

SENATE, No. 2313

STATE OF NEW JERSEY
219th LEGISLATURE

INTRODUCED APRIL 9, 2020

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

SYNOPSIS

Credits increases in employee contributions required in 2011, 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, 2021.

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, 2021 actuarial valuation, the increased employee
21 contributions resulting from the employee rate increase from 5.5%
22 to 7.5%, pursuant to section 8 of P.L.2011, c.78 (C.18A:66-29),
23 shall be credited as additional contributions to the retirement system
24 and shall not be used to offset the employer's share of the normal
25 cost.

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

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

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

29 The value of the assets, excluding the special asset value set
30 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
31 computation of the contributions provided for under this section for
32 valuation periods shall be the value of the assets for the preceding
33 valuation period increased by the regular interest rate, plus the net
34 cash flow for the valuation period (the difference between the
35 benefits and expenses paid by the system and the contributions to
36 the system) increased by one half of the regular interest rate, plus
37 20% of the difference between this expected value and the full
38 market value of the assets as of the end of the valuation period.
39 This shall be known as the "valuation assets." Notwithstanding the
40 first sentence of this paragraph, the valuation assets for the
41 valuation period ending March 31, 1996 shall be the full market
42 value of the assets as of that date and shall include the proceeds
43 from the bonds issued pursuant to the "Pension Bond Financing Act
44 of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system
45 by the New Jersey Economic Development Authority to fund the
46 unfunded accrued liability of the system. Notwithstanding the first
47 sentence of this paragraph, the valuation assets for the valuation

1 period ending June 30, 1999 shall be the full market value of the
2 assets as of that date.

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

4 (1) the valuation assets; less

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

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

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

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

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

36 (1) for valuation periods ending March 31, 1997 through March
37 31, 2001, to the extent possible by up to 100% of the excess
38 valuation assets;

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

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

43 (4) for valuation periods ending March 31, 2004 through June
44 30, 2007, to the extent possible by up to 50% of the excess
45 valuation assets.

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

1 years 2000 and 2001, the rate of contribution of members of the
2 retirement system shall be reduced equally with normal
3 contributions to the extent possible, but not more than 1/2 of 1%,
4 from excess valuation assets. Thereafter, through calendar year
5 2007, the rate of contribution of members of the retirement system
6 under that section for a calendar year shall be reduced equally with
7 normal contributions to the extent possible, but not by more than
8 2%, from excess valuation assets if the State Treasurer determines
9 that excess valuation assets shall be used to reduce normal
10 contributions by the State for the fiscal year beginning immediately
11 prior to the calendar year, and excess valuation assets above the
12 amount necessary to fund the reduction for that calendar year in the
13 member contribution rate plus an equal reduction in the normal
14 contribution shall be available for the further reduction of normal
15 contributions, subject to the limitations prescribed by this
16 subsection.

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

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

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

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

47 e. Except as provided in N.J.S.18A:66-26 and N.J.S.18A:66-
48 53, the death benefits payable under the provisions of this article

1 upon the death of an active or retired member shall be paid from the
2 contingent reserve fund.

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

6 (cf: P.L.2017, c.98, s.20)

7

8 2. Section 33 of P.L.1973, c.140 (C.43:6A-33) is amended to
9 read 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
15 the 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." Beginning with the July 1, 2021 actuarial
18 valuation, the increased employee contributions resulting from the
19 employee rate increase of an additional 9% pursuant to section 9 of
20 P.L.2011, c.78 (C.43:6A-34.1) shall be credited as additional
21 contributions to the retirement system and shall not be used to
22 offset the employer's share of the normal cost.

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

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

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

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

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

1 If there are excess valuation assets for a valuation period ending
2 after June 30, 1996, the State Treasurer may reduce the normal
3 contribution payable for the next valuation period as follows:

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

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

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

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

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

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

23 d. (Deleted by amendment, P.L.1992, c.125)
24 (cf: P.L.2011, c.78, s.21)
25

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

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

30 a. Upon the basis of the tables recommended by the actuary
31 which the board adopts and regular interest, the actuary shall
32 compute annually, beginning as of March 31, 1992, the amount of
33 contribution which shall be the normal cost as computed under the
34 projected unit credit method attributable to service rendered under
35 the retirement system for the year beginning on July 1 immediately
36 succeeding the date of the computation. This shall be known as the
37 "normal contribution." Beginning with the July 1, 2021 actuarial
38 valuation, the increased employee contributions resulting from the
39 employee rate increase from 5.5% to 7.5%, pursuant to sections 10
40 through 13 of P.L.2011, c.78 (C.43:15A-25, 43:15A-104, 43:15A-
41 136, and 43:15A-144), and the increased employee contributions
42 resulting from the employee rate increase to 10%, pursuant to
43 section 14 of P.L.2011, c.78 (C.43:15A-157), shall be credited as
44 additional contributions to the retirement system and shall not be
45 used to offset the employer's share of the normal cost.

46 b. With respect to employers other than the State, upon the
47 basis of the tables recommended by the actuary which the board
48 adopts and regular interest, the actuary shall compute the amount of

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

44 With respect to the State, upon the basis of the tables
45 recommended by the actuary which the commission adopts and
46 regular interest, the actuary shall annually determine if there is an
47 amount of the accrued liability of the retirement system, computed
48 under the projected unit credit method, which is not already covered

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

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

42 The value of the assets, excluding the special asset value set
43 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
44 computation of the contributions provided for under this section for
45 valuation periods shall be the value of the assets for the preceding
46 valuation period increased by the regular interest rate, plus the net
47 cash flow for the valuation period (the difference between the
48 benefits and expenses paid by the system and the contributions to

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

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

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

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

21 (3) the contributory group insurance premium fund, created by
22 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
23 4 of P.L.1960, c.79; less

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

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

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

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

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

43 (3) the contributory group insurance premium fund, created by
44 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
45 4 of P.L.1960, c.79; less

46 (4) the present value of the projected total normal cost for
47 pension adjustment benefits in excess of the projected total phased-
48 in normal cost for pension adjustment benefits for the other

1 employers authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1)
2 over the full phase-in period, determined in the manner prescribed
3 for the determination and amortization of the unfunded accrued
4 liability of the system, if the sum of the foregoing items is greater
5 than zero.

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

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

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

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

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

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

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

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

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

34 c. The retirement system shall certify annually the aggregate
35 amount payable to the contingent reserve fund in the ensuing year,
36 which amount shall be equal to the sum of the amounts described in
37 this section.

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

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

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

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

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

45 The State shall pay into the contingent reserve fund during the
46 ensuing year the amount so determined. The death benefits,
47 payable as a result of contribution by the State under the provisions

1 of this chapter upon the death of an active or retired member, shall
2 be paid from the contingent reserve fund.

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

6 (cf: P.L.2017, c.98, s.24)

7

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

10 15. (1) The contributions required for the support of the
11 retirement system shall be made by members and their employers.

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

16 (b) The board of trustees is authorized to make an adjustment to
17 the uniform contribution rate of the members set forth in this
18 subsection as the board deems reasonable, necessary, and
19 appropriate with the approval of at least eight members of the board
20 after consultation with, and the recommendation of, the actuary.
21 Any adjustment to a contribution rate shall be made at such time
22 and in such manner as the board shall determine upon certification
23 by the actuary that such change will not result in an increased
24 employer contribution in the current year and that such change will
25 not impact the long term viability of the fund.

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

27 (4) Upon the basis of the tables recommended by the actuary
28 which the board adopts and regular interest, the actuary shall
29 compute annually, beginning as of June 30, 1991, the amount of
30 contribution which shall be the normal cost as computed under the
31 projected unit credit method attributable to service rendered under
32 the retirement system for the year beginning on July 1 immediately
33 succeeding the date of the computation. This shall be known as the
34 "normal contribution." Beginning with the July 1, 2021 actuarial
35 valuation, the increased employee contributions resulting from the
36 employee rate increase from 8.5% to 10%, pursuant to subsection
37 (2) of this section, shall be credited as additional contributions to
38 the retirement system and shall not be used to offset the employer's
39 share of the normal cost.

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

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

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

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

15 (9) With respect to employers other than the State, upon the
16 basis of the tables recommended by the actuary which the board
17 adopts and regular interest, the actuary shall compute the amount of
18 the accrued liability as of June 30, 1991 under the projected unit
19 credit method, which is not already covered by the assets of the
20 retirement system, valued in accordance with the asset valuation
21 method established in this section. Using the total amount of this
22 unfunded accrued liability, the actuary shall compute the initial
23 amount of contribution which, if the contribution is paid annually in
24 level dollars for a specific period of time, will amortize this
25 liability. The board of trustees shall determine, upon the advice of
26 the actuary, the time period for full funding of this liability, which
27 shall not exceed 40 years on initial application of this section as
28 amended by this act, P.L.1994, c.62. This shall be known as the
29 "accrued liability contribution." Any increase or decrease in the
30 unfunded accrued liability as a result of actuarial losses or gains for
31 the 10 valuation years following valuation year 1991 shall serve to
32 increase or decrease, respectively, the unfunded accrued liability
33 contribution. Thereafter, any increase or decrease in the unfunded
34 accrued liability as a result of actuarial losses or gains for
35 subsequent valuation years shall serve to increase or decrease,
36 respectively, the amortization period for the unfunded accrued
37 liability, unless an increase in the amortization period will cause it
38 to exceed 30 years. If an increase in the amortization period as a
39 result of actuarial losses for a valuation year would exceed 30 years,
40 the accrued liability contribution shall be computed for the
41 valuation year in the same manner provided for the computation of
42 the initial accrued liability contribution under this section.
43 Beginning with the July 1, 2018 actuarial valuation, the accrued
44 liability contribution shall be computed so that if the contribution is
45 paid annually in level dollars, it will amortize this unfunded accrued
46 liability over a closed 30-year period. Beginning with the July 1,
47 2028 actuarial valuation, when the remaining amortization period
48 reaches 20 years, any increase or decrease in the unfunded accrued

1 liability as a result of actuarial losses or gains for subsequent
2 valuation years shall serve to increase or decrease, respectively, the
3 amortization period for the unfunded accrued liability, unless an
4 increase in the amortization period will cause it to exceed 20 years.
5 If an increase in the amortization period as a result of actuarial
6 losses for a valuation year would exceed 20 years, the accrued
7 liability contribution shall be computed for the valuation year in the
8 same manner provided for the computation of the initial accrued
9 liability contribution under this section.

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

1 manner provided for the computation of the initial accrued liability
2 contribution under this section.

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

7 The value of the assets, excluding the special asset value set
8 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
9 computation of the contributions provided for under this section for
10 valuation periods shall be the value of the assets for the preceding
11 valuation period increased by the regular interest rate, plus the net
12 cash flow for the valuation period (the difference between the
13 benefits and expenses paid by the system and the contributions to
14 the system) increased by one half of the regular interest rate, plus
15 20% of the difference between this expected value and the full
16 market value of the assets as of the end of the valuation period.
17 This shall be known as the "valuation assets." Notwithstanding the
18 first sentence of this paragraph, the valuation assets for the
19 valuation period ending June 30, 1995 shall be the full market value
20 of the assets as of that date and, with respect to the valuation assets
21 allocated to the State, shall include the proceeds from the bonds
22 issued pursuant to the "Pension Bond Financing Act of 1997,"
23 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the
24 New Jersey Economic Development Authority to fund the unfunded
25 accrued liability of the system. Notwithstanding the first sentence of
26 this paragraph, the percentage of the difference between the
27 expected value and the full market value of the assets to be added to
28 the expected value of the assets for the valuation period ending June
29 30, 1998 for the State shall be 100% and for other employers shall
30 be 57% plus such additional percentage as is equivalent to
31 \$150,000,000. Notwithstanding the first sentence of this paragraph,
32 the amount of the difference between the expected value and the
33 full market value of the assets to be added to the expected value of
34 the assets for the valuation period ending June 30, 1999 shall
35 include an additional amount of the market value of the assets
36 sufficient to fund (1) the unfunded accrued liability for the
37 supplementary "special retirement" allowances provided under
38 subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1) and
39 (2) the unfunded accrued liability for the full credit toward benefits
40 under the retirement system for service credited in the Public
41 Employees' Retirement System and transferred pursuant to section 1
42 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the
43 cost of any credit purchase pursuant to section 3 of P.L.1993, c.247
44 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201
45 (C.43:16A-3.14).

46 "Excess valuation assets" means, with respect to the valuation
47 assets allocated to the State, the valuation assets allocated to the
48 State for a valuation period less the actuarial accrued liability of the

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

36 If there are excess valuation assets allocated to the State or to the
37 other employers for the valuation period ending June 30, 1995, the
38 normal contributions payable by the State or by the other employers
39 for the valuation periods ending June 30, 1995, and June 30, 1996
40 which have not yet been paid to the retirement system shall be
41 reduced to the extent possible by the excess valuation assets
42 allocated to the State or to the other employers, respectively,
43 provided that with respect to the excess valuation assets allocated to
44 the State, the General Fund balances that would have been paid to
45 the retirement system except for this provision shall first be
46 allocated as State aid to public schools to the extent that additional
47 sums are required to comply with the May 14, 1997 decision of the
48 New Jersey Supreme Court in *Abbott v. Burke*.

1 If there are excess valuation assets allocated to the other
2 employers for the valuation period ending June 30, 1998, the
3 accrued liability contributions payable by the other employers for
4 the valuation period ending June 30, 1997 shall be reduced to the
5 extent possible by the excess valuation assets allocated to the other
6 employers.

7 If there are excess valuation assets allocated to the State or to the
8 other employers for a valuation period ending after June 30, 1998,
9 the State Treasurer may reduce the normal contribution payable by
10 the State or by other employers for the next valuation period as
11 follows:

12 (1) for valuation periods ending June 30, 1996 through June 30,
13 2000, to the extent possible by up to 100% of the excess valuation
14 assets allocated to the State or to the other employers, respectively;

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

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

21 (4) for valuation periods ending June 30, 2003 through June 30,
22 2007, to the extent possible by up to 50% of the excess valuation
23 assets allocated to the State or to the other employers, respectively.

24 Notwithstanding the discretion provided to the State Treasurer in
25 the previous paragraph to reduce the amount of the normal
26 contribution payable by employers other than the State, the State
27 Treasurer shall reduce the amount of the normal contribution
28 payable by employers other than the State by \$150,000,000 in the
29 aggregate for the valuation period ending June 30, 1998, and then
30 the State Treasurer may reduce further pursuant to the provisions of
31 the previous paragraph the normal contribution payable by such
32 employers for that valuation period.

33 The normal and accrued liability contributions shall be certified
34 annually by the retirement system and shall be included in the
35 budget of the employer and levied and collected in the same manner
36 as any other taxes are levied and collected for the payment of the
37 salaries of members.

38 Notwithstanding the preceding sentence, the normal and accrued
39 liability contributions to be included in the budget of and paid by
40 the employer other than the State shall be as follows: for the
41 payment due in the State fiscal year ending on June 30, 2004, 20%
42 of the amount certified by the retirement system; for the payment
43 due in the State fiscal year ending on June 30, 2005, a percentage of
44 the amount certified by the retirement system as the State Treasurer
45 shall determine but not more than 40%; for the payment due in the
46 State fiscal year ending on June 30, 2006, a percentage of the
47 amount certified by the retirement system as the State Treasurer
48 shall determine but not more than 60%; and for the payment due in

1 the State fiscal year ending on June 30, 2007, a percentage of the
2 amount certified by the retirement system as the State Treasurer
3 shall determine but not more than 80%.

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

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

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

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

47 (10) The treasurer or corresponding officer of the employer shall
48 pay to the board of trustees no later than April 1 of the State's fiscal

1 year in which payment is due the amount so certified as payable by
2 the employer, and shall pay monthly to the board of trustees the
3 amount of the deductions from the salary of the members in the
4 employ of the employer, and the board of trustees shall credit such
5 amount to the appropriate fund or funds, of the retirement system.

6 If payment of the required amount of the employer's obligation is
7 not made within 30 days of the due dates established by this act,
8 interest at the rate of 10% per annum shall commence to run against
9 the unpaid balance thereof on the first day after such 30th day.
10 Nothing in P.L.2015, c.55 shall relieve State or local government
11 employers of any present or future obligations of their normal cost
12 or unfunded liabilities required to be paid into the retirement
13 system.

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

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

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

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

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

42 (15) If the valuation assets are insufficient to fund the normal
43 and accrued liability costs attributable to the amendatory provisions
44 of P.L.1999, c.428 (C.43:16A-1 et al.) as provided hereinabove, the
45 normal and unfunded accrued liability contributions required to
46 fund these costs for the State and other employers shall be paid by
47 the State.

1 (16) The savings realized as a result of the amendments to this
2 section by P.L.2001, c.44 in the payment of normal contributions
3 computed by the actuary for the valuation periods ending June 30,
4 1998 for employers other than the State shall be used solely and
5 exclusively by a county or municipality for the purpose of reducing
6 the amount that is required to be raised by the local property tax
7 levy by the county for county purposes or by the municipality for
8 municipal purposes, as appropriate. The Director of the Division of
9 Local Government Services in the Department of Community
10 Affairs shall certify for each year that each county or municipality
11 has complied with the requirements set forth herein. If the director
12 finds that a county or municipality has not used the savings solely
13 and exclusively for the purpose of reducing the amount that is
14 required to be raised by the local property tax levy by the county for
15 county purposes or by the municipality for municipal purposes, as
16 appropriate, the director shall direct the county or municipal
17 governing body, as appropriate, to make corrections to its budget.
18 (cf: P.L.2018, c.55, s.17)

19
20 5. Section 34 of P.L.1965, c.89 (C.53:5A-34) is amended to
21 read as follows:

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

24 a. Upon the basis of the tables recommended by the actuary
25 which the board adopts and regular interest, the actuary shall
26 compute annually, beginning as of June 30, 1992, the amount of the
27 contribution which shall be the normal cost as computed under the
28 projected unit credit method attributable to service rendered under
29 the retirement system for the year beginning on July 1 immediately
30 succeeding the date of the computation. This shall be known as the
31 "normal contribution." Beginning with the July 1, 2021 actuarial
32 valuation, the increased employee contributions resulting from the
33 employee rate increase from 7.5% to 9% pursuant to section 16 of
34 P.L.2011, c.78 (C.53:5A-38), shall be credited as additional
35 contributions to the retirement system and shall not be used to
36 offset the employer's share of the normal cost.

37 b. Upon the basis of the tables recommended by the actuary
38 which the board adopts and regular interest, the actuary shall
39 annually determine if there is an amount of the accrued liability of
40 the retirement system, computed under the projected unit credit
41 method, which is not already covered by the assets of the retirement
42 system, valued in accordance with the asset valuation method
43 established in this section. This shall be known as the "unfunded
44 accrued liability." If there was no unfunded accrued liability for the
45 valuation period immediately preceding the current valuation
46 period, the actuary, using the total amount of this unfunded accrued
47 liability, shall compute the initial amount of contribution which, if
48 paid annually in level dollars for a specific period of time, will

1 amortize this liability. The State Treasurer shall determine, upon
2 the advice of the Director of the Division of Pensions and Benefits,
3 the board of trustees and the actuary, the time period for full
4 funding of this liability, which shall not exceed 30 years. This shall
5 be known as the "accrued liability contribution." Thereafter, any
6 increase or decrease in the unfunded accrued liability as a result of
7 actuarial losses or gains for subsequent valuation years shall serve
8 to increase or decrease, respectively, the amortization period for the
9 unfunded accrued liability, unless an increase in the amortization
10 period will cause it to exceed 30 years. If an increase in the
11 amortization period as a result of actuarial losses for a valuation
12 year would exceed 30 years, the accrued liability contribution shall
13 be computed for the valuation year in the same manner provided for
14 the computation of the initial accrued liability contribution under
15 this section. Beginning with the July 1, 2019 actuarial valuation, the
16 accrued liability contribution shall be computed so that if the
17 contribution is paid annually in level dollars, it will amortize this
18 unfunded accrued liability over a closed 30-year period. Beginning
19 with the July 1, 2029 actuarial valuation, when the remaining
20 amortization period reaches 20 years, any increase or decrease in
21 the unfunded accrued liability as a result of actuarial losses or gains
22 for subsequent valuation years shall serve to increase or decrease,
23 respectively, the amortization period for the unfunded accrued
24 liability, unless an increase in the amortization period will cause it
25 to exceed 20 years. If an increase in the amortization period as a
26 result of actuarial losses for a valuation year would exceed 20 years,
27 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 The State may pay all or any portion of its unfunded accrued
31 liability under the retirement system from any source of funds
32 legally available for the purpose, including, without limitation, the
33 proceeds of bonds authorized by law for this purpose.

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

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

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

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

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

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

25 (4) for valuation periods ending June 30, 2004 through June 30,
26 2007, to the extent possible by up to 50% of the excess valuation
27 assets.

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

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

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

46

47 6. This act shall take effect immediately.

STATEMENT

This bill provides that beginning with the July 1, 2021 actuarial valuations of the five State-administered defined benefit retirement systems, the increased employee contributions resulting from the employee rate increases that were required in 2011 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 increased the percentage of salary employee members contribute as follows: Teachers' Pension and Annuity Fund, from 5.5% to 7.5; Public Employees' Retirement System, from 5.5% to 7.5%, Judicial Retirement System an additional 9%; 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.