allocated to the
36 State for a valuation period less the actuarial accrued liability of the
37 State for the valuation period, and beginning with the valuation
38 period ending June 30, 1998, less the present value of the expected
39 additional normal cost contributions attributable to the provisions of
40 P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the
41 active members employed by the State as of the valuation period
42 over the expected working lives of the active members in
43 accordance with the tables of actuarial assumptions applicable to
44 the valuation period, and less the present value of the expected
45 additional normal cost contributions attributable to the provisions of
46 P.L.2003, c.108 as amending section 16 of P.L.1964,
47 c.241 (C.43:16A-11.1) payable on behalf of the active members
48 employed by the State as of the valuation period over the expected

1 working lives of the active members in accordance with the tables
2 of actuarial assumptions applicable to the valuation period, if the
3 sum is greater than zero. "Excess valuation assets" means, with
4 respect to the valuation assets allocated to other employers, the
5 valuation assets allocated to the other employers for a valuation
6 period less the actuarial accrued liability of the other employers for
7 the valuation period, excluding the unfunded accrued liability for
8 early retirement incentive benefits pursuant to P.L.1993, c.99 for
9 the other employers, and beginning with the valuation period ending
10 June 30, 1998, less the present value of the expected additional
11 normal cost contributions attributable to the provisions of P.L.1999,
12 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active
13 members employed by other employers as of the valuation period
14 over the expected working lives of the active members in
15 accordance with the tables of actuarial assumptions applicable to
16 the valuation period, and less the present value of the expected
17 additional normal cost contributions attributable to the provisions of
18 P.L.2003, c.108 as amending section 16 of P.L.1964,
19 c.241 (C.43:16A-11.1) payable on behalf of the active members
20 employed by other employers as of the valuation period over the
21 expected working lives of the active members in accordance with
22 the tables of actuarial assumptions applicable to the valuation
23 period, if the sum is greater than zero.

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

37 If there are excess valuation assets allocated to the other
38 employers for the valuation period ending June 30, 1998, the
39 accrued liability contributions payable by the other employers for
40 the valuation period ending June 30, 1997 shall be reduced to the
41 extent possible by the excess valuation assets allocated to the other
42 employers.

43 If there are excess valuation assets allocated to the State or to the
44 other employers for a valuation period ending after June 30, 1998,
45 the State Treasurer may reduce the normal contribution payable by
46 the State or by other employers for the next valuation period as
47 follows:

1 (1) for valuation periods ending June 30, 1996 through June 30,
2 2000, to the extent possible by up to 100% of the excess valuation
3 assets allocated to the State or to the other employers, respectively;

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

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

10 (4) for valuation periods ending June 30, 2003 through June 30,
11 2007, to the extent possible by up to 50% of the excess valuation
12 assets allocated to the State or to the other employers, respectively.

13 Notwithstanding the discretion provided to the State Treasurer in
14 the previous paragraph to reduce the amount of the normal
15 contribution payable by employers other than the State, the State
16 Treasurer shall reduce the amount of the normal contribution
17 payable by employers other than the State by \$150,000,000 in the
18 aggregate for the valuation period ending June 30, 1998, and then
19 the State Treasurer may reduce further pursuant to the provisions of
20 the previous paragraph the normal contribution payable by such
21 employers for that valuation period.

22 The normal and accrued liability contributions shall be certified
23 annually by the retirement system and shall be included in the
24 budget of the employer and levied and collected in the same manner
25 as any other taxes are levied and collected for the payment of the
26 salaries of members.

27 Notwithstanding the preceding sentence, the normal and accrued
28 liability contributions to be included in the budget of and paid by
29 the employer other than the State shall be as follows: for the
30 payment due in the State fiscal year ending on June 30, 2004, 20%
31 of the amount certified by the retirement system; for the payment
32 due in the State fiscal year ending on June 30, 2005, a percentage of
33 the amount certified by the retirement system as the State Treasurer
34 shall determine but not more than 40%; for the payment due in the
35 State fiscal year ending on June 30, 2006, a percentage of the
36 amount certified by the retirement system as the State Treasurer
37 shall determine but not more than 60%; and for the payment due in
38 the State fiscal year ending on June 30, 2007, a percentage of the
39 amount certified by the retirement system as the State Treasurer
40 shall determine but not more than 80%.

41 The State Treasurer shall reduce the normal and accrued liability
42 contributions payable by employers other than the State to 50
43 percent of the amount certified annually by the retirement system
44 for payments due in the State fiscal year ending June 30, 2009. An
45 employer that elects to pay the reduced normal and accrued liability
46 contribution shall adopt a resolution, separate and apart from other
47 budget resolutions, stating that the employer needs to pay the
48 reduced contribution and providing an explanation of that need

1 which shall include (1) a description of its inability to meet the levy
2 cap without jeopardizing public safety, health, and welfare or
3 without jeopardizing the fiscal stability of the employer, or (2) a
4 description of another condition that offsets the long term fiscal
5 impact of the payment of the reduced contribution. An employer
6 also shall document those actions it has taken to reduce its
7 operating costs, or provide a description of relevant anticipated
8 circumstances that could have an impact on revenues or
9 expenditures. This resolution shall be submitted to and approved by
10 the Local Finance Board after making a finding that these fiscal
11 conditions are valid and affirming the findings contained in the
12 employer resolution.

13 An employer that elects to pay 100 percent of the amount
14 certified by the retirement system for the State fiscal year ending
15 June 30, 2009 shall be credited with such payment and any such
16 amounts shall not be included in the employer's unfunded liability.

17 The actuaries for the retirement system shall determine the
18 unfunded liability of the retirement system, by employer, for the
19 reduced normal and accrued liability contributions provided under
20 P.L.2009, c.19. This unfunded liability shall be paid by the
21 employer in level annual payments over a period of 15 years
22 beginning with the payments due in the State fiscal year ending
23 June 30, 2012 and shall be adjusted by the rate of return on the
24 actuarial value of assets.

25 The retirement system shall annually certify to each employer
26 the contributions due to the contingent reserve fund for the liability
27 under P.L.2009, c.19. The contributions certified by the retirement
28 system shall be paid by the employer to the retirement system on or
29 before the date prescribed by law for payment of employer
30 contributions for basic retirement benefits. If payment of the full
31 amount of the contribution certified is not made within 30 days
32 after the last date for payment of employer contributions for basic
33 retirement benefits, interest at the rate of 10% per year shall be
34 assessed against the unpaid balance on the first day after the
35 thirtieth day.

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

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

47 If payment in full, representing the monthly transmittal and
48 report of salary deductions, is not made within 15 days of the due

1 date established by the retirement system, interest at the rate of 10%
2 per annum shall commence to run against the total transmittal of
3 salary deductions for the period on the first day after such 15th day.

4 (11) The expenses of administration of the retirement system
5 shall be paid by the State of New Jersey. Each employer shall
6 reimburse the State for a proportionate share of the amount paid by
7 the State for administrative expense. This proportion shall be
8 computed as the number of members under the jurisdiction of such
9 employer bears to the total number of members in the system. The
10 pro rata share of the cost of administrative expense shall be
11 included with the certification by the retirement system of the
12 employer's contribution to the system.

13 (12) Notwithstanding anything to the contrary, the retirement
14 system shall not be liable for the payment of any pension or other
15 benefits on account of the employees or beneficiaries of any
16 employer participating in the retirement system, for which reserves
17 have not been previously created from funds, contributed by such
18 employer or its employees for such benefits.

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

20 (14) Commencing with valuation year 1991, with payment to be
21 made in Fiscal Year 1994, the Legislature shall annually
22 appropriate and the State Treasurer shall pay into the pension
23 accumulation fund of the retirement system an amount equal to
24 1.1% of the compensation of the members of the system for the
25 valuation year to fund the benefits provided by section 16 of
26 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

27 (15) If the valuation assets are insufficient to fund the normal
28 and accrued liability costs attributable to P.L.1999, c.428
29 (C.43:16A-15.8 et al.) as provided hereinabove, the normal and
30 unfunded accrued liability contributions required to fund these costs
31 for the State and other employers shall be paid by the State.

32 (16) The savings realized as a result of the amendments to this
33 section by P.L.2001, c.44 in the payment of normal contributions
34 computed by the actuary for the valuation periods ending June 30,
35 1998 for employers other than the State shall be used solely and
36 exclusively by a county or municipality for the purpose of reducing
37 the amount that is required to be raised by the local property tax
38 levy by the county for county purposes or by the municipality for
39 municipal purposes, as appropriate. The Director of the Division of
40 Local Government Services in the Department of Community
41 Affairs shall certify for each year that each county or municipality
42 has complied with the requirements set forth herein. If the director
43 finds that a county or municipality has not used the savings solely
44 and exclusively for the purpose of reducing the amount that is
45 required to be raised by the local property tax levy by the county for
46 county purposes or by the municipality for municipal purposes, as
47 appropriate, the director shall direct the county or municipal

1 governing body, as appropriate, to make corrections to its budget.
2 (cf: P.L.2011, c.78, s.15)

3

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

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

8 a. Upon the basis of the tables recommended by the actuary
9 which the board adopts and regular interest, the actuary shall
10 compute annually, beginning as of June 30, 1992, the amount of the
11 contribution which shall be the normal cost as computed under the
12 projected unit credit method attributable to service rendered under
13 the retirement system for the year beginning on July 1 immediately
14 succeeding the date of the computation. This shall be known as the
15 "normal contribution." Beginning with the July 1, 2015 actuarial
16 valuation, the increased employee contributions resulting from the
17 employee rate increase from 7.5% to 9% pursuant to section 16 of
18 P.L.2011, c.78 (C.53:5A-38), shall be credited as additional
19 contributions to the retirement system and shall not be used to
20 offset the employer's share of the normal cost.

21 b. Upon the basis of the tables recommended by the actuary
22 which the board adopts and regular interest, the actuary shall
23 annually determine if there is an amount of the accrued liability of
24 the retirement system, computed under the projected unit credit
25 method, which is not already covered by the assets of the retirement
26 system, valued in accordance with the asset valuation method
27 established in this section. This shall be known as the "unfunded
28 accrued liability." If there was no unfunded accrued liability for the
29 valuation period immediately preceding the current valuation
30 period, the actuary, using the total amount of this unfunded accrued
31 liability, shall compute the initial amount of contribution which, if
32 paid annually in level dollars for a specific period of time, will
33 amortize this liability. The State Treasurer shall determine, upon
34 the advice of the Director of the Division of Pensions and Benefits,
35 the board of trustees and the actuary, the time period for full
36 funding of this liability, which shall not exceed 30 years. This shall
37 be known as the "accrued liability contribution." Thereafter, any
38 increase or decrease in the unfunded accrued liability as a result of
39 actuarial losses or gains for subsequent valuation years shall serve
40 to increase or decrease, respectively, the amortization period for the
41 unfunded accrued liability, unless an increase in the amortization
42 period will cause it to exceed 30 years. If an increase in the
43 amortization period as a result of actuarial losses for a valuation
44 year would exceed 30 years, the accrued liability contribution shall
45 be computed for the valuation year in the same manner provided for
46 the computation of the initial accrued liability contribution under
47 this section. Beginning with the July 1, 2019 actuarial valuation, the
48 accrued liability contribution shall be computed so that if the

1 contribution is paid annually in level dollars, it will amortize this
2 unfunded accrued liability over a closed 30-year period. Beginning
3 with the July 1, 2029 actuarial valuation, when the remaining
4 amortization period reaches 20 years, any increase or decrease in
5 the unfunded accrued liability as a result of actuarial losses or gains
6 for subsequent valuation years shall serve to increase or decrease,
7 respectively, the amortization period for the unfunded accrued
8 liability, unless an increase in the amortization period will cause it
9 to exceed 20 years. If an increase in the amortization period as a
10 result of actuarial losses for a valuation year would exceed 20 years,
11 the accrued liability contribution shall be computed for the
12 valuation year in the same manner provided for the computation of
13 the initial accrued liability contribution under this section.

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

18 The value of the assets to be used in the computation of the
19 contributions provided for under this section for valuation periods
20 shall be the value of the assets for the preceding valuation period
21 increased by the regular interest rate, plus the net cash flow for the
22 valuation period (the difference between the benefits and expenses
23 paid by the system and the contributions to the system) increased by
24 one half of the regular interest rate, plus 20% of the difference
25 between this expected value and the full market value of the assets
26 as of the end of the valuation period. This shall be known as the
27 "valuation assets." Notwithstanding the first sentence of this
28 paragraph, the valuation assets for the valuation period ending June
29 30, 1996 shall be the full market value of the assets as of that date
30 and shall include the proceeds from the bonds issued pursuant to the
31 "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-
32 7.45 et seq.), paid to the system by the New Jersey Economic
33 Development Authority to fund the unfunded accrued liability of
34 the system.

35 "Excess valuation assets" means the valuation assets for a
36 valuation period less the actuarial accrued liability for the valuation
37 period, if the sum is greater than zero. If there are excess valuation
38 assets for the valuation period ending June 30, 1996, the normal
39 contributions for the valuation periods ending June 30, 1996 and
40 June 30, 1997 which have not yet been paid to the retirement
41 system shall be reduced to the extent possible by the excess
42 valuation assets, provided that the General Fund balances that
43 would have been paid to the retirement system except for this
44 provision shall first be allocated as State aid to public schools to the
45 extent that additional sums are required to comply with the May 14,
46 1997 decision of the New Jersey Supreme Court in *Abbott v. Burke*.
47 If there are excess valuation assets for a valuation period ending

1 after June 30, 1996, the State Treasurer may reduce the normal
2 contribution payable for the next valuation period as follows:

3 (1) for valuation periods ending June 30, 1997 through June 30,
4 2001, to the extent possible by up to 100% of the excess valuation
5 assets;

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

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

10 (4) for valuation periods ending June 30, 2004 through June 30,
11 2007, to the extent possible by up to 50% of the excess valuation
12 assets.

13 c. The actuary shall certify annually the aggregate amount
14 payable to the Contingent Reserve Fund in the ensuing year, which
15 amount shall be equal to the sum of the amounts described in this
16 section. The State shall pay into the Contingent Reserve Fund
17 during the ensuing year the amount so certified. In the event the
18 amount certified to be paid by the State includes amounts due for
19 services rendered by members to specific instrumentalities or
20 authorities the total amounts so certified shall be paid to the
21 retirement system by the State; provided, however, the full cost
22 attributable to such services rendered to such instrumentalities and
23 authorities shall be computed separately by the actuary and the
24 State shall be reimbursed for such amounts by such
25 instrumentalities or authorities.

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

30 (cf: P.L.2011, c.78, s.23)

31

32 6. This act shall take effect immediately.

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34

35

STATEMENT

36

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

44 P.L.2011, c.78 increases the percentage of salary employee
45 members contribute as follows: Teachers' Pension and Annuity
46 Fund, from 5.5% to 6.5%, with an additional contribution of 1% to
47 be phased-in in equal increments over a period of seven years;
48 Public Employees' Retirement System, from 5.5% to 6.5%, with an

1 additional contribution of 1% to be phased-in in equal increments
2 over a period of seven years; Judicial Retirement System an
3 additional 9% to be phased-in in equal increments over a period of
4 seven years; Police and Firemen's Retirement System, from 8.5% to
5 10%; and State Police Retirement System, from 7.5% to 9%. Under
6 the bill, the pension funding yielded from these increases will not
7 offset the State and local public employer shares of the normal cost
8 of those systems but will be credited as additional contributions.