

43:3C-16

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2011 **CHAPTER:** 78

NJSA: 43:3C-16 (Makes various changes to pension and health care benefits for public employees)

BILL NO: S2937 (Substituted for A4133)

SPONSOR(S) Sweeney and others

DATE INTRODUCED: June 13, 2011

COMMITTEE: **ASSEMBLY:** ---

SENATE: Budget and Appropriations

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** June 23, 2011

SENATE: June 20, 2011

DATE OF APPROVAL: June 28, 2011

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (Introduced version of bill enacted)

S2937

SPONSOR'S STATEMENT: (Begins on page 119 of introduced bill)	Yes
COMMITTEE STATEMENT:	ASSEMBLY: No
	SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT:	No
LEGISLATIVE FISCAL NOTE:	Yes

A4133

SPONSOR'S STATEMENT: (Begins on page 119 of introduced bill)	Yes
COMMITTEE STATEMENT:	ASSEMBLY: Yes
	SENATE: No
FLOOR AMENDMENT STATEMENT:	No
LEGISLATIVE FISCAL ESTIMATE:	No

(continued)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext.103 or <mailto:refdesk@njstatelib.org>

REPORTS: Yes

HEARINGS: No

NEWSPAPER ARTICLES: Yes

[974.90 F491 2011b](#)

Public Employees' Retirement System of New Jersey, municipalities and local groups: comparison of required contributions for state fiscal year 2012, pre and post Chapter 78, P.L. 2011 [Trenton, N.J.]: New Jersey Division of Pension and Benefits; 2011.

"Dotting the 'I's and Crossing the 'T's: A promise of tax relief," The Times, 6-29-11

"At bill signing, a promise of tax relief," The Star-Ledger, 6-29-11

"Saying 'this was not easy,' Christie OKs benefits law," The Record, 6-29-11

"Christie signs bill on benefits," The Philadelphia Inquirer, 6-29-11

"Christie signs pension reform, calls N.J. 'model for America'," Asbury Park Press, 6-29-11

"Christie signs pension reform, calls N.J. 'model for America'," Courier News, 6-29-11

"New Jersey's landmark bill hailed as 'model for America,'" Daily Record, 6-29-11

"Christie signs pension and benefit reform package, expects court challenge," Courier-Post, 6-29-11

"Gov. signs benefits changes into law," The Press, 6-29-11

"Chris Christie wins war of the bennies," The Trentonian, 6-29-11

"Christie signs controversial bill to raise health and pension costs for 500K public workers," NewJerseyNewsroom.com, 6-29-11

"Christie Signs Landmark Pension and Health Care Reform Bill," NewJersey101.5, 6-29-11

"Christie Touts Sweeney's 'Courage' in Signing Pension and Health Benefits Overhaul," NJ SPOTLIGHT, 6-29-11

"Mayors on front line of benefits war," Asbury Park Press, 6-29-11

LAW/RWH

§§27,33,60-66 - C.43:3C-16 to 43:3C-24
§§39,40,77 - C.52:14-17.28c to
52:14-17.28e
§41,78 - C.18A:16-17.1 & 18A:16-17.2
§§42,79 - C.40A:10-21.1 & 40A:10-21.2
§43 - C.52:14-17.34a
§44 - C.40A:5A-11.1
§§50,80 - T&E
§55 - C.52:14-17.27b &
Note to 52:14-17.46.3
§67 - C.18A:66-168.1
§75 - C.52:18A-170.1
§76 - C.52:14-17.29q
§82 - Repealer
§§81,83 - Notes

P.L.2011, CHAPTER 78, *approved June 28, 2011*
Senate, No. 2937
(CORRECTED COPY)

1 **AN ACT** concerning public employee pension and health care
2 benefits, and amending and supplementing various parts of the
3 statutory law and repealing P.L.1999, c.96, P.L.1985, c.414, and
4 section 2 of P.L.1989, c.6.

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

8
9 1. N.J.S.18A:66-56 is amended to read as follows:
10 18A:66-56. a. (1) Subject to the provisions of chapter 70 of the
11 laws of 1955, the general responsibility for the proper operation of
12 the teachers' pension and annuity fund shall be vested in the board
13 of trustees, and, as specified, in the committee established pursuant
14 to subsection b. of this section. Subject to the limitations of the law,
15 the board shall annually establish rules and regulations for the
16 administration and transaction of **[its]** the board's and committee's
17 business and for the control of the funds created by this article.
18 Such rules and regulations shall be consistent with those adopted by
19 the other pension funds within the Division of Pensions and
20 Benefits in order to permit the most economical and uniform
21 administration of all such retirement systems. The committee shall
22 adopt such regulations as provided in subsection b. of this section.

23 (2) The membership of the board shall consist of the following:
24 (a) The State Treasurer or the deputy State Treasurer, when
25 designated for that purpose by the State Treasurer;

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 (b) Two trustees appointed by the Governor, with the advice and
2 consent of the Senate, who shall serve for a term of office of three
3 years and until their successors are appointed, and who shall be
4 private citizens of the State of New Jersey and who are neither an
5 officer thereof nor active or retired members of the system, except
6 that of the two trustees initially appointed by the Governor pursuant
7 to P.L.1992, c.41 (C.43:6A-33.1 et al.), one shall be appointed for a
8 term of two years and one for a term of three years;

9 (c) Three trustees from among the active or retired members of
10 the retirement system, elected by the membership or by the
11 delegates elected for this purpose by the membership, one of whom
12 shall be elected each year for a three-year term commencing on
13 January 1, following such election in such manner as the board of
14 trustees may prescribe. If the board of trustees determines that the
15 election of trustees under this subsection is to be made by delegates
16 elected by the membership, it shall prescribe that those delegates
17 shall be chosen from among active and retired members of the
18 retirement system;

19 (d) One trustee not an active or retired teacher nor an officer of
20 the State, elected by the other trustees, other than the State
21 Treasurer, for a term of three years.

22 (3) A vacancy occurring in the board of trustees shall be filled in
23 the same manner as provided in this section for regular appointment
24 or election to the position where the vacancy exists, except that a
25 vacancy occurring in the trustees elected from among the active or
26 retired members of the retirement system shall be filled for the
27 unexpired term.

28 Each member of the board shall, upon appointment or election,
29 take an oath of office that, so far as it devolves upon him, he will
30 diligently and honestly administer the board's affairs, and that he
31 will not knowingly violate or willfully permit to be violated any
32 provision of law applicable to this article. The oath shall be
33 subscribed to by the member making it, certified by the officer
34 before whom it is taken and filed immediately in the office of the
35 Secretary of State.

36 Each trustee shall be entitled to one vote in the board and a
37 majority of all the votes of the entire board shall be necessary for a
38 decision by the board of trustees at a meeting of the board or
39 committee. The board shall keep a record of all its proceedings,
40 which shall be open to public inspection.

41 The members of the board shall serve without compensation but
42 shall be reimbursed for any necessary expenditures. No employee
43 shall suffer loss of salary or wages through serving on the board.

44 (4) The State Treasurer shall designate a medical board after
45 consultation with the Director of the Division of Pensions and
46 Benefits, subject to veto by the board for valid reason. It shall be
47 composed of three physicians who are not eligible to participate in
48 the retirement system. The medical board shall pass upon all

1 medical examinations required under the provisions of this article,
2 shall investigate all essential statements and certificates by or on
3 behalf of a member in connection with an application for disability
4 retirement, and shall report in writing to the retirement system its
5 conclusions and recommendations upon all matters referred to it.

6 b. There is established a committee to be composed of eight
7 members, four of whom shall be appointed by the Governor as
8 representatives of public employers whose employees are enrolled
9 in the retirement system, three of whom shall be appointed by the
10 head of the union representing the greatest number of members of
11 the retirement system having union membership, and one of whom
12 shall be appointed by the head of the union representing the second
13 greatest number of members of the retirement system having union
14 membership. The members of the committee shall not be appointed
15 until the system, or part of the system, attains the target funded
16 ratio.

17 The members of the committee shall serve for a term of three
18 years and until a successor is appointed and qualified. Of the initial
19 appointments by the Governor, two members shall serve for two
20 years and until a successor is appointed and qualified, and one shall
21 serve for one year and until a successor is appointed and qualified.
22 Of the initial appointments by the head of the union representing
23 the greatest number of members of the retirement system, one
24 member shall serve for two years and until a successor is appointed
25 and qualified, and one shall serve for one year and until a successor
26 is appointed and qualified.

27 The members of the committee shall select a chairperson from
28 among the members, who shall serve for a term of one year, with no
29 member serving more than one term, until all the members of the
30 committee have served a term in a manner alternating among the
31 employer representatives and employee representatives, unless the
32 committee determines otherwise with regard to this process.

33 The provisions of paragraph (3) of subsection a. of this section,
34 and N.J.S.18A:66-60, shall apply to the committee and its members,
35 as appropriate.

36 Upon the convening of any meeting of the committee, the
37 members shall consider a motion to assume the authority provided
38 in this subsection and shall proceed only if a majority of the
39 members of the committee vote in the affirmative on that motion.

40 The committee may contract with such actuaries or consultants,
41 or both, in accordance with the provisions of P.L.1954, c.48
42 (C.52:34-6 et seq.), as the committee may deem necessary to
43 perform its duties, when the system or part of the system has
44 attained the target funded ratio.

45 When the retirement system, or a part of the system, has attained
46 the target funded ratio as defined in section 27 of P.L. _____,
47 c. (C. _____) (pending before the Legislature as this bill), the
48 committee shall have the discretionary authority for the system or

1 for that part, as appropriate, to (1) modify the: member contribution
2 rate; formula for calculation of final compensation; the fraction of
3 compensation applied to service credited after the modification; age
4 at which a member may be eligible for and the benefits for service
5 or early retirement; and benefits provided for disability retirement;
6 and (2) activate the application of the "Pension Adjustment Act,"
7 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that
8 the system or part is at or above the target funded ratio and modify
9 the basis for the calculation of the adjustment and set the duration
10 and extent of the activation. The committee shall give priority
11 consideration to subparagraph (2) of this paragraph. The committee
12 shall not have the authority to change the years of creditable service
13 required for vesting.

14 The committee may consider a matter described above and
15 render a decision notwithstanding that the provisions of the
16 statutory law may set forth a specific requirement on that matter.

17 The committee may consider a matter described above and
18 render a decision notwithstanding that the provisions of the
19 statutory law do not set forth a specific requirement on the
20 considered aspect of that matter or address that matter at all.

21 The members of the committee shall have the same duty and
22 responsibility to the retirement system as do the members of the
23 board of trustees. No decision of the committee shall be
24 implemented if the direct or indirect result of the decision will be
25 that the system's or part's funded ratio falls below the target funded
26 ratio in any valuation period during the 30 years following the
27 implementation of the decision. The actuary of the fund shall make
28 a determination of the result in that regard and submit that
29 determination in a written report to the committee and the board
30 prior to the implementation of the decision.

31 If any matter before the committee receives at least five votes in
32 the affirmative, the board of trustees shall approve and implement
33 the committee's decision.

34 If any matter regarding benefits before the committee receives
35 four votes in the affirmative and four votes in the negative or the
36 committee otherwise reaches an impasse on a decision, the
37 provisions of section 33 of P.L. , c. (C.) (pending before the
38 Legislature as this bill) shall be followed.

39 A final action of the committee shall be made by the adoption of
40 a regulation that shall identify the modifications to the system by
41 reference to statutory section. The regulations shall also specify the
42 effective date of the modification and the system members,
43 including beneficiaries and retirees, to whom the modification
44 applies. Regulations of the committee are considered to be part of
45 the plan document for the system. A regulation adopted by the
46 committee may be modified by regulation in order to comply with
47 the requirements of this section.

1 c. No member of the board, committee, employee of the board,
2 or employee of the Division of Pensions and Benefits in the
3 Department of the Treasury shall accept from any person, whether
4 directly or indirectly and whether by himself or through his spouse
5 or any member of his family, or through any partner or associate,
6 any gift, favor, service, employment or offer of employment, or any
7 other thing of value, including contributions to the campaign of a
8 member or employee as a candidate for elective public office, which
9 he knows or has reason to believe is offered to him with intent to
10 influence him in the performance of his public duties and
11 responsibilities. As used in this paragraph, "person" means an (1)
12 individual or business entity, or officer or employee of such an
13 entity, who is seeking, or who holds, or who held within the prior
14 three years, a contract with the board; (2) an active or retired
15 member, or beneficiary, of the retirement system; or (3) an entity,
16 or officer or employee of such an entity, in which the assets of the
17 retirement system have been invested. A board or committee
18 member or employee violating this prohibition shall be guilty of a
19 crime of the third degree.

20 (cf: P.L.1999, c.230, s.1)

21

22 2. Section 29 of P.L.1973, c.140 (C.43:6A-29) is amended to
23 read as follows:

24 29. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95
25 to 52:18A-104), the general responsibility for the proper operation
26 of the retirement system is hereby vested in the State House
27 Commission.

28 b. Except as otherwise herein provided, no member of the State
29 House Commission shall have any direct interest in the gains or
30 profits of any investments of the retirement system, nor shall any
31 member of the State House Commission directly or indirectly, for
32 himself or as an agent in any manner use the moneys of the
33 retirement system, except to make such current and necessary
34 payments as are authorized by the commission; nor shall any
35 member of the State House Commission become an endorser or
36 surety, or in any manner an obligor for moneys loaned to or
37 borrowed from the retirement system.

38 c. For purposes of this act, each member of the State House
39 Commission shall be entitled to one vote and a majority vote of all
40 members shall be necessary for any decision by the commission at
41 any meeting of said commission.

42 d. Subject to the limitations of this act, the State House
43 Commission shall annually establish rules and regulations for the
44 administration of the funds created by this act and for the
45 transaction of its business. Such rules and regulations shall be
46 consistent with those adopted by the other pension funds within the
47 Division of Pensions and Benefits in order to permit the most

1 economical and uniform administration of all such retirement
2 systems.

3 e. The actuary of the system shall be selected by the
4 Retirement Systems Actuary Selection Committee established by
5 P.L.1992, c.125. He shall be the technical adviser of the
6 commission on matters regarding the operation of the funds created
7 by the provisions of this act and shall perform such other duties as
8 are required in connection herewith.

9 f. The Attorney General shall be the legal adviser of the
10 retirement system, except that if the Attorney General determines
11 that a conflict of interest would affect the ability of the Attorney
12 General to represent the commission on a matter affecting the
13 retirement system, the commission may select and employ legal
14 counsel to advise and represent the commission on that matter.

15 g. The Director of the Division of Pensions and Benefits of the
16 State Department of the Treasury shall be the secretary of the
17 commission for purposes pertaining to the provisions of this act.

18 h. For purposes of this act, the State House Commission shall
19 keep a record of all of its proceedings which shall be open to public
20 inspection. The retirement system shall publish annually a report
21 showing the fiscal transactions of the retirement system for the
22 preceding year, the amount of the accumulated cash and securities
23 of the system and the last balance sheet showing the financial
24 condition of the system by means of any actuarial valuation of the
25 assets and liabilities of the retirement system.

26 i. The State Treasurer shall designate a medical board after
27 consultation with the Director of the Division of Pensions and
28 Benefits. It shall be composed of three physicians. The medical
29 board shall pass on all medical examinations required under the
30 provisions of this act, and shall report in writing to the retirement
31 system its conclusions and recommendations upon all matters
32 referred to it.

33 j. When the retirement system has attained the target funded
34 ratio as defined in section 27 of P.L. , c. (C.) (pending
35 before the Legislature as this bill), the commission shall have the
36 discretionary authority for the system to (1) modify the: member
37 contribution rate; formula for calculation of final salary; age at
38 which a member may be eligible for and the benefits for service or
39 early retirement; and benefits provided for disability retirement; and
40 (2) activate the application of the "Pension Adjustment Act,"
41 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that
42 the system is at or above the target funded ratio and modify the
43 basis for the calculation of the adjustment and set the duration and
44 extent of the activation. The commission shall give priority
45 consideration to subparagraph (2) of this paragraph. The
46 commission shall not have the authority to change the years of
47 creditable service required for vesting.

1 The commission may consider a matter described above and
2 render a decision notwithstanding that the provisions of the
3 statutory law may set forth a specific requirement on that matter.

4 The commission may consider a matter described above and
5 render a decision notwithstanding that the provisions of the
6 statutory law do not set forth a specific requirement on the
7 considered aspect of that matter or address that matter at all.

8 No decision of the commission shall be implemented if the direct
9 or indirect result of the decision will be that the system's funded
10 ratio falls below the target funded ratio in any valuation period
11 during the 30 years following the implementation of the decision.
12 The actuary of the system shall make a determination of the result
13 in that regard and submit that determination in a written report to
14 the commission prior to the implementation of the decision.

15 If any matter before the commission receives a majority vote, the
16 commission shall implement the decision.

17 A final action of the commission shall be made by the adoption
18 of a regulation that shall identify the modifications to the system by
19 reference to statutory section. The regulations shall also specify the
20 effective date of the modification and the system members,
21 including beneficiaries and retirees, to whom the modification
22 applies. Regulations of the commission are considered to be part of
23 the plan document for the system. A regulation adopted by the
24 commission may be modified by regulation in order to comply with
25 the requirements of this section.

26 k. No member of the commission, employee of the
27 commission, or employee of the Division of Pensions and Benefits
28 in the Department of the Treasury shall accept from any person,
29 whether directly or indirectly and whether by himself or through his
30 spouse or any member of his family, or through any partner or
31 associate, any gift, favor, service, employment or offer of
32 employment, or any other thing of value, including contributions to
33 the campaign of a member or employee as a candidate for elective
34 public office, which he knows or has reason to believe is offered to
35 him with intent to influence him in the performance of his public
36 duties and responsibilities. As used in this subsection, "person"
37 means an (1) individual or business entity, or officer or employee of
38 such an entity, who is seeking, or who holds, or who held within the
39 prior three years, a contract with the commission; or (2) an active or
40 retired member, or beneficiary, of the retirement system. A
41 member or employee violating this prohibition shall be guilty of a
42 crime of the third degree.

43 (cf: P.L.1992, c.125, s.5)

44

45 3. Section 17 of P.L.1954, c.84 (C.43:15A-17) is amended to
46 read as follows:

47 17. a. (1) Subject to the provisions of P.L.1955, c.70 the general
48 responsibility for the proper operation of the Public Employees'

1 Retirement System shall be vested in the board of trustees, and, as
2 specified, the committees established pursuant to subsection b. of
3 this section. Subject to the limitations of the law, the board shall
4 annually establish rules and regulations for the administration and
5 transaction of ~~its~~ the board's and committees' business and for
6 the control of the funds created by this subtitle. Such rules and
7 regulations shall be consistent with those adopted by the other
8 pension funds within the Division of Pensions and Benefits in order
9 to permit the most economical and uniform administration of all
10 such retirement systems. The committees shall adopt such
11 regulations as provided in subsection b. of this section.

12 (2) The membership of the board shall consist of the following:

13 a. Two trustees appointed by the Governor, with the advice and
14 consent of the Senate, who shall serve for a term of office of three
15 years and until their successors are appointed, who shall be private
16 citizens of the State of New Jersey and who are neither an officer
17 thereof nor active or retired members of the system. Of the two
18 trustees initially appointed by the Governor pursuant to P.L.1992,
19 c.41 (C.43:6A-33.1 et al.), one shall be appointed for a term of two
20 years and one for a term of three years.

21 b. The State Treasurer or the Deputy State Treasurer, when
22 designated for that purpose by the State Treasurer.

23 c. Three trustees elected for a term of three years by the
24 member employees of the State from among the active or retired
25 State members of the retirement system in a manner prescribed by
26 the board of trustees.

27 d. One trustee elected for a term of three years by the member
28 employees of counties from among the active or retired county
29 members of the retirement system and the same method of holding
30 an election from time to time used for the State employees'
31 representatives shall be followed in elections held for county
32 representatives.

33 e. Two trustees elected for a term of three years by the member
34 employees of municipalities from among the active or retired
35 municipal members of the retirement system and the same method
36 of holding an election from time to time used for the State
37 employees' representatives shall be followed in elections held for
38 municipal representatives.

39 (3) A vacancy occurring in the board of trustees shall be filled
40 by the appointment or election of a successor in the same manner as
41 his predecessor.

42 Each member of the board shall, upon appointment or election,
43 take an oath of office that, so far as it devolves upon him, he will
44 diligently and honestly administer the board's affairs, and that he
45 will not knowingly violate or willfully permit to be violated any
46 provision of law applicable to this act. The oath shall be subscribed
47 to by the member making it, certified by the officer before whom it

1 is taken and filed immediately in the office of the Secretary of
2 State.

3 Each trustee shall be entitled to one vote in the board and a
4 majority of all the votes of the entire board shall be necessary for a
5 decision by the board of trustees at a meeting of the board. The
6 board shall keep a record of all its proceedings, which shall be open
7 to public inspection.

8 The members of the board shall serve without compensation but
9 shall be reimbursed for any necessary expenditures. No employee
10 shall suffer loss of salary or wages through the serving on the
11 board.

12 (4) The State Treasurer shall designate a medical board after
13 consultation with the Director of the Division of Pensions and
14 Benefits, subject to veto by the board of trustees for valid reason. It
15 shall be composed of three physicians who are not eligible to
16 participate in the retirement system. The medical board shall pass
17 upon all medical examinations required under the provisions of this
18 act, shall investigate all essential statements and certificates by or
19 on behalf of a member in connection with an application for
20 disability retirement, and shall report in writing to the retirement
21 system its conclusions and recommendations upon all matters
22 referred to it.

23 b. There are established two committees, to be composed of
24 eight members each as follows, one for the State employees part of
25 the retirement system and one for the part of the retirement system
26 with employees of employers other than the State.

27 Each committee shall have four members who shall be appointed
28 by the Governor as representatives of public employers whose
29 employees are enrolled in the retirement system, and four members
30 who shall be appointed by the Public Employee Committee of the
31 AFL-CIO with the four appointments to be allocated among the
32 unions representing members of the retirement system having union
33 membership in a manner that results in the unions representing a
34 greater number of members receiving more appointments than the
35 unions representing fewer members. The members of the
36 committees shall not be appointed until that part of the system
37 attains the target funded ratio.

38 The members of each committees shall serve for a term of three
39 years and until a successor is appointed and qualified. For each
40 committee, of the initial appointments by the Governor, two
41 members shall serve for two years and until a successor is appointed
42 and qualified, and one shall serve for one year and until a successor
43 is appointed and qualified. For each committee, of the initial
44 appointments by the Public Employee Committee of the AFL-CIO,
45 one member shall serve for two years and until a successor is
46 appointed and qualified, and one shall serve for one year and until a
47 successor is appointed and qualified.

1 For each committee, the members of the committee shall select a
2 chairperson from among the members, who shall serve for a term of
3 one year, with no member serving more than one term until all the
4 members of that committee have served a term in a manner
5 alternating among the employer representatives and employee
6 representatives, unless the committee determines otherwise with
7 regard to this process.

8 The provisions of paragraph (3) of subsection a. of this section,
9 and section 36 of P.L.1954, c.84 (C.43:15A-36), shall apply to each
10 committee and its members, as appropriate.

11 Upon the convening of any meeting of a committee, the members
12 shall consider a motion to assume the authority provided in this
13 subsection and shall proceed only if a majority of the members of
14 the committee vote in the affirmative on that motion.

15 Each committee may contract with such actuaries or consultants,
16 or both, in accordance with the provisions of P.L.1954, c.48
17 (C.52:34-6 et seq.), as the committee may deem necessary to
18 perform its duties, when that part of the system has met the target
19 funded ratio.

20 When a part of the system has attained the target funded ratio as
21 defined in section 27 of P.L. , c. (C.) (pending before the
22 Legislature as this bill), the committee for that part shall have the
23 discretionary authority for that part to (1) modify the: member
24 contribution rate; formula for calculation of final compensation; the
25 fraction of compensation applied to service credited after the
26 modification; age at which a member may be eligible for and the
27 benefits for service or early retirement; and benefits provided for
28 disability retirement; and (2) activate the application of the
29 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for
30 retirees for the period that the part is at or above the target funded
31 ratio and modify the basis for the calculation of the adjustment and
32 set the duration and extent of the activation. A committee shall give
33 priority consideration to subparagraph (2) of this paragraph. A
34 committee shall not have the authority to change the years of
35 creditable service required for vesting.

36 Each committee may consider a matter described above and
37 render a decision notwithstanding that the provisions of the
38 statutory law may set forth a specific requirement on that matter.

39 Each committee may consider a matter described above and
40 render a decision notwithstanding that the provisions of the
41 statutory law do not set forth a specific requirement on the
42 considered aspect of that matter or address that matter at all.

43 The members of each committee shall have the same duty and
44 responsibility to the retirement system as do the members of the
45 board of trustees. No decision of a committee shall be implemented
46 if the direct or indirect result of the decision will be that the funded
47 ratio of that part falls below the target funded ratio in any valuation
48 period during the 30 years following the implementation of the

1 decision. The actuary of the fund shall make a determination of the
2 result in that regard and submit that determination in a written
3 report to the committee and the board prior to the implementation of
4 the decision.

5 If any matter before a committee receives at least five votes in
6 the affirmative, the board of trustees shall approve and implement
7 the committee's decision.

8 If any matter regarding benefits before a committee receives four
9 votes in the affirmative and four votes in the negative or a
10 committee otherwise reaches an impasse on a decision, the
11 provisions of section 33 of P.L. , c. (C.) (pending before the
12 Legislature as this bill) shall be followed.

13 A final action of the committee shall be made by the adoption of
14 a regulation that shall identify the modifications to the system by
15 reference to statutory section. The regulations shall also specify the
16 effective date of the modification and the system members,
17 including beneficiaries and retirees, to whom the modification
18 applies. Regulations of the committee are considered to be part of
19 the plan document for the system. A regulation adopted by the
20 committee may be modified by regulation in order to comply with
21 the requirements of this section.

22 c. No member of the board, committee, employee of the board,
23 or employee of the Division of Pensions and Benefits in the
24 Department of the Treasury shall accept from any person, whether
25 directly or indirectly and whether by himself or through his spouse
26 or any member of his family, or through any partner or associate,
27 any gift, favor, service, employment or offer of employment, or any
28 other thing of value, including contributions to the campaign of a
29 member or employee as a candidate for elective public office,
30 which he knows or has reason to believe is offered to him with
31 intent to influence him in the performance of his public duties and
32 responsibilities. As used in this subsection, "person" means an (1)
33 individual or business entity, or officer or employee of such an
34 entity, who is seeking, or who holds, or who held within the prior
35 three years, a contract with the board; (2) an active or retired
36 member, or beneficiary, of the retirement system; or (3) an entity,
37 or officer or employee of such an entity, in which the assets of the
38 retirement system have been invested. A board or committee
39 member or employee violating this prohibition shall be guilty of a
40 crime of the third degree.

41 (cf: P.L.1992, c.41, s.13)

42
43 4. Section 13 of P.L.1944, c.255 (C.43:16A-13) is amended to
44 read as follows:

45 13. a. (1) Subject to the provisions of P.L.1955, c.70 (C.52:18A-
46 95 et seq.), the general responsibility for the proper operation of the
47 retirement system is hereby vested in a board of trustees, and, as

1 specified, the committees established pursuant to subsection b. of
2 this section.

3 (2) The board shall consist of 11 trustees as follows:

4 (a) Five members to be appointed by the Governor, with the
5 advice and consent of the Senate, who shall serve for a term of
6 office of four years and until their successors are appointed and
7 who shall be private citizens of the State of New Jersey who are
8 neither an officer thereof nor an active or retired member of any
9 police or fire department thereof. Of the four members initially
10 appointed by the Governor pursuant to P.L.1992, c.125 (C.43:4B-1
11 et al.), one shall be appointed for a term of one year, one for a term
12 of two years, one for a term of three years, and one for a term of
13 four years. The member appointed by the Governor pursuant to the
14 provisions of this amendatory act, P.L.1995, c.238, shall for a term
15 of four years and until a successor is appointed.

16 (b) The State Treasurer or the deputy State Treasurer, when
17 designated for that purpose by the State Treasurer.

18 (c) Two policemen and two firemen who shall be active
19 members of the system and who shall be elected by the active
20 members of the system for a term of four years according to such
21 rules and regulations as the board of trustees shall adopt to govern
22 such election.

23 (d) One retiree from the system who shall be elected by retirees
24 from the system for a term of four years according to such rules and
25 regulations as the board of trustees shall adopt to govern the
26 election.

27 (3) Each trustee shall, after his appointment or election, take an
28 oath of office that, so far as it devolves upon him he will diligently
29 and honestly fulfill his duties as a board member, and that he will
30 not knowingly violate or willingly permit to be violated any of the
31 provisions of the law applicable to the retirement system. Such oath
32 shall be subscribed by the member making it, and certified by the
33 officer before whom it is taken, and immediately filed in the office
34 of the Secretary of State.

35 (4) If a vacancy occurs in the office of a trustee, the vacancy
36 shall be filled in the same manner as the office was previously
37 filled.

38 (5) The trustees shall serve without compensation, but they shall
39 be reimbursed for all necessary expenses that they may incur
40 through service on the board.

41 (6) Each trustee shall be entitled to one vote in the board. Six
42 trustees must be present at any meeting of said board for the
43 transaction of its business.

44 (7) Subject to the limitations of this act, the board of trustees
45 shall annually establish rules and regulations for the administration
46 of the funds created by this act and for the transaction of **[its]** the
47 board's and committees' business. Such rules and regulations shall
48 be consistent with those adopted by the other pension funds within

1 the Division of Pensions and Benefits in order to permit the most
2 economical and uniform administration of all such retirement
3 systems. The committees shall adopt such regulations as provided
4 in subsection b. of this section.

5 (8) The board of trustees shall elect from its membership a
6 chairman. The Director of the Division of Pensions and Benefits
7 shall appoint a qualified employee of the division to be secretary of
8 the board. The administration of the program shall be performed by
9 the personnel of the Division of Pensions and Benefits.

10 (9) The board of trustees shall keep a record of all of its
11 proceedings which shall be open to public inspection. The
12 retirement system shall publish annually a report showing the fiscal
13 transactions of the retirement system for the preceding year, the
14 amount of the accumulated cash and securities of the system, and
15 the last balance sheet showing the financial condition of the system
16 by means of an actuarial valuation of the assets and liabilities of the
17 retirement system.

18 (10) The Attorney General of the State of New Jersey shall be
19 the legal adviser of the retirement system, except that if the
20 Attorney General determines that a conflict of interest would affect
21 the ability of the Attorney General to represent the board or the
22 committees on a matter affecting the retirement system, the board
23 may select and employ legal counsel to advise and represent the
24 board or the committees on that matter.

25 (11) The State Treasurer shall designate a medical board after
26 consultation with the Director of the Division of Pensions and
27 Benefits, subject to veto by the board of trustees for valid reason. It
28 shall be composed of three physicians who are not eligible to
29 participate in the retirement system. The medical board shall pass
30 upon all medical examinations required under the provisions of this
31 act, shall investigate all essential statements and certificates by or
32 on behalf of a member in connection with an application for
33 disability retirement, and shall report in writing to the retirement
34 system its conclusions and recommendations upon all matters
35 referred to it.

36 (12) The actuary of the system shall be selected by the
37 Retirement Systems Actuary Selection Committee established by
38 P.L.1992, c.125. He shall be the technical adviser of the board of
39 trustees and the committees on matters regarding the operation of
40 the funds created by the provisions of this act, and shall perform
41 such other duties as are required in connection therewith.

42 (13) At least once in each three-year period the actuary shall
43 make an actuarial investigation into the mortality, service and
44 compensation experience of the members and beneficiaries of the
45 retirement system and, with the advice of the actuary, the board of
46 trustees shall adopt for the retirement system such mortality, service
47 and other tables as shall be deemed necessary and shall certify the
48 rates of contribution payable under the provisions of this act.

1 (14) (Deleted by amendment, P.L.1970, c.57.)

2 (15) On the basis of such tables recommended by the actuary as
3 the board of trustees shall adopt and regular interest, the actuary
4 shall make an annual valuation of the assets and liability of the
5 funds of the system created by this act.

6 (16) (Deleted by amendment, P.L.1987, c.330.)

7 (17) Each policeman or fireman member of the board of trustees
8 or the committees shall be entitled to time off from his duty, with
9 pay, during the periods of his attendance upon regular or special
10 meetings of the board of trustees or the committees, and such time
11 off shall include reasonable travel time required in connection
12 therewith.

13 b. There are established two committees, to be composed of 10
14 members each as follows, one for the State employees part of the
15 retirement system and one for the part of the retirement system with
16 employees of employers other than the State.

17 Each committee shall have five members who shall be appointed
18 by the Governor as representatives of public employers whose
19 employees are enrolled in the retirement system, two members who
20 shall be appointed by the head of the union representing the greatest
21 number of police officer members of the retirement system having
22 union membership, one member who shall be appointed by the head
23 of the union representing the second greatest number of police
24 officer members of the retirement system having union
25 membership, one member who shall be appointed by the head of the
26 union representing the greatest number of firefighter members of
27 the retirement system having union membership, and one member
28 who shall be appointed by the head of the union representing the
29 second greatest number of firefighter members of the retirement
30 system having union membership. The members of the committees
31 shall not be appointed until that part of the system attains the target
32 funded ratio.

33 The members of each committee shall serve for a term of three
34 years and until a successor is appointed and qualified. For each
35 committee, of the initial appointments by the Governor, two
36 members shall serve for two years and until a successor is appointed
37 and qualified, and two shall serve for one year and until a successor
38 is appointed and qualified. For each committee, of the initial
39 appointments by the head of the union representing the greatest
40 number of police officer members of the retirement system, the
41 members shall serve for two years and until a successor is appointed
42 and qualified. For each committee, of the initial appointment by the
43 head the union representing the greatest number of firefighter
44 members of the retirement system, the member shall serve for one
45 year and until a successor is appointed and qualified.

46 For each committee, the members of the committee shall select a
47 chairperson from among the members, who shall serve for a term of
48 one year, with no member serving more than one term until all the

1 members of the committee have served a term in an manner
2 alternating among the employer representatives and employee
3 representatives, unless the committee determines otherwise with
4 regard to this process.

5 The provisions of paragraphs (3) through (6), inclusive, and (17)
6 of subsection a. of this section, and subsection (4) of section 14 of
7 P.L.1944, c.255 (C.43:16A-14), shall apply to the committee and its
8 members, as appropriate. The committee shall keep a record of all
9 of its proceedings which shall be open to public inspection.

10 Upon the convening of any meeting of a committee, the members
11 shall consider a motion to assume the authority provided in this
12 subsection and shall proceed only if a majority of the members of
13 the committee vote in the affirmative on that motion.

14 Each committee may contract with such actuaries or consultants,
15 or both, in accordance with the provisions of P.L.1954, c.48
16 (C.52:34-6 et seq.), as the committee may deem necessary to
17 perform its duties, when that part of the system has attained the
18 target funded ratio.

19 When a part of the system, has attained the target funded ratio as
20 defined in section 27 of P.L. , c. (C.) (pending before the
21 Legislature as this bill), the committee for that part shall have the
22 discretionary authority for that part to (1) modify the: member
23 contribution rate; formula for calculation of final compensation; age
24 at which a member may be eligible for and the benefits for service
25 or special retirement; and benefits provided for disability
26 retirement; and (2) activate the application of the "Pension
27 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees
28 for the period that the part is at or above the target funded ratio and
29 modify the basis for the calculation of the adjustment and set the
30 duration and extent of the activation. A committee shall give
31 priority consideration to subparagraph (2) of this paragraph. A
32 committee shall not have the authority to change the years of
33 creditable service required for vesting.

34 Each committee may consider a matter described above and
35 render a decision notwithstanding that the provisions of the
36 statutory law may set forth a specific requirement on that matter.

37 Each committee may consider a matter described above and
38 render a decision notwithstanding that the provisions of the
39 statutory law do not set forth a specific requirement on the
40 considered aspect of that matter or address that matter at all.

41 The members of each committee shall have the same duty and
42 responsibility to the retirement system as do the members of the
43 board of trustees. No decision of a committee shall be implemented
44 if the direct or indirect result of the decision will be that the funded
45 ratio of that part falls below the target funded ratio in any valuation
46 period during the 30 years following the implementation of the
47 decision. The actuary of the system shall make a determination of
48 the result in that regard and submit that determination in a written

1 report to the committee and the board prior to the implementation of
2 the decision.

3 If any matter before a committee receives at least six votes in the
4 affirmative, the board of trustees shall approve and implement the
5 committee's decision.

6 If any matter regarding benefits before a committee receives five
7 votes in the affirmative and five votes in the negative or the
8 committee otherwise reaches an impasse on a decision, the
9 provisions of section 33 of P.L. , c. (C.) (pending before the
10 Legislature as this bill) shall be followed.

11 A final action of the committee shall be made by the adoption of
12 a regulation that shall identify the modifications to the system by
13 reference to statutory section. The regulations shall also specify the
14 effective date of the modification and the system members,
15 including beneficiaries and retirees, to whom the modification
16 applies. Regulations of the committee are considered to be part of
17 the plan document for the system. A regulation adopted by the
18 committee may be modified by regulation in order to comply with
19 the requirements of this section.

20 c. No member of the board, committee, employee of the board,
21 or employee of the Division of Pensions and Benefits in the
22 Department of the Treasury shall accept from any person, whether
23 directly or indirectly and whether by himself or through his spouse
24 or any member of his family, or through any partner or associate,
25 any gift, favor, service, employment or offer of employment, or any
26 other thing of value, including contributions to the campaign of a
27 member or employee as a candidate for elective public office,
28 which he knows or has reason to believe is offered to him with
29 intent to influence him in the performance of his public duties and
30 responsibilities. As used in this subsection, "person" means an (1)
31 individual or business entity, or officer or employee of such an
32 entity, who is seeking, or who holds, or who held within the prior
33 three years, a contract with the board; (2) an active or retired
34 member, or beneficiary, of the retirement system; or (3) an entity,
35 or officer or employee of such an entity, in which the assets of the
36 retirement system have been invested. A board or committee
37 member or employee violating this prohibition shall be guilty of a
38 crime of the third degree.

39 (cf: P.L.1995, c.238, s.1)

40

41 5. Section 30 of P.L.1965, c.89 (C.53:5A-30) is amended to
42 read as follows:

43 30. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95
44 et seq.), the general responsibility for the proper operation of the
45 retirement system is hereby vested in the board of trustees, and, as
46 specified, the committee established pursuant to subsection o. of
47 this section.

48 b. The board shall consist of five trustees as follows:

1 (1) Two active or retired members of the system who shall be
2 appointed by the Superintendent of State Police, who shall serve at
3 the pleasure of the superintendent and until their successors are
4 appointed and one of whom shall be or shall have been a
5 commissioned officer of the Division of State Police.

6 (2) Two members to be appointed by the Governor, with the
7 advice and consent of the Senate, who shall serve for a term of
8 office of three years and until their successors are appointed and
9 who shall be private citizens of the State of New Jersey who are
10 neither an officer thereof nor active or retired members of the
11 system. Of the two members initially appointed by the Governor
12 pursuant to P.L.1992, c.125 (C.43:4B-1 et al.), one shall be
13 appointed for a term of two years and one for a term of three years.

14 (3) The State Treasurer ex officio. The Deputy State Treasurer,
15 when designated for that purpose by the State Treasurer, may sit as
16 a member of the board of trustees and when so sitting shall have all
17 the powers and shall perform all the duties vested by this act in the
18 State Treasurer.

19 c. Each trustee shall, after his appointment, take an oath of
20 office that, so far as it devolves upon him, he will diligently and
21 honestly fulfill his duties as a board member, that he will not
22 knowingly violate or permit to be violated any of the provisions of
23 the law applicable to the retirement system. Such oath shall be
24 subscribed by the member taking it, and certified by the official
25 before whom it is taken, and immediately filed in the office of the
26 Secretary of State.

27 d. If a vacancy occurs in the office of a trustee, the vacancy
28 shall be filled in the same manner as the office was previously
29 filled.

30 e. The trustees shall serve without compensation, but they shall
31 be reimbursed by the State for all necessary expenses that they may
32 incur through service on the board. No employee member shall
33 suffer loss of salary through the serving on the board.

34 f. Except as otherwise herein provided, no member of the
35 board of trustees shall have any direct interest in the gains or profits
36 of any investments of the retirement system; nor shall any member
37 of the board of trustees directly or indirectly, for himself or as an
38 agent in any manner use the moneys of the retirement system,
39 except to make such current and necessary payments as are
40 authorized by the board of trustees; nor shall any member of the
41 board of trustees become an endorser or surety, or in any manner an
42 obligor for moneys loaned to or borrowed from the retirement
43 system.

44 g. Each trustee shall be entitled to one vote in the board. A
45 majority vote of all trustees shall be necessary for any decision by
46 the trustees at any meeting of said board.

47 h. Subject to the limitations of this act, the board of trustees
48 shall annually establish rules and regulations for the administration

1 of the funds created by this act and for the transactions of **[its]** the
2 board's and committee's business. Such rules and regulations shall
3 be consistent with those adopted by the other pension funds within
4 the Division of Pensions and Benefits in order to permit the most
5 economical and uniform administration of all such retirement
6 systems. The committee shall adopt such regulations as provided in
7 subsection o. of this section.

8 i. The actuary of the fund shall be selected by the Retirement
9 Systems Actuary Selection Committee established by P.L.1992,
10 c.125. He shall be the technical adviser of the board and the
11 committee on matters regarding the operation of the funds created
12 by the provisions of this act and shall perform such other duties as
13 are required in connection herewith.

14 j. The Attorney General shall be the legal adviser of the
15 retirement system, except that if the Attorney General determines
16 that a conflict of interest would affect the ability of the Attorney
17 General to represent the board or the committee on a matter
18 affecting the retirement system, the board may select and employ
19 legal counsel to advise and represent the board or the committee on
20 that matter.

21 k. The **[Chief of the Bureau of Police and Fire Funds of the]**
22 Director of the Division of Pensions and Benefits of the State
23 Department of the Treasury shall appoint a qualified member of the
24 division who shall be the secretary of the board.

25 l. The board of trustees shall keep a record of all of its
26 proceedings which shall be open to public inspection. The
27 retirement system shall publish annually a report showing the fiscal
28 transactions of the retirement system for the preceding year, the
29 amount of the accumulated cash and securities of the system and the
30 last balance sheet showing the financial condition of the system by
31 means of an actuarial valuation of the assets and liabilities of the
32 retirement system.

33 m. The State Treasurer shall designate a medical board after
34 consultation with the Director of the Division of Pensions and
35 Benefits, subject to veto by the board of trustees for valid reason. It
36 shall be composed of three physicians. The medical board shall
37 pass on all medical examinations required under the provisions of
38 this act, and shall report in writing to the retirement system its
39 conclusions and recommendations upon all matters referred to it.

40 n. (Deleted by amendment, P.L.1987, c.330).

41 o. There is established a committee to be composed of eight
42 members, four of whom shall be appointed by the Governor as
43 representatives of the public employer whose employees are
44 enrolled in the retirement system, three of whom shall be appointed
45 by the head of the State Troopers Fraternal Association, and one of
46 whom shall be appointed by the head of the union representing the
47 greatest number of members of the retirement system who are
48 supervisory officers having union membership. The members of

1 the committee shall not be appointed until the system attains the
2 target funded ratio.

3 The members of the committee shall serve for a term of three
4 years and until a successor is appointed and qualified. Of the initial
5 appointments by the Governor, two members shall serve for two
6 years and until a successor is appointed and qualified, and one shall
7 serve for one year and until a successor is appointed and qualified.
8 Of the initial appointments by the State Troopers Fraternal
9 Association, one member shall serve for two years and until a
10 successor is appointed and qualified, and one shall serve for one
11 year and until a successor is appointed and qualified.

12 The members of the committee shall select a chairperson from
13 among the members, who shall serve for a term of one year, with no
14 member serving more than one term until all the members of the
15 committee have served a term in an manner alternating among the
16 employer representatives and employee representatives, unless the
17 committee determines otherwise with regard to this process.

18 The provisions of subsections c. through g., inclusive, of this
19 section shall apply to the committee and its members, as
20 appropriate. The committee shall keep a record of all of its
21 proceedings which shall be open to public inspection.

22 Upon the convening of any meeting of the committee, the
23 members shall consider a motion to assume the authority provided
24 in this subsection and shall proceed only if a majority of the
25 members of the committee vote in the affirmative on that motion.

26 The committee may contract with such actuaries or consultants,
27 or both, in accordance with the provisions of P.L.1954, c.48
28 (C.52:34-6 et seq.), as the committee may deem necessary to
29 perform its duties, when the system has attained the target funded
30 ratio.

31 When the retirement system has attained the target funded ratio
32 as defined in section 27 of P.L. , c. (C.) (pending before the
33 Legislature as this bill), the committee shall have the discretionary
34 authority for the system to (1) modify the: member contribution
35 rate; formula for calculation of final compensation or final salary;
36 age at which a member may be eligible for and the benefits for
37 service or special retirement; and benefits provided for disability
38 retirement; and (2) activate the application of the "Pension
39 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees
40 for the period that the system is at or above the target funded ratio
41 and modify the basis for the calculation of the adjustment and set
42 the duration and extent of the activation. The committee shall give
43 priority consideration to subparagraph (2) of this paragraph. The
44 committee shall not have the authority to change the years of
45 creditable service required for vesting.

46 The committee may consider a matter described above and
47 render a decision notwithstanding that the provisions of the
48 statutory law may set forth a specific requirement on that matter.

1 The committee may consider a matter described above and
2 render a decision notwithstanding that the provisions of the
3 statutory law do not set forth a specific requirement on the
4 considered aspect of that matter or address that matter at all.

5 The members of the committee shall have the same duty and
6 responsibility to the retirement system as do the members of the
7 board of trustees. No decision of the committee shall be
8 implemented if the direct or indirect result of the decision will be
9 that the system's funded ratio falls below the target funded ratio in
10 any valuation period during the 30 years following the
11 implementation of the decision. The actuary of the fund shall make
12 a determination of the result in that regard and submit that
13 determination in a written report to the committee and the board
14 prior to the implementation of the decision.

15 If any matter before the committee receives at least five votes in
16 the affirmative, the board of trustees shall approve and implement
17 the committee's decision.

18 If any matter regarding benefits before the committee receives
19 four votes in the affirmative and four votes in the negative or the
20 committee otherwise reaches an impasse on a decision, the
21 provisions of section 33 of P.L. , c. (C.) (pending before the
22 Legislature as this bill) shall be followed.

23 A final action of the committee shall be made by the adoption of
24 a regulation that shall identify the modifications to the system by
25 reference to statutory section. The regulations shall also specify the
26 effective date of the modification and the system members,
27 including beneficiaries and retirees, to whom the modification
28 applies. Regulations of the committee are considered to be part of
29 the plan document for the system. A regulation adopted by the
30 committee may be modified by regulation in order to comply with
31 the requirements of this section.

32 p. No member of the board, committee, employee of the board,
33 or employee of the Division of Pensions and Benefits in the
34 Department of the Treasury shall accept from any person, whether
35 directly or indirectly and whether by himself or through his spouse
36 or any member of his family, or through any partner or associate,
37 any gift, favor, service, employment or offer of employment, or any
38 other thing of value, including contributions to the campaign of a
39 member or employee as a candidate for elective public office,
40 which he knows or has reason to believe is offered to him with
41 intent to influence him in the performance of his public duties and
42 responsibilities. As used in this subsection, "person" means an (1)
43 individual or business entity, or officer or employee of such an
44 entity, who is seeking, or who holds, or who held within the prior
45 three years, a contract with the board; (2) an active or retired
46 member, or beneficiary, of the retirement system; or (3) an entity,
47 or officer or employee of such an entity, in which the assets of the
48 retirement system have been invested. A board or committee

1 member or employee violating this prohibition shall be guilty of a
2 crime of the third degree.

3 (cf: P.L.1992, c.125, s.17)

4

5 6. N.J.S.18A:66-57 is amended to read as follows:

6 18A:66-57. The board shall elect annually from its membership
7 a chairman and may also elect a vice chairman, who shall have all
8 the power and authority of the chairman in the event of the death,
9 absence or disability of the chairman. The actuary of the fund shall
10 be selected by the Retirement Systems Actuary Selection
11 Committee established by P.L.1992, c.125.

12 The actuary shall be the technical adviser of the board and the
13 committee on matters regarding the operation of the funds created
14 by the provisions of this article and shall perform such other duties
15 as are required in connection therewith.

16 The Attorney General shall be the legal adviser of the retirement
17 system, except that if the Attorney General determines that a
18 conflict of interest would affect the ability of the Attorney General
19 to represent the board or the committee on a matter affecting the
20 retirement system, the board may select and employ legal counsel to
21 advise and represent the board or the committee on that matter.

22 The chief or assistant chief of the office of secretarial services of
23 the Division of Pensions and Benefits of the State Department of
24 the Treasury, shall be the secretary of the board. The chief and
25 assistant chief of the office of secretarial services shall be in the
26 competitive division of the State classified service. The secretary
27 presently in office shall hold the position as chief of the office of
28 secretarial services subject to all of the provisions of Title 11 of the
29 Revised Statutes and shall not be removed from said office except
30 in the manner provided under the provisions of said title relating to
31 permanent employees in the competitive division of the State
32 classified service. The board of trustees shall select its secretary
33 from among the eligible candidates.

34 (cf: P.L.1992, c.125, s.3)

35

36 7. Section 18 of P.L.1954, c.84 (C.43:15A-18) is amended to
37 read as follows:

38 18. The board shall elect annually from its membership a
39 chairman and may also elect a vice-chairman, who shall have all the
40 power and authority of the chairman in the event of the death,
41 absence or disability of the chairman.

42 The actuary of the fund shall be selected by the Retirement
43 Systems Actuary Selection Committee established by P.L.1992,
44 c.125.

45 The actuary shall be the technical adviser of the board and the
46 committees on matters regarding the operation of the funds created
47 by the provisions of this act and shall perform such other duties as
48 are required in connection therewith.

1 The Attorney General shall be the legal adviser of the retirement
2 system, except that if the Attorney General determines that a
3 conflict of interest would affect the ability of the Attorney General
4 to represent the board or the committees on a matter affecting the
5 retirement system, the board may select and employ legal counsel to
6 advise and represent the board or the committees on that matter.

7 The chief or assistant chief of the office of secretarial services of
8 the Division of Pensions and Benefits of the State Department of
9 the Treasury shall be the secretary of the board. The chief and
10 assistant chief of the office of secretarial services shall be in the
11 competitive division of the State classified service. The secretary
12 presently in office shall hold the position as assistant chief of the
13 office of secretarial services subject to all of the provisions of Title
14 11 of the Revised Statutes and shall not be removed from said
15 office except in the manner provided under the provisions of said
16 Title relating to permanent employees in the competitive division of
17 the State classified service. The board of trustees shall select its
18 secretary from among the eligible candidates.

19 (cf: P.L.1992, c.125, s.8)

20

21 8. N.J.S.18A:66-29 is amended to read as follows:

22 18A:66-29. Members enrolled in the retirement system on or
23 after July 1, 1994 shall contribute 5% of compensation to the
24 system. Members enrolled in the system prior to July 1, 1994 shall
25 contribute 5% of compensation to the system effective with the
26 payroll period for which the beginning date is closest to July 1,
27 1995, provided, however, that any member enrolled before July 1,
28 1994, whose full contribution rate under the system prior to the
29 revisions by this act was less than 6%, shall pay 4% of
30 compensation to the system effective with the payroll period for
31 which the beginning date is closest to July 1, 1995, and 5% of
32 compensation to the system effective with the payroll period for
33 which the beginning date is closest to July 1, 1996.

34 Members enrolled in the retirement system on or after July 1,
35 2007 shall contribute 5.5% of compensation to the system.
36 Members enrolled in the system prior to July 1, 2007 shall
37 contribute 5.5% of compensation to the system effective with the
38 payroll period for which the beginning date is closest to July 1,
39 2007.

40 Members of the retirement system shall contribute 6.5% of
41 compensation to the system on and after the effective date of P.L. ,
42 c. (pending before the Legislature as this bill), with an additional
43 contribution of 1% to be phased-in in equal increments over a
44 period of seven years commencing with the first year following that
45 effective date.

46 (cf: P.L.2007, c.103, s.1)

1 9. Section 26 of P.L.1981, c.470 (C.43:6A-34.1) is amended to
2 read as follows:

3 26. a. The annuity savings fund shall be the fund to which shall
4 be credited aggregate contributions made by members or on their
5 behalf to provide for their allowances. The aggregate contributions
6 of a member withdrawn by him or paid to his estate or his
7 designated beneficiary in the event of death as provided by this
8 amendatory and supplementary act shall be paid from the annuity
9 savings fund. Upon the retirement of a member where the aggregate
10 contributions of the member are to be provided in the form of an
11 annuity, the aggregate contributions of the member shall be
12 transferred from the annuity savings fund to the retirement reserve
13 fund.

14 b. There shall be deducted from the payroll of each member of
15 the system 3% of the amount of any difference between the salary
16 on or after January 19, 1982 for any judicial position held by the
17 member and the salary for that position on January 18, 1982, except
18 that there shall be deducted from the payroll of each new member
19 initially enrolled on or after January 1, 1996, in the retirement
20 system, 3% of the salary for the judicial position held by the
21 member. There shall be deducted from the payroll of each member
22 of the system on and after the effective date of P.L. , c. (pending
23 before the Legislature as this bill) an additional 9% of the salary for
24 the judicial position held by the member phased-in in equal
25 increments over a period of seven years.

26 Every judge of the several courts to whom this amendatory and
27 supplementary act applies shall be deemed to consent and agree to
28 any deduction from his compensation required by this act and to all
29 other provisions of this act. Notwithstanding any other law, rule or
30 regulation affecting the salary, pay, compensation, other
31 perquisites, or tenure of person to whom this amendatory and
32 supplementary act applies, or shall apply, and notwithstanding that
33 the minimum salary, pay, or compensation or other perquisites
34 provided by law for him shall be reduced thereby, payment, less
35 such deductions, shall be a full and complete discharge and
36 acquittance of all claims and demands for service rendered by him
37 during the period covered by such payment.

38 (cf: P.L.1995, c.424, s.4)

39

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

42 25. a. The annuity savings fund shall be the fund in which shall
43 be credited accumulated deductions and contributions by members
44 or on their behalf to provide for their allowances. A single account
45 shall be established in this fund for each person who is or shall
46 become a member and all contributions deducted from each such
47 member's compensation shall be credited to this single account.

1 b. (1) Members enrolled in the retirement system on or after
2 July 1, 1994 shall contribute 5% of compensation to the system.
3 Members enrolled in the system prior to July 1, 1994 shall
4 contribute 5% of compensation to the system effective with the
5 payroll period for which the beginning date is closest to July 1,
6 1995, provided, however, that any member enrolled before July 1,
7 1994, whose full contribution rate under the system prior to the
8 revisions by this act was less than 6%, shall pay 4% of
9 compensation to the system effective with the payroll period for
10 which the beginning date is closest to July 1, 1995, and 5% of
11 compensation to the system effective with the payroll period for
12 which the beginning date is closest to July 1, 1996.

13 (2) Members enrolled in the retirement system on or after July
14 1, 2007 who are:

15 employees of the State, other than employees of the Judicial
16 Branch;

17 employees of an independent State authority, board, commission,
18 corporation, agency or organization;

19 employees of a local school district, regional school district,
20 county vocational school district, county special services school
21 district, jointure commission, educational services commission,
22 State-operated school district, charter school, county college, any
23 officer, board, or commission under the authority of the
24 Commissioner of Education or of the State Board of Education, and
25 any other public entity which is established pursuant to authority
26 provided by Title 18A of the New Jersey Statutes; or

27 employees of a State public institution of higher education, other
28 than employees of the University of Medicine and Dentistry of New
29 Jersey shall contribute 5.5% of compensation to the system, and all
30 such members described above enrolled in the system prior to July
31 1, 2007 shall contribute 5.5% of compensation to the system
32 effective with the payroll period for which the beginning date is
33 closest to July 1, 2007.

34 Members enrolled in the retirement system on or after July 1,
35 2008, other than those described in the paragraph above, shall
36 contribute 5.5% of compensation to the system. Members enrolled
37 in the system prior to July 1, 2008, other than those described in the
38 paragraph above, shall contribute 5.5% of compensation to the
39 system effective with the payroll period that begins immediately
40 after July 1, 2008.

41 (3) Members of the retirement system shall contribute 6.5% of
42 compensation to the system on and after the effective date of P.L. ,
43 c. (pending before the Legislature as this bill), with an additional
44 contribution of 1% to be phased-in in equal increments over a
45 period of seven years commencing with the first year following that
46 effective date.

47 c. The retirement system shall certify to each State department
48 or subdivision thereof, and to each branch of the State service not

1 included in a State department, and to every other employer, the
2 proportion of each member's compensation to be deducted and to
3 facilitate the making of deductions the retirement system may
4 modify the deduction required by a member by such an amount as
5 shall not exceed 1/10 of 1% of the compensation upon the basis of
6 which the deduction is to be made.

7 If payment in full, representing the monthly or biweekly
8 transmittal and report of salary deductions, is not made within 15
9 days of the due date established by the retirement system, interest at
10 the rate of 6% per annum shall commence to run against the total
11 transmittal of salary deductions for the period on the first day after
12 such fifteenth day.

13 d. Every employee to whom this act applies shall be deemed to
14 consent and agree to any deduction from his compensation required
15 by this act and to all other provisions of this act. Notwithstanding
16 any other law, rule or regulation affecting the salary, pay,
17 compensation, other perquisites, or tenure of a person to whom this
18 act applies, or shall apply, and notwithstanding that the minimum
19 salary, pay, or compensation or other perquisites provided by law
20 for him shall be reduced thereby, payment, less such deductions,
21 shall be a full and complete discharge and acquittance of all claims
22 and demands for service rendered by him during the period covered
23 by such payment.

24 (cf: P.L.2010, c.1, s.26)

25

26 11. Section 8 of P.L.1955, c.257 (C.43:15A-104) is amended to
27 read as follows:

28 8. The percentage contribution rate of each member who is a
29 law enforcement officer shall be fixed according to his age at the
30 time of becoming a permanent and full-time employee of the State
31 and shall be 1/2 of the total percentage contribution rate calculated
32 for such age by the actuary of the board of trustees to be required
33 to provide all benefits of service retirement, ordinary disability
34 retirement, and termination of service benefits provided by this act
35 and the act to which this act is a supplement. In the event that a
36 member ceases to hold a position as a law enforcement officer
37 although continuing his employment in a position covered by the
38 Public Employees' Retirement System, his rate of contribution shall
39 be fixed in accordance with the rates applicable at that time to
40 persons becoming members who are not law enforcement officers,
41 except that his age at the time of becoming a permanent full-time
42 employee of the State shall be used in determining his rate of
43 contribution. Members of the retirement system shall contribute
44 6.5% of compensation to the system on and after the effective date
45 of P.L. , c. (pending before the Legislature as this bill), with an
46 additional contribution of 1% to be phased-in in equal increments
47 over a period of seven years commencing with the first year

1 following that effective date.

2 (cf: P.L.1956, c.55, s.4)

3

4 12. Section 2 of P.L.1972, c.167 (C.43:15A-136) is amended to
5 read as follows:

6 2. Notwithstanding the provisions of section 25 of P.L.1954,
7 c.84 (C.43:15A-25), (a) a separate account shall be established in
8 the annuity savings fund for each member of the Legislature and all
9 contributions based on legislative salaries shall be credited to this
10 account as distinguished from any other account that the legislator
11 may have as a result of other public service covered by the
12 retirement system; and (b) the member of the Legislature shall
13 contribute at a rate equal to 5% of his legislative salary, which
14 contribution shall be deducted from his salary at the time or times it
15 is paid, and which shall be exclusive of any other contribution
16 required of the member for Social Security, contributory death
17 benefits or deductions for any other purpose. The contribution rate
18 shall be 5.5% of the member's legislative salary beginning July 1,
19 2007. The contribution rate shall be 6.5% of the member's
20 legislative salary on and after the effective date of P.L. ,
21 c. (pending before the Legislature as this bill), with an additional
22 contribution of 1% to be phased-in in equal increments over a
23 period of seven years commencing with the first year following that
24 effective date.

25 A member of the Legislature who is enrolled on the basis of
26 other public service before, during, or after his service as a member
27 of the Legislature shall contribute for such other service at the rate
28 of contribution required of other members as provided by section
29 25.

30 (cf: P.L.2007, c.103, s.3)

31

32 13. Section 3 of P.L.2001, c.259 (C.43:15A-144) is amended to
33 read as follows:

34 3. a. Notwithstanding the provisions of section 25 of P.L.1954,
35 c.84 (C.43:15A-25) to the contrary, a separate account shall be
36 established in the annuity savings fund for each workers
37 compensation judge and all contributions based on the judge's
38 salary shall be credited to this account. This account shall be
39 separate from any other account that the member may have as a
40 result of other public service covered by the retirement system.

41 b. A workers compensation judge shall contribute at a rate
42 equal to 5% of the judge's salary, which contribution shall be
43 deducted from the salary at the time or times it is paid, and which
44 shall be exclusive of any other contribution required of the member
45 for Social Security, contributory death benefits or deductions for
46 any other purpose. The contribution rate shall be 5.5% of the
47 judge's salary effective with the payroll period for which the
48 beginning date is closest to July 1, 2007. The contribution rate

1 shall be 6.5% of the judge's salary on and after the effective date of
2 P.L. , c. (pending before the Legislature as this bill), with an
3 additional contribution of 1% to be phased-in in equal increments
4 over a period of seven years commencing with the first year
5 following that effective date.

6 c. A workers compensation judge who is enrolled on the basis
7 of other public service before, during, or after service as a judge of
8 compensation shall contribute for such other service at the rate of
9 contribution required of other members as provided by section 25.
10 (cf: P.L.2007, c.103, s.5)

11
12 14. Section 3 of P.L.2001, c.366 (C.43:15A-157) is amended to
13 read as follows:

14 3. a. Notwithstanding the provisions of section 25 of P.L.1954,
15 c.84 (C.43:15A-25) to the contrary, a separate account shall be
16 established in the annuity savings fund for each prosecutor and all
17 contributions based on the prosecutor's salary shall be credited to
18 this account.

19 b. A prosecutor shall contribute at a rate established by the
20 board, which contribution shall be deducted from the salary at the
21 time or times it is paid, and which shall be exclusive of any other
22 contribution required of the prosecutor for Social Security,
23 contributory death benefits or deductions for any other purpose.
24 The contribution rate shall be 10% of the prosecutor's salary on and
25 after the effective date of P.L. , c. (pending before the Legislature
26 as this bill).

27 c. A prosecutor who is enrolled on the basis of other public
28 service before, during, or after service as a prosecutor shall
29 contribute for such other service at the rate of contribution required
30 of other members as provided by section 25.
31 (cf: P.L.2001, c.366, s.3)

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

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

37 (2) The uniform percentage contribution rate for members shall
38 be 8.5% of compensation. Members of the retirement system shall
39 contribute 10% of compensation to the system on and after the
40 effective date of P.L. , c. (pending before the Legislature as this
41 bill).

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

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

1 succeeding the date of the computation. This shall be known as the
2 "normal contribution."

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

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

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

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

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

1 amortization period for the unfunded accrued liability, unless an
2 increase in the amortization period will cause it to exceed 30 years.
3 If an increase in the amortization period as a result of actuarial
4 losses for a valuation year would exceed 30 years, the accrued
5 liability contribution shall be computed for the valuation year in the
6 same manner provided for the computation of the initial accrued
7 liability contribution under this section. Beginning with the July 1,
8 2018 actuarial valuation, the accrued liability contribution shall be
9 computed so that if the contribution is paid annually in level
10 dollars, it will amortize this unfunded accrued liability over a closed
11 30 year period. Beginning with the July 1, 2028 actuarial valuation,
12 when the remaining amortization period reaches 20 years, any
13 increase or decrease in the unfunded accrued liability as a result of
14 actuarial losses or gains for subsequent valuation years shall serve
15 to increase or decrease, respectively, the amortization period for the
16 unfunded accrued liability, unless an increase in the amortization
17 period will cause it to exceed 20 years. If an increase in the
18 amortization period as a result of actuarial losses for a valuation
19 year would exceed 20 years, the accrued liability contribution shall
20 be computed for the valuation year in the same manner provided for
21 the computation of the initial accrued liability contribution under
22 this section.

23 With respect to the State, upon the basis of the tables
24 recommended by the actuary which the board adopts and regular
25 interest, the actuary shall annually determine if there is an amount
26 of the accrued liability, 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 the contribution is **【increased at a specific rate and】** paid annually
35 in level dollars for a specific period of time, will amortize this
36 liability. The State Treasurer shall determine, upon the advice of
37 the Director of the Division of Pensions and Benefits, the board of
38 trustees and the actuary, **【the rate of increase for the contribution**
39 **and】** the time period for full funding of this liability, which shall
40 not exceed 30 years. This shall be known as the "accrued liability
41 contribution." Thereafter, any increase or decrease in the unfunded
42 accrued liability as a result of actuarial losses or gains for
43 subsequent valuation years shall serve to increase or decrease,
44 respectively, the amortization period for the unfunded accrued
45 liability, unless an increase in the amortization period will cause it
46 to exceed 30 years. If an increase in the amortization period as a
47 result of actuarial losses for a valuation year would exceed 30 years,
48 the accrued liability contribution shall be computed for the

1 valuation year in the same manner provided for the computation of
2 the initial accrued liability contribution under this section.
3 Beginning with the July 1, 2018 actuarial valuation, the accrued
4 liability contribution shall be computed so that if the contribution is
5 paid annually in level dollars, it will amortize this unfunded accrued
6 liability over a closed 30 year period. Beginning with the July 1,
7 2028 actuarial valuation, when the remaining amortization period
8 reaches 20 years, any increase or decrease in the unfunded accrued
9 liability as a result of actuarial losses or gains for subsequent
10 valuation years shall serve to increase or decrease, respectively, the
11 amortization period for the unfunded accrued liability, unless an
12 increase in the amortization period will cause it to exceed 20 years.
13 If an increase in the amortization period as a result of actuarial
14 losses for a valuation year would exceed 20 years, the accrued
15 liability contribution shall be computed for the valuation year in the
16 same manner provided for the computation of the initial accrued
17 liability contribution under this section.

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

22 The value of the assets to be used in the computation of the
23 contributions provided for under this section for valuation periods
24 shall be the value of the assets for the preceding valuation period
25 increased by the regular interest rate, plus the net cash flow for the
26 valuation period (the difference between the benefits and expenses
27 paid by the system and the contributions to the system) increased by
28 one half of the regular interest rate, plus 20% of the difference
29 between this expected value and the full market value of the assets
30 as of the end of the valuation period. This shall be known as the
31 "valuation assets." Notwithstanding the first sentence of this
32 paragraph, the valuation assets for the valuation period ending June
33 30, 1995 shall be the full market value of the assets as of that date
34 and, with respect to the valuation assets allocated to the State, shall
35 include the proceeds from the bonds issued pursuant to the "Pension
36 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et
37 seq.), paid to the system by the New Jersey Economic Development
38 Authority to fund the unfunded accrued liability of the system.
39 Notwithstanding the first sentence of this paragraph, the percentage
40 of the difference between the expected value and the full market
41 value of the assets to be added to the expected value of the assets
42 for the valuation period ending June 30, 1998 for the State shall be
43 100% and for other employers shall be 57% plus such additional
44 percentage as is equivalent to \$150,000,000. Notwithstanding the
45 first sentence of this paragraph, the amount of the difference
46 between the expected value and the full market value of the assets
47 to be added to the expected value of the assets for the valuation
48 period ending June 30, 1999 shall include an additional amount of

1 the market value of the assets sufficient to fund (1) the unfunded
2 accrued liability for the supplementary "special retirement"
3 allowances provided under subsection b. of section 16 of P.L.1964,
4 c.241 (C.43:16A-11.1) and (2) the unfunded accrued liability for the
5 full credit toward benefits under the retirement system for service
6 credited in the Public Employees' Retirement System and
7 transferred pursuant to section 1 of P.L.1993, c.247 (C.43:16A-3.8)
8 and the reimbursement of the cost of any credit purchase pursuant
9 to section 3 of P.L.1993, c.247 (C.43:16A-3.10) provided under
10 section 1 of P.L.2001, c.201 (C.43:16A-3.14).

11 "Excess valuation assets" means, with respect to the valuation
12 assets allocated to the State, the valuation assets allocated to the
13 State for a valuation period less the actuarial accrued liability of the
14 State for the valuation period, and beginning with the valuation
15 period ending June 30, 1998, less the present value of the expected
16 additional normal cost contributions attributable to the provisions of
17 P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the
18 active members employed by the State as of the valuation period
19 over the expected working lives of the active members in
20 accordance with the tables of actuarial assumptions applicable to
21 the valuation period, and less the present value of the expected
22 additional normal cost contributions attributable to the provisions of
23 P.L.2003, c.108 as amending section 16 of P.L.1964, c.241
24 (C.43:16A-11.1) payable on behalf of the active members employed
25 by the State as of the valuation period over the expected working
26 lives of the active members in accordance with the tables of
27 actuarial assumptions applicable to the valuation period, if the sum
28 is greater than zero. "Excess valuation assets" means, with respect
29 to the valuation assets allocated to other employers, the valuation
30 assets allocated to the other employers for a valuation period less
31 the actuarial accrued liability of the other employers for the
32 valuation period, excluding the unfunded accrued liability for early
33 retirement incentive benefits pursuant to P.L.1993, c.99 for the
34 other employers, and beginning with the valuation period ending
35 June 30, 1998, less the present value of the expected additional
36 normal cost contributions attributable to the provisions of P.L.1999,
37 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active
38 members employed by other employers as of the valuation period
39 over the expected working lives of the active members in
40 accordance with the tables of actuarial assumptions applicable to
41 the valuation period, and less the present value of the expected
42 additional normal cost contributions attributable to the provisions of
43 P.L.2003, c.108 as amending section 16 of P.L.1964, c.241
44 (C.43:16A-11.1) payable on behalf of the active members employed
45 by other employers as of the valuation period over the expected
46 working lives of the active members in accordance with the tables
47 of actuarial assumptions applicable to the valuation period, if the
48 sum is greater than zero.

1 If there are excess valuation assets allocated to the State or to the
2 other employers for the valuation period ending June 30, 1995, the
3 normal contributions payable by the State or by the other employers
4 for the valuation periods ending June 30, 1995, and June 30, 1996
5 which have not yet been paid to the retirement system shall be
6 reduced to the extent possible by the excess valuation assets
7 allocated to the State or to the other employers, respectively,
8 provided that with respect to the excess valuation assets allocated to
9 the State, the General Fund balances that would have been paid to
10 the retirement system except for this provision shall first be
11 allocated as State aid to public schools to the extent that additional
12 sums are required to comply with the May 14, 1997 decision of the
13 New Jersey Supreme Court in *Abbott v. Burke*.

14 If there are excess valuation assets allocated to the other
15 employers for the valuation period ending June 30, 1998, the
16 accrued liability contributions payable by the other employers for
17 the valuation period ending June 30, 1997 shall be reduced to the
18 extent possible by the excess valuation assets allocated to the other
19 employers.

20 If there are excess valuation assets allocated to the State or to the
21 other employers for a valuation period ending after June 30, 1998,
22 the State Treasurer may reduce the normal contribution payable by
23 the State or by other employers for the next valuation period as
24 follows:

25 (1) for valuation periods ending June 30, 1996 through June 30,
26 2000, to the extent possible by up to 100% of the excess valuation
27 assets allocated to the State or to the other employers, respectively;

28 (2) for the valuation period ending June 30, 2001, 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 June 30, 2002, 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 June 30, 2003 through June 30,
35 2007, to the extent possible by up to 50% of the excess valuation
36 assets allocated to the State or to the other employers, respectively.

37 Notwithstanding the discretion provided to the State Treasurer in
38 the previous paragraph to reduce the amount of the normal
39 contribution payable by employers other than the State, the State
40 Treasurer shall reduce the amount of the normal contribution
41 payable by employers other than the State by \$150,000,000 in the
42 aggregate for the valuation period ending June 30, 1998, and then
43 the State Treasurer may reduce further pursuant to the provisions of
44 the previous paragraph the normal contribution payable by such
45 employers for that valuation period.

46 The normal and accrued liability contributions shall be certified
47 annually by the retirement system and shall be included in the
48 budget of the employer and levied and collected in the same manner

1 as any other taxes are levied and collected for the payment of the
2 salaries of members.

3 Notwithstanding the preceding sentence, the normal and accrued
4 liability contributions to be included in the budget of and paid by
5 the employer other than the State shall be as follows: for the
6 payment due in the State fiscal year ending on June 30, 2004, 20%
7 of the amount certified by the retirement system; for the payment
8 due in the State fiscal year ending on June 30, 2005, a percentage of
9 the amount certified by the retirement system as the State Treasurer
10 shall determine but not more than 40%; for the payment due in the
11 State fiscal year ending on June 30, 2006, a percentage of the
12 amount certified by the retirement system as the State Treasurer
13 shall determine but not more than 60%; and for the payment due in
14 the State fiscal year ending on June 30, 2007, a percentage of the
15 amount certified by the retirement system as the State Treasurer
16 shall determine but not more than 80%.

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

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

41 The actuaries for the retirement system shall determine the
42 unfunded liability of the retirement system, by employer, for the
43 reduced normal and accrued liability contributions provided under
44 P.L.2009, c.19. This unfunded liability shall be paid by the
45 employer in level annual payments over a period of 15 years
46 beginning with the payments due in the State fiscal year ending
47 June 30, 2012 and shall be adjusted by the rate of return on the
48 actuarial value of assets.

1 The retirement system shall annually certify to each employer
2 the contributions due to the contingent reserve fund for the liability
3 under P.L.2009, c.19. The contributions certified by the retirement
4 system shall be paid by the employer to the retirement system on or
5 before the date prescribed by law for payment of employer
6 contributions for basic retirement benefits. If payment of the full
7 amount of the contribution certified is not made within 30 days
8 after the last date for payment of employer contributions for basic
9 retirement benefits, interest at the rate of 10% per year shall be
10 assessed against the unpaid balance on the first day after the
11 thirtieth day.

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

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

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

28 (11) The expenses of administration of the retirement system
29 shall be paid by the State of New Jersey. Each employer shall
30 reimburse the State for a proportionate share of the amount paid by
31 the State for administrative expense. This proportion shall be
32 computed as the number of members under the jurisdiction of such
33 employer bears to the total number of members in the system. The
34 pro rata share of the cost of administrative expense shall be
35 included with the certification by the retirement system of the
36 employer's contribution to the system.

37 (12) Notwithstanding anything to the contrary, the retirement
38 system shall not be liable for the payment of any pension or other
39 benefits on account of the employees or beneficiaries of any
40 employer participating in the retirement system, for which reserves
41 have not been previously created from funds, contributed by such
42 employer or its employees for such benefits.

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

44 (14) Commencing with valuation year 1991, with payment to be
45 made in Fiscal Year 1994, the Legislature shall annually
46 appropriate and the State Treasurer shall pay into the pension
47 accumulation fund of the retirement system an amount equal to
48 1.1% of the compensation of the members of the system for the

1 valuation year to fund the benefits provided by section 16 of
2 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

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

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

25 (cf: P.L.2010, c.1, s.32)

26

27 16. Section 38 of P.L.1965, c.89 (C.53:5A-38) is amended to
28 read as follows:

29 38. There shall be deducted from the payroll of each active
30 member of the system 7 1/2 % of the amount of his salary, which
31 shall be turned over to the State Treasurer and be credited by him
32 to the account of the State Police Retirement System. Members of
33 the retirement system shall contribute 9% of salary to the system on
34 and after the effective date of P.L. , c. (pending before the
35 Legislature as this bill).

36 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 deductions shall be a full and complete discharge and acquittance
42 of all claims and demands whatsoever for the service rendered by
43 such person during the period covered by such payment, except as
44 to the benefits provided under this act.

45 (cf: P.L.1980, c.55, s.6)

46

47 17. N.J.S.18A:66-37 is amended to read as follows:

1 18A:66-37. Should a member resign after having established 25
2 years of creditable service before reaching age 60, or before
3 reaching the age of 62 if the person became a member of the
4 retirement system on or after the effective date of P.L.2008, c.89, or
5 after having established 30 years of creditable service before
6 reaching the age of 65 if the person became a member of the
7 retirement system on or after the effective date of P.L. , c.
8 (pending before the Legislature as this bill), the member may elect
9 "early retirement," provided, that such election is communicated by
10 such member to the retirement system by filing a written
11 application, duly attested, stating at what time subsequent to the
12 execution and filing thereof the member desires to be retired. The
13 member shall receive, in lieu of the payment provided in
14 N.J.S.18A:66-34, an annuity which is the actuarial equivalent of the
15 member's accumulated deductions and a pension in the amount
16 which, when added to the member's annuity, will provide a total
17 retirement allowance of 1/64 of the member's final compensation
18 for each year of service credited as class A service and 1/55 of the
19 member's final compensation for each year of service credited as
20 class B service, or for a person who becomes a member of the
21 retirement system on or after the effective date of P.L.2010, c.1
22 1/60 of final compensation for each year of service credited as class
23 B service, calculated in accordance with N.J.S.18A:66-44, reduced:

24 (a) by 1/4 of 1% for each month that the member lacks of being
25 age 55; or

26 (b) for a person who becomes a member of the retirement
27 system on or after July 1, 2007, by 1/4 of 1% for each month that
28 the member lacks of being age 55 and by 1/12 of 1% for each
29 month that the member lacks of being age 60 but over age 55; **[or]**

30 (c) for a person who becomes a member of the retirement
31 system on or after the effective date of P.L.2008, c.89, by 1/4 of 1%
32 for each month that the member lacks of being age 55 and by 1/12
33 of 1% for each month that the member lacks of being age 62 but
34 over age 55; or

35 (d) for a person who becomes a member of the retirement
36 system on or after the effective date of P.L. , c. (pending before
37 the Legislature as this bill), by 1/4 of 1% for each month that the
38 member lacks of being age 65; provided, however, that upon the
39 receipt of proper proofs of the death of such a member there shall
40 be paid to the member's beneficiary an amount equal to 3/16 of the
41 compensation upon which contributions by the member to the
42 annuity savings fund were based in the last year of creditable
43 service or in the year of the member's highest contractual salary,
44 whichever is higher.

45 Subparagraph (b) or (c) of this section shall not apply to a person
46 who at the time of enrollment in the retirement system on or after
47 July 1, 2007 transfers service credit from another State-
48 administered retirement system pursuant to N.J.S.18A:66-15.1, but

1 shall apply to a former member of the retirement system who has
2 been granted a retirement allowance and is reenrolled in the
3 retirement system on or after July 1, 2007 pursuant to
4 N.J.S.18A:66-53.2 after becoming employed again in a position that
5 makes the person eligible to be a member of the retirement system.

6 The board of trustees shall retire the member at the time
7 specified or at such other time within one month after the date so
8 specified as the board finds advisable.

9 (cf: P.L.2010, c.1, s.9)

10

11 18. Section 41 of P.L.1954, c.84 (C.43:15A-41) is amended to
12 read as follows:

13 41. a. A member who withdraws from service or ceases to be an
14 employee for any cause other than death or retirement shall, upon
15 the filing of an application therefor, receive all of his accumulated
16 deductions standing to the credit of his individual account in the
17 annuity savings fund, plus regular interest, less any outstanding
18 loan, except that for any period after June 30, 1944, the interest
19 payable shall be such proportion of the interest determined at the
20 regular rate of 2% per annum bears to the regular rate of interest,
21 and except that no interest shall be payable in the case of a member
22 who has less than three years of membership credit for which he has
23 made contributions. He shall cease to be a member two years from
24 the date he discontinued service as an eligible employee, or, if prior
25 thereto, upon payment to him of his accumulated deductions. If any
26 such person or member shall die before withdrawing or before
27 endorsing the check constituting the return of his accumulated
28 deductions, such deductions shall be paid to the member's
29 beneficiary. No member shall be entitled to withdraw the amounts
30 contributed by his employer covering his military leave unless he
31 shall have returned to the payroll and contributed to the retirement
32 system for a period of 90 days.

33 b. Should a member resign after having established 25 years of
34 creditable service before reaching age 60, or before reaching age 62
35 if the person became a member of the retirement system on or after
36 the effective date of P.L.2008, c.89, or after having established 30
37 years of creditable service before reaching the age of 65 if the
38 person became a member of the retirement system on or after the
39 effective date of P.L. , c. (pending before the Legislature as this
40 bill), he may elect "early retirement," provided, that such election is
41 communicated by such member to the retirement system by filing a
42 written application, duly attested, stating at what time subsequent to
43 the execution and filing thereof he desires to be retired. He shall
44 receive, in lieu of the payment provided in subsection a. of this
45 section, an annuity which is the actuarial equivalent of his
46 accumulated deductions together with regular interest, and a
47 pension in the amount which, when added to the member's annuity,
48 will provide a total retirement allowance of 1/64 of final

1 compensation for each year of service credited as Class A service
2 and 1/55 of final compensation for each year of service credited as
3 Class B service, or for a person who becomes a member of the
4 retirement system on or after the effective date of P.L.2010, c.1
5 1/60 of final compensation for each year of service credited as
6 Class B service, calculated in accordance with section 48
7 (C.43:15A-48) of this act, reduced:

8 (a) by 1/4 of 1% for each month that the member lacks of being
9 age 55; or

10 (b) for a person who becomes a member of the retirement
11 system on or after July 1, 2007, by 1/4 of 1% for each month that
12 the member lacks of being age 55 and by 1/12 of 1% for each
13 month that the member lacks of being age 60 but over age 55; **[or]**

14 (c) for a person who becomes a member of the retirement
15 system on or after the effective date of P.L.2008, c.89, by 1/4 of 1%
16 for each month that the member lacks of being age 55 and by 1/12
17 of 1% for each month that the member lacks of being age 62 but
18 over age 55; or

19 (d) for a person who becomes a member of the retirement
20 system on or after the effective date of P.L. , c. (pending before
21 the Legislature as this bill), by 1/4 of 1% for each month that the
22 member lacks of being age 65; provided, however, that upon the
23 receipt of proper proofs of the death of such a member there shall
24 be paid to his beneficiary an amount equal to three-sixteenths of the
25 compensation upon which contributions by the member to the
26 annuity savings fund were based in the last year of creditable
27 service.

28 Paragraph (b) or (c) of this subsection shall not apply to a person
29 who at the time of enrollment in the retirement system on or after
30 July 1, 2007 transfers service credit from another State-
31 administered retirement system pursuant to section 14 of P.L.1954,
32 c.84 (C.43:15A-14), but shall apply to a former member of the
33 retirement system who has been granted a retirement allowance and
34 is reenrolled in the retirement system on or after July 1, 2007
35 pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after
36 becoming employed again in a position that makes the person
37 eligible to be a member of the retirement system.

38 The board of trustees shall retire him at the time specified or at
39 such other time within one month after the date so specified as the
40 board finds advisable.

41 c. Upon the receipt of proper proofs of the death of a member
42 in service on account of which no accidental death benefit is
43 payable under section 49 there shall be paid to such member's
44 beneficiary:

45 (1) The member's accumulated deductions at the time of death
46 together with regular interest; and

47 (2) An amount equal to one and one-half times the
48 compensation upon which contributions by the member to the

1 annuity savings fund were based in the last year of creditable
2 service.

3 (cf: P.L.2010, c.1, s.12)

4

5 19. Section 16 of P.L.1964, c.241 (C.43:16A-11.1) is amended
6 to read as follows:

7 16. a. Should a member resign after having established 25 years
8 of creditable service, he may elect "special retirement," provided,
9 that such election is communicated by such member to the
10 retirement system by filing a written application, duly attested,
11 stating at what time subsequent to the execution and filing thereof
12 he desires to be retired. He shall receive, in lieu of the payment
13 provided in section 11, a retirement allowance which shall consist
14 of:

15 (1) An annuity which shall be the actuarial equivalent of his
16 aggregate contributions, and

17 (2) A pension in the amount which, when added to the member's
18 annuity, will provide (a) for a person who is a member on the
19 effective date of P.L. , c. (pending before the Legislature as this
20 bill), a total retirement allowance of 65% of [his] final
21 compensation, plus 1% of [his] final compensation multiplied by
22 the number of years of creditable service over 25 but not over 30 or
23 (b) for a person who becomes a member of the retirement system
24 after that effective date, a total retirement allowance of 60% of final
25 compensation, plus 1% of final compensation multiplied by the
26 number of years of creditable service over 25 but not over 30;
27 provided, however, that any member who has earned, prior to July
28 1, 1979, more than 30 years of creditable service, shall receive an
29 additional 1% of his final compensation for each year of his
30 creditable service over 30.

31 The board of trustees shall retire him at the time specified or at
32 such other time within one month after the date so specified as the
33 board finds advisable.

34 Upon the receipt of proper proofs of the death of such a retired
35 member, there shall be paid to his beneficiary an amount equal to
36 one-half of the final compensation received by the member.

37 b. The "special retirement" allowance payable under subsection
38 a. of this section to any person who retired under the retirement
39 system prior to December 20, 1989 shall be increased by an amount
40 equal to 5% of the person's final compensation or by such lesser
41 amount as would, if added to the allowance payable at the time of
42 retirement, provide a total retirement allowance of 70% of final
43 compensation, except that in the case of such a retirant who retired
44 on or after July 1, 1979 and had earned prior to that date more than
45 30 years of creditable service, the amount of the increase shall be
46 equal to 5% of the person's final compensation irrespective of the
47 total retirement allowance which such an increase would provide.
48 The provisions of this subsection shall not be construed either to

1 require a reduction in the retirement allowance payable to any
2 retirant or to provide for the payment of any adjustment in such an
3 allowance with respect to any period of time prior to the first day of
4 the month following that effective date.

5 (cf: P.L.2010, c.1, s.31)

6
7 20. N.J.S.18A:66-18 is amended to read as follows:

8 18A:66-18. The contingent reserve fund shall be the fund in
9 which shall be credited contributions made by the State and other
10 employers.

11 a. Upon the basis of the tables recommended by the actuary
12 which the board of trustees adopts and regular interest, the actuary
13 of the board shall compute annually, beginning as of March 31,
14 1992, the amount of contribution which shall be the normal cost as
15 computed under the projected unit credit method attributable to
16 service rendered under the retirement system for the year beginning
17 on July 1 immediately succeeding the date of the computation. This
18 shall be known as the "normal contribution."

19 b. Upon the basis of the tables recommended by the actuary
20 which the board of trustees adopts and regular interest, the actuary
21 of the board shall annually determine if there is an amount of the
22 accrued liability of the retirement system, computed under the
23 projected unit credit method, including the liability for pension
24 adjustment benefits for active employees funded pursuant to section
25 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered
26 by the assets of the retirement system, valued in accordance with
27 the asset valuation method established in this section. This shall be
28 known as the "unfunded accrued liability." If there was no
29 unfunded accrued liability for the valuation period immediately
30 preceding the current valuation period, the actuary, using the total
31 amount of this unfunded accrued liability, shall compute the initial
32 amount of contribution which, if [the contribution is increased at a
33 specific rate and] paid annually in level dollars for a specific period
34 of time, will amortize this liability. The State Treasurer shall
35 determine, upon the advice of the Director of the Division of
36 Pensions and Benefits, the board of trustees and the actuary, [the
37 rate of increase for the contribution and] the time period for full
38 funding of this liability, which shall not exceed 30 years. This shall
39 be known as the "accrued liability contribution." Thereafter, any
40 increase or decrease in the unfunded accrued liability as a result of
41 actuarial losses or gains for subsequent valuation years shall serve
42 to increase or decrease, respectively, the amortization period for the
43 unfunded accrued liability, unless an increase in the amortization
44 period will cause it to exceed 30 years. If an increase in the
45 amortization period as a result of actuarial losses for a valuation
46 year would exceed 30 years, the accrued liability contribution shall
47 be 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
31 March 31, 1996 shall be the full market value of the assets as of that
32 date and shall include the proceeds from the bonds issued pursuant
33 to the Pension Bond Financing Act of 1997, P.L.1997, c.114
34 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey
35 Economic Development Authority to fund the unfunded accrued
36 liability of the system. Notwithstanding the first sentence of this
37 paragraph, the valuation assets for the valuation period ending June
38 30, 1999 shall be the full market value of the assets as of that date.

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

40 (1) the valuation assets; less

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

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

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

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

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

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

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

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

36 For calendar years 1998 and 1999, the rate of contribution of
37 members of the retirement system under N.J.S.18A:66-29 shall be
38 reduced by 1/2 of 1% from excess valuation assets. For calendar
39 years 2000 and 2001, the rate of contribution of members of the
40 retirement system shall be reduced equally with normal
41 contributions to the extent possible, but not more than 1/2 of 1%,
42 from excess valuation assets. Thereafter, through calendar year
43 2007, the rate of contribution of members of the retirement system
44 under that section for a calendar year shall be reduced equally with
45 normal contributions to the extent possible, but not by more than
46 2%, from excess valuation assets if the State Treasurer determines
47 that excess valuation assets shall be used to reduce normal
48 contributions by the State for the fiscal year beginning immediately

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

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

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

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

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

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

41 f. The disbursements for benefits not covered by reserves in
42 the system on account of veterans shall be met by direct
43 contribution of the State.

44 (cf: P.L.2007, c.92, s.24)

45

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

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

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

1 the accrued liability contribution shall be computed for the
2 valuation year in the same manner provided for the computation of
3 the initial accrued liability contribution under this section.

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

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

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

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

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

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

1 (4) for valuation periods ending June 30, 2004 through June 30,
2 2007, to the extent possible by up to 50% of the excess valuation
3 assets.

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

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

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

14 (cf: P.L.2007, c.92, s.25)

15

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

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

20 a. Upon the basis of the tables recommended by the actuary
21 which the board adopts and regular interest, the actuary shall
22 compute annually, beginning as of March 31, 1992, the amount of
23 contribution which shall be the normal cost as computed under the
24 projected unit credit method attributable to service rendered under
25 the retirement system for the year beginning on July 1 immediately
26 succeeding the date of the computation. This shall be known as the
27 "normal contribution."

28 b. With respect to employers other than the State, upon the
29 basis of the tables recommended by the actuary which the board
30 adopts and regular interest, the actuary shall compute the amount of
31 the accrued liability of the retirement system as of March 31, 1992
32 under the projected unit credit method, excluding the liability for
33 pension adjustment benefits for active employees funded pursuant
34 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already
35 covered by the assets of the retirement system, valued in accordance
36 with the asset valuation method established in this section. Using
37 the total amount of this unfunded accrued liability, the actuary shall
38 compute the initial amount of contribution which, if [the
39 contribution is increased at a specific rate and] paid annually in
40 level dollars for a specific period of time, will amortize this
41 liability. The State Treasurer shall determine, upon the advice of
42 the Director of the Division of Pensions and Benefits, the board of
43 trustees and the actuary, [the rate of increase for the contribution
44 and] the time period for full funding of this liability, which shall
45 not exceed 40 years on initial application of this section as amended
46 by this act, P.L.1994, c.62. This shall be known as the "accrued
47 liability contribution." Any increase or decrease in the unfunded
48 accrued liability as a result of actuarial losses or gains for the 10

1 valuation years following valuation year 1992 shall serve to
2 increase or decrease, respectively, the unfunded accrued liability
3 contribution. Thereafter, any increase or decrease in the unfunded
4 accrued liability as a result of actuarial losses or gains for
5 subsequent valuation years shall serve to increase or decrease,
6 respectively, the amortization period for the unfunded accrued
7 liability, unless an increase in the amortization period will cause it
8 to exceed 30 years. If an increase in the amortization period as a
9 result of actuarial losses for a valuation year would exceed 30 years,
10 the accrued liability contribution shall be computed for the
11 valuation year in the same manner provided for the computation of
12 the initial accrued liability contribution under this section.
13 Beginning with the July 1, 2019 actuarial valuation, the accrued
14 liability contribution shall be computed so that if the contribution is
15 paid annually in level dollars, it will amortize this unfunded accrued
16 liability over a closed 30 year period. Beginning with the July 1,
17 2029 actuarial valuation, when the remaining amortization period
18 reaches 20 years, any increase or decrease in the unfunded accrued
19 liability as a result of actuarial losses or gains for subsequent
20 valuation years shall serve to increase or decrease, respectively, the
21 amortization period for the unfunded accrued liability, unless an
22 increase in the amortization period will cause it to exceed 20 years.
23 If an increase in the amortization period as a result of actuarial
24 losses for a valuation year would exceed 20 years, the accrued
25 liability contribution shall be computed for the valuation year in the
26 same manner provided for the computation of the initial accrued
27 liability contribution under this section.

28 With respect to the State, upon the basis of the tables
29 recommended by the actuary which the commission adopts and
30 regular interest, the actuary shall annually determine if there is an
31 amount of the accrued liability of the retirement system, computed
32 under the projected unit credit method, 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 [the contribution is increased at a
40 specific rate and] paid annually in level dollars for a specific period
41 of time, will amortize this liability. The State Treasurer shall
42 determine, upon the advice of the Director of the Division of
43 Pensions and Benefits, the commission and the actuary, [the rate of
44 increase for the contribution and] the time period for full funding of
45 this liability, which shall not exceed 30 years. This shall be known
46 as the "accrued liability contribution." Thereafter, any increase or
47 decrease in the unfunded accrued liability as a result of actuarial
48 losses or gains for subsequent valuation years shall serve to increase

1 or decrease, respectively, the amortization period for the unfunded
2 accrued liability, unless an increase in the amortization period will
3 cause it to exceed 30 years. If an increase in the amortization
4 period as a result of actuarial losses for a valuation year would
5 exceed 30 years, the accrued liability contribution shall be
6 computed for the valuation year in the same manner provided for
7 the computation of the initial accrued liability contribution under
8 this section. Beginning with the July 1, 2019 actuarial valuation,
9 the accrued liability contribution shall be computed so that if the
10 contribution is paid annually in level dollars, it will amortize this
11 unfunded accrued liability over a closed 30 year period. Beginning
12 with the July 1, 2029 actuarial valuation, when the remaining
13 amortization period reaches 20 years, any increase or decrease in
14 the unfunded accrued liability as a result of actuarial losses or gains
15 for 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 20 years. If an increase in the amortization period as a
19 result of actuarial losses for a valuation year would exceed 20 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 The State may pay all or any portion of its unfunded accrued
24 liability under the retirement system from any source of funds
25 legally available for the purpose, including, without limitation, the
26 proceeds of bonds authorized by law for this purpose.

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

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

- 1 (1) the valuation assets allocated to the State; less
- 2 (2) the actuarial accrued liability of the State for basic benefits
3 and pension adjustment benefits under the retirement system; less
- 4 (3) the contributory group insurance premium fund, created by
5 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
6 4 of P.L.1960, c.79; less
- 7 (4) the post retirement medical premium fund, created pursuant
8 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by
9 section 8 of P.L.1994, c.62; less
- 10 (5) the present value of the projected total normal cost for
11 pension adjustment benefits in excess of the projected total phased-
12 in normal cost for pension adjustment benefits for the State
13 authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the
14 full phase-in period, determined in the manner prescribed for the
15 determination and amortization of the unfunded accrued liability of
16 the system, if the sum of the foregoing items is greater than zero.
- 17 "Excess valuation assets" for a valuation period means, with
18 respect to the valuation assets allocated to other employers:
- 19 (1) the valuation assets allocated to the other employers; less
- 20 (2) the actuarial accrued liability of the other employers for
21 basic benefits and pension adjustment benefits under the retirement
22 system, excluding the unfunded accrued liability for early
23 retirement incentive benefits pursuant to P.L.1991, c.229, P.L.1991,
24 c.230, P.L.1993, c.138, and P.L.1993, c.181, for employers other
25 than the State; less
- 26 (3) the contributory group insurance premium fund, created by
27 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
28 4 of P.L.1960, c.79; less
- 29 (4) the present value of the projected total normal cost for
30 pension adjustment benefits in excess of the projected total phased-
31 in normal cost for pension adjustment benefits for the other
32 employers authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1)
33 over the full phase-in period, determined in the manner prescribed
34 for the determination and amortization of the unfunded accrued
35 liability of the system, if the sum of the foregoing items is greater
36 than zero.
- 37 If there are excess valuation assets allocated to the State or to the
38 other employers for the valuation period ending March 31, 1996,
39 the normal contributions payable by the State or by the other
40 employers for the valuation periods ending March 31, 1996 and
41 March 31, 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 allocated to the State or to the other employers,
44 respectively, provided that with respect to the excess valuation
45 assets allocated to the State, the General Fund balances that would
46 have been paid to the retirement system except for this provision
47 shall first be allocated as State aid to public schools to the extent
48 that additional sums are required to comply with the May 14, 1997

1 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If
2 there are excess valuation assets allocated to the State or to the
3 other employers for a valuation period ending after March 31, 1996,
4 the State Treasurer may reduce the normal contribution payable by
5 the State or by the other employers for the next valuation period as
6 follows:

7 (1) for valuation periods ending March 31, 1997 through March
8 31, 2001, to the extent possible by up to 100% of the excess
9 valuation assets allocated to the State or to the other employers,
10 respectively;

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

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

17 (4) for valuation periods ending March 31, 2004 through June
18 30, 2007, to the extent possible by up to 50% of the excess
19 valuation assets allocated to the State or to the other employers,
20 respectively.

21 For calendar years 1998 and 1999, the rate of contribution of
22 members of the retirement system under section 25 of P.L.1954,
23 c.84 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess
24 valuation assets and for calendar years 2000 and 2001, the rate of
25 contribution shall be reduced by 2% from excess valuation assets.
26 Thereafter, through calendar year 2007, the rate of contribution of
27 members of the retirement system under that section for a calendar
28 year shall be reduced equally with normal contributions to the
29 extent possible, but not by more than 2%, from excess valuation
30 assets if the State Treasurer determines that excess valuation assets
31 shall be used to reduce normal contributions by the State and local
32 employers for the fiscal year beginning immediately prior to the
33 calendar year, or for the calendar year for local employers whose
34 fiscal year is the calendar year, and excess valuation assets above
35 the amount necessary to fund the reduction for that calendar year in
36 the member contribution rate plus an equal reduction in the normal
37 contribution shall be available for the further reduction of normal
38 contributions, subject to the limitations prescribed by this
39 subsection.

40 If there are excess valuation assets after reductions in normal
41 contributions and member contributions as authorized in the
42 preceding paragraphs for a valuation period beginning with the
43 valuation period ending June 30, 1999, an amount of excess
44 valuation assets not to exceed the amount of the member
45 contributions for the fiscal year in which the normal contributions
46 are payable shall be credited to the benefit enhancement fund. The
47 amount of excess valuation assets credited to the benefit
48 enhancement fund shall not exceed the present value of the

1 expected additional normal contributions attributable to the
2 provisions of P.L.2001, c.133 payable on behalf of the active
3 members over the expected working lives of the active members in
4 accordance with the tables of actuarial assumptions for the
5 valuation period. No additional excess valuation assets shall be
6 credited to the benefit enhancement fund after the maximum
7 amount is attained. Interest shall be credited to the benefit
8 enhancement fund as provided under section 33 of P.L.1954, c.84
9 (C.43:15A-33).

10 The normal contribution for the increased benefits for active
11 employees under P.L.2001, c.133 shall be paid from the benefit
12 enhancement fund. If assets in the benefit enhancement fund are
13 insufficient to pay the normal contribution for the increased benefits
14 for a valuation period, the State shall pay the amount of normal
15 contribution for the increased benefits not covered by assets from
16 the benefit enhancement fund.

17 c. The retirement system shall certify annually the aggregate
18 amount payable to the contingent reserve fund in the ensuing year,
19 which amount shall be equal to the sum of the amounts described in
20 this section.

21 The State Treasurer shall reduce the normal and accrued liability
22 contributions payable by employers other than the State, excluding
23 the contribution payable from the benefit enhancement fund, to a
24 percentage of the amount certified annually by the retirement
25 system, which percentage shall be: for payments due in the State
26 fiscal year ending June 30, 2005, 20%; for payments due in the
27 State fiscal year ending June 30, 2006, not more than 40%; for
28 payments due in the State fiscal year ending June 30, 2007, not
29 more than 60%; and for payments due in the State fiscal year ending
30 June 30, 2008, not more than 80%.

31 The State Treasurer shall reduce the normal and accrued liability
32 contributions payable by employers other than the State, excluding
33 the contribution payable from the benefit enhancement fund, to 50
34 percent of the amount certified annually by the retirement system,
35 for payments due in the State fiscal year ending June 30, 2009. An
36 employer that elects to pay the reduced normal and accrued liability
37 contribution shall adopt a resolution, separate and apart from other
38 budget resolutions, stating that the employer needs to pay the
39 reduced contribution and providing an explanation of that need
40 which shall include (1) a description of its inability to meet the levy
41 cap without jeopardizing public safety, health, and welfare or
42 without jeopardizing the fiscal stability of the employer, or (2) a
43 description of another condition that offsets the long term fiscal
44 impact of the payment of the reduced contribution. An employer
45 also shall document those actions it has taken to reduce its
46 operating costs, or provide a description of relevant anticipated
47 circumstances that could have an impact on revenues or
48 expenditures. This resolution shall be submitted to and approved by

1 the Local Finance Board after making a finding that these fiscal
2 conditions are valid and affirming the findings contained in the
3 employer resolution.

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

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

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

27 The State shall pay into the contingent reserve fund during the
28 ensuing year the amount so determined. The death benefits,
29 payable as a result of contribution by the State under the provisions
30 of this chapter upon the death of an active or retired member, shall
31 be paid from the contingent reserve fund.

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

35 (cf: P.L.2009, c.19, s.1)

36

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

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

41 a. Upon the basis of the tables recommended by the actuary
42 which the board adopts and regular interest, the actuary shall
43 compute annually, beginning as of June 30, 1992, the amount of the
44 contribution which shall be the normal cost as computed under the
45 projected unit credit method attributable to service rendered under
46 the retirement system for the year beginning on July 1 immediately
47 succeeding the date of the computation. This shall be known as the
48 "normal contribution."

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

1 The value of the assets to be used in the computation of the
2 contributions provided for under this section for valuation periods
3 shall be the value of the assets for the preceding valuation period
4 increased by the regular interest rate, plus the net cash flow for the
5 valuation period (the difference between the benefits and expenses
6 paid by the system and the contributions to the system) increased by
7 one half of the regular interest rate, plus 20% of the difference
8 between this expected value and the full market value of the assets
9 as of the end of the valuation period. This shall be known as the
10 "valuation assets." Notwithstanding the first sentence of this
11 paragraph, the valuation assets for the valuation period ending June
12 30, 1996 shall be the full market value of the assets as of that date
13 and shall include the proceeds from the bonds issued pursuant to the
14 Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-
15 7.45 et seq.), paid to the system by the New Jersey Economic
16 Development Authority to fund the unfunded accrued liability of
17 the system.

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

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

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

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

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

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

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

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

12 (cf: P.L.2007, c.92, s.27)

13

14 24. Section 19 of P.L.1992, c.125 (C.43:4B-1) is amended to
15 read as follows:

16 19. There is hereby established the Retirement Systems Actuary
17 Selection Committee which shall consist of the State Treasurer, and
18 the directors of the Divisions of Pensions and Benefits and
19 Investment, and Office of Management and Budget, or their
20 designated representatives, and one member designated by each of
21 the boards of trustees of the Public Employees' Retirement System
22 established pursuant to P.L.1954, c.84 (C. 43:15A-1 et seq.), the
23 Teachers' Pension and Annuity Fund established pursuant to
24 N.J.S.18A:66-1 et seq., and the Police and Firemen's Retirement
25 System established pursuant to P.L.1944, c.255 (C.43:16A-1 et
26 seq.). The committee shall select the actuary or actuaries for the
27 State retirement systems in accordance with the provisions of
28 P.L.1954, c.48 (C.52:34-6 et seq.), provided, however, that the
29 boards shall have the power to veto the selection of the actuary for
30 valid reason.

31 (cf: P.L.1992, c.125, s.19)

32

33 25. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read
34 as follows:

35 2. The monthly retirement allowance or pension originally
36 granted to any retirant and the pension or survivorship benefit
37 originally granted to any beneficiary shall be adjusted in accordance
38 with the provisions of this act provided, however, that:

39 a. the maximum retirement allowance, without option, shall
40 be considered the retirement allowance originally granted to any
41 retirant who, at retirement, elected an Option I allowance pursuant
42 to the provisions of the statutes stipulated in subsection b. of section
43 1 of this act (C.43:3B-1); and b. the minimum pension granted to
44 any beneficiary stipulated in subsection d. (4) of section 1 of this
45 act (C.43:3B-1), shall be considered the pension originally granted
46 to such beneficiary.

47 Pension adjustments shall not be paid to retirants or beneficiaries
48 who are not receiving their regular, full, monthly retirement

1 allowances, pensions or survivorship benefits. The adjustment
2 granted under the provisions of this act shall be effective only on
3 the first day of a month, shall be paid in monthly installments, and
4 shall not be decreased, increased, revoked or repealed except as
5 otherwise provided in this act. No adjustment shall be due to a
6 retirant or a beneficiary unless it constitutes a payment for an entire
7 month; provided, however, that an adjustment shall be payable for
8 the entire month in which the retirant or beneficiary dies.

9 Commencing with the effective date of P.L. , c. (pending
10 before the Legislature as this bill) and thereafter, no further
11 adjustments to the monthly retirement allowance or pension
12 originally granted to any retirant and the pension or survivorship
13 benefit granted to any beneficiary shall be made in accordance with
14 the provisions of P.L.1958, c.143 (C.43:3B-1 et seq.), unless the
15 adjustment is reactivated as permitted by law. This provision shall
16 not reduce the monthly retirement benefit that a retirant or a
17 beneficiary is receiving on the effective date of P.L. , c. (pending
18 before the Legislature as this bill) when the benefit includes an
19 adjustment granted prior to that effective date.

20 (cf: P.L.1993, c.335, s.2)

21
22 26. Section 5 of P.L.1997, c.113 (C.43:3C-9.5) is amended to
23 read as follows:

24 5. a. For purposes of this section, a "non-forfeitable right to
25 receive benefits" means that the benefits program, for any employee
26 for whom the right has attached, cannot be reduced. The provisions
27 of this section shall not apply to post-retirement medical benefits
28 which are provided pursuant to law.

29 b. Vested members of the Teachers' Pension and Annuity Fund,
30 the Judicial Retirement System, the Prison Officers' Pension Fund,
31 the Public Employees' Retirement System, the Consolidated Police
32 and Firemen's Pension Fund, the Police and Firemen's Retirement
33 System, and the State Police Retirement System, upon the
34 attainment of five years of service credit in the retirement system or
35 fund or on the date of enactment of this bill, whichever is later,
36 shall have a non-forfeitable right to receive benefits as provided
37 under the laws governing the retirement system or fund upon the
38 attainment of five years of service credit in the retirement system or
39 fund or on the effective date of this act, whichever is later. This
40 subsection shall not be applicable to a person who becomes a
41 member of these systems or funds on or after the effective date of
42 P.L.2010, c.1, except that such person shall not include a person
43 who at the time of enrollment in the retirement system or fund on or
44 after that effective date transfers service credit, as permitted, from
45 another State-administered retirement system or fund of which the
46 person was a member immediately prior to the effective date and
47 continuously thereafter, but shall include a former member of the
48 retirement system or fund who has been granted a retirement

1 allowance and is reenrolled in the retirement system or fund on or
2 after that effective date after becoming employed again in a position
3 that makes the person eligible to be a member of the retirement
4 system.

5 c. (1) The State and all other applicable employers shall make
6 【an】 their annual normal contribution 【and an】 to each system or
7 fund as determined by the applicable board of trustees in
8 consultation with the system's or fund's actuary. The State and all
9 other applicable employers shall also make their annual unfunded
10 accrued liability contribution to each system or fund as determined
11 by the applicable board in consultation with the system's or fund's
12 actuary, pursuant to standard actuarial practices authorized by law,
13 unless 【both of the following conditions are met】: (1) there is no
14 existing unfunded accrued liability contribution due to the system
15 or fund at the close of the valuation period applicable to the
16 upcoming fiscal year; 【and】 or (2) there are excess valuation assets
17 in excess of the actuarial accrued liability of the system or fund at
18 the close of the valuation period applicable to the upcoming fiscal
19 year. The annual normal contribution plus the annual unfunded
20 accrued liability contribution shall together be the annual required
21 contribution, provided, however, that for the State, section 38 of
22 P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's
23 annual required contribution. The amount of the State's annually
24 required contributions shall be included in all annual appropriations
25 acts as a dedicated line item.

26 (2) Each member of the Teachers' Pension and Annuity Fund,
27 the Judicial Retirement System, the Prison Officers' Pension Fund,
28 the Public Employees' Retirement System, the Consolidated Police
29 and Firemen's Pension Fund, the Police and Firemen's Retirement
30 System, and the State Police Retirement System shall have a
31 contractual right to the annual required contribution amount being
32 made by the member's employer or by any other public entity. The
33 contractual right to the annual required contribution means that the
34 employer or other public entity shall make the annual required
35 contribution on a timely basis to help ensure that the retirement
36 system is securely funded and that the retirement benefits to which
37 the members are entitled by statute and in consideration for their
38 public service and in compensation for their work will be paid upon
39 retirement. The failure of the State or any other public employer to
40 make the annually required contribution shall be deemed to be an
41 impairment of the contractual right of each employee. The Superior
42 Court, Law Division shall have jurisdiction over any action brought
43 by a member of any system or fund or any board of trustees to
44 enforce the contractual right set forth in this subsection. The State
45 and other public employers shall submit to the jurisdiction of the
46 Superior Court, Law Division and shall not assert sovereign
47 immunity in such an action. If a member or board prevails in

1 litigation to enforce the contractual right set forth in this subsection,
2 the court may award that party their reasonable attorney's fees.

3 d. This act shall not be construed to preclude forfeiture,
4 suspension or reduction in benefits for dishonorable service.

5 e. Except as expressly provided herein and only to the extent
6 so expressly provided, nothing in this act shall be deemed to (1)
7 limit the right of the State to alter, modify or amend such retirement
8 systems and funds, or (2) create in any member a right in the corpus
9 or management of a retirement system or pension fund. The rights
10 reserved to the State in this subsection shall not diminish the
11 contractual rights of employees established by subsections a., b.,
12 and c. of this section.

13 (cf: P.L.2010, c.1, s.29)

14

15 27. (New section) For the purpose of the Teachers' Pension and
16 Annuity Fund, established pursuant to N.J.S.18A:66-1 et seq., the
17 Judicial Retirement System, established pursuant to P.L.1973, c.140
18 (C.43:6A-1 et seq.), the Public Employees' Retirement System,
19 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the
20 Police and Firemen's Retirement System, established pursuant to
21 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police
22 Retirement System, established pursuant to P.L.1965, c.89
23 (C.53:5A-1 et seq.), "target funded ratio" means a ratio of the
24 actuarial value of assets to the actuarially determined accrued
25 liabilities expressed as a percentage that shall be for the State part
26 of each system, and the local part of each system, if any, 75 percent
27 in State fiscal year 2012, and increased in each fiscal year thereafter
28 by equal increments for seven years, until the ratio reaches 80
29 percent at which it shall remain for all subsequent fiscal years.

30

31 28. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to
32 read as follows:

33 5. a. There is hereby established in the Division of Investment
34 a State Investment Council which shall consist of **[13]** 16
35 members.

36 (1) Each of the following agencies, namely, the Board of
37 Trustees of the Public Employees' Retirement System, **[the Board**
38 **of Trustees of the State Police Retirement System,]** the Board of
39 Trustees of the Teachers' Pension and Annuity Fund, and the Board
40 of Trustees of the Police and Firemen's Retirement System of New
41 Jersey, shall **[elect]** designate one **[of the active members of its**
42 **retirement system, or one of the retirees of its retirement system**
43 **who is receiving a retirement allowance]** board member elected to
44 serve on the board, to serve as a member of the State Investment
45 Council herein established. The **[four]** three members of the
46 council so **[elected]** designated shall serve as such for a period of

1 three years from the date of their ~~election~~ designation and until
2 their respective successors are in like manner ~~elected~~ designated.

3 (2) ~~Six~~ Eight of the members of the State Investment Council
4 shall be appointed by the Governor, with the advice and consent of
5 the Senate, for a term of five years and shall serve until the
6 member's successor is appointed and has qualified. Of the initial
7 members appointed following the effective date of P.L. , c.
8 (pending before the Legislature as this bill), one shall serve for an
9 initial period of three years, and one shall serve for an initial period
10 of two years.

11 (3) One member of the State Investment Council shall be
12 appointed by the Governor from among three persons nominated
13 jointly by the President of the Senate and the Speaker of the
14 General Assembly and shall serve for a term of five years and until
15 the member's successor is appointed and has qualified.

16 (4) ~~One member~~ Two members of the State Investment
17 Council shall be appointed by the Governor from among ~~three~~ six
18 persons nominated by the Public Employee Committee of the New
19 Jersey State AFL-CIO and shall serve for a term of ~~three~~ five
20 years and until the member's successor is appointed and has
21 qualified. At least one of the two members appointed shall be a
22 member of a union representing police officers or firefighters. If the
23 persons nominated are not acceptable to the Governor for
24 appointment, the Governor may request submission of new
25 nominees.

26 (5) One member of the State Investment Council shall be
27 appointed by the Governor from among three persons nominated by
28 the New Jersey Education Association and shall serve for a term of
29 three years and until the member's successor is appointed and has
30 qualified. If the persons nominated are not acceptable to the
31 Governor for appointment, the Governor may request submission of
32 new nominees.

33 (6) One member of the State Investment Council shall be
34 appointed by the Governor from among three persons nominated by
35 the State Troopers Fraternal Association and shall serve for a term
36 of three years and until the member's successor is appointed and has
37 qualified. If the persons nominated are not acceptable to the
38 Governor for appointment, the Governor may request submission of
39 new nominees.

40 The ~~two~~ four members appointed pursuant to paragraphs (4)
41 ~~and~~, (5) and (6) of this subsection by the Governor to the council
42 shall be qualified by training, experience or long-term interest in the
43 direct management, analysis, supervision or investment of assets,
44 and this training, experience or long-term interest shall have been
45 supplemented by academic training in the fields of economics,
46 business, law, finance or actuarial science or by actual employment
47 in those fields.

1 At least ~~five~~ seven of the ~~seven~~ nine members appointed
2 pursuant to paragraphs (2) and (3) of this subsection by the
3 Governor to the council shall be qualified by training and
4 experience in the direct management, analysis, supervision or
5 investment of assets, which training and experience shall have been
6 acquired through academic training or through actual employment
7 in those fields.

8 b. No member of the State Investment Council shall hold any
9 office, position or employment in any political party nor shall any
10 such member benefit directly or indirectly from any transaction
11 made by the Director of the Division of Investment provided for
12 herein.

13 The members of the council shall elect annually from their
14 number a chairman of such council. Any member of the council so
15 elected shall serve as such chairman for a term of one year and until
16 a successor is, in like manner, elected. The chairman of the council
17 shall be its presiding officer.

18 The members of the council shall serve without compensation
19 but shall be reimbursed for necessary expenses incurred in the
20 performance of their duties as approved by the chairman of the
21 council. The members of the council shall be required to file the
22 same annual financial disclosure statements as those required to be
23 filed by members of other State boards and commissions who are
24 not compensated for their services, as such statements shall be
25 required by law or executive order of the Governor. The financial
26 disclosure statements of council members shall be made available to
27 the public in the same manner as the statements of members of
28 other State boards and commissions are made available to the
29 public.

30 Each member of the council, except the member appointed from
31 among persons nominated by the President of the Senate and the
32 Speaker of the General Assembly, may be removed from office by
33 the Governor, for cause, upon notice and opportunity to be heard at
34 a public hearing. Any vacancy in the membership of the council
35 occurring other than by expiration of term shall be filled in the same
36 manner as the original appointment, but for the unexpired term
37 only.

38 c. The terms of the members of the council serving pursuant to
39 paragraph (1) of subsection a. of this section and serving on the
40 effective date [specified for this section of P.L.2007, c.103, other
41 than the five members appointed by the Governor with the advice
42 and consent of the Senate to serve for terms of five years and the
43 one member appointed by the Governor from persons nominated
44 jointly by the President of the Senate and the Speaker of the
45 General Assembly to serve for a term of five years,] of P.L. __,
46 c. (pending before the Legislature as this bill) are terminated as of
47 that effective date. A member terminated pursuant to this subsection

1 shall be eligible for reappointment.
2 (cf: P.L.2007, c.103, s.50)

3

4 29. N.J.S.18A:66-61 is amended to read as follows:

5 18A:66-61. The board of trustees shall be and are hereby
6 constituted trustees of the various funds and accounts established by
7 this article; provided, however, that all functions, powers and
8 duties relating to the investment or reinvestment of moneys of, and
9 purchase, sale or exchange of any investments or securities, of or
10 for any fund or account established under this article, shall be
11 exercised and performed by the Director of the Division of
12 Investment in accordance with the provisions of chapter 270, of the
13 laws of 1950. The secretary of the board of trustees shall
14 determine from time to time the cash requirements of the various
15 funds and accounts established by this article and the amount
16 available for investment, all of which shall be certified to the
17 Director of the Division of Investment.

18 **【A】** An elected member of the board of trustees to be designated
19 by a majority vote thereof shall serve on the state investment
20 council as a representative of said board of trustees, for a term of
21 **【1 year】** three years and until **【his】** a successor is **【elected】**
22 designated and qualified.

23 The finance committee of the board of trustees shall be appointed
24 on or before July 1 of each calendar year by the chairman of the
25 board of trustees to serve through June 30 of the ensuing calendar
26 year and until their successors are appointed. The finance
27 committee of the board of trustees shall consist of three members
28 of the board of trustees, one of whom shall be the State Treasurer.

29 (cf: P.L.1970, c.57, s.8)

30

31 30. Section 32 of P.L.1954, c.84 (C.43:15A-32) is amended to
32 read as follows:

33 32. The board of trustees shall be and are hereby constituted
34 trustees of the various funds and accounts established by this act;
35 provided, however, that all functions, powers, and duties relating to
36 the investment or reinvestment of moneys of, and purchase, sale, or
37 exchange of any investments or securities, of or for any fund or
38 account established under this act, shall be exercised and
39 performed by the Director of the Division of Investment in
40 accordance with the provisions of chapter 270, P.L.1950, as
41 amended and supplemented. The secretary of the board of trustees
42 shall determine from time to time the cash requirements of the
43 various funds and accounts established by this act and the amount
44 available for investment, all of which shall be certified to the
45 Director of the Division of Investment.

46 The members of the finance committee of the board of trustees
47 shall be appointed at or after July 1 of each calendar year by the
48 chairman of the board of trustees to serve through June 30 of the

1 ensuing calendar year and until their successors are appointed. The
2 finance committee of the board of trustees shall consist of five
3 members of the board of trustees, one of whom shall be the State
4 Treasurer, and one of whom shall be the member designated to
5 serve on the State Investment Council. At least three members of
6 the finance committee shall be members of the board of trustees
7 who have been elected by members of the system. A quorum of
8 the finance committee shall consist of three members thereof.

9 **[A]** An elected member of the board of trustees to be designated
10 by a majority vote thereof shall serve on the State Investment
11 Council as a representative of said board of trustees, for a term of
12 **[1 year]** three years and until **[his]** a successor is **[elected]**
13 designated and qualified.
14 (cf: P.L.1970, c.57, s.3)

15
16 31. Section 14 of P.L.1944, c.255 (C.43:16A-14) is amended to
17 read as follows:

18 14. (1) The board of trustees shall be and are hereby constituted
19 trustees of the various funds and accounts established by this act;
20 provided, however, that all functions, powers and duties relating to
21 the investment or reinvestment of moneys of, and purchase, sale or
22 exchange of any investments or securities, of or for any fund or
23 account established under this act shall be exercised and performed
24 by the director of the Division of Investment in accordance with the
25 provisions of chapter 270, of the laws of 1950. The secretary of the
26 board of trustees shall determine from time to time the cash
27 requirements of the various funds and accounts established by this
28 act and the amount available for investment, all of which shall be
29 certified to the Director of the Division of Investment.

30 **[A]** An elected member of the board of trustees to be designated
31 by a majority vote thereof shall serve on the State Investment
32 Council as a representative of said board of trustees, for a term of
33 **[1 year]** three years and until **[his]** a successor is **[elected]**
34 designated and qualified.

35 (2) The Treasurer of the State of New Jersey shall be the
36 custodian of the several funds created by this act, shall select all
37 depositories and custodians and shall negotiate and execute custody
38 agreements in connection with the assets or investments of any of
39 said funds. All payments from said funds shall be made by him
40 only upon vouchers signed by the chairman and countersigned by
41 the secretary of the board of trustees. No voucher shall be drawn,
42 except upon the authority of the board duly entered in the records
43 of its proceedings.

44 (3) (Deleted by amendment.)

45 (4) Except as otherwise herein provided, no trustee and no
46 employee of the board of trustees shall have any direct interest in
47 the gains or profits of any investments of the retirement system;
48 nor shall any trustee or employee of the board directly or

1 indirectly, for himself or as an agent in any manner use the moneys
2 of the retirement system, except to make such current and necessary
3 payments as are authorized by the board of trustees; nor shall any
4 trustee or employee of the board of trustees become an endorser or
5 surety, or in any manner an obligor for moneys loaned to or
6 borrowed from the retirement system.

7 (cf: P.L.1970, c.57, s.11)

8

9 32. Section 31 of P.L.1965, c.89 (C.53:5A-31) is amended to
10 read as follows:

11 31. a. The board of trustees shall be and are hereby constituted
12 trustees of all the various funds established by this act except the
13 group insurance premium fund; provided, however, that all
14 functions, powers, and duties relating to the investment or
15 reinvestment of moneys of, and purchase, sale, or exchange of any
16 investments or securities, of or for any fund established under this
17 act, shall be exercised and performed by the Director of the
18 Division of Investment in accordance with the provisions of c. 270,
19 P.L.1950, as amended and supplemented.

20 b. The secretary of the board shall determine from time to time
21 the cash requirements of the various funds established by this act
22 and the amount available for investment, all of which shall be
23 certified to the Director of the Division of Investment.

24 c. ~~【A member of the board of trustees to be designated by a~~
25 ~~majority vote thereof shall serve on the State Investment Council as~~
26 ~~a representative of said board of trustees, for a term of 1 year and~~
27 ~~until his successor is elected and qualified】 Deleted by amendment,~~
28 ~~P.L. , c. (pending before the Legislature as this bill).~~

29 d. The Treasurer of the State of New Jersey shall be the
30 custodian of the several funds. All payments from said funds shall
31 be made by him only upon vouchers signed by the secretary and the
32 chairman of the board of trustees. A duly attested copy of the
33 resolution of the board of trustees designating the chairman and
34 bearing on its face specimen signatures of the chairman and the
35 secretary shall be filed with the treasurer as his authority for making
36 payments upon such vouchers.

37 e. The administration of the program shall be performed by the
38 personnel of the Division of Pensions of the State Department of
39 the Treasury and the costs of administration shall be borne by the
40 State.

41 (cf: P.L.1971, c.181, s.21)

42

43 33. (New section) Whenever a committee of the Public
44 Employees' Retirement System, the Teachers' Pension and Annuity
45 Fund, the Police and Firemen's Retirement System, or the State
46 Police Retirement System fails to render a decision on a matter
47 before the committee because it has not received a vote of the
48 majority of the committee members after 60 days have passed

1 following the initial consideration of the matter, the committee shall
2 utilize a super conciliator, randomly selected from a list developed
3 by the New Jersey Public Employment Relations Commission. The
4 super conciliator shall assist the committee based upon procedures
5 and subject to qualifications established by the commission
6 pursuant to regulation.

7 The super conciliator shall promptly schedule investigatory
8 proceedings. The purpose of the proceedings shall be to:

9 Investigate and acquire all relevant information regarding the
10 committee's failure to render a decision;

11 Discuss with the members of the committee their differences,
12 and utilize means and mechanisms, including but not limited to
13 requiring 24-hour per day negotiations, until a voluntary settlement
14 is reached, and provide recommendations to resolve the members'
15 differences; and

16 Institute any other non-binding procedures deemed appropriate
17 by the super conciliator.

18 If the actions taken by the super conciliator fail to resolve the
19 dispute, the super conciliator shall issue a final report, which shall
20 be provided to the committee promptly and made available to the
21 public within 10 days thereafter.

22 The super conciliator, while functioning in a mediatory capacity,
23 shall not be required to disclose any files, records, reports,
24 documents, or other papers classified as confidential which are
25 received or prepared by him or to testify with regard to mediation
26 conducted by him under this section. Nothing contained herein
27 shall exempt an individual from disclosing information relating to
28 the commission of a crime.

29
30 34. Section 27 of P.L.1966, c.217 (C.43:15A-57.2) is amended
31 to read as follows:

32 27. a. Except as provided in subsections b. ~~[and]~~, c., and d. of
33 this section, if a former member of the State Employees' Retirement
34 System or the retirement system, who has been granted a retirement
35 allowance for any cause other than disability, becomes employed
36 again in a position which makes him eligible to be a member of the
37 retirement system, his retirement allowance and the right to any
38 death benefit as a result of his former membership, shall be
39 canceled until he again retires.

40 Such person shall be re-enrolled in the retirement system and
41 shall contribute thereto at a rate based on his age at the time of re-
42 enrollment. Such person shall be treated as an active member for
43 determining disability or death benefits while in service and no
44 benefits pursuant to an optional selection with respect to his former
45 membership shall be paid if his death shall occur during the period
46 of such re-enrollment.

47 Upon subsequent retirement of such member, his former
48 retirement allowance shall be reinstated together with any optional

1 selection, based on his former membership. In addition, he shall
2 receive an additional retirement allowance based on his subsequent
3 service as a member computed in accordance with applicable
4 provisions of chapter 84 of the laws of 1954; provided, however,
5 that his total retirement allowance upon such subsequent retirement
6 shall not be a greater proportion of his final compensation than the
7 proportion to which he would have been entitled had he remained in
8 service during the period of his prior retirement. Any death benefit
9 to which such member shall be eligible shall be based on his latest
10 retirement, but shall not be less than the death benefit that was
11 applicable to his former retirement.

12 b. The cancellation, re-enrollment, and additional retirement
13 allowance provisions of subsection a. of this section shall not apply
14 to a former member of the retirement system who, after having been
15 granted a retirement allowance, becomes employed again by: (1) an
16 employer or employers in a position or positions for which the
17 aggregate compensation does not exceed \$15,000 per year; or (2) if
18 the compensation exceeds \$10,000 per year, by an employer that is
19 a public institution of higher education as defined in N.J.S.18A:62-
20 1 in a teaching staff position. The Director of the Division of
21 Pensions and Benefits may from time to time adjust the amount in
22 paragraph (1) of this subsection. This adjustment shall be $\frac{3}{5}$ of the
23 percentage of change in the index, as defined in section 1 of
24 P.L.1958, c.143 (C.43:3B-1), over a period of time as determined
25 by the director.

26 c. The cancellation, reenrollment, and additional retirement
27 allowance provisions of subsection a. and the compensation
28 limitations of subsection b. of this section shall not apply to a
29 former member of the retirement system who, after having been
30 granted a retirement allowance, becomes employed by the State
31 Department of Education in a position of critical need as
32 determined by the State Commissioner of Education, or becomes
33 employed by a board of education in a position of critical need as
34 determined by the superintendent of the district on a contractual
35 basis for a term of not more than one year; except that the
36 cancellation, reenrollment, and additional retirement allowance
37 provisions and the compensation limitations shall apply if the
38 former member becomes employed within 120 days of retirement in
39 a position with the employer from which the member retired.
40 Nothing herein shall preclude a former member so reemployed by a
41 board of education from renewing a contract for one additional
42 year, provided that the total period of employment with any
43 individual board of education does not exceed a two-year period.

44 d. The cancellation, reenrollment, and additional retirement
45 allowance provisions of subsections a., b., and c. of this section
46 shall not apply to a former member of the retirement system who
47 was granted a retirement allowance pursuant to section 1 of

1 P.L.1985, c.414 (C.43:15A-47.2) prior to the effective date of
2 P.L. , c. (pending before the Legislature as this bill).
3 (cf: P.L.2001, c.355, s.2)

4
5 35. Section 20 of P.L.1971, c.175 (C.43:16A-15.3) is amended
6 to read as follows:

7 20. **[If]** a. Except as provided in subsection b. of this section, if
8 a former member of the retirement system who has been granted a
9 retirement allowance for any cause other than disability, becomes
10 employed again in a position which makes him eligible to be a
11 member of the retirement system, his retirement allowance and the
12 right to any death benefit as a result of his former membership,
13 shall be canceled until he again retires.

14 Such person shall be reenrolled in the retirement system and
15 shall contribute thereto at a rate based on his age at the time of
16 reenrollment. Such person shall be treated as an active member for
17 determining disability or death benefits while in service. Upon
18 subsequent retirement of such member, his former retirement
19 allowance shall be reinstated based on his former membership. In
20 addition, he shall receive an additional retirement allowance based
21 on his subsequent service as a member computed in accordance
22 with applicable provisions of this chapter; provided, however, that
23 his total retirement allowance upon such subsequent retirement
24 shall not be a greater proportion of his average final compensation
25 or final compensation, whichever is applicable, than the proportion
26 to which he would have been entitled had he remained in service
27 during the period of his prior retirement. Any death benefit to
28 which such member shall be eligible shall be based on his latest
29 retirement, but shall not be less than the death benefit that was
30 applicable to his former retirement.

31 b. The cancellation, reenrollment, and additional retirement
32 allowance provisions of subsection a. of this section shall not apply
33 to a former member of the retirement system who was granted a
34 retirement allowance pursuant to section 1 of P.L.1999, c.96
35 (C.43:16A-5.1) prior to the effective date of P.L. , c. (pending
36 before the Legislature as this bill).
37 (cf: P.L.1999, c.428, s.8)

38
39 36. Section 34 of P.L.2007, c.103 (C.52:14-17.46.4) is amended
40 to read as follows:

41 34. The School Employees' Health Benefits Program, authorized
42 by sections 31 through 41 of P.L.2007, c.103 (C.52:14-17.46.1
43 through C.52:14-17.46.11), shall be administered in the Department
44 of the Treasury. Administrative services required by the
45 commission shall be provided through the Division of Pensions and
46 Benefits, and the Director of the Division of Pensions and Benefits
47 shall be the secretary of the commission. The commission and the
48 committee shall establish a health benefits program for the school

1 employees of the State, the cost of which shall be paid as specified
2 in this act. The commission shall, by a majority vote of its full
3 authorized membership, establish and change rules and regulations
4 as may be deemed reasonable and necessary for the administration
5 of this act by the commission and committee. Until such rules and
6 regulations are established, the rules and regulations of the State
7 Health Benefits Commission shall be deemed to apply to the School
8 Employees' Health Benefits Program.

9 The Attorney General shall be the legal advisor of the
10 commission and committee.

11 The members of the commission and committee shall serve
12 without compensation but shall be reimbursed for any necessary
13 expenditure.

14 The commission shall ensure that audits and reviews are
15 performed as required by section 40 of P.L.2007, c.103 (C.52:14-
16 17.46.10). Actions of the commission related to such audits and
17 reviews shall require a majority vote of the full authorized
18 membership of the commission to be approved.

19 Except as otherwise specified in this act, actions of the
20 commission shall require the affirmative vote of a majority of the
21 members present at a meeting at which a majority of the full
22 authorized membership is present.

23 (cf: P.L.2007, c.103, s.34)

24

25 37. N.J.S.18A:66-43 is amended to read as follows:

26 18A:66-43. Retirement for service shall be as follows: (a) A
27 person who was a member before the effective date of P.L.2008,
28 c.89 and has attained 60 years of age may retire on a service
29 retirement allowance by filing with the retirement system a written
30 application, duly attested, stating at which time subsequent to the
31 execution and filing thereof he desires to be retired. The board of
32 trustees shall retire him at the time specified or at such other time
33 within 1 month after the date so specified as the board finds
34 advisable.

35 (b) A person who becomes a member on or after the effective
36 date of P.L.2008, c.89 and has attained 62 years of age may retire
37 on a service retirement allowance by filing with the retirement
38 system a written application, duly attested, stating at which time
39 subsequent to the execution and filing thereof the member desires to
40 be retired. The board of trustees shall retire the member at the time
41 specified or at such other time within 1 month after the date so
42 specified as the board finds advisable.

43 (c) A person who becomes a member on or after the effective
44 date of P.L. , c. (pending before the Legislature as this bill) and
45 has attained 65 years of age may retire on a service retirement
46 allowance by filing with the retirement system a written application,
47 duly attested, stating at which time subsequent to the execution and
48 filing thereof the member desires to be retired. The board of trustees

1 shall retire the member at the time specified or at such other time
2 within 1 month after the date so specified as the board finds
3 advisable.

4 (cf: P.L.2008. c.89, s.21)

5

6 38. Section 47 of P.L.1954, c.84 (C.43:15A-47) is amended to
7 read as follows:

8 47. a. A person who was a member before the effective date of
9 P.L.2008, c.89 and has attained 60 years of age may retire on a
10 service retirement allowance by filing with the retirement system a
11 written application, duly attested, stating at which time subsequent
12 to the execution and filing thereof the member desires to be retired.
13 The board of trustees shall retire him at the time specified or at such
14 other time within one month after the date so specified as the board
15 finds advisable.

16 b. A person who becomes a member on or after the effective
17 date of P.L.2008, c.89 and has attained 62 years of age may retire
18 on a service retirement allowance by filing with the retirement
19 system a written application, duly attested, stating at which time
20 subsequent to the execution and filing thereof the member desires to
21 be retired. The board of trustees shall retire the member at the time
22 specified or at such other time within one month after the date so
23 specified as the board finds advisable.

24 c. A person who becomes a member on or after the effective
25 date of P.L. , c. (pending before the Legislature as this bill)
26 and has attained 65 years of age may retire on a service retirement
27 allowance by filing with the retirement system a written application,
28 duly attested, stating at which time subsequent to the execution and
29 filing thereof the member desires to be retired. The board of
30 trustees shall retire the member at the time specified or at such
31 other time within one month after the date so specified as the board
32 finds advisable.

33 (cf: P.L.2008, c.89, s.24)

34

35 39. (New section) a. The amount of contribution to be paid
36 pursuant to the provisions of sections 40, 41, and 42 of P.L. ,
37 c. (C.) (pending before the Legislature as this bill) by public
38 employees of the State or of employers other than the State for
39 health care benefits coverage for the employee and any dependent
40 shall be as follows:

41

42 for family coverage or its equivalent -

43 an employee who earns less than \$25,000 shall pay 3 percent of
44 the cost of coverage;

45 an employee who earns \$25,000 or more but less than \$30,000
46 shall pay 4 percent of the cost of coverage;

47 an employee who earns \$30,000 or more but less than \$35,000
48 shall pay 5 percent of the cost of coverage;

- 1 an employee who earns \$35,000 or more but less than \$40,000
- 2 shall pay 6 percent of the cost of coverage;
- 3 an employee who earns \$40,000 or more but less than \$45,000
- 4 shall pay 7 percent of the cost of coverage;
- 5 an employee who earns \$45,000 or more but less than \$50,000
- 6 shall pay 9 percent of the cost of coverage;
- 7 an employee who earns \$50,000 or more but less than \$55,000
- 8 shall pay 12 percent of the cost of coverage;
- 9 an employee who earns \$55,000 or more but less than \$60,000
- 10 shall pay 14 percent of the cost of coverage;
- 11 an employee who earns \$60,000 or more but less than \$65,000
- 12 shall pay 17 percent of the cost of coverage;
- 13 an employee who earns \$65,000 or more but less than \$70,000
- 14 shall pay 19 percent of the cost of coverage;
- 15 an employee who earns \$70,000 or more but less than \$75,000
- 16 shall pay 22 percent of the cost of coverage;
- 17 an employee who earns \$75,000 or more but less than \$80,000
- 18 shall pay 23 percent of the cost of coverage;
- 19 an employee who earns \$80,000 or more but less than \$85,000
- 20 shall pay 24 percent of the cost of coverage;
- 21 an employee who earns \$85,000 or more but less than \$90,000
- 22 shall pay 26 percent of the cost of coverage;
- 23 an employee who earns \$90,000 or more but less than \$95,000
- 24 shall pay 28 percent of the cost of coverage;
- 25 an employee who earns \$95,000 or more or but less than
- 26 \$100,000 shall pay 29 percent of the cost of coverage;
- 27 an employee who earns \$100,000 or more or but less than
- 28 \$110,000 shall pay 32 percent of the cost of coverage;
- 29 an employee who earns \$110,000 or more shall pay 35 percent of
- 30 the cost of coverage
- 31
- 32 for individual coverage or its equivalent -
- 33 an employee who earns less than \$20,000 shall pay 4.5 percent
- 34 of the cost of coverage;
- 35 an employee who earns \$20,000 or more but less than \$25,000
- 36 shall pay 5.5 percent of the cost of coverage;
- 37 an employee who earns \$25,000 or more but less than \$30,000
- 38 shall pay 7.5 percent of the cost of coverage;
- 39 an employee who earns \$30,000 or more but less than \$35,000
- 40 shall pay 10 percent of the cost of coverage;
- 41 an employee who earns \$35,000 or more but less than \$40,000
- 42 shall pay 11 percent of the cost of coverage;
- 43 an employee who earns \$40,000 or more but less than \$45,000
- 44 shall pay 12 percent of the cost of coverage;
- 45 an employee who earns \$45,000 or more but less than \$50,000
- 46 shall pay 14 percent of the cost of coverage;
- 47 an employee who earns \$50,000 or more but less than \$55,000
- 48 shall pay 20 percent of the cost of coverage;

1 an employee who earns \$55,000 or more but less than \$60,000
2 shall pay 23 percent of the cost of coverage;
3 an employee who earns \$60,000 or more but less than \$65,000
4 shall pay 27 percent of the cost of coverage;
5 an employee who earns \$65,000 or more but less than \$70,000
6 shall pay 29 percent of the cost of coverage;
7 an employee who earns \$70,000 or more but less than \$75,000
8 shall pay 32 percent of the cost of coverage;
9 an employee who earns \$75,000 or more but less than \$80,000
10 shall pay 33 percent of the cost of coverage;
11 an employee who earns \$80,000 or more but less than \$95,000
12 shall pay 34 percent of the cost of coverage;
13 an employee who earns \$95,000 or more shall pay 35 percent of
14 the cost of coverage;
15
16 for member with child or spouse coverage or its equivalent -
17 an employee who earns less than \$25,000 shall pay 3.5 percent
18 of the cost of coverage;
19 an employee who earns \$25,000 or more but less than \$30,000
20 shall pay 4.5 percent of the cost of coverage;
21 an employee who earns \$30,000 or more but less than \$35,000
22 shall pay 6 percent of the cost of coverage;
23 an employee who earns \$35,000 or more but less than \$40,000
24 shall pay 7 percent of the cost of coverage;
25 an employee who earns \$40,000 or more but less than \$45,000
26 shall pay 8 percent of the cost of coverage;
27 an employee who earns \$45,000 or more but less than \$50,000
28 shall pay 10 percent of the cost of coverage;
29 an employee who earns \$50,000 or more but less than \$55,000
30 shall pay 15 percent of the cost of coverage;
31 an employee who earns \$55,000 or more but less than \$60,000
32 shall pay 17 percent of the cost of coverage;
33 an employee who earns \$60,000 or more but less than \$65,000
34 shall pay 21 percent of the cost of coverage;
35 an employee who earns \$65,000 or more but less than \$70,000
36 shall pay 23 percent of the cost of coverage;
37 an employee who earns \$70,000 or more but less than \$75,000
38 shall pay 26 percent of the cost of coverage;
39 an employee who earns \$75,000 or more but less than \$80,000
40 shall pay 27 percent of the cost of coverage;
41 an employee who earns \$80,000 or more but less than \$85,000
42 shall pay 28 percent of the cost of coverage;
43 an employee who earns \$85,000 or more but less than \$100,000
44 shall pay 30 percent of the cost of coverage.
45 an employee who earns \$100,000 or more shall pay 35 percent of
46 the cost of coverage.

1 Base salary shall be used to determine what an employee earns
2 for the purposes of this provision.

3 As used in this section, “cost of coverage” means the premium or
4 periodic charges for medical and prescription drug plan coverage,
5 but not for dental, vision, or other health care, provided under the
6 State Health Benefits Program or the School Employees’ Health
7 Benefits Program; or the premium or periodic charges for health
8 care, prescription drug, dental, and vision benefits, and for any
9 other health care benefit, provided pursuant to P.L.1979, c.391
10 (C.18A:16-12 et seq.), N.J.S.40A:10-16 et seq., or any other law by
11 a local board of education, local unit or agency thereof, and
12 including a county college, an independent State authority as
13 defined in section 43 of P.L. , c. (C.) (pending before the
14 Legislature as this bill), and a local authority as defined in section
15 44 of P.L. , c. (C.) (pending before the Legislature as this
16 bill), when the employer is not a participant in the State Health
17 Benefits Program or the School Employees’ Health Benefits
18 Program.

19

20 40. (New section) a. Notwithstanding the provisions of any other
21 law to the contrary, public employees of the State and employers
22 other than the State shall contribute, through the withholding of the
23 contribution from the pay, salary, or other compensation, toward the
24 cost of health care benefits coverage for the employee and any
25 dependent provided under the State Health Benefits Program or the
26 School Employees’ Health Benefits Program in an amount that shall
27 be determined in accordance with section 39 of P.L. , c. (C.)
28 (pending before the Legislature as this bill), except that, an
29 employee employed on the date on which the contribution
30 commences, as specified in subsection c. of this section, shall pay:

31 during the first year in which the contribution is effective, one-
32 fourth of the amount of contribution;

33 during the second year in which the contribution is effective,
34 one-half of the amount of contribution; and

35 during the third year in which the contribution is effective, three-
36 fourths of the amount of contribution,

37 as that amount is calculated in accordance with section 39 of
38 P.L. , c. (C.) (pending before the Legislature as this bill).

39 The amount payable by any employee under this subsection shall
40 not under any circumstance be less than the 1.5 percent of base
41 salary that is provided for in subsection c. of section 6 of P.L.1996,
42 c.8 (C.52:14-17.28b), subsection a. of section 7 of P.L.1964, c.125
43 (C.52:14-17.38), or subsection b. of section 39 of P.L.2007, c.103
44 (C.52:14-17.46.9). An employee who pays the contribution
45 required under this subsection shall not also be required to pay the
46 contribution of 1.5 percent of base salary under those subsections
47 listed above.

1 This section shall apply to employees for whom the employer
2 has assumed a health care benefits payment obligation, to require
3 that such employees pay at a minimum the amount of contribution
4 specified in this section for health care benefits coverage.

5 b. (1) Notwithstanding the provisions of any other law to the
6 contrary, public employees of the State and employers other than
7 the State, as those employees are specified in paragraph (2) of this
8 subsection, shall contribute, through the withholding of the
9 contribution from the monthly retirement allowance, toward the
10 cost of health care benefits coverage for the employee in retirement
11 and any dependent provided under the State Health Benefits
12 Program or the School Employees' Health Benefits Program in an
13 amount that shall be determined in accordance with section 39 of
14 P.L. , c. (C.) (pending before the Legislature as this bill) by
15 using the percentage applicable to the range within which the
16 annual retirement allowance, and any future cost of living
17 adjustments thereto, falls. The retirement allowance, and any future
18 cost of living adjustments thereto, shall be used to identify the
19 percentage of the cost of coverage.

20 (2) The contribution specified in paragraph (1) of this subsection
21 shall apply to:

22 (a) State employees and employees of an independent State
23 authority, board, commission, corporation, agency, or organization
24 for whom there is a majority representative for collective
25 negotiations purposes who accrue 25 years of nonconcurrent service
26 credit in one or more State or locally-administered retirement
27 systems on or after the effective date of P.L. , c. (pending before
28 the Legislature as this bill), or on or after the expiration of an
29 applicable binding collective negotiations agreement in force on
30 that effective date, and who retire on or after that effective date or
31 expiration date, excepting employees who elect deferred retirement;

32 (b) State employees and employees of an independent State
33 authority, board, commission, corporation, agency, or organization
34 for whom there is no majority representative for collective
35 negotiations purposes who accrue 25 years of nonconcurrent service
36 credit in one or more State or locally-administered retirement
37 systems on or after that effective date, or on or after the expiration
38 of an applicable binding collective negotiations agreement in force
39 on that effective date if the terms of that agreement concerning
40 health care benefits coverage in retirement have been deemed
41 applicable by the commission or the employer to those employees,
42 and who retire on or after that effective date or expiration date,
43 excepting employees who elect deferred retirement;

44 (c) employees covered by section 3 of P.L.1987, c.384 (C.52:14-
45 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section
46 1 of P.L.1995, c.357 (C.52:14-17.32f2) who accrue 25 years of
47 service credit on or after that effective date and retire on or after

1 that effective date, including employees who elect deferred
2 retirement;

3 (d) employees of an employer other than the State for whom
4 there is a majority representative for collective negotiations
5 purposes who accrue the number of years of service credit, and age
6 if required, as specified in subsection b. of section 7 of P.L.1964,
7 c.125 (C.52:14-17.38), on or after that effective date, or on or after
8 the expiration of an applicable binding collective negotiations
9 agreement in force on that effective date, and who retire on or after
10 that effective date or expiration date, excepting employees who
11 elect deferred retirement, when the employer has assumed payment
12 obligations for health care benefits in retirement for such an
13 employee; and

14 (e) employees of an employer other than the State for whom
15 there is no majority representative for collective negotiations
16 purposes who accrue the number of years of service credit, and age
17 if required, as specified in subsection b. of section 7 of P.L.1964,
18 c.125 (C.52:14-17.38), on or after that effective date, or on or after
19 the expiration of an applicable binding collective negotiations
20 agreement in force on that effective date if the terms of that
21 agreement concerning health care benefits payment obligations in
22 retirement have been deemed applicable by the employer to those
23 employees, and who retire on or after that effective date or
24 expiration date, excepting employees who elect deferred retirement,
25 when the employer has assumed payment obligations for health care
26 benefits in retirement for such an employee.

27 (3) Employees described in paragraph (2) of this subsection who
28 have 20 or more years of creditable service in one or more State or
29 locally-administered retirement systems on the effective date of
30 P.L. , c. (pending before the Legislature of this bill) shall not be
31 subject to the provisions of this subsection.

32 (4) The amount payable by a retiree under this subsection shall
33 not under any circumstance be less than the 1.5 percent of the
34 monthly retirement allowance, including any future cost of living
35 adjustments thereto, that is provided for such a retiree, if applicable
36 to that retiree, under subsection d. of section 6 of P.L.1996, c.8
37 (C.52:14-17.28b), subsection b. of section 7 of P.L.1964, c.125
38 (C.52:14-17.38), section 3 of P.L.1987, c.384 (C.52:14-17.32f),
39 section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section 1 of
40 P.L.1995, c.357 (C.52:14-17.32f2), or less than a comparable
41 contribution with regard to the retirees who are members of the
42 alternate benefit program. A retiree who pays the contribution
43 required under this subsection shall not also be required to pay the
44 contribution of 1.5 percent of the monthly retirement allowance
45 under those sections or subsections listed above.

46 c. The contribution required under subsection a. of this section
47 shall commence: (1) upon the effective date of P.L. , c. (pending
48 before the Legislature as this bill) for employees who do not have a

1 majority representative for collective negotiations purposes,
2 notwithstanding that the terms of a collective negotiations
3 agreement binding on the employer have been applied or have been
4 deemed applicable to those employees by the commission or the
5 employer, or have been used to modify the respective payment
6 obligations of the employer and those employees in a manner
7 consistent with those terms, as permitted by law, before that
8 effective date; and (2) upon the expiration of any applicable binding
9 collective negotiations agreement in force on that effective date for
10 employees covered by that agreement with the contribution required
11 for the first year under subsection a. of this section commencing in
12 the first year after that expiration, or upon the effective date of
13 P.L. , c. (pending before the Legislature as this bill) if such an
14 agreement has expired before that effective date with the
15 contribution required for the first year under subsection a. of this
16 section commencing in the first year after that effective date.

17 Once those employees are subjected to the contribution
18 requirements set forth in subsection a. of this section, the public
19 employers and public employees shall be bound by this act, P.L. ,
20 c. (C.) (pending before the Legislature as this bill), to apply the
21 contribution levels set forth in section 39 of this act until all
22 affected employees are contributing the full amount of the
23 contribution, as determined by the implementation schedule set
24 forth in subsection a. of this section. Notwithstanding the
25 expiration date set forth in section 83 of this act, P.L. , c. (C.)
26 (pending before the Legislature as this bill), or the expiration date
27 of any successor agreements, the parties shall be bound to apply the
28 requirements of this paragraph until they have reached the full
29 implementation of the schedule set forth in subsection a. of this
30 section.

31 The provisions of law permitting the determination of an amount
32 of contribution at the discretion of the employer or by means of a
33 binding collective negotiations agreement, and by means of the
34 application of the terms of such an agreement to employees who do
35 not have a majority representative for collective negotiations
36 purposes, or the modification of the respective payment obligations
37 of the employer and those employees in a manner consistent with
38 the terms of such an agreement, shall remain in effect with regard to
39 contributions, whether as a share of the cost, or percentage of the
40 premium or periodic charge, or otherwise, in addition to the
41 contributions required under subsections a. and b. of this section.

42 Paragraphs (5) and (6) of subsection c. of section 6 of P.L.1996,
43 c.8 (C.52:14-17.28b) shall not be deemed to apply with regard to
44 contributions specified and made under this section. Paragraph (7)
45 of subsection c. of P.L.1996, c.8 (C.52:14-17.28b) shall apply with
46 regard to contributions specified and made under this section.

47 A qualified retiree under section 1 of P.L.1997, c.330 (C.52:14-
48 17.32i) who meets the eligibility requirements on or after the

1 effective date of P.L. , c. (pending before the Legislature as this
2 bill) shall not pay less than the contribution required under
3 subsection b. of this section, including as specified in paragraph (3)
4 of subsection b. of this section. Part-time State employees and part-
5 time faculty members participating under section 1 of P.L.2003,
6 c.172 (C.52:14-17.33a) shall not pay less than the contribution
7 specified in subsection a. of this section. Subsection b. of this
8 section shall apply under subsection b. of section 7 of P.L.1964,
9 c.125 (C.52:14-17.38) to a surviving spouse of a retired employee
10 of an employer other than the State and the employee's dependents
11 in the same manner as to the retiree at the time of death.

12 The minimum contribution based on the retirement allowance of
13 members of the alternate benefit program in retirement shall be
14 determined, as may be necessary, pursuant to the formula specified
15 in paragraph (4) of subsection c. of section 6 of P.L.1996, c.8
16 (C.52:14-17.28b).

17 All other provisions of law shall remain applicable to the extent
18 not inconsistent with this section.

19 d. Any extension, alteration, re-opening, amendment or other
20 adjustment to a collective negotiations agreement in force on the
21 effective date of P.L. , c. (pending before the Legislature as this
22 bill), or to an agreement that is expired on that effective date, shall
23 be considered a new collective negotiations agreement entered into
24 after that effective date for the purposes of this section.

25
26 41. (New section) a. Notwithstanding the provisions of any
27 other law to the contrary, public employees, as specified herein, of a
28 local board of education shall contribute, through the withholding
29 of the contribution from the pay, salary, or other compensation,
30 toward the cost of health care benefits coverage for the employee
31 and any dependent provided pursuant to P.L.1979, c.391
32 (C.18A:16-12 et seq.), unless the provisions of subsection b. of this
33 section apply, in an amount that shall be determined in accordance
34 with section 39 of P.L. , c. (C.) (pending before the
35 Legislature as this bill), except that, employees employed on the
36 date on which the contribution commences, as specified in
37 subsection c. of this section, shall pay:

38 during the first year in which the contribution is effective, one-
39 fourth of the amount of contribution;

40 during the second year in which the contribution is effective,
41 one-half of the amount of contribution; and

42 during the third year in which the contribution is effective, three-
43 fourths of the amount of contribution,

44 as that amount is calculated in accordance with section 39 of
45 P.L. , c. (C.) (pending before the Legislature as this bill).

46 The amount payable by any employee under this subsection shall
47 not under any circumstance be less than the 1.5 percent of base
48 salary that is provided for in subsection b. of section 6 of P.L.1979,

1 c.391 (C.18A:16-17). An employee who pays the contribution
2 required under this subsection shall not also be required to pay the
3 contribution of 1.5 percent of base salary under subsection b. of
4 section 6 of P.L.1979, c.391 (C.18A:16-17).

5 This section shall apply to employees for whom the employer
6 has assumed a health care benefits payment obligation pursuant to
7 section 6 of P.L.1979, c.391 (C.18A:16-17), to require that such
8 employees pay at a minimum the amount of contribution specified
9 in this section for health care benefits coverage.

10 b. A board of education may enter into a contract or contracts
11 to provide health care benefits including prescription drug benefits
12 and other health care benefits, as may be required to implement a
13 duly executed collective negotiations agreement, and may provide
14 through such agreement for an amount of employee contribution as
15 a cost share or premium share that is other than the percentage
16 required under subsection a. of this section, if the total aggregate
17 savings during the term of the agreement from employee
18 contributions or plan design, or both, from that agreement as
19 applied to employees covered by that agreement, and to employees
20 not covered by that agreement but to whom the agreement has been
21 applied by the employer, if any, equals or exceeds the annual
22 savings that would have resulted had those employees made the
23 contributions required under subsection a. of this section plus the
24 annual savings resulting to the plans within the School Employees'
25 Health Benefits Program as a result of plan design changes made
26 pursuant to P.L. , c. (C.) (pending before the Legislature as
27 this bill).

28 A board of education shall certify the savings in writing to the
29 Department of Education and the Division of Pensions and Benefits
30 in the Department of the Treasury. The Department of Education
31 shall review and approve or reject the certification within 30 days
32 of receipt. The certification is deemed approved if not rejected
33 within that time. The agreement shall not be executed until that
34 approval is received or the 30 day period has lapsed, whichever
35 occurs first.

36 c. The contribution under subsection a. of this section shall
37 commence: (1) upon the effective date of P.L. , c. (pending
38 before the Legislature as this bill) for employees who do not have a
39 majority representative for collective negotiations purposes,
40 notwithstanding that the terms of a collective negotiations
41 agreement binding on the employer have been applied or have been
42 deemed applicable to those employees by the employer, or have
43 been used to modify the respective payment obligations of the
44 employer and those employees in a manner consistent with those
45 terms, before that effective date; and (2) upon the expiration of any
46 applicable binding collective negotiations agreement in force on
47 that effective date for employees covered by that agreement with
48 the contribution required for the first year under subsection a. of

1 this section commencing in the first year after that expiration, or
2 upon the effective date of P.L. , c. (pending before the
3 Legislature as this bill) if such an agreement has expired before that
4 effective date with the contribution required for the first year under
5 subsection a. of this section commencing in the first year after that
6 effective date.

7 Once those employees are subjected to the contribution
8 requirements set forth in subsection a. of this section, the public
9 employers and public employees shall be bound by this act, P.L. ,
10 c. (C.) (pending before the Legislature as this bill), to apply the
11 contribution levels set forth in section 39 of this act until all
12 affected employees are contributing the full amount of the
13 contribution, as determined by the implementation schedule set
14 forth in subsection a. of this section. Notwithstanding the
15 expiration date set forth in section 83 of this act, P.L. , c. (C.)
16 (pending before the Legislature as this bill), or the expiration date
17 of any successor agreements, the parties shall be bound to apply the
18 requirements of this paragraph until they have reached the full
19 implementation of the schedule set forth in subsection a. of this
20 section.

21 As may be permitted by law or otherwise, the authority to
22 determine an amount of contribution at the discretion of the
23 employer or by means of a binding collective negotiations
24 agreement, and by means of the application of the terms of such an
25 agreement to employees who do not have a majority representative
26 for collective negotiations purposes, or the modification of the
27 respective payment obligations of the employer and those
28 employees in a manner consistent with the terms of such
29 agreements, shall remain in effect with regard to contributions,
30 whether as a share of the cost, or percentage of the premium or
31 periodic charge, or otherwise, in addition to the contributions
32 required under subsection a. of this section.

33 This section shall apply when the health care benefits are
34 provided through self insurance, the purchase of commercial
35 insurance or reinsurance, an insurance fund or joint insurance fund,
36 or in any other manner, or any combination thereof.

37 All other provisions of law shall remain applicable to the extent
38 not inconsistent with this section.

39 d. Any extension, alteration, re-opening, amendment or other
40 adjustment to a collective negotiations agreement in force on the
41 effective date of P.L. , c. (pending before the Legislature as this
42 bill), or to an agreement that is expired on that effective date, shall
43 be considered a new collective negotiations agreement entered into
44 after that effective date for the purposes of this section.

45
46 42. (New section) a. Notwithstanding the provisions of any
47 other law to the contrary, public employees, as specified herein, of a
48 local unit or agency thereof, herein referred to as an employer, shall

1 contribute, through the withholding of the contribution from the
2 pay, salary, or other compensation, toward the cost of health care
3 benefits coverage for the employee and any dependent provided
4 pursuant to N.J.S.40A:10-16 et seq., unless the provisions of
5 subsection c. of this section apply, in an amount that shall be
6 determined in accordance with section 39 of P.L. , c. (C.)
7 (pending before the Legislature as this bill), except that, employees
8 employed on the date on which the contribution commences, as
9 specified in subsection d. of this section, shall pay:

10 during the first year in which the contribution is effective, one-
11 fourth of the amount of contribution;

12 during the second year in which the contribution is effective,
13 one-half of the amount of contribution; and

14 during the third year in which the contribution is effective, three-
15 fourths of the amount of contribution,

16 as that amount is calculated in accordance with section 39 of
17 P.L. , c. (C.) (pending before the Legislature as this bill).

18 The amount payable by any employee under this subsection shall
19 not under any circumstance be less than the 1.5 percent of base
20 salary that is provided for in subsection b. of N.J.S.40A:10-21 or
21 section 16 of P.L.2010, c.2 (C.18A:64A-13.1a). An employee who
22 pays the contribution required under this subsection shall not also
23 be required to pay the contribution of 1.5 percent of base salary
24 under subsection b. of N.J.S.40A:10-21 or section 16 of P.L.2010,
25 c.2 (C.18A:64A-13.1a).

26 This subsection shall apply to employees for whom the employer
27 has assumed a health care benefits payment obligation pursuant to
28 N.J.S.40A:10-21, to require that such employees pay at a minimum
29 the amount of contribution specified in this section for health care
30 benefits coverage, with employer including a county college.

31 b. (1) Notwithstanding the provisions of any other law to the
32 contrary, public employees of an employer, as those employees are
33 specified in paragraph (2) of this subsection, shall contribute,
34 through the withholding of the contribution from the monthly
35 retirement allowance, toward the cost of health care benefits
36 coverage for the employee in retirement and any dependent
37 provided pursuant to N.J.S.40A:10-16 et seq., unless the provisions
38 of subsection c. of this section apply, in an amount that shall be
39 determined in accordance with section 39 of P.L. , c. (C.)
40 (pending before the Legislature as this bill) by using the percentage
41 applicable to the range within which the annual retirement
42 allowance, and any future cost of living adjustments thereto, falls.
43 The retirement allowance, and any future cost of living adjustments
44 thereto, shall be used to identify the percentage of the cost of
45 coverage.

46 (2) The contribution specified in paragraph (1) of this
47 subsection shall apply to:

1 (a) employees of employers for whom there is a majority
2 representative for collective negotiations purposes who accrue the
3 number of years of service credit, and age if required, as specified
4 in N.J.S.40A:10-23, or on or after the expiration of an applicable
5 binding collective negotiations agreement in force on that effective
6 date, and who retire on or after that effective date or expiration
7 date, excepting employees who elect deferred retirement, when the
8 employer has assumed payment obligations for health care benefits
9 in retirement for such an employee; and

10 (b) employees of employers for whom there is no majority
11 representative for collective negotiations purposes who accrue the
12 number of years of service credit, and age if required, as specified
13 in N.J.S.40A:10-23, on or after that effective date or on or after the
14 expiration of a binding collective negotiations agreement in force
15 on that effective date if the terms of that agreement concerning
16 health care benefits payment obligations in retirement have been
17 deemed applicable by the employer to those employees, and who
18 retire on or after that effective date or expiration date, excepting
19 employees who elect deferred retirement, when the employer has
20 assumed payment obligations for health care benefits in retirement
21 for such an employee.

22 (3) Employees described in paragraph (2) of this subsection who
23 have 20 or more years of creditable service in one or more State or
24 locally-administered retirement systems on the effective date of
25 P.L. , c. (pending before the Legislature of this bill) shall not be
26 subject to the provisions of this subsection.

27 The amount payable by a retiree under this subsection shall not
28 under any circumstance be less than the 1.5 percent of the monthly
29 retirement allowance, including any future cost of living
30 adjustments thereto, that is provided for such a retiree, if applicable
31 to that retiree, under subsection b. of section N.J.S.40A:10-23. A
32 retiree who pays the contribution required under this subsection
33 shall not also be required to pay the contribution of 1.5 percent of
34 the monthly retirement allowance under subsection b. of section
35 N.J.S.40A:10-23.

36 c. A local unit may enter into a contract or contracts to provide
37 health care benefits, including prescription drug benefits and other
38 health care benefits, as may be required to implement a duly
39 executed collective negotiations agreement, and may provide
40 through such agreement for an amount of employee or retiree
41 contribution as a cost share or premium share that is other than the
42 percentage required under subsections a. or b., or both, of this
43 section, if the total aggregate savings during the term of that
44 agreement from such contributions or plan design, or both, from
45 that agreement as applied to employees and retirees covered by that
46 agreement, and to employees and retirees not covered by that
47 agreement but to whom the agreement has been applied by the
48 employer, if any, equals or exceeds the annual savings that would

1 have resulted had those employees or retirees made the
2 contributions required under subsections a. or b., or both, of this
3 section plus the annual savings resulting to the plans within the
4 State Health Benefits Program as a result of plan design changes
5 made pursuant to P.L. , c. (C.) (pending before the
6 Legislature as this bill).

7 A local unit shall certify the savings in writing to the Division of
8 Local Government Services in the Department of Community
9 Affairs and the Division of Pensions and Benefits in the Department
10 of the Treasury. The Department of Community Affairs shall
11 review and approve or reject the certification within 30 days of
12 receipt. The certification shall be deemed approved if not rejected
13 within that time. The agreement shall not be executed until that
14 approval is received or the 30 day period has lapsed, whichever
15 occurs first.

16 d. The contribution under subsection a. of this section shall
17 commence: (1) upon the effective date of P.L. , c. (pending
18 before the Legislature as this bill) for employees who do not have a
19 majority representative for collective negotiations purposes,
20 notwithstanding that the terms of an applicable collective
21 negotiations agreement binding on the employer have been applied
22 or have been deemed applicable to those employees by the
23 employer, or have been used to modify the respective payment
24 obligations of the employer and those employees in a manner
25 consistent with those terms, before that effective date; and (2) upon
26 the expiration of any applicable binding collective negotiations
27 agreement in force on that effective date for employees covered by
28 that agreement with the contribution required for the first year
29 under subsection a. of this section commencing in the first year
30 after that expiration, or upon the effective date of P.L. ,
31 c. (pending before the Legislature as this bill) if such an agreement
32 has expired before that effective date with the contribution required
33 for the first year under subsection a. of this section commencing in
34 the first year after that effective date.

35 Once those employees are subjected to the contribution
36 requirements set forth in subsection a. of this section, the public
37 employers and public employees shall be bound by this act, P.L. ,
38 c. (C.) (pending before the Legislature as this bill), to apply
39 the contribution levels set forth in section 39 of this act until all
40 affected employees are contributing the full amount of the
41 contribution, as determined by the implementation schedule set
42 forth in subsection a. of this section. Notwithstanding the
43 expiration date set forth in section 83 of this act, P.L. , c.
44 (C.) (pending before the Legislature as this bill), or the
45 expiration date of any successor agreements, the parties shall be
46 bound to apply the requirements of this paragraph until they have
47 reached the full implementation of the schedule set forth in
48 subsection a. of this section.

1 As may be permitted by law or otherwise, the authority to
2 determine an amount of contribution at the discretion of the
3 employer or by means of a binding collective negotiations
4 agreement, and by means of the application of the terms of such an
5 agreement to employees who do not have a majority representative
6 for collective negotiations purposes, or the modification of the
7 respective payment obligations of the employer and those
8 employees in a manner consistent with the terms of such an
9 agreement, shall remain in effect with regard to contributions,
10 whether as a share of the cost, or percentage of the premium or
11 periodic charge, or otherwise, in addition to the contributions
12 required under subsections a. and b. of this section.

13 This section shall apply when the health care benefits are
14 provided through self insurance, the purchase of commercial
15 insurance or reinsurance, an insurance fund or joint insurance fund,
16 or in any other manner, or any combination thereof.

17 This section shall apply to counties and municipalities, and any
18 agency, board, commission, authority, or instrumentality of a local
19 unit, fire districts, or other entities created by a county or
20 municipality, and to county colleges.

21 Amounts deducted from a retiree's benefit pursuant to subsection
22 b. of this section shall be paid to the retiree's former employer, as
23 appropriate

24 All other provisions of law shall remain applicable to the extent
25 not inconsistent with this section.

26 e. Any extension, alteration, re-opening, amendment or other
27 adjustment to a collective negotiations agreement in force on the
28 effective date of P.L. , c. (pending before the Legislature as this
29 bill), or to an agreement that is expired on that effective date, shall
30 be considered a new collective negotiations agreement entered into
31 after that effective date for the purposes of this section.

32

33 43. (New section) As used in this section, "independent State
34 authority" means a public authority, board, commission,
35 corporation, or other agency or instrumentality of the State
36 allocated, in but not of, a principal department of State government
37 pursuant to Article V, Section IV, paragraph 1 of the New Jersey
38 Constitution, or which is not subject to supervision or control by the
39 department in which it is allocated, and a regional authority, but
40 shall not include a college or university.

41 Notwithstanding the provisions of any other law to the contrary,
42 public employees of an independent State authority who are not
43 subject to the provisions of section 40 of P.L. , c. (C.)
44 (pending before the Legislature as this bill) shall contribute,
45 through the withholding of the contribution from the pay, salary, or
46 other compensation or from the monthly retirement allowance,
47 toward the cost of health care benefits coverage for the employee
48 and any dependent provided by the authority during active service

1 and in retirement in an amount that shall be determined as closely
2 as possible in accordance with sections 39 and 40 of P.L. ,
3 c. (C.) (pending before the Legislature as this bill).

4 Once those employees are subjected to the contribution
5 requirements set forth in this section, the public employers and
6 public employees shall be bound by this act, P.L. , c. (C.)
7 (pending before the Legislature as this bill), to apply the
8 contribution levels set forth in section 39 of this act until all
9 affected employees are contributing the full amount of the
10 contribution, as determined by the implementation schedule set
11 forth in subsection a. of section 40 of this act. Notwithstanding the
12 expiration date set forth in section 83 of this act, P.L. ,
13 c. (C.) (pending before the Legislature as this bill), or the
14 expiration date of any successor agreements, the parties shall be
15 bound to apply the requirements of this paragraph until they have
16 reached the full implementation of the schedule set forth in
17 subsection a. of section 40 of this act.

18

19 44. (New section) As used in this section, "local authority"
20 means an "authority" as defined under the "Local Authorities Fiscal
21 Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.).

22 Notwithstanding the provisions of any other law to the contrary,
23 public employees of a local authority who are not subject to the
24 provisions of sections 40 and 42 of P.L. , c. (C.) (pending
25 before the Legislature as this bill) shall contribute, through the
26 withholding of the contribution from the pay, salary, or other
27 compensation or from the monthly retirement allowance, toward the
28 cost of health care benefits coverage for the employee and any
29 dependent provided by the local authority during active service and
30 in retirement in an amount that shall be determined as closely as
31 possible in accordance with sections 39 and 42 of P.L. ,
32 c. (C.) (pending before the Legislature as this bill).

33 Once those employees are subjected to the contribution
34 requirements set forth in this section, the public employers and
35 public employees shall be bound by this act, P.L. , c. (C.)
36 (pending before the Legislature as this bill), to apply the
37 contribution levels set forth in section 39 of this act until all
38 affected employees are contributing the full amount of the
39 contribution, as determined by the implementation schedule set
40 forth in subsection a. of section 42 of this act. Notwithstanding the
41 expiration date set forth in section 83 of this act, P.L. , c. (C.)
42 (pending before the Legislature as this bill), or the expiration date
43 of any successor agreements, the parties shall be bound to apply the
44 requirements of this paragraph until they have reached the full
45 implementation of the schedule set forth in subsection a. of section
46 40 of this act.

1 45. Section 3 of P.L.1961, c.49 (C.52:14-17.27) is amended to
2 read as follows:

3 3. a. There is hereby created a State Health Benefits
4 Commission, consisting of five members: the State Treasurer; the
5 Commissioner of Banking and Insurance; the Chairperson of the
6 Civil Service Commission; a State employees' representative chosen
7 by the Public Employees' Committee of the AFL-CIO; and **[**,
8 through June 30, 2008, when employers of employees, as defined in
9 section 32 of P.L.2007, c.103 (C.52:14-17.46.2), will no longer be
10 eligible to participate in the State Health Benefits Program
11 authorized by P.L.1961, c.49, a representative chosen by the New
12 Jersey Education Association, which represents the largest number
13 of employees of employers other than the State participating in the
14 State Health Benefits Program. Beginning July 1, 2008,**]** the fifth
15 member of the commission shall be a local employees'
16 representative chosen by the Public Employees' Committee of the
17 AFL-CIO.

18 The treasurer shall be chairman of the commission and the health
19 benefits program authorized by P.L.1961, c.49 shall be administered
20 in the Treasury Department. The Director of the Division of
21 Pensions and Benefits shall be the secretary of the commission. The
22 commission and committee shall establish a health benefits program
23 for the employees of the State, the cost of which shall be paid as
24 specified in section 6 of P.L.1961, c.49 (C.52:14-17.30). The
25 commission, in consultation with the committee, shall establish
26 rules and regulations as may be deemed reasonable and necessary
27 for the administration of P.L.1961, c.49.

28 The Attorney General shall be the legal advisor of the
29 commission and committee.

30 The members of the commission and committee shall serve
31 without compensation but shall be reimbursed for any necessary
32 expenditures. The public employee members shall not suffer loss of
33 salary or wages during service on the commission or committee.

34 The commission shall publish annually a report showing the
35 fiscal transactions of the program for the preceding year and stating
36 other facts pertaining to the plan. The commission shall submit the
37 report to the Governor and furnish a copy to every employer for use
38 of the participants and the public.

39 b. There is established a State Health Benefits Plan Design
40 Committee, composed of 12 members as follows:

41 six members who shall be appointed by the Governor as
42 representatives of public employers whose employees are enrolled
43 in the program;

44 three members who shall be appointed by the Public Employee
45 Committee of the AFL-CIO;

46 one member who shall be appointed by the head of the union,
47 that is not affiliated with the AFL-CIO, that represents the greatest
48 number of police officers in this State;

1 one member who shall be appointed by the head of the union,
2 that is not affiliated with the AFL-CIO, that represents the greatest
3 number of firefighters in this State; and

4 one member who shall be appointed by the head of the State
5 Troopers Fraternal Association.

6 The members of the committee shall serve for a term of three
7 years and until a successor is appointed and qualified. Of the initial
8 appointments by the Governor, three members shall serve for two
9 years and until a successor is appointed and qualified, and two shall
10 serve for one year and until a successor is appointed and qualified.
11 Of the initial appointment by the head of the union representing the
12 greatest number of police officers in the State, the member shall
13 serve for two years and until a successor is appointed and qualified.
14 Of the initial appointment by the head the union representing the
15 greatest number of firefighters in the State, the member shall serve
16 for one year and until a successor is appointed and qualified.

17 The members of the committee shall select a chairperson from
18 among the members, who shall serve for a term of one year, with no
19 member serving more than one term as chairperson until all the
20 members of the committee have served a term in a manner
21 alternating among the employer representatives and employee
22 representatives, unless the committee determines otherwise with
23 regard to this process.

24 The committee shall have the responsibility for and authority
25 over the various plans and components of those plans, including for
26 medical benefits, prescription benefits, dental, vision, and any other
27 health care benefits, offered and administered by the program. The
28 committee shall have the authority to create, modify, or terminate
29 any plan or component, at its sole discretion. Any reference in law
30 to the State Health Benefits Commission in the context of the
31 creation, modification, or termination of a plan or plan component
32 shall be deemed to apply to the committee.

33 The members of the committee shall have the same duty and
34 responsibility to the program as do the members of the commission.

35 If any matter before the committee receives at least seven votes
36 in the affirmative, the commission shall approve and implement the
37 committee's decision.

38 If any matter before the committee receives six votes in the
39 affirmative and six votes in the negative or the committee otherwise
40 reaches an impasse on a decision, the provisions of section 55 of
41 P.L. , c. (C.) (pending before the Legislature as this bill) shall
42 be followed.

43 (cf: P.L.2008, c.29, s.108)

44
45 46. Section 33 of P.L.2007, c.103 (C.52:14-17.46.3) is amended
46 to read as follows:

47 33. a. There is hereby created a School Employees' Health
48 Benefits Commission, consisting of nine members:

- 1 (1) the State Treasurer and the Commissioner of the Department
2 of Banking and Insurance serving ex officio;
- 3 (2) a member appointed by the Governor who is a New Jersey
4 resident and is qualified by experience, education, or training in the
5 review, administration, or design of health insurance plans for self-
6 insured employers;
- 7 (3) a member appointed by the Governor from among three
8 persons nominated by the New Jersey School Boards' Association,
9 which member shall be qualified by experience, education, or
10 training in the review, administration, or design of health insurance
11 plans for self-insured employers;
- 12 (4) three members appointed by the Governor from among five
13 persons nominated by the New Jersey Education Association, of
14 whom two shall be qualified by experience, education, or training in
15 the review, administration, or design of health insurance plans for
16 self-insured employers;
- 17 (5) a member appointed by the Governor from among three
18 persons nominated by the education section of the New Jersey State
19 AFL-CIO, which member shall be qualified by experience,
20 education, or training in the review, administration, or design of
21 health insurance plans for self-insured employers; and
- 22 (6) a member appointed pursuant to subsection b. of this section
23 who shall be the chairperson.
- 24 b. The Governor shall appoint the chairperson from among
25 three persons nominated jointly by at least six of the eight members
26 appointed pursuant to subsection a. of this section.
- 27 c. If the Governor declines to make an appointment from
28 among the persons nominated for membership, the Governor shall
29 request that a new list of nominees be provided in compliance with
30 subsection a. of this section. If the Governor declines to make an
31 appointment from the new list, the process set forth in this
32 subsection shall be repeated until the Governor makes an
33 appointment from a list of nominees. Except with respect to the
34 appointment of the chairperson, if a new list of nominees is not
35 submitted within 45 days of the Governor's request, the Governor
36 shall make the appointment without the need to select from any list
37 of nominees.
- 38 d. The initial terms of the members of the commission shall be
39 as follows:
- 40 (1) the member appointed pursuant to paragraph (3) of
41 subsection a. of this section and the two members appointed
42 pursuant to paragraph (4) of subsection a. of this section who are
43 required to be qualified by experience, education, or training shall
44 serve for a term of three years;
- 45 (2) the member appointed pursuant to paragraph (2) of
46 subsection a. of this section, the member appointed pursuant to
47 paragraph (4) of subsection a. of this section who is not required to
48 be qualified by experience, education, or training, and the member

1 appointed pursuant to paragraph (5) of subsection a. of this section
2 shall serve for a term of two years; and

3 (3) the chairperson shall serve for a term of six years.

4 All subsequent terms shall be for three years, except that the
5 term of the chairperson shall be five years. A member of the
6 commission may be reappointed to succeeding terms without limit
7 in the same manner as the original appointment. A vacancy
8 occurring on the commission shall be filled in the same manner as
9 the original appointment and only for the unexpired term.

10 e. There is established a School Employees' Health Benefits
11 Plan Design Committee, composed of six members as follows:

12 three members who shall be appointed by the Governor as
13 representatives of public employers whose employees are enrolled
14 in the program;

15 two members who shall be appointed by the New Jersey
16 Education Association; and

17 one member who shall be appointed by the education section of
18 the New Jersey State AFL-CIO.

19 The members of the committee shall serve for a term of three
20 years and until a successor is appointed and qualified. Of the initial
21 appointments by the Governor, two members shall serve for two
22 years and until a successor is appointed and qualified, and one shall
23 serve for one year and until a successor is appointed and qualified.
24 Of the initial appointments by the New Jersey Education
25 Association, one member shall serve for one year and until a
26 successor is appointed and qualified.

27 The members of the committee shall select a chairperson from
28 among the members, who shall serve for a term of one year, with no
29 member serving more than one term as chairperson until all the
30 members of the committee have served a term in a manner
31 alternating among the employer representatives and employee
32 representatives, unless the committee determines otherwise with
33 regard to this process.

34 The committee shall have the responsibility for and authority
35 over the various plans and components of those plans, including for
36 medical benefits, prescription benefits, dental, vision, and any other
37 health care benefits, offered and administered by the program. The
38 committee shall have the authority to create, modify, or terminate
39 any plan or component, at its sole discretion. Any reference in law
40 to the School Employees' Health Benefits Commission in the
41 context of the creation, modification, or termination of a plan or
42 plan component shall be deemed to apply to the committee.

43 The members of the committee shall have the same duty and
44 responsibility to the program as do the members of the commission.

45 If any matter before the committee receives at least four votes in
46 the affirmative, the commission shall approve and implement the
47 committee's decision.

1 If any matter before the committee receives three votes in the
2 affirmative and three votes in the negative or the committee
3 otherwise reaches an impasse on a decision, the provisions of
4 section 55 of P.L. , c. (C.) (pending before the Legislature as
5 this bill) shall be followed.

6 (cf: P.L.2007, c.103, s.33)

7
8 47. Section 5 of P.L.1961, c.49 (C.52:14-17.29) is amended to
9 read as follows:

10 5. (A) The contract or contracts purchased by the commission
11 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-
12 17.28) shall provide separate coverages or policies as follows:

13 (1) Basic benefits which shall include:

14 (a) Hospital benefits, including outpatient;

15 (b) Surgical benefits;

16 (c) Inpatient medical benefits;

17 (d) Obstetrical benefits; and

18 (e) Services rendered by an extended care facility or by a home
19 health agency and for specified medical care visits by a physician
20 during an eligible period of such services, without regard to
21 whether the patient has been hospitalized, to the extent and subject
22 to the conditions and limitations agreed to by the commission and
23 the carrier or carriers.

24 Basic benefits shall be substantially equivalent to those available
25 on a group remittance basis to employees of the State and their
26 dependents under the subscription contracts of the New Jersey
27 "Blue Cross" and "Blue Shield" Plans. Such basic benefits shall
28 include benefits for:

29 (i) Additional days of inpatient medical service;

30 (ii) Surgery elsewhere than in a hospital;

31 (iii) X-ray, radioactive isotope therapy and pathology services;

32 (iv) Physical therapy services;

33 (v) Radium or radon therapy services;

34 and the extended basic benefits shall be subject to the same
35 conditions and limitations, applicable to such benefits, as are set
36 forth in "Extended Outpatient Hospital Benefits Rider," Form 1500,
37 71(9-66), and in "Extended Benefit Rider" (as amended), Form MS
38 7050J(9-66) issued by the New Jersey "Blue Cross" and "Blue
39 Shield" Plans, respectively, and as the same may be amended or
40 superseded, subject to filing by the Commissioner of Banking and
41 Insurance; and

42 (2) Major medical expense benefits which shall provide benefit
43 payments for reasonable and necessary eligible medical expenses
44 for hospitalization, surgery, medical treatment and other related
45 services and supplies to the extent they are not covered by basic
46 benefits. The commission may, by regulation, determine what types
47 of services and supplies shall be included as "eligible medical
48 services" under the major medical expense benefits coverage as

1 well as those which shall be excluded from or limited under such
2 coverage. Benefit payments for major medical expense benefits
3 shall be equal to a percentage of the reasonable charges for eligible
4 medical services incurred by a covered employee or an employee's
5 covered dependent, during a calendar year as exceed a deductible
6 for such calendar year of \$100.00 subject to the maximums
7 hereinafter provided and to the other terms and conditions
8 authorized by this act. The percentage shall be 80% of the first
9 \$2,000.00 of charges for eligible medical services incurred
10 subsequent to satisfaction of the deductible and 100% thereafter.
11 There shall be a separate deductible for each calendar year for (a)
12 each enrolled employee and (b) all enrolled dependents of such
13 employee. Not more than \$1,000,000.00 shall be paid for major
14 medical expense benefits with respect to any one person for the
15 entire period of such person's coverage under the plan, whether
16 continuous or interrupted except that this maximum may be
17 reapplied to a covered person in amounts not to exceed \$2,000.00 a
18 year. Maximums of \$10,000.00 per calendar year and \$20,000.00
19 for the entire period of the person's coverage under the plan shall
20 apply to eligible expenses incurred because of mental illness or
21 functional nervous disorders, and such may be reapplied to a
22 covered person, except as provided in P.L.1999, c.441 (C.52:14-
23 17.29d et al.). The same provisions shall apply for retired
24 employees and their dependents. Under the conditions agreed upon
25 by the commission and the carriers as set forth in the contract, the
26 deductible for a calendar year may be satisfied in whole or in part
27 by eligible charges incurred during the last three months of the prior
28 calendar year.

29 Any service determined by regulation of the commission to be an
30 "eligible medical service" under the major medical expense benefits
31 coverage which is performed by a duly licensed practicing
32 psychologist within the lawful scope of his practice shall be
33 recognized for reimbursement under the same conditions as would
34 apply were such service performed by a physician.

35 (B) The contract or contracts purchased by the commission
36 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-
37 17.28) shall include coverage for services and benefits that are at a
38 level that is equal to or exceeds the level of services and benefits set
39 forth in this subsection, provided that such services and benefits
40 shall include only those that are eligible medical services and not
41 those deemed experimental, investigative or otherwise not eligible
42 medical services. The determination of whether services or benefits
43 are eligible medical services shall be made by the commission
44 consistent with the best interests of the State and participating
45 employers, employees, and dependents. The following list of
46 services is not intended to be exclusive or to require that any limits
47 or exclusions be exceeded.

48 Covered services shall include:

- 1 (1) Physician services, including:
2 (a) Inpatient services, including:
3 (i) medical care including consultations;
4 (ii) surgical services and services related thereto; and
5 (iii) obstetrical services including normal delivery, cesarean
6 section, and abortion.
7 (b) Outpatient/out-of-hospital services, including:
8 (i) office visits for covered services and care;
9 (ii) allergy testing and related diagnostic/therapy services;
10 (iii) dialysis center care;
11 (iv) maternity care;
12 (v) well child care;
13 (vi) child immunizations/lead screening;
14 (vii) routine adult physicals including pap, mammography, and
15 prostate examinations; and
16 (viii) annual routine obstetrical/gynecological exam.
17 (2) Hospital services, both inpatient and outpatient, including:
18 (a) room and board;
19 (b) intensive care and other required levels of care;
20 (c) semi-private room;
21 (d) therapy and diagnostic services;
22 (e) surgical services or facilities and treatment related thereto;
23 (f) nursing care;
24 (g) necessary supplies, medicines, and equipment for care; and
25 (h) maternity care and related services.
26 (3) Other facility and services, including:
27 (a) approved treatment centers for medical
28 emergency/accidental injury;
29 (b) approved surgical center;
30 (c) hospice;
31 (d) chemotherapy;
32 (e) diagnostic x-ray and lab tests;
33 (f) ambulance;
34 (g) durable medical equipment;
35 (h) prosthetic devices;
36 (i) foot orthotics;
37 (j) diabetic supplies and education; and
38 (k) oxygen and oxygen administration.
39 (4) All services for which coverage is required pursuant to
40 P.L.1961, c.49 (C.52:14-17.25 et seq.), as amended and
41 supplemented. Benefits under the contract or contracts purchased as
42 authorized by the State Health Benefits Program shall include those
43 for mental health services subject to limits and exclusions
44 consistent with the provisions of the New Jersey State Health
45 Benefits Program Act.
46 (C) The contract or contracts purchased by the commission
47 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-

1 17.28) shall include the following provisions regarding
2 reimbursements and payments:

3 (1) In the successor plan, the co-payment for doctor's office
4 visits shall be \$10 per visit with a maximum out-of-pocket of \$400
5 per individual and \$1,000 per family for in-network services for
6 each calendar year. The out-of-network deductible shall be \$100 per
7 individual and \$250 per family for each calendar year, and the
8 participant shall receive reimbursement for out-of-network charges
9 at the rate of 80% of reasonable and customary charges, provided
10 that the out-of-pocket maximum shall not exceed \$2,000 per
11 individual and \$5,000 per family for each calendar year.

12 (2) In the State managed care plan that is required to be included
13 in a contract entered into pursuant to subsection c. of section 4 of
14 P.L.1961, c.49 (C.52:14-17.28), the co-payment for doctor's office
15 visits shall be \$15 per visit. The participant shall receive
16 reimbursement for out-of-network charges at the rate of 70% of
17 reasonable and customary charges. The in-network and out-of-
18 network limits, exclusions, maximums, and deductibles shall be
19 substantially equivalent to those in the NJ PLUS plan in effect on
20 June 30, 2007, with adjustments to that plan pursuant to a binding
21 collective negotiations agreement or pursuant to action by the
22 commission, in its sole discretion, to apply such adjustments to
23 State employees for whom there is no majority representative for
24 collective negotiations purposes.

25 (3) "Reasonable and customary charges" means charges based
26 upon the 90th percentile of the usual, customary, and reasonable
27 (UCR) fee schedule determined by the Health Insurance
28 Association of America or a similar nationally recognized database
29 of prevailing health care charges.

30 (D) Benefits under the contract or contracts purchased as
31 authorized by this act may be subject to such limitations,
32 exclusions, or waiting periods as the commission finds to be
33 necessary or desirable to avoid inequity, unnecessary utilization,
34 duplication of services or benefits otherwise available, including
35 coverage afforded under the laws of the United States, such as the
36 federal Medicare program, or for other reasons.

37 Benefits under the contract or contracts purchased as authorized
38 by this act shall include those for the treatment of alcoholism where
39 such treatment is prescribed by a physician and shall also include
40 treatment while confined in or as an outpatient of a licensed
41 hospital or residential treatment program which meets minimum
42 standards of care equivalent to those prescribed by the Joint
43 Commission on Hospital Accreditation. No benefits shall be
44 provided beyond those stipulated in the contracts held by the State
45 Health Benefits Commission.

46 (E) The rates charged for any contract purchased under the
47 authority of this act shall reasonably and equitably reflect the cost
48 of the benefits provided based on principles which in the judgment

1 of the commission are actuarially sound. The rates charged shall be
2 determined by the carrier on accepted group rating principles with
3 due regard to the experience, both past and contemplated, under the
4 contract. The commission shall have the right to particularize
5 subgroups for experience purposes and rates. No increase in rates
6 shall be retroactive.

7 (F) The initial term of any contract purchased by the
8 commission under the authority of this act shall be for such period
9 to which the commission and the carrier may agree, but permission
10 may be made for automatic renewal in the absence of notice of
11 termination by the commission. Subsequent terms for which any
12 contract may be renewed as herein provided shall each be limited to
13 a period not to exceed one year.

14 (G) A contract purchased by the commission pursuant to
15 subsection b. of section 4 of P.L.1961, c.49 (C.52:14-17.28) shall
16 contain a provision that if basic benefits or major medical expense
17 benefits of an employee or of an eligible dependent under the
18 contract, after having been in effect for at least one month in the
19 case of basic benefits or at least three months in the case of major
20 medical expense benefits, is terminated, other than by voluntary
21 cancellation of enrollment, there shall be a 31-day period following
22 the effective date of termination during which such employee or
23 dependent may exercise the option to convert, without evidence of
24 good health, to converted coverage issued by the carriers on a direct
25 payment basis. Such converted coverage shall include benefits of
26 the type classified as "basic benefits" or "major medical expense
27 benefits" in subsection (A) hereof and shall be equivalent to the
28 benefits which had been provided when the person was covered as
29 an employee. The provision shall further stipulate that the employee
30 or dependent exercising the option to convert shall pay the full
31 periodic charges for the converted coverage which shall be subject
32 to such terms and conditions as are normally prescribed by the
33 carrier for this type of coverage.

34 (H) The commission may purchase a contract or contracts to
35 provide drug prescription and other health care benefits or authorize
36 the purchase of a contract or contracts to provide drug prescription
37 and other health care benefits as may be required to implement a
38 duly executed collective negotiations agreement or as may be
39 required to implement a determination by a public employer to
40 provide such benefit or benefits to employees not included in
41 collective negotiations units.

42 (I) The commission shall take action as necessary, in
43 cooperation with the School Employees' Health Benefits
44 Commission established pursuant to section 33 of P.L.2007, c.103
45 (C.52:14-17.46.3), to effectuate the purposes of the School
46 Employees' Health Benefits Program Act as provided in sections 31
47 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
48 17.46.11) and to enable the School Employees' Health Benefits

1 Commission to begin providing coverage to participants pursuant to
2 the School Employees' Health Benefits Program Act as of July 1,
3 2008.

4 (J) Beginning January 1, 2012, the State Health Benefits Plan
5 Design Committee shall provide to employees the option to select
6 one of at least three levels of coverage each for family, individual,
7 individual and spouse, and individual and dependent, or equivalent
8 categories, for each plan offered by the program differentiated by
9 out of pocket costs to employees including co-payments and
10 deductibles. Notwithstanding any other provision of law to the
11 contrary, the committee shall have the sole discretion to set the
12 amounts for maximums, co-pays, deductibles, and other such
13 participant costs for all plans in the program. The committee shall
14 also provide for a high deductible health plan that conforms with
15 the Internal Revenue Code Section 223.

16 There shall be appropriated annually for each State fiscal year,
17 through the annual appropriations act, such amounts as shall be
18 necessary as funding by the State as an employer, or as otherwise
19 required, with regard to employees or retirees who have enrolled in
20 a high deductible health plan that conforms with Internal Revenue
21 Code Section 223.

22 (cf: P.L.2007, c.103, s.23)

23

24 48. Section 36 of P.L.2007, c.103 (C.52:14-17.46.6) is amended
25 to read as follows:

26 36. a. Notwithstanding the provisions of any other law to the
27 contrary, the commission shall not enter into a contract under the
28 School Employees' Health Benefits Program Act, sections 31
29 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
30 17.46.11), for the benefits provided pursuant to the act, unless the
31 level of benefits provided under the contract entered into is equal to
32 or exceeds the level of benefits provided in this section, or as
33 modified pursuant to section 40 of that act (C.52:14-17.46.10). Only
34 benefits for medically necessary services that are not deemed
35 experimental, investigative or otherwise not eligible medical
36 services shall be provided. The determination that services are not
37 "eligible medical services" shall be made by the commission
38 consistent with the best interests of the State, participating
39 employers and those persons covered hereunder. Benefits for
40 services provided pursuant to the School Employees' Health
41 Benefits Act shall be subject to limits or exclusions consistent with
42 those that apply to benefits provided pursuant to the New Jersey
43 State Health Benefits Program Act. The services provided pursuant
44 to this section shall include all services, subject to applicable limits
45 and exclusions, provided through the State Health Benefits Program
46 as of July 1, 2007. The list of services in subsection b. of this
47 section is not intended to be exclusive or to require that any limits
48 or exclusions be exceeded.

- 1 b. The services covered hereunder by the School Employees'
2 Health Benefits Program shall include:
- 3 (1) Physician services, including:
- 4 (a) Inpatient services, including:
- 5 (i) medical care including consultations;
- 6 (ii) surgical services and services related thereto; and
- 7 (iii) obstetrical services including normal delivery, cesarean
8 section, and abortion.
- 9 (b) Outpatient/out-of-hospital services, including:
- 10 (i) office visits for covered services and care;
- 11 (ii) allergy testing and related diagnostic/therapy services;
- 12 (iii) dialysis center care;
- 13 (iv) maternity care;
- 14 (v) well child care;
- 15 (vi) child immunizations/lead screening;
- 16 (vii) routine adult physicals including pap, mammography, and
17 prostate examinations; and
- 18 (viii) annual routine obstetrical/gynecological exam.
- 19 (2) Hospital services, both inpatient and outpatient, including:
- 20 (a) room and board;
- 21 (b) intensive care and other required levels of care;
- 22 (c) semi-private room;
- 23 (d) therapy and diagnostic services;
- 24 (e) surgical services or facilities and treatment related thereto;
- 25 (f) nursing care;
- 26 (g) necessary supplies, medicines, and equipment for care; and
- 27 (h) maternity care and related services.
- 28 (3) Other facility and services, including:
- 29 (a) approved treatment centers for medical
30 emergency/accidental injury;
- 31 (b) approved surgical center;
- 32 (c) hospice;
- 33 (d) chemotherapy;
- 34 (e) diagnostic x-ray and lab tests;
- 35 (f) ambulance;
- 36 (g) durable medical equipment;
- 37 (h) prosthetic devices;
- 38 (i) foot orthotics;
- 39 (j) diabetic supplies and education; and
- 40 (k) oxygen and oxygen administration.
- 41 c. Benefits under the contract or contracts purchased as
42 authorized by the School Employees' Health Benefits Program Act
43 shall include those for the treatment of alcoholism where such
44 treatment is prescribed by a physician and shall also include
45 treatment while confined in or as an outpatient of a licensed
46 hospital or residential treatment program which meets minimum
47 standards of care equivalent to those prescribed by the Joint
48 Commission on Hospital Accreditation. No benefits shall be

1 provided beyond those stipulated in the contracts held by the School
2 Employees' Health Benefits Commission.

3 d. Benefits under the contract or contracts purchased as
4 authorized by the School Employees' Health Benefits Program Act
5 shall include those for mental health services subject to limits and
6 exclusions consistent with those that apply to benefits for such
7 services pursuant to the New Jersey State Health Benefits Program
8 Act. Coverage for biologically-based mental illness, as defined in
9 section 1 of P.L.1999, c.441 (C.52:14-17.29d), shall be provided in
10 accordance with section 2 of P.L.1999, c.441 (C.52:14-17.29e).

11 e. Coverage provided under the School Employees' Health
12 Benefits Program Act shall include coverage for all services for
13 which coverage is mandated in the State Health Benefits Program
14 pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.).

15 f. (1) As used in this subsection:

16 (a) "brand name" means the proprietary or trade name assigned
17 to a drug product by the manufacturer or distributor of the drug
18 product.

19 (b) "carrier" means an insurance company, hospital, medical, or
20 health service corporation, preferred provider organization, or
21 health maintenance organization under agreement or contract with
22 the commission to administer the School Employee Prescription
23 Drug Plan.

24 (c) "School Employee Prescription Drug Plan" means the plan
25 for providing payment for eligible prescription drug expenses of
26 members of the School Employees' Health Benefits Program and
27 their eligible dependents.

28 (d) "generic drug products" means prescription drug products
29 and insulin approved and designated by the United States Food and
30 Drug Administration as therapeutic equivalents for reference listed
31 drug products. The term includes drug products listed in the New
32 Jersey Generic Formulary by the Drug Utilization Review Council
33 pursuant to P.L.1977, c.240 (C.24:6E-1 et al.).

34 (e) "mail-order pharmacy" means the mail order program
35 available through the carrier.

36 (f) "preferred brands" means brand name prescription drug
37 products and insulin determined by the carrier to be more cost
38 effective alternative for prescription drug products and insulin with
39 comparable therapeutic efficacy within a therapeutic class, as
40 defined or recognized in the United States Pharmacopeia or the
41 American Hospital Formulary Service Drug Information, or by the
42 American Society of Health Systems Pharmacists. A drug product
43 for which there is no other therapeutically equivalent drug product
44 shall be a preferred brand. Determinations of preferred brands by
45 the carrier shall be subject to review and modification by the
46 commission.

47 (g) "retail pharmacy" means a pharmacy, drug store or other
48 retail establishment in this State at which prescription drugs are

1 dispensed by a registered pharmacist under the laws of this State, or
2 a pharmacy, drug store or other retail establishment in another state
3 at which prescription drug products are dispensed by a registered
4 pharmacist under the laws of that state if expenses for prescription
5 drug products dispensed at the pharmacy, drug store, or other retail
6 establishment are eligible for payment under the School Employee
7 Prescription Drug Plan.

8 (h) "other brands" means prescription drug products which are
9 not preferred brands or generic drug products. A new drug product
10 approved by the United States Food and Drug Administration which
11 is not a generic drug product shall be included in this category until
12 the carrier makes a determination concerning inclusion of the drug
13 product in the list of preferred brands.

14 (2) (a) Employers that participate in the School Employees'
15 Health Benefits Program may offer to their employees and eligible
16 dependents:

17 (i) enrollment in the School Employee Prescription Drug Plan,
18 or

19 (ii) enrollment in another free-standing prescription drug plan,
20 or

21 (iii) election of prescription drug coverage under their health
22 care coverage through the School Employees' Health Benefits
23 Program plan or as otherwise determined by the commission.

24 (b) A co-payment shall be required for each prescription drug
25 expense if the employer chooses to participate in the School
26 Employee Prescription Drug Plan. The initial amounts of the co-
27 payments shall be the same as those in effect on July 1, 2007 for the
28 employee prescription drug plan offered through the State Health
29 Benefits Program.

30 (c) If the employer elects to offer a free-standing prescription
31 drug plan, the employee's share of the cost for this prescription drug
32 plan may be determined by means of a binding collective
33 negotiations agreement, including any agreements in force at the
34 time the employer commences participation in the School
35 Employees' Health Benefits Program.

36 (d) If an employee declines the employer's offering of a free-
37 standing prescription drug plan, no reimbursement for prescription
38 drugs shall be provided under the health care coverage through the
39 School Employees' Health Benefits Program plan in which the
40 employee is enrolled.

41 (e) Prescription drug classifications that are not eligible for
42 coverage under the employer's prescription drug plan shall also not
43 be eligible for coverage under the health care coverage through the
44 School Employees' Health Benefits Program plan except as
45 federally or State mandated.

46 (f) If the employer elects to not offer a free-standing
47 prescription drug plan, then the employer shall offer prescription
48 drug coverage under the health care coverage through the School

1 Employees' Health Benefits Program plan or as determined by the
2 commission. Any plan that has in-network and out-of-network
3 coverage shall cover prescription drugs at 90% in-network and at
4 the out-of-network rate applicable to health care coverage in the
5 plan. The out-of-pocket amounts paid towards prescription drugs
6 shall be combined with out-of-pocket medical payments to reach all
7 out-of-pocket maximums.

8 (g) Health care coverages through the School Employees' Health
9 Benefits Program that only have in-network benefits shall include a
10 prescription card with co-payment amounts the same as those in
11 effect on July 1, 2007 for such coverages offered through the State
12 Health Benefits Program.

13 (h) In the fifth year following the initial appointment of all of its
14 members, the commission shall, as part of the fifth year audit and
15 review undertaken pursuant to section 40 of that act, review the
16 prescription drug program established in this subsection and may
17 make changes in the program pursuant to the terms of section 40 by
18 majority vote of the full authorized membership of the commission.

19 g. Beginning January 1, 2012, the School Employees' Health
20 Benefits Plan Design Committee shall provide to employees the
21 option to select one of at least three levels of coverage each for
22 family, individual, individual and spouse, and individual and
23 dependent, or equivalent categories, for each plan offered by the
24 program differentiated by out of pocket costs to employees
25 including co-payments and deductibles. Notwithstanding any other
26 provision of law to the contrary, the committee shall have the sole
27 discretion to set the amounts for maximums, co-pays, deductibles,
28 and other such participant costs for all plans in the program. The
29 committee shall also provide for a high deductible health plan that
30 conforms with the Internal Revenue Code Section 223.

31 There shall be appropriated annually for each State fiscal year,
32 through the annual appropriations act, such amounts as shall be
33 necessary as funding by the State with regard to retirees who have
34 enrolled in a high deductible health plan that conforms with Internal
35 Revenue Code Section 223.

36 (cf: P.L.2007, c.103, s.36)

37

38 49. Section 37 of P.L.2007, c.103 (C.52:14-17.46.7) is amended
39 to read as follows:

40 37. Beginning with the initial year of the School Employees'
41 Health Benefits Program, the commission shall offer to
42 participating employers and to qualified employees, retirees and
43 dependents a managed care plan in which the office co-payment
44 amount shall be \$10 per visit with a maximum out-of-pocket of
45 \$400 per individual and \$1,000 per family for in-network services
46 for each calendar year. The out-of-network deductible shall be \$100
47 per individual and \$250 per family for each calendar year with the
48 plan paying for 80% of reasonable and customary charges as

1 defined herein up to an out-of-pocket maximum that shall not
2 exceed \$2,000 per individual and \$5,000 per family for each
3 calendar year.

4 In the successor plan, the in-network out-of-pocket payments
5 shall count toward the out-of-network out-of-pocket maximums.
6 Any lifetime maximum for out-of-network services shall not be less
7 than any maximums in effect under the State Health Benefits
8 Program as of July 1, 2007. There shall be no lifetime maximum for
9 in-network services.

10 The carrier that administers the successor plan shall make
11 available to the plan participants through in-network and out-of-
12 network providers access to physicians and hospitals sufficient in
13 geographic scope and number to provide access to health care
14 services that is substantially equivalent to the access to health care
15 services available through the State Health Benefits Program as of
16 July 1, 2007.

17 Beginning with the initial year of the School Employees' Health
18 Benefits Program, the commission shall be authorized to offer to
19 participating employers and qualified employees, retirees and
20 dependents managed care plans in which the in-network per visit
21 charge shall not exceed \$15 per visit and the out of network
22 reimbursement shall be 70% of reasonable and customary charges
23 as defined herein, provided the in-network and out-of-network
24 maximums and deductibles do not exceed the limits set forth above.

25 The amounts of maximums, co-pays, deductibles, and other
26 participant costs shall be reviewed, as part of the fifth year audit
27 undertaken pursuant to section 40 of P.L.2007, c.103 (C.52:14-
28 17.46.10). The commission shall make changes in such amounts
29 pursuant to section 40 by majority vote of the full authorized
30 membership of the commission.

31 Beginning January 1, 2012, the School Employees' Health
32 Benefits Plan Design Committee shall have the sole discretion to set
33 the amounts for maximums, co-pays, deductibles, and other such
34 participant costs for all plans offered in the program,
35 notwithstanding any other provision of law to the contrary.

36 "Reasonable and customary charges" means, for any out-of-
37 network payment made by a carrier, charges based upon the 90th
38 percentile of the usual, customary, and reasonable (UCR) fee
39 schedule determined by the Health Insurance Association of
40 America or a similar nationally recognized database of prevailing
41 health care charges.

42 Beginning with the initial year of the School Employees' Health
43 Benefits Program, the commission shall offer to participating
44 employers and qualified employees, retirees and dependents one or
45 more health maintenance organization plans.

46 (cf: P.L.2007, c.103, s.37)

1 50. The Division of Pensions and Benefits in the Department of
2 the Treasury shall conduct a study of: the risk impact of permitting
3 employers to commence and to terminate participation in the State
4 Health Benefits Program and the School Employees' Health
5 Benefits Program; the long term sustainability of the programs;
6 employee wellness programs; options for out-of-network cost
7 containment; and the impact on the programs of the provisions of
8 P.L. , c. (C.) (pending before the Legislature as this bill).
9 The division shall conclude its study within one year following the
10 effective date of P.L. , c. (pending before the Legislature as this
11 bill) and submit a written report of its conclusions and
12 recommendations to the Governor and the Legislature.

13
14 51. Section 44 of P.L.2007, c.62 (C.18A:16-19.1) is amended to
15 read as follows:

16 44. Notwithstanding the provisions of any other law to the
17 contrary, a board of education, or an agency or instrumentality
18 thereof, may establish as an employer a cafeteria plan for its
19 employees pursuant to section 125 of the federal Internal Revenue
20 Code, 26 U.S.C. s.125, and shall establish such a plan for medical
21 or dental expenses not covered by a health benefits plan. The plan
22 **【may】 shall** provide for a reduction in an employee's salary,
23 through payroll deductions or otherwise, in exchange for payment
24 by the employer of medical or dental expenses not covered by a
25 health benefits plan, and may provide for a reduction in an
26 employee's salary, through payroll deductions or otherwise, in
27 exchange for payment by the employer of dependent care expenses
28 as provided in section 129 of the code, 26 U.S.C. s.129, and such
29 other benefits as are consistent with section 125 which are included
30 under the plan. The amount of any reduction in an employee's
31 salary for the purpose of contributing to the plan shall continue to
32 be treated as regular compensation for all other purposes, including
33 the calculation of pension contributions and the amount of any
34 retirement allowance, but, to the extent permitted by the federal
35 Internal Revenue Code, shall not be included in the computation of
36 federal taxes withheld from the employee's salary.

37 (cf: P.L.2007, c.62, s.44)

38

39 52. Section 45 of P.L.2007, c.62 (C.40A:10-23.5) is amended to
40 read as follows:

41 45. Notwithstanding the provisions of any other law to the
42 contrary, a local unit of government, or an agency, board,
43 commission, authority or instrumentality thereof, may establish as
44 an employer a cafeteria plan for its employees pursuant to section
45 125 of the federal Internal Revenue Code, 26 U.S.C. s.125, and
46 shall establish such a plan for medical or dental expenses not
47 covered by a health benefits plan. The plan **【may】 shall** provide for
48 a reduction in an employee's salary, through payroll deductions or

1 otherwise, in exchange for payment by the employer of medical or
2 dental expenses not covered by a health benefits plan, and may
3 provide for a reduction in an employee's salary, through payroll
4 deductions or otherwise, in exchange for payment by the employer
5 of dependent care expenses as provided in section 129 of the code,
6 26 U.S.C. s.129, and such other benefits as are consistent with
7 section 125 which are included under the plan. The amount of any
8 reduction in an employee's salary for the purpose of contributing to
9 the plan shall continue to be treated as regular compensation for all
10 other purposes, including the calculation of pension contributions
11 and the amount of any retirement allowance, but, to the extent
12 permitted by the federal Internal Revenue Code, shall not be
13 included in the computation of federal taxes withheld from the
14 employee's salary.

15 (cf: P.L.2007, c.62, s.45)

16

17 53. Section 7 of P.L.1996, c.8 (C.52:14-15.1a) is amended to
18 read as follows:

19 7. Notwithstanding the provisions of any other law to the
20 contrary, the State Treasurer on behalf of the State, and the
21 governing body of an independent State authority, board,
22 commission, corporation, agency or organization may establish as
23 an employer a cafeteria plan for its employees pursuant to section
24 125 of the federal Internal Revenue Code, 26 U.S.C.125, and shall
25 establish such a plan for medical or dental expenses not covered by
26 a health benefits plan. The plan **[may]** shall provide for a
27 reduction in an employee's salary, through payroll deductions or
28 otherwise, in exchange for payment by the employer of medical or
29 dental expenses not covered by a health benefits plan, and may
30 provide for a reduction in an employee's salary, through payroll
31 deductions or otherwise, in exchange for payment by the employer
32 of dependent care expenses as provided in section 129 of the code,
33 26 U.S.C.129, and such other benefits as are consistent with section
34 125 which are included under the plan. The amount of any
35 reduction in an employee's salary for the purpose of contributing to
36 the plan shall continue to be treated as regular compensation for all
37 other purposes, including the calculation of pension contributions
38 and the amount of any retirement allowance, but, to the extent
39 permitted by the federal Internal Revenue Code, shall not be
40 included in the computation of federal taxes withheld from the
41 employee's salary.

42 (cf: P.L.1996, c.8, s.7)

43

44 54. Section 39 of P.L.2007, c.103 (C.52:14-17.46.9) is amended
45 to read as follows:

46 39. a. For each active covered employee and for the eligible
47 dependents the employee may have enrolled at the employee's
48 option, from funds appropriated therefor, the employer shall pay to

1 the commission the premium or periodic charges for the benefits
2 provided under the contract in amounts equal to the premium or
3 periodic charges for the benefits provided under such a contract
4 covering the employee and the employee's enrolled dependents.

5 b. The obligations of any employer to pay the premium or
6 periodic charges for health benefits coverage provided under the
7 School Employees' Health Benefits Program Act, sections 31
8 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
9 17.46.11), may be determined by means of a binding collective
10 negotiations agreement, including any agreement in force at the
11 time the employer commences participation in the School
12 Employees' Health Benefits Program. With respect to employees for
13 whom there is no majority representative for collective negotiations
14 purposes, the employer may, in its sole discretion, modify the
15 respective payment obligations set forth in law for the employer and
16 such employees in a manner consistent with the terms of any
17 collective negotiations agreement binding on the employer.

18 Commencing on the effective date of P.L.2010, c.2 and upon the
19 expiration of any applicable binding collective negotiations
20 agreement in force on that effective date, employees shall pay 1.5
21 percent of base salary, through the withholding of the contribution,
22 for health benefits coverage provided under P.L.2007, c.103
23 (C.52:14-17.46.1 et seq.), notwithstanding any other amount that
24 may be required additionally pursuant to this subsection by means
25 of a binding collective negotiations agreement or the modification
26 of payment obligations.

27 c. There is hereby established a School Employee Health
28 Benefits Program fund consisting of all contributions to premiums
29 and periodic charges remitted to the State treasury by participating
30 employers for employee coverage. All such contributions shall be
31 deposited in the fund and the fund shall be used to pay the portion
32 of the premium and periodic charges attributable to employee and
33 dependent coverage.

34 d. Notwithstanding any law to the contrary and except as
35 provided by amendment by P.L.2010, c.2, and by P.L. _____,
36 c. (pending before the Legislature as this bill), the payment in
37 full of premium or periodic charges for eligible retirees and their
38 dependents pursuant to section 3 of P.L.1987, c.384 (C.52:14-
39 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section
40 1 of P.L.1995, c.357 (C.52:14-17.32f2) shall be continued without
41 alteration or interruption and there shall be no premium sharing or
42 periodic charges for certain school employees in retirement once
43 they have met the criteria for vesting for pension benefits, which
44 criteria for purposes of this subsection only shall mean the criteria
45 for vesting in the Teachers' Pension and Annuity Fund. For
46 purposes of this subsection, "premium sharing or periodic charges"
47 shall mean payments by eligible retirees based upon a proportion of

1 the premiums for health care benefits.

2 (cf: P.L.2010, c.2, s.6)

3

4 55. (New section) Whenever the State Health Benefits Plan
5 Design Committee of the State Health Benefits Program or the
6 School Employees' Health Benefits Plan Design Committee of the
7 School Employees' Health Benefits Program fails to render a
8 decision on a matter before the committee because it has not
9 received a vote of the majority of the committee members after 60
10 days have passed following the initial consideration of the matter,
11 the committee shall utilize a super conciliator, randomly selected
12 from a list developed by the New Jersey Public Employment
13 Relations Commission. The super conciliator shall assist the
14 committee based upon procedures and subject to qualifications
15 established by the commission pursuant to regulation.

16 The super conciliator shall promptly schedule investigatory
17 proceedings. The purpose of the proceedings shall be to:

18 Investigate and acquire all relevant information regarding the
19 committee's failure to render a decision;

20 Discuss with the members of the committee their differences,
21 and utilize means and mechanisms, including but not limited to
22 requiring 24-hour per day negotiations, until a voluntary settlement
23 is reached, and provide recommendations to resolve the members'
24 differences; and

25 Institute any other non-binding procedures deemed appropriate
26 by the super conciliator.

27 If the actions taken by the super conciliator fail to resolve the
28 dispute, the super conciliator shall issue a final report, which shall
29 be provided to the committee promptly and made available to the
30 public within 10 days thereafter.

31 The super conciliator, while functioning in a mediatory capacity,
32 shall not be required to disclose any files, records, reports,
33 documents, or other papers classified as confidential which are
34 received or prepared by him or to testify with regard to mediation
35 conducted by him under this section. Nothing contained herein
36 shall exempt an individual from disclosing information relating to
37 the commission of a crime.

38

39 56. Section 1 of P.L.1997, c.113 (C.43:3C-9.1) is amended to
40 read as follows:

41 1. In accordance with the provisions of section 401 (a) (2) of
42 the federal Internal Revenue Code, and subject to such exceptions
43 as may be permitted for governmental plans under section 401 (a)
44 (2) of the federal Internal Revenue Code, at no time prior to the
45 satisfaction of all liabilities with respect to members and their
46 beneficiaries under the Teachers' Pension and Annuity Fund,
47 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
48 Retirement System, established pursuant to P.L.1973, c.140

1 (C.43:6A-1 et seq.), the Prison Officers' Pension Fund, established
2 pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the Public
3 Employees' Retirement System, established pursuant to P.L.1954,
4 c.84 (C.43:15A-1 et seq.), the Consolidated Police and Firemen's
5 Pension Fund, established pursuant to R.S.43:16-1 et seq., the
6 Police and Firemen's Retirement System, established pursuant to
7 P.L.1944, c.255 (C.43:16A-1 et seq.), the State Police Retirement
8 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),
9 **[and]** the Alternate Benefit Program, established pursuant to
10 P.L.1969, c.242 (C.18A:66-167 et seq.), and the Defined
11 Contribution Retirement Program, established pursuant to P.L.2007,
12 c.92 (C.43:15C-1 et seq.), shall any part of the corpus or income of
13 the respective retirement systems, within the taxable year or
14 thereafter, be used for or diverted to purposes other than for the
15 exclusive benefit of the members or their beneficiaries.
16 (cf: P.L.1997, c.113, s.1)

17

18 57. Section 2 of P.L.1997, c.113 (C.43:3C-9.2) is amended to
19 read as follows:

20 2. Notwithstanding any law, rule or regulation to the contrary,
21 the contributions to and benefits payable under the Teachers'
22 Pension and Annuity Fund, the Judicial Retirement System, the
23 Prison Officers' Pension Fund, the Public Employees' Retirement
24 System, the Consolidated Police and Firemen's Pension Fund, the
25 Police and Firemen's Retirement System, the State Police
26 Retirement System **[and]**, the Alternate Benefit Program, and the
27 Defined Contribution Retirement Program shall not exceed the
28 limitations provided under section 415 of the federal Internal
29 Revenue Code. The Division of Pensions and Benefits in the
30 Department of the Treasury shall be responsible for implementation
31 and enforcement of these limitations.
32 (cf: P.L.1997, c.113, s.2)

33

34 58. Section 4 of P.L.1997, c.113 (C.43:3C-9.4) is amended to
35 read as follows:

36 4. a. Notwithstanding any law, rule or regulation to the
37 contrary, for members of the Alternate Benefit Program, the amount
38 of compensation which may be used for employer and member
39 contributions and benefits under the program after June 30, 1996
40 shall not exceed the compensation limitation of section 401 (a) (17)
41 of the federal Internal Revenue Code of 1986, (26 U.S.C. s.401 (a)
42 (17)), as amended pursuant to section 13212 of the Omnibus Budget
43 Reconciliation Act of 1993, Pub. L.103-66, 107 Stat. 312, or as
44 hereafter amended or supplemented, to the extent applicable to
45 governmental plans. The provisions of this section shall not be
46 applicable to members enrolled prior to July 1, 1996 if the employer
47 of the members certifies to the Director of the Division of Pensions
48 and Benefits, in the form and manner prescribed by the director,

1 prior to July 1, 1997, that the employer will pay the additional cost
2 for not applying the limit to the members.

3 b. Notwithstanding any law, rule or regulation to the contrary, for
4 members of the Defined Contribution Retirement Program, the amount
5 of compensation which may be used for employer and member
6 contributions shall not exceed the compensation limitation of section
7 401(a)(17) of the federal Internal Revenue Code of 1986 (26 U.S.C.
8 s.401(a)(17)), as amended from time to time.

9 (cf: P.L.1997, c.113, s.4)

10

11 59. Section 41 of P.L.2007, c.92 (C.43:3C-9.6) is amended to
12 read as follows:

13 41. a. Upon the termination of the Teachers' Pension and
14 Annuity Fund, the Public Employees' Retirement System, the
15 Judicial Retirement System, the Police and Firemen's Retirement
16 System, the State Police Retirement System, the Prison Officers'
17 Pension Fund, **[or]** the Consolidated Police and Firemen's Fund,
18 the Alternate Benefit Program, or the Defined Contribution
19 Retirement Program, or upon complete discontinuance of
20 contributions to any of the retirement systems, the rights of all
21 members of such retirement system to benefits accrued to the date
22 of such termination or discontinuance, to the extent then funded, are
23 non-forfeitable.

24 b. Notwithstanding any law, rule or regulation to the contrary,
25 the form and timing of all distributions from the Teachers' Pension
26 and Annuity Fund, the Public Employees' Retirement System, the
27 Judicial Retirement System, the Police and Firemen's Retirement
28 System, the State Police Retirement System, the Prison Officers'
29 Pension Fund, **[or]** the Consolidated Police and Firemen's Fund,
30 the Alternate Benefit Program, or the Defined Contribution
31 Retirement Program, to a member, or to the beneficiary of a
32 member if the member dies before the member's entire interest has
33 been distributed, shall conform to the required distribution
34 provisions of section 401(a)(9) of the federal Internal Revenue
35 Code and the regulations issued by the United States Department of
36 the Treasury under that Code section, including the incidental death
37 benefit requirements of section 401(a)(9)(G) of the federal Internal
38 Revenue Code. In addition, in no event shall payments under any
39 of the retirement systems commence to be paid to a member later
40 than the member's required beginning date, without regard to
41 whether the member has filed application therefor. For this
42 purpose, a member's required beginning date is the April 1 of the
43 calendar year following the later of (1) the calendar year in which
44 the member attains age 70 1/2 or (2) the calendar year in which the
45 member retires. The actuarial adjustment described in section
46 401(a)(9)(C)(iii) of the federal Internal Revenue Code shall not
47 apply.

48 (cf: P.L.2007, c.92, s.41)

1 60. (New section) a. Notwithstanding any law, rule or
2 regulation to the contrary, the Teachers' Pension and Annuity Fund,
3 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
4 Retirement System, established pursuant to P.L.1973, c.140
5 (C.43:6A-1 et seq.), the Prison Officers' Pension Fund, established
6 pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the Public
7 Employees' Retirement System, established pursuant to P.L.1954,
8 c.84 (C.43:15A-1 et seq.), the Consolidated Police and Firemen's
9 Pension Fund, established pursuant to R.S.43:16-1 et seq., the
10 Police and Firemen's Retirement System, established pursuant to
11 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police
12 Retirement System, established pursuant to P.L.1965, c.89
13 (C.53:5A-1 et seq.), are established as qualified governmental
14 defined benefit plans pursuant to sections 401(a) and 414(d) of the
15 federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
16 414(d)), as amended, or such other provision of the federal Internal
17 Revenue Code, as applicable, regulations of the U.S. Treasury
18 Department, and other guidance of the federal Internal Revenue
19 Service.

20 b. Notwithstanding any law, rule or regulation to the contrary, the
21 Alternate Benefit Program, established pursuant to P.L.1969, c.242
22 (C.18A:66-167 et seq.), and the Defined Contribution Retirement
23 Program, established pursuant to P.L.2007, c.92 (C.43:15C-1 et seq.)
24 are established as qualified governmental defined contribution plans
25 pursuant to sections 401(a) and 414(d) of the federal Internal Revenue
26 Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as amended, or such
27 other provision of the federal Internal Revenue Code, as applicable,
28 regulations of the U.S. Treasury Department, and other guidance of the
29 federal Internal Revenue Service.

30 c. Notwithstanding the provisions of any law, rule or regulation
31 to the contrary, the Director of the Division of Pensions and
32 Benefits in the Department of the Treasury shall be authorized to
33 modify the provisions of the foregoing retirement plans, when a
34 modification is required to maintain the qualified status of the
35 retirement plans under the Internal Revenue Code of 1986,
36 applicable regulations of the U.S. Treasury Department or other
37 guidance of the federal Internal Revenue Service. Notwithstanding
38 the provisions of the Administrative Procedure Act, P.L.1968, c.410
39 (C.52:14B-1 et seq.), the director may modify the provisions of the
40 foregoing retirement plans, when a modification is required to
41 maintain the qualified status of the retirement plans by
42 promulgating a rule or regulation which shall be effective upon
43 filing with the Office of Administrative Law.

44

45 61. (New section) a. A member shall be fully vested in his or her
46 accumulated contributions at all times.

47 b. A member shall be fully vested in his or her service
48 retirement benefit upon the attainment of normal retirement age

1 under the retirement system and the completion of any required
2 years of service. Normal retirement age means the age established
3 by regulation consistent with statute.

4 c. In conformity with section 401(a)(8) of the federal Internal
5 Revenue Code (26 U.S.C. s.401(c)(8)), any forfeitures of benefits
6 by members or former members of the plan shall not be applied to
7 increase the benefits any member would otherwise receive under
8 the plan.

9
10 62. (New section) Notwithstanding any law, rule or regulation
11 to the contrary, the Teachers' Pension and Annuity Fund, the
12 Judicial Retirement System, the Prison Officers' Pension Fund, the
13 Public Employees' Retirement System, the Consolidated Police and
14 Firemen's Pension Fund, the Police and Firemen's Retirement
15 System, the State Police Retirement System, the Alternate Benefit
16 Program, and the Defined Contribution Retirement Program shall be
17 administered in accordance with the rollover requirements of
18 section 401(a)(31) of the federal Internal Revenue Code (26 U.S.C.
19 s.401(a)(31)).

20
21 63. (New section) Effective December 12, 1994,
22 notwithstanding any other provision of the retirement system law,
23 contributions, benefits and service credit with respect to qualified
24 military service are governed by section 414(u) of the federal
25 Internal Revenue Code (26 U.S.C. s.414(u)) and the Uniformed
26 Services Employment and Reemployment Rights Act of 1994 (38
27 U.S.C. s.4301 et seq.).

28
29 64. (New section) Effective as of July 1, 1989, a retirement
30 board, or a member of such board, shall not engage in a transaction
31 prohibited by section 503(b) of the federal Internal Revenue Code
32 (26 U.S.C. s.503(b)).

33
34 65. (New section) Each retirement system may participate under
35 Section 401(a)(24) of the federal Internal Revenue Code in a
36 qualified group trust that meets the requirements of Section 401(a)
37 of the federal Internal Revenue Code (26 U.S.C. s.401(a)(24)) in
38 accordance with Revenue Ruling 81-100, as amended by Revenue
39 Ruling 2004-67 and Revenue Ruling 2011-1.

40
41 66. (New section) a. Post-employment benefits other than pensions
42 under the State Health Benefits Program, P.L.1961, c.49 (C.52:14-
43 17.25 et seq.), for retired employees, and their dependents, of
44 employers other than the State that are participating in the State Health
45 Benefits Program pursuant to section 3 of P.L.1964, c.125 (C.52:14-
46 17.34), as non-State participating employers, shall be funded and paid
47 by means of contributions to a separate trust fund. For the purposes of
48 this section, the term "post-employment benefits other than pensions"

1 means post-employment benefits including, but not limited to, health,
2 dental and vision care, which give rise to a liability under Statement
3 No. 43 of the Governmental Accounting Standards Board, Reporting
4 for Postemployment Benefit Plans Other Than Pension Plans, and
5 Statement No. 45 of the Governmental Accounting Standards Board,
6 Accounting and Financial Reporting by Employers for
7 Postemployment Benefits Other Than Pensions, together, GASB
8 43/45, as amended from time to time, or any successor publication.
9 For purposes of this section, and notwithstanding anything to the
10 contrary, the term "non-State participating employers" is limited only
11 to entities that are a political subdivision of the State, as defined in
12 federal Treas. Reg. s. 1.103-1(b), or entities the income of which is
13 excluded from gross income under section 115 of the Internal Revenue
14 Code of 1986 (26 U.S.C. s.115), as amended. For purposes of this
15 section, the term "dependent" or "dependents" means a dependent as
16 defined under section 152 of the Internal Revenue Code of 1986 (26
17 U.S.C. s.152), as amended, without regard to subsections (b)(1),
18 (b)(2), or (d)(1)(B) thereof, of a retired employee.

19 b. There is hereby established the State of New Jersey Other Post-
20 Employment Benefits (OPEB) Fund, which is intended to qualify as an
21 instrumentality of the State or a political subdivision of the State under
22 section 115 of the Internal Revenue Code of 1986 (26 U.S.C. s.115),
23 as amended. The assets of the OPEB Fund shall be used only to fund
24 and pay post-employment benefits other than pensions, and the
25 reasonable cost of administering such benefits, with respect to eligible
26 retired employees, and their dependents, of non-State participating
27 employers, and deposits and contributions to the OPEB Fund shall be
28 irrevocable except as specifically provided in subsection i. of this
29 section. The OPEB Fund shall be a trust, trust account or custodial
30 account, the assets of which shall be deemed an arrangement
31 equivalent to a trust for all legal purposes, and shall be established by
32 means of appropriate documentation so as to be exempt from taxation
33 under the provisions of applicable federal and State tax law, which
34 shall contain such terms and conditions as are required to comply with
35 all State and federal law including but not limited to the following:

36 (1) The OPEB Fund shall provide no guaranty that payments or
37 reimbursements to employees, former employees, retirees, spouses or
38 beneficiaries will be tax-free.

39 (2) In the event that the OPEB Fund has obtained a ruling from the
40 Internal Revenue Service concerning only the federal tax treatment of
41 the OPEB Fund's income, that ruling may not be cited or relied upon
42 by any non-State participating employer as precedent concerning any
43 matter relating to the non-State participating employer's health plans,
44 including post-retirement health plans. In particular, that ruling shall
45 have no effect on whether contributions to the non-State participating
46 employer's health plans or payments from the non-State participating
47 employer's health plans, including reimbursements of medical
48 expenses, are excludable from the gross income of employees, former

1 employees or retirees, under the Internal Revenue Code of 1986, as
2 amended.

3 (3) The federal income tax consequences to employees, former
4 employees and retirees shall depend on the terms and operation of the
5 non-State participating employer's health plans.

6 c. The assets of the OPEB Fund shall be segregated from all other
7 funds of the State and the non-State participating employers,
8 including without limitation the fund described in section 48 of
9 P.L.2007, c.103 (C.52:14-17.32a1), and shall be invested and
10 administered solely in the interest of retired employees, and their
11 dependents, of non-State participating employers entitled to post-
12 employment benefits other than pensions provided by the State Health
13 Benefits Program. However, the OPEB Fund may be invested in a
14 group trust established pursuant to section 401(a)(24) of the Internal
15 Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended. Neither
16 the State, the State Legislature, the State Health Benefits Commission,
17 the Treasurer of the State of New Jersey, the Division of Pensions and
18 Benefits in the Department of the Treasury, nor any public officer,
19 employee or agency, nor service provider to the OPEB Fund, shall use
20 or authorize the use of assets contributed to the OPEB Fund, or the
21 investment earnings thereon, for any purpose other than the provision
22 of post-employment benefits other than pensions in accordance with
23 the terms of the State Health Benefits Program applicable to retired
24 employees, and their dependents, of non-State participating employers,
25 and the defraying of the reasonable costs of administering the OPEB
26 Fund and the benefits provided by means of the OPEB Fund. The
27 assets constituting the OPEB Fund shall under no circumstances be
28 subject to assignment or alienation in favor of the creditors of the State
29 or any non-State participating employer, or of the individuals or
30 entities that administer the State Health Benefits Program or the OPEB
31 Fund. Private parties' interests shall neither materially participate in
32 the OPEB Fund nor benefit more than incidentally from the operation
33 or earnings of the OPEB Fund.

34 d. The Director of the Division of Pensions and Benefits shall
35 serve as the administrator of the OPEB Fund. The Director of the
36 Division of Investment as trustee shall have the authority to adopt a
37 trust agreement, to receive and hold all moneys in the OPEB Fund, and
38 to disburse the same in accordance with instructions from the fund
39 administrator. The Director of the Division of Investment shall have
40 the authority to invest and reinvest the moneys in the OPEB Fund and
41 to acquire for or on behalf of the OPEB Fund such investments in
42 accordance with the standards governing the investment of other funds
43 managed by the Director of the Division of Investment under the rules
44 and regulations of the State Investment Council. The State, the
45 Division of Pensions and Benefits, the State Treasurer, the Division of
46 Investment, and the State Investment Council, and their respective
47 officers and employees, shall not be liable for any loss incurred by the
48 OPEB Fund.

1 e. The fund administrator or the trustee may select and contract
2 with custodians, record keepers, actuaries and other consultants, and
3 other service providers with respect to the administration of the OPEB
4 Fund, and may delegate to such persons or entities, or to any person
5 within the Department of the Treasury, any of their duties and
6 responsibilities. The Director of the Division of Investment may select
7 and contract with investment managers, investment advisors and other
8 service providers with respect to the investment of the OPEB Fund,
9 and may delegate to such persons or entities, or to any person within
10 the Division of Investment, any of its duties and responsibilities.

11 f. The fund administrator shall, with the assistance of a qualified
12 actuary, determine a funding policy for the OPEB Fund and may
13 promulgate rules and procedures with respect to the administration and
14 funding of the OPEB Fund. The fund administrator, with the
15 assistance of a qualified actuary, shall annually measure and determine
16 an amount for the annual “other post-employment benefits” cost of
17 providing benefits for the retirees and their dependents of each non-
18 State participating employer in the State Health Benefits Program
19 based on the “annual required cost” (ARC) for providing such benefits
20 determined in accordance with applicable standards under GASB
21 43/45. The fund administrator shall report the OPEB cost for each
22 non-State participating employer to such employer on an annual basis.

23 g. The fund administrator, with the assistance of a qualified
24 actuary, shall annually determine, and the fund administrator shall
25 approve, the aggregate contribution to the OPEB Fund to fund post-
26 employment benefits other than pensions under the terms of the State
27 Health Benefit Program, which shall be the amount necessary to pay
28 the anticipated premiums or periodic charges for the benefits for the
29 following annual valuation period, with respect to all non-State
30 employers participating in the OPEB Fund. The fund administrator
31 shall determine and approve the rate or rates to be charged to non-State
32 participating employers as contributions by such employers to the
33 OPEB Fund, based on such allocable amounts of the above-described
34 aggregate contribution and such other factors as the fund administrator
35 shall determine with respect to the setting of such rates.

36 h. Deposits to the OPEB Fund shall be made by each non-State
37 participating employer in the amounts specified by the fund
38 administrator. Deposits to the OPEB Fund by each non-State
39 participating employer shall be segregated in a separate account for
40 recordkeeping purposes from the deposits from all other non-State
41 participating employers in the OPEB Fund. Such deposits may be
42 commingled for purposes of investment, but the fund administrator
43 shall provide record keeping to establish the deposits allocable to each
44 non-State participating employer and shall periodically report the
45 value of the separate accounts to the applicable non-State participating
46 employers. Investment earnings attributable to the OPEB Fund shall
47 be determined on an aggregate basis for all non-State participating
48 employers. A non-State participating employer shall not make a

1 deposit to the OPEB Fund if the total amount invested with respect to
2 that employer would exceed such employer's actuarially determined
3 liability for post-employment benefits other than pensions due to its
4 employees, as determined under the applicable standards of GASB
5 43/45.

6 i. In the event that, following the satisfaction in full of all
7 liabilities for post-employment benefits other than pensions to
8 retired employees, and their dependents, of non-State participating
9 employers, there remain undistributed assets of the OPEB Fund,
10 such assets shall be distributed in the manner determined by the
11 fund administrator, provided that in no event shall such assets be
12 distributed to, or used for the purpose of paying benefits for, the
13 active or retired employees of an entity that is not a State, a political
14 subdivision of the State or an entity the income of which is
15 excluded from gross income under section 115 of the Internal
16 Revenue Code of 1986 (26 U.S.C. s.115), as amended.

17

18 67. (New section) With respect to the portion of the alternate
19 benefit program, P.L.1969, c.242 (C.18A:66-167 et seq.), that is
20 subject to section 403(b) of the federal Internal Revenue Code (26
21 U.S.C. s. 403(b)), the State may terminate the 403(b) portion of
22 alternate benefit program only as permitted by the applicable
23 regulations of the United States Department of the Treasury.

24

25 68. Section 2 of P.L.1963, c.123 (C.52:18A-108) is amended to
26 read as follows:

27 2. As used in this act:

28 a. "Fiscal year" means any year commencing on July 1 and
29 ending on June 30 next following.

30 b. "Participant" means (1) for the purposes of the Supplemental
31 Annuity Collective Trust under section 4 of P.L.1965, c.90 (C.52:18A-
32 113.1), any member of a State administered retirement system, who
33 has elected to make voluntary additional contributions to the
34 Supplemental Annuity Collective Trust, or for whom an employer
35 has agreed to purchase an annuity from the Supplemental Annuity
36 Collective Trust as hereinafter provided; or (2) for the purposes of
37 the Additional Contributions Tax-Sheltered Program under section 1
38 of P.L.1995, c.92 (C.52:18A-113.2), means any employee of the
39 Department of Education, the Commission on Higher Education, the
40 governing body of any public institution of education, or any public
41 school, as defined in N.J.S.18A:1-1, regularly scheduled to work 20
42 or more hours per week who has elected to make voluntary
43 additional contributions to the Supplemental Annuity Collective
44 Trust, or for whom an employer has agreed to purchase an annuity
45 from the Supplemental Annuity Collective Trust as hereinafter
46 provided. An employee regularly works less than 20 hours per
47 week if, for the 12-month period beginning on the date the
48 employee's employment commenced, the employee's employer

1 reasonably expects the employee to work fewer than 1,000 hours of
2 service, as defined under section 410(a)(3)(C) of the Internal
3 Revenue Code of 1986 (26 U.S.C. s.410(a)(3)(C)), as amended, and,
4 for each plan year ending after the close of that 12-month period,
5 the employee has worked fewer than 1,000 hours of service.

6 c. "State administered retirement system" means any of the
7 following retirement plans: Public Employees' Retirement System
8 of New Jersey established pursuant to chapter 84, P.L.1954;
9 Teachers' Pension and Annuity Fund established pursuant to chapter
10 37, P.L.1955; Police and Firemen's Retirement System of New
11 Jersey established pursuant to chapter 255, P.L.1944; Consolidated
12 Police and Firemen's Pension Fund established pursuant to chapter
13 358, P.L.1952; Prison Officers' Pension Fund established pursuant
14 to chapter 220, P.L.1941; and State Police Retirement and
15 Benevolent Fund established pursuant to chapter 188, P.L.1925.

16 (cf: P.L.1965, c.90, s.1)

17
18 69. Section 6 of P.L.1963, c.123 (C.52:18A-112) is amended to
19 read as follows:

20 6. A member of a State administered retirement system or an
21 employee of a board of education, as defined in N.J.S.18A:1-1,
22 regularly scheduled to work 20 or more hours per week may
23 become a participant by filing an application for enrollment in
24 either the Variable Division or the Fixed Division, or both, in
25 accordance with rules and regulations established by the council.
26 An employee regularly works less than 20 hours per week if, for the
27 12-month period beginning on the date the employee's employment
28 commenced, the employee's employer reasonably expects the
29 employee to work fewer than 1,000 hours of service, as defined under
30 section 410(a)(3)(C) of the Internal Revenue Code of 1986 (26 U.S.C.
31 s.410(a)(3)(C)), and, for each plan year ending after the close of that
32 12-month period, the employee has worked fewer than 1,000 hours of
33 service.

34 (cf: P.L.1963, c.123, s.6)

35
36 70. Section 1 of P.L.1995, c.92 (C.52:18A-113.2) is amended to
37 read as follows:

38 1. a. The Department of Education, the Commission on Higher
39 Education, and the governing body of any public institution of
40 **[higher]** education may enter into a written agreement with any of
41 its employees to reduce the employee's annual salary for the
42 purpose of investing in a tax-deferred annuity for the employee
43 pursuant to section 403(b) of the federal Internal Revenue Code of
44 **[1954]** 1986 (26 U.S.C. s.403(b)), as amended. Investments shall
45 be (1) with an insurer or mutual fund company authorized to
46 provide investment contracts under the alternate benefit program;
47 (2) in investment contracts authorized under the program for
48 supplemental retirement benefits which meet the requirements of

1 section 403(b) of the federal Internal Revenue Code (26 U.S.C.
2 s.403(b)), as amended; and (3) on the same terms and conditions
3 provided for participants in the alternate benefit program.

4 b. An agreement (1) shall specify the amount and the effective
5 date of the reduction; (2) shall be subject to filing with and approval
6 by the State Treasurer or filing with and approval by the governing
7 body of the institution of public higher education, as appropriate;
8 and (3) shall be legally binding and irrevocable with respect to the
9 amounts earned while the agreement is in effect. The total amount
10 of the reduction in an employee's salary pursuant hereto, for any
11 calendar year, shall not exceed the lesser of (a) the applicable dollar
12 amount or (b) the participant's Includible Compensation for the
13 calendar year. Includible Compensation is an employee's actual wages
14 in box 1 of Form W-2 for a year for services to the employer, but
15 subject to a maximum of \$200,000, or such higher maximum as may
16 apply under section 401(a)(17) of the federal Internal Revenue Code
17 (26 U.S.C. s.401(a)(17), and increased up to the dollar maximum by
18 any compensation reduction election under section 125, 132(f), 401(k),
19 403(b), or 457(b) of the federal Internal Revenue Code (26 U.S.C.
20 s.125, 132(f), 401(k), 403(b), or 457(b)). The amount of Includible
21 Compensation is determined without regard to any community
22 property laws. The applicable dollar amount is the amount established
23 under section 402(g)(1)(B) of the federal Internal Revenue Code (26
24 U.S.C. s.402(g)(1)(B)), which is \$16,500 for 2011, and is adjusted for
25 cost-of-living after 2011 to the extent provided under section 415(d) of
26 the federal Internal Revenue Code (26 U.S.C. s.415(d)). The total
27 amount of the reduction in an employee's salary pursuant hereto, for
28 any calendar year, when added to the contributions made in the year
29 on behalf of the employee in accordance with section 7 of P.L.1963,
30 c.123 (C.52:18A-113), exceed the limitations set forth in
31 [Pub.L.93-406 (Employment Retirement Income Security Act of
32 1974) and] section 415 (c) of the federal Internal Revenue Code (26
33 U.S.C.s.415 (c)). For the purposes of this section, if the participant is
34 or has been a participant in one or more other plans under section
35 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), and
36 any other plan that permits elective deferrals under section 402(g) of
37 the federal Internal Revenue Code (26 U.S.C. s.402(g)), then this plan
38 and all such other plans shall be considered as one plan for purposes of
39 applying the foregoing limitations.

40 c. An agreement may be terminated at any time upon written
41 notice by either the employee or the employer. Termination shall
42 take effect at the beginning of the payroll period whose first day is
43 nearest to the 30th day following the day on which notification of
44 termination was (1) received by the employer, in the event
45 termination is initiated by the employee, or (2) sent to the
46 employee, in the event termination is initiated by the employer.

47 d. Amounts payable pursuant to this section by an employer on
48 behalf of an employee for a payroll period shall be transmitted and

1 credited not later than the fifth business day after the date on which
2 the employee is paid for that pay period.

3 e. The plan described in subsection a. of this section shall be
4 known as the New Jersey Additional Contributions Tax-Sheltered
5 Program.

6 (cf: P.L.1999, c.247, s.4)

7

8 71. Section 2 of P.L.1995, c.92 (C.52:18A-113.3) is amended to
9 read as follows:

10 2. Upon approval and filing, the State Treasurer or the
11 applicable governing body of a public institution of **[higher]**
12 education shall reduce an employee's salary pursuant to the
13 agreement and shall pay an amount equal to the amount agreed
14 upon for the salary reduction as an employer contribution to the
15 issuer of the employee's annuity. Participation in a reduction of
16 salary pursuant to this act shall not cause the employee to lose any
17 benefits under a State-administered retirement system to which the
18 employee would otherwise be entitled had the employee not agreed
19 to a reduction in salary for the purpose of purchasing a tax-deferred
20 annuity. Employee contributions and any survivor's benefit shall be
21 paid on the basis of the employee's salary without regard to the
22 reduction authorized by this act.

23 (cf: P.L.1995, c.92, s.2)

24

25 72. Section 3 of P.L.1995, c.92 (C.52:18A-113.4) is amended to
26 read as follows:

27 3. Payments for tax-deferred annuities shall be made by the
28 State Treasurer or the applicable governing body of a public
29 institution of **[higher]** education to the issuers of the annuities out
30 of moneys available for the salaries of employees who have entered
31 into agreements pursuant to this act.

32 (cf: P.L.1995, c.92, s.3)

33

34 73. Section 1 of P.L.1996, c.77 (C.52:18A-113.6) is amended to
35 read as follows:

36 1. Employees of the Department of Education, the Commission
37 on Higher Education, or the governing body of any public
38 institution of **[higher]** education who are participants in the
39 Supplemental Annuity Collective Trust pursuant to section 403(b)
40 of the federal Internal Revenue Code of **[1954] 1986 (26 U.S.C.**
41 **s.403(b))**, as amended, **[may :**

42 **a.] shall** transfer all **[or a portion of any]** funds that they may
43 have invested as participants in the Supplemental Annuity
44 Collective Trust to a tax-deferred annuity with an insurer or mutual
45 fund company authorized to provide investment contracts under the
46 alternate benefit program pursuant to the provisions of P.L.1995,
47 c.92 (C.52:18A-113.2 et seq.) **]; or**

1 b. transfer all or a portion of any funds that they may have
2 invested in a tax-deferred annuity with any authorized provider to
3 the Supplemental Annuity Collective Trust].

4 (cf: P.L.1996, c.77, s.1)

5
6 74. Section 9 of P.L.1963, c.123 (C.52:18A-115) is amended to
7 read as follows:

8 9. The assets of the Variable Division shall be invested and
9 reinvested principally in common stocks and securities which are
10 convertible into common stocks. Such common stocks and
11 securities shall be [restricted to those listed] traded on a securities
12 exchange in the United States or over-the-counter market.

13 (cf: P.L.1963, c.123, s.9)

14
15 75. (New section) With respect to the portion of the
16 Supplemental Annuity Collective Trust that is subject to section
17 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), the
18 State may terminate the Supplemental Annuity Collective Trust as
19 provided in this section.

20 a. The State enacted P.L.1963, c.123 (C.52:18A-107 et seq.)
21 with the intention and expectation that contributions would be
22 continued to the Supplemental Annuity Collective Trust program
23 indefinitely. The State, however, has no obligation or liability
24 whatsoever to maintain the program for any length of time and may
25 discontinue contributions under the program at any time without
26 any liability hereunder for any discontinuance.

27 b. The State reserves the authority to amend or terminate the
28 Supplemental Annuity Collective Trust program at any time and for
29 any reason.

30 c. The State may provide that, in connection with a termination
31 of the program, all accounts will be distributed, provided that the
32 State and any related employer on the date of termination do not
33 make contributions to an alternative plan or program subject to the
34 rules under section 403(b) of the Internal Revenue Code of 1986
35 (26 U.S.C. s.403(b)), as amended, that is not part of the program
36 during the period beginning on the date of termination and ending
37 12 months after the distribution of all assets from the Supplemental
38 Annuity Collective Trust program, except as permitted by the
39 applicable regulations of the United States Department of the
40 Treasury.

41
42 76. (New section) a. As used in this section:

43 “emergency care” means immediate treatment provided in
44 response to a sudden, acute and unanticipated medical crisis in
45 order to avoid injury, impairment, or death.

46 “in-State health care provider” means an individual or entity,
47 including, but not limited to, a physician or other health care
48 professional licensed pursuant to Title 45 of the Revised Statutes,

1 and a hospital or other health care facility licensed pursuant to Title
2 26 of the Revised Statutes that is not an out-of-State health care
3 provider.

4 “out-of-State health care provider” means an individual or entity
5 providing health care services at a location outside the geographic
6 boundaries of this State.

7 “primary care” means the provision of preventive, diagnostic,
8 treatment, management, and reassessment services to individuals in
9 facilities providing family practice, general internal medicine,
10 general pediatrics, and routine obstetrics/gynecology.

11 “reasonably proximate” means a geographic distance from the
12 covered person's place of residence that does not exceed 25 miles.

13 “tertiary care” means specialized care performed by specialists
14 working in an inpatient or outpatient facility for special
15 investigation and treatment of complex diseases or conditions.

16 b. Notwithstanding the provisions of any other law to the
17 contrary, a carrier which offers health benefits coverage under the
18 State Health Benefits Program, School Employees’ Health Benefits
19 Program, or any self-insured plan or plan offered to public
20 employees or retirees outside the State Health Benefits Program or
21 the School Employees’ Health Benefits Program, to an employee or
22 retiree and any dependent eligible for such health care benefits
23 coverage, shall only provide coverage for medically necessary
24 health care services provided by an out-of-State health care provider
25 as specified in subsection c. of this subsection, except for coverage
26 authorized pursuant to subsection f. or g. of this section.

27 c. Medically necessary tertiary health care services may be
28 performed by an out-of-State specialty or subspecialty health care
29 provider when there is no in-State health care provider reasonably
30 available to treat the particular condition based on an expedited
31 determination by the carrier and the State Health Benefits
32 Commission, the School Employees’ Health Benefits Commission
33 or the plan administrator, as the case may be, in consultation with
34 the Department of Health and Senior Services, that such service is
35 not otherwise available through an in-State health care provider or
36 where there is no in-network provider who is reasonably proximate
37 to the covered person’s place of residence.

38 d. (1) The out-of-State health care provider shall receive
39 reimbursement for out-of-network charges at the lesser of the
40 contractual rate or a rate equal to 150% of the Medicare fee
41 schedule for those same services.

42 (2) The employee or retiree shall be responsible for the entire
43 balance of the out-of-State health provider’s charges that exceed the
44 applicable out-of-network reimbursement.

45 e. The carrier shall establish preauthorization or review
46 requirements of the health benefits plan regarding the determination
47 of medical necessity for the employee, retiree, or covered dependent
48 to access out-of-State benefits, as set forth in writing pursuant to

1 section 5 of P.L.1997, c.192 (C.26:2S-5), with which the covered
2 person shall comply as a condition of receiving benefits pursuant to
3 this section.

4 f. This section shall not apply to: (1) emergency care; (2)
5 primary care; (3) an employee, retiree, or covered dependent who
6 has his or her principal residence outside of this State or is enrolled
7 as a full-time student at a school located outside this State and
8 resides outside this State while attending that school, or (4) such
9 other unusual and compelling circumstance determined by the State
10 Health Benefits Commission, School Employees' Health Benefits
11 Commission or the plan administrator, as the case may be, in
12 consultation with the Department of Health and Senior Services,
13 that warrants an individualized exception from the requirements of
14 this section. For the purposes of this subsection, a person will be
15 deemed to have his principal residence outside this State if all of the
16 following conditions are met: the person spends the majority of his
17 or her nonworking time outside the State, and resides at a location
18 outside the State which is clearly the center of his or her domestic
19 life, and has designated the out-of-State residence as his or her legal
20 address and legal residence for voting.

21 g. This section shall not apply to cases when it is medically
22 necessary for the employee, retiree, or covered dependent to
23 continue current treatment with the out-of-State health care provider
24 or under the following circumstances: (1) in cases of the pregnancy
25 through the postpartum evaluation, up to six weeks after delivery;
26 (2) in the case of post-operative care, up to six months following
27 the surgical procedure; (3) in the case of oncological treatment, up
28 to one year following the first date of treatment; and (4) in the case
29 of psychiatric treatment, up to one year following the first date of
30 treatment.

31 h. Notwithstanding the provisions of another law to the
32 contrary, the State Health Benefits Plan Design Committee, the
33 School Employees' Health Benefits Plan Design Committee, and
34 any public employer shall provide to employees the option to select
35 a single plan that shall not limit coverage for medically necessary
36 health care services provided by an out-of-State health care provider
37 pursuant to this section. Each employee or retiree who selects
38 coverage under the plan shall pay the additional portion of the
39 premium or periodic charge associated with selecting a plan that
40 does not limit coverage for medically necessary health care services
41 provided by an out-of-State health care provider for health care
42 benefits provided to the employee, retiree, and dependents covered
43 under the plan.

44 i. This section shall be operative January 1, 2012.

45
46 77. (New section) A public employer and employees who are in
47 negotiations for the next collective negotiations agreement to be
48 executed after the employees in that unit have reached full

1 implementation of the premium share set forth in section 39 of
2 P.L. , c. (C.) (pending before the Legislature as this bill)
3 shall conduct negotiations concerning contributions for health care
4 benefits as if the full premium share was included in the prior
5 contract. The public employers and public employees shall remain
6 bound by the provisions of sections 39, 40, and 43 of P.L. , c.
7 (C.) (pending before the Legislature as this bill), notwithstanding
8 the expiration of those sections, until the full amount of the
9 contribution required by section 39 has been implemented in
10 accordance with the schedule set forth in section 40.

11 Employees subject to any collective negotiations agreement in
12 effect on the effective date of P.L. , c. (pending before the
13 Legislature as this bill), that has an expiration date on or after the
14 expiration of sections 39 through 44, inclusive, of P.L. , c. (C.)
15 (pending before the Legislature as this bill), shall be subject, upon
16 expiration of that collective negotiations agreement, to sections 39, 40,
17 and 43 until the health care contribution schedule set forth in section
18 40 is fully implemented.

19 After full implementation, those contribution levels shall become
20 part of the parties' collective negotiations and shall then be subject to
21 collective negotiations in a manner similar to other negotiable items
22 between the parties.

23 A public employee whose amount of contribution in retirement
24 was determined in accordance with section 40 or 43 shall be
25 required to contribute in retirement the amount so determined
26 pursuant to section 40 or 43 notwithstanding that section 40 or 43
27 has expired, with the retirement allowance, and any future cost of
28 living adjustment thereto, used to identify the percentage of the cost
29 of coverage.

30
31 78. (New section) A public employer and employees who are in
32 negotiations for the next collective negotiations agreement to be
33 executed after the employees in that unit have reached full
34 implementation of the premium share set forth in section 39 of
35 P.L. , c. (C.) (pending before the legislature as this bill) shall
36 conduct negotiations concerning contributions for health care
37 benefits as if the full premium share was included in the prior
38 contract. The public employers and public employees shall remain
39 bound by the provisions of sections 39 and 41 of P.L. , c. (C.)
40 (pending before the Legislature as this bill), notwithstanding the
41 expiration of those sections, until the full amount of the
42 contribution required by section 39 has been implemented in
43 accordance with the schedule set forth in section 41.

44 Employees subject to any collective negotiations agreement in
45 effect on the effective date of P.L. , c. (pending before the
46 Legislature as this bill), that has an expiration date on or after the
47 expiration of sections 39 through 44, inclusive, of P.L. , c. (C.)
48 (pending before the Legislature as this bill), shall be subject, upon

1 expiration of that collective negotiations agreement, to sections 39 and
2 41 until the health care contribution schedule set forth in section 41 is
3 fully implemented.

4 After full implementation, those contribution levels shall become
5 part of the parties' collective negotiations and shall then be subject to
6 collective negotiations in a manner similar to other negotiable items
7 between the parties.

8
9 79. (New section) A public employer and employees who are in
10 negotiations for the next collective negotiation agreement to be
11 executed after the employees in that unit have reached full
12 implementation of the premium share set forth in section 39 of
13 P.L. , c. (C.) (pending before the Legislature as this bill) shall
14 conduct negotiations concerning contributions for health care
15 benefits as if the full premium share was included in the prior
16 contract. The public employers and public employees shall remain
17 bound by the provisions of sections 39, 42, and 44 of P.L. ,
18 c. (C.) (pending before the Legislature as this bill),
19 notwithstanding the expiration of those sections, until the full
20 amount of the contribution required by section 39 has been
21 implemented in accordance with the schedule set forth in section
22 42.

23 Employees subject to any collective negotiations agreement in
24 effect on the effective date of P.L. , c. (pending before the
25 Legislature as this bill), that has an expiration date on or after the
26 expiration of sections 39 through 44, inclusive, of P.L. , c. (C.)
27 (pending before the Legislature as this bill), shall be subject, upon
28 expiration of that collective negotiations agreement, to sections 39, 42,
29 and 44 until the health care contribution schedule set forth in section
30 42 is fully implemented.

31 After full implementation, those contribution levels shall become
32 part of the parties' collective negotiations and shall then be subject to
33 collective negotiations in a manner similar to other negotiable items
34 between the parties.

35 A public employee whose amount of contribution in retirement
36 was determined in accordance with section 42 or 44 shall be
37 required to contribute in retirement the amount so determined
38 pursuant to section 42 or 44 notwithstanding that section 42 or 44
39 has expired, with the retirement allowance, and any future cost of
40 living adjustment thereto, used to identify the percentage of the cost
41 of coverage.

42
43 80. Notwithstanding any other provision of this amendatory and
44 supplementary act, P.L. , c. (C.) (pending before the
45 Legislature as this bill) to the contrary, the increases in the
46 employee contributions under the amendatory sections 8 through
47 16, inclusive, and the contributions required under sections 39
48 through 44, inclusive, shall begin upon the implementation of

1 necessary administrative actions for collection and shall not be
2 applied retroactively to this act's effective date. Nothing contained
3 in this section shall affect the implementation of any other provision
4 of this act.

5
6 81. If any provision of P.L. , c. (C.) (pending before the
7 Legislature as this bill) or its application to any particular person or
8 circumstance is held invalid, that provision or its application shall
9 be severable and shall not affect the validity of other provisions or
10 applications of this act.

11
12 82. The following are repealed:

13 Section 2 of P.L.1989, c.6 (C.52:14-17.28a);

14 Section 1 of P.L.1985, c.414 (C.43:15A-47.2); and

15 Section 1 of P.L.1999, c.96 (C.43:16A-5.1).

16
17 83. This act shall take effect immediately, and sections 39
18 through 44, inclusive, shall expire four years after the effective
19 date.

20 21 22 STATEMENT

23
24 This bill makes various changes to the manner in which the
25 Teachers' Pension and Annuity Fund (TPAF), the Judicial
26 Retirement System (JRS), the Public Employees' Retirement
27 System (PERS), the Police and Firemen's Retirement System
28 (PFRS), and the State Police Retirement System (SPRS) operate
29 and to the benefit provisions of those systems.

30 The bill establishes new pension committees as follows:

31 one 8-member committee for the TPAF and one for the SPRS;

32 two 8-member committees in the PERS, one for the State part of
33 the PERS and one for the local part of the PERS; and

34 two 10-member committees in the PFRS, one for the State part
35 of the PFRS and one for the local part of the PFRS.

36 Half of the members of each committee will be appointed by the
37 Governor to represent public employers and half appointed by
38 certain unions whose members are in the retirement system. When
39 a target funded ratio for the system or part of the system is
40 achieved, each committee will have the discretionary authority to
41 modify the: member contribution rate; formula for calculation of
42 final compensation or final salary; fraction used to calculate a
43 retirement allowance; age at which a member may be eligible and
44 the benefits for service or early retirement; and benefits provided
45 for disability retirement. A committee will not have authority to
46 change the number of years required for vesting.

47 The term "target funded ratio" means a ratio of the actuarial
48 value of assets against the actuarially determined accrued liabilities

1 expressed as a percentage that will be 75 percent in State fiscal year
2 2012, and increased annually by equal increments in each of the
3 subsequent seven fiscal years, until the ratio reaches 80 percent at
4 which it is to remain for all subsequent fiscal years.

5 The committees of these systems will have the authority to
6 reactivate the cost of living adjustment on pensions and modify the
7 basis for the calculation of the cost of living adjustment and set the
8 duration and extent of the activation. A committee must give
9 priority consideration to the reactivation of the cost of living
10 adjustment.

11 The State House Commission will have the same authority with
12 regard to JRS.

13 Each committee may also hire actuaries and consultants.

14 The bill establishes a process using a super conciliator to resolve
15 an impasse on a decision or matter regarding benefits before any of
16 the newly established committees in the TPAF, PERS, PFRS, and
17 SPRS.

18 With regard to employee benefits, the bill provides for increases
19 in the employee contribution rates: from 5.5% to 6.5% plus an
20 additional 1% phased-in over 7 years beginning in the first year,
21 meaning after 12 months, after the bill's effective date for TPAF
22 and PERS (including legislators, Law Enforcement Officer (LEO)
23 members, and workers compensation judges); from 3% to 12% for
24 JRS phased-in over seven years; from 8.5% to 10% for PFRS
25 members and members of PERS Prosecutors Part; and from 7.5% to
26 9% for SPRS members. New members of TPAF and PERS will
27 need 30 years of creditable service and age 65 for receipt of the
28 early retirement benefit without a reduction of 1/4 of 1% for each
29 month that the member is under age 65. TPAF and PERS members
30 enrolled before November 1, 2008 are eligible for a service
31 retirement benefit at age 60 and members enrolled on or after that
32 date are eligible at age 62. New members will be eligible for a
33 service retirement benefit at age 65. A new PFRS member's special
34 retirement benefit will be 60% of final compensation, plus 1% of
35 final compensation multiplied by the number of years of creditable
36 service over 25 but not over 30, instead of the current benefit of
37 65% of final compensation plus 1% for each year of service over 25
38 but not over 30.

39 The bill repeals N.J.S.A.43:15A-47.2 and 43:16A-5.1 which
40 provide that a member of PERS or PFRS may retire while holding
41 an elective public office covered by PERS or PFRS and continue to
42 receive the full salary for that office, if the member's PERS or
43 PFRS retirement allowance is not based solely on service in the
44 elected public office. It also provides that the PFRS or PERS
45 retirees who were granted a retirement allowance under those
46 sections prior to the bill's effective date and are currently in an
47 elective office covered by either of those systems may continue to
48 receive their pension benefit and salary for the elective office.

1 Under the bill, the automatic cost-of-living adjustment will no
2 longer be provided to current and future retirees and beneficiaries,
3 unless it is reactivated as permitted by the bill.

4 For the PERS, TPAF, SPRS, PFRS, and JRS, the bill changes the
5 method for the amortization of the system's unfunded liability.

6 One section of the bill provides that each member of the TPAF,
7 JRS, Prison Officers' Pension Fund, PERS, Consolidated Police and
8 Firemen's Pension Fund, PFRS, and SPRS will have a contractual
9 right to the annual required contribution made by the employer or
10 by any other public entity. The contractual right to the annual
11 required contribution means that the employer or other public entity
12 must make the annual required contribution on a timely basis to
13 help ensure that the retirement system is securely funded and that
14 the retirement benefits to which the members are entitled by statute
15 and in consideration for their public service and in compensation
16 for their work will be paid upon retirement. The failure of the State
17 or any other public employer to make the annually required
18 contribution will be deemed to be an impairment of the contractual
19 right of each employee. The Superior Court, Law Division will
20 have jurisdiction over any action brought by a member of any
21 system or fund or any board of trustees to enforce the contractual
22 right set forth in this bill. The State and other public employers will
23 submit to the jurisdiction of the Superior Court, Law Division and
24 will not assert sovereign immunity in such an action. If a member
25 or board prevails in litigation to enforce the contractual right set
26 forth in this bill, the court may award that party their reasonable
27 attorney's fees.

28 That section also provides that the rights reserved to the State in
29 current law to alter, modify, or amend such retirement systems and
30 funds, or to create in any member a right in the corpus or
31 management of a retirement system or pension fund, cannot
32 diminish the contractual right of employees established by this bill.

33 In addition, the bill increases the membership of the State
34 Investment Council from 13 to 16 members. It eliminates one
35 representative from the SPRS, but adds one member from the State
36 Troopers Fraternal Association. Two additional members are
37 appointed by the Governor with the advice and consent of the
38 Senate, and one additional appointment is added to the current one
39 by the Governor from persons nominated by Public Employee
40 Committee of the New Jersey State AFL-CIO, specifying that one
41 of the two will be a representative of a police officers' or
42 firefighters' union. The bill also provides that an elected member,
43 as opposed to any member, of the boards of trustees for TPAF,
44 PERS and PFRS will be eligible for designation to serve on the
45 State Investment Council.

46 This bill requires all public employees and certain public retirees
47 to contribute toward the cost of health care benefits coverage based
48 upon a percentage of the cost of coverage.

1 Under the bill, all active public employees will pay a percentage
2 of the cost of health care benefits coverage for themselves and any
3 dependents. However, lower compensated employees will pay a
4 smaller percentage and more highly compensated employees will
5 pay a higher percentage. In addition, the applicable percentage will
6 vary based upon whether the employee has family, individual, or
7 member with child or spouse coverage. The rates gradually
8 increase based on an employee's compensation, at intervals of
9 \$5,000. These rates will be phased in over several years for
10 employees employed on the contribution's effective date who will
11 pay $\frac{1}{4}$, $\frac{1}{2}$, and $\frac{3}{4}$ of the amount of the contribution rate during the
12 first, second and third years, respectively, meaning during the three
13 12-month periods after the contribution rates become effective. The
14 bill establishes a "floor" for employee contributions so that no
15 employee will pay an amount that is less than 1.5% of the
16 employee's compensation. Employees who pay for health care
17 benefits coverage based upon a percentage of the cost of coverage
18 will not also be required to pay the minimum contribution of 1.5%
19 of compensation, as provided by other laws. The contribution will
20 commence on the bill's effective date for certain public employees
21 and upon the expiration of a collective negotiation agreement for
22 others.

23 Similar provisions in the bill apply to retirees of the State,
24 employers other than the State, and units of local government who
25 accrue 25 years of service after the bill's effective date, or on or
26 after the expiration of an applicable collective bargaining agreement
27 in effect on that date, and retire after that, who will be required to
28 contribute a percentage of the cost of health care benefits coverage
29 in retirement, but as based on their retirement benefit. These
30 provisions will not apply to public employees who have 20 or more
31 year of service in one or more State or locally-administered
32 retirement systems. A 1.5% "floor", for those retirees to whom the
33 1.5% contribution in current law applies, will also be applicable to
34 these retirees.

35 The bill allows boards of education and units of local
36 government, that do not participate in the SHBP or SEHBP, to enter
37 into contracts for health care benefits coverage, as may be required
38 to implement a collective negotiations agreement, and agree to
39 different employee contribution rates if certain cost savings in the
40 aggregate over the period of the agreement can be demonstrated.
41 The savings must be certified to the Department of Education or the
42 Department of Community Affairs, as appropriate. The
43 departments are to approve or reject the certification, within 30
44 days of receipt. The certification is deemed approved if not rejected
45 within that time. The agreement cannot be executed until that
46 approval is received or the 30 day period has lapsed, whichever
47 occurs first.

1 The provisions concerning contributions for health care benefits
2 will expire four years after the effective date.

3 A public employer and employees who are in negotiations for the
4 next collective negotiations agreement to be executed after the
5 employees in that unit have reached full implementation of the
6 premium share set forth in the bill must conduct negotiations
7 concerning contributions for health care benefits as if the full
8 premium share was included in the prior contract. The public
9 employers and public employees will remain bound by the health
10 care contribution provisions of the bill, notwithstanding the
11 expiration of those sections, until the full amount of the
12 contribution has been implemented in accordance with the schedule
13 set forth in the bill.

14 Employees subject to any collective negotiations agreement in
15 effect on the effective date of the bill, that has an expiration date on or
16 after the expiration of the health care contribution provisions of the
17 bill, will be subject to those provisions, upon expiration of that
18 collective negotiations agreement, until the health care contribution
19 schedule set forth in the bill is fully implemented.

20 After full implementation, those contribution levels will become
21 part of the parties' collective negotiations and will then be subject to
22 collective negotiations in a manner similar to other negotiable items
23 between the parties.

24 A public employee whose amount of contribution in retirement
25 was determined in accordance with the expired sections of law will
26 be required to contribute the amount so determined in retirement,
27 notwithstanding that the law has expired, with the retirement
28 allowance, and any future cost of living adjustment thereto, used to
29 identify the percentage of the cost of coverage.

30 The increased employee contributions under the bill for pension
31 benefits and the contributions for health care benefits will begin
32 upon the implementation of necessary administrative actions for
33 collection and will not be applied retroactively to this bill's
34 effective date.

35 The bill also creates two new committees, one for the State
36 Health Benefits Program and one for the School Employees' Health
37 Benefits Program and confers on the committees the responsibility
38 for plan design. Half of the committee members will be appointed
39 by the Governor to represent public employers and half by certain
40 unions who represent public employees in the State.

41 The bill requires the committees for both programs to set the
42 amounts for maximums, co-pays, deductibles, and other such
43 participant costs; provide employees with the option to select one
44 level of at least three levels of coverage each for family, individual,
45 individual and spouse, and individual and dependent, or equivalent
46 categories, for each plan offered by the program differentiated by
47 out of pocket costs to employees including with regard to co-

1 payments and deductibles; and provide for a high deductible health
2 plan that conforms to the Internal Revenue Code Section 223.

3 The bill contains a section, to begin January 1, 2012, to limit
4 coverage for certain medically necessary tertiary health care
5 services performed by certain out of State health care providers.

6 The bill repeals a provision of law that provides that the State
7 Health Benefits Commission must not enter into a contract for the
8 benefits provided pursuant to the contract in effect on October 1,
9 1988, including, but not limited to, basic benefits, extended basic
10 benefits, and major medical benefits unless the level of benefits
11 provided under the contract entered into is equal to or exceeds the
12 level of benefits provided for in the contract in effect on October 1,
13 1988, or unless the benefits in effect on October 1, 1988 are
14 modified by an authorized collective bargaining agreement made on
15 behalf of the State.

16 Various provisions of the bill contain a number of changes to the
17 law that are necessary to maintain the qualified plan status of the
18 retirement systems under the federal Internal Revenue Code; for
19 compliance with Statements Nos. 43 and 45 of the Governmental
20 Accounting Standards Board, Accounting and Financial Reporting
21 by Employers for Postemployment Benefits Other Than Pensions
22 (GASB 43/45); and to bring the defined contribution plans into
23 compliance with U.S. Department of Treasury regulations affecting
24 administration of plans administered under section 403(b) of the
25 Internal Revenue Code. Modifications pertaining to the
26 Supplemental Annuity Collective Trust are also being made by the
27 bill.

28

29

30

31

32 _____
33 Makes various changes to pension and health care benefits for
public employees.

SENATE, No. 2937

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 13, 2011

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Salem, Cumberland and Gloucester)

Senator JOSEPH PENNACCHIO

District 26 (Morris and Passaic)

Assemblyman LOUIS D. GREENWALD

District 6 (Camden)

Assemblyman DECLAN J. O'SCANLON, JR.

District 12 (Mercer and Monmouth)

Co-Sponsored by:

Senator Beck

SYNOPSIS

Makes various changes to pension and health care benefits for public employees.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/24/2011)

S2937 SWEENEY, PENNACCHIO

2

1 AN ACT concerning public employee pension and health care
2 benefits, and amending and supplementing various parts of the
3 statutory law and repealing P.L.1999, c.96, P.L.1985, c.414, and
4 section 2 of P.L.1989, c.6.

5

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

8

9 1. N.J.S.18A:66-56 is amended to read as follows:

10 18A:66-56. a. (1) Subject to the provisions of chapter 70 of the
11 laws of 1955, the general responsibility for the proper operation of
12 the teachers' pension and annuity fund shall be vested in the board
13 of trustees, and, as specified, in the committee established pursuant
14 to subsection b. of this section. Subject to the limitations of the law,
15 the board shall annually establish rules and regulations for the
16 administration and transaction of **[its]** the board's and committee's
17 business and for the control of the funds created by this article.
18 Such rules and regulations shall be consistent with those adopted by
19 the other pension funds within the Division of Pensions and
20 Benefits in order to permit the most economical and uniform
21 administration of all such retirement systems. The committee shall
22 adopt such regulations as provided in subsection b. of this section.

23 (2) The membership of the board shall consist of the following:

24 (a) The State Treasurer or the deputy State Treasurer, when
25 designated for that purpose by the State Treasurer;

26 (b) Two trustees appointed by the Governor, with the advice and
27 consent of the Senate, who shall serve for a term of office of three
28 years and until their successors are appointed, and who shall be
29 private citizens of the State of New Jersey and who are neither an
30 officer thereof nor active or retired members of the system, except
31 that of the two trustees initially appointed by the Governor pursuant
32 to P.L.1992, c.41 (C.43:6A-33.1 et al.), one shall be appointed for a
33 term of two years and one for a term of three years;

34 (c) Three trustees from among the active or retired members of
35 the retirement system, elected by the membership or by the
36 delegates elected for this purpose by the membership, one of whom
37 shall be elected each year for a three-year term commencing on
38 January 1, following such election in such manner as the board of
39 trustees may prescribe. If the board of trustees determines that the
40 election of trustees under this subsection is to be made by delegates
41 elected by the membership, it shall prescribe that those delegates
42 shall be chosen from among active and retired members of the
43 retirement system;

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 (d) One trustee not an active or retired teacher nor an officer of
2 the State, elected by the other trustees, other than the State
3 Treasurer, for a term of three years.

4 (3) A vacancy occurring in the board of trustees shall be filled in
5 the same manner as provided in this section for regular appointment
6 or election to the position where the vacancy exists, except that a
7 vacancy occurring in the trustees elected from among the active or
8 retired members of the retirement system shall be filled for the
9 unexpired term.

10 Each member of the board shall, upon appointment or election,
11 take an oath of office that, so far as it devolves upon him, he will
12 diligently and honestly administer the board's affairs, and that he
13 will not knowingly violate or willfully permit to be violated any
14 provision of law applicable to this article. The oath shall be
15 subscribed to by the member making it, certified by the officer
16 before whom it is taken and filed immediately in the office of the
17 Secretary of State.

18 Each trustee shall be entitled to one vote in the board and a
19 majority of all the votes of the entire board shall be necessary for a
20 decision by the board of trustees at a meeting of the board or
21 committee. The board shall keep a record of all its proceedings,
22 which shall be open to public inspection.

23 The members of the board shall serve without compensation but
24 shall be reimbursed for any necessary expenditures. No employee
25 shall suffer loss of salary or wages through serving on the board.

26 (4) The State Treasurer shall designate a medical board after
27 consultation with the Director of the Division of Pensions and
28 Benefits, subject to veto by the board for valid reason. It shall be
29 composed of three physicians who are not eligible to participate in
30 the retirement system. The medical board shall pass upon all
31 medical examinations required under the provisions of this article,
32 shall investigate all essential statements and certificates by or on
33 behalf of a member in connection with an application for disability
34 retirement, and shall report in writing to the retirement system its
35 conclusions and recommendations upon all matters referred to it.

36 b. There is established a committee to be composed of eight
37 members, four of whom shall be appointed by the Governor as
38 representatives of public employers whose employees are enrolled
39 in the retirement system, three of whom shall be appointed by the
40 head of the union representing the greatest number of members of
41 the retirement system having union membership, and one of whom
42 shall be appointed by the head of the union representing the second
43 greatest number of members of the retirement system having union
44 membership. The members of the committee shall not be appointed
45 until the system, or part of the system, attains the target funded
46 ratio.

47 The members of the committee shall serve for a term of three
48 years and until a successor is appointed and qualified. Of the initial

1 appointments by the Governor, two members shall serve for two
2 years and until a successor is appointed and qualified, and one shall
3 serve for one year and until a successor is appointed and qualified.
4 Of the initial appointments by the head of the union representing
5 the greatest number of members of the retirement system, one
6 member shall serve for two years and until a successor is appointed
7 and qualified, and one shall serve for one year and until a successor
8 is appointed and qualified.

9 The members of the committee shall select a chairperson from
10 among the members, who shall serve for a term of one year, with no
11 member serving more than one term, until all the members of the
12 committee have served a term in a manner alternating among the
13 employer representatives and employee representatives, unless the
14 committee determines otherwise with regard to this process.

15 The provisions of paragraph (3) of subsection a. of this section,
16 and N.J.S.18A:66-60, shall apply to the committee and its members,
17 as appropriate.

18 Upon the convening of any meeting of the committee, the
19 members shall consider a motion to assume the authority provided
20 in this subsection and shall proceed only if a majority of the
21 members of the committee vote in the affirmative on that motion.

22 The committee may contract with such actuaries or consultants,
23 or both, in accordance with the provisions of P.L.1954, c.48
24 (C.52:34-6 et seq.), as the committee may deem necessary to
25 perform its duties, when the system or part of the system has
26 attained the target funded ratio.

27 When the retirement system, or a part of the system, has attained
28 the target funded ratio as defined in section 27 of P.L. _____,
29 c. (C. _____) (pending before the Legislature as this bill), the
30 committee shall have the discretionary authority for the system or
31 for that part, as appropriate, to (1) modify the: member contribution
32 rate; formula for calculation of final compensation; the fraction of
33 compensation applied to service credited after the modification; age
34 at which a member may be eligible for and the benefits for service
35 or early retirement; and benefits provided for disability retirement;
36 and (2) activate the application of the "Pension Adjustment Act,"
37 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that
38 the system or part is at or above the target funded ratio and modify
39 the basis for the calculation of the adjustment and set the duration
40 and extent of the activation. The committee shall give priority
41 consideration to subparagraph (2) of this paragraph. The committee
42 shall not have the authority to change the years of creditable service
43 required for vesting.

44 The committee may consider a matter described above and
45 render a decision notwithstanding that the provisions of the
46 statutory law may set forth a specific requirement on that matter.

47 The committee may consider a matter described above and
48 render a decision notwithstanding that the provisions of the

1 statutory law do not set forth a specific requirement on the
2 considered aspect of that matter or address that matter at all.

3 The members of the committee shall have the same duty and
4 responsibility to the retirement system as do the members of the
5 board of trustees. No decision of the committee shall be
6 implemented if the direct or indirect result of the decision will be
7 that the system's or part's funded ratio falls below the target funded
8 ratio in any valuation period during the 30 years following the
9 implementation of the decision. The actuary of the fund shall make
10 a determination of the result in that regard and submit that
11 determination in a written report to the committee and the board
12 prior to the implementation of the decision.

13 If any matter before the committee receives at least five votes in
14 the affirmative, the board of trustees shall approve and implement
15 the committee's decision.

16 If any matter regarding benefits before the committee receives
17 four votes in the affirmative and four votes in the negative or the
18 committee otherwise reaches an impasse on a decision, the
19 provisions of section 33 of P.L. , c. (C.) (pending before the
20 Legislature as this bill) shall be followed.

21 A final action of the committee shall be made by the adoption of
22 a regulation that shall identify the modifications to the system by
23 reference to statutory section. The regulations shall also specify the
24 effective date of the modification and the system members,
25 including beneficiaries and retirees, to whom the modification
26 applies. Regulations of the committee are considered to be part of
27 the plan document for the system. A regulation adopted by the
28 committee may be modified by regulation in order to comply with
29 the requirements of this section.

30 c. No member of the board, committee, employee of the board,
31 or employee of the Division of Pensions and Benefits in the
32 Department of the Treasury shall accept from any person, whether
33 directly or indirectly and whether by himself or through his spouse
34 or any member of his family, or through any partner or associate,
35 any gift, favor, service, employment or offer of employment, or any
36 other thing of value, including contributions to the campaign of a
37 member or employee as a candidate for elective public office, which
38 he knows or has reason to believe is offered to him with intent to
39 influence him in the performance of his public duties and
40 responsibilities. As used in this paragraph, "person" means an (1)
41 individual or business entity, or officer or employee of such an
42 entity, who is seeking, or who holds, or who held within the prior
43 three years, a contract with the board; (2) an active or retired
44 member, or beneficiary, of the retirement system; or (3) an entity,
45 or officer or employee of such an entity, in which the assets of the
46 retirement system have been invested. A board or committee

1 member or employee violating this prohibition shall be guilty of a
2 crime of the third degree.

3 (cf: P.L.1999, c.230, s.1)

4

5 2. Section 29 of P.L.1973, c.140 (C.43:6A-29) is amended to
6 read as follows:

7 29. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95
8 to 52:18A-104), the general responsibility for the proper operation
9 of the retirement system is hereby vested in the State House
10 Commission.

11 b. Except as otherwise herein provided, no member of the State
12 House Commission shall have any direct interest in the gains or
13 profits of any investments of the retirement system, nor shall any
14 member of the State House Commission directly or indirectly, for
15 himself or as an agent in any manner use the moneys of the
16 retirement system, except to make such current and necessary
17 payments as are authorized by the commission; nor shall any
18 member of the State House Commission become an endorser or
19 surety, or in any manner an obligor for moneys loaned to or
20 borrowed from the retirement system.

21 c. For purposes of this act, each member of the State House
22 Commission shall be entitled to one vote and a majority vote of all
23 members shall be necessary for any decision by the commission at
24 any meeting of said commission.

25 d. Subject to the limitations of this act, the State House
26 Commission shall annually establish rules and regulations for the
27 administration of the funds created by this act and for the
28 transaction of its business. Such rules and regulations shall be
29 consistent with those adopted by the other pension funds within the
30 Division of Pensions and Benefits in order to permit the most
31 economical and uniform administration of all such retirement
32 systems.

33 e. The actuary of the system shall be selected by the
34 Retirement Systems Actuary Selection Committee established by
35 P.L.1992, c.125. He shall be the technical adviser of the
36 commission on matters regarding the operation of the funds created
37 by the provisions of this act and shall perform such other duties as
38 are required in connection herewith.

39 f. The Attorney General shall be the legal adviser of the
40 retirement system, except that if the Attorney General determines
41 that a conflict of interest would affect the ability of the Attorney
42 General to represent the commission on a matter affecting the
43 retirement system, the commission may select and employ legal
44 counsel to advise and represent the commission on that matter.

45 g. The Director of the Division of Pensions and Benefits of the
46 State Department of the Treasury shall be the secretary of the
47 commission for purposes pertaining to the provisions of this act.

1 h. For purposes of this act, the State House Commission shall
2 keep a record of all of its proceedings which shall be open to public
3 inspection. The retirement system shall publish annually a report
4 showing the fiscal transactions of the retirement system for the
5 preceding year, the amount of the accumulated cash and securities
6 of the system and the last balance sheet showing the financial
7 condition of the system by means of any actuarial valuation of the
8 assets and liabilities of the retirement system.

9 i. The State Treasurer shall designate a medical board after
10 consultation with the Director of the Division of Pensions and
11 Benefits. It shall be composed of three physicians. The medical
12 board shall pass on all medical examinations required under the
13 provisions of this act, and shall report in writing to the retirement
14 system its conclusions and recommendations upon all matters
15 referred to it.

16 j. When the retirement system has attained the target funded
17 ratio as defined in section 27 of P.L. , c. (C.) (pending
18 before the Legislature as this bill), the commission shall have the
19 discretionary authority for the system to (1) modify the: member
20 contribution rate; formula for calculation of final salary; age at
21 which a member may be eligible for and the benefits for service or
22 early retirement; and benefits provided for disability retirement; and
23 (2) activate the application of the "Pension Adjustment Act,"
24 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that
25 the system is at or above the target funded ratio and modify the
26 basis for the calculation of the adjustment and set the duration and
27 extent of the activation. The commission shall give priority
28 consideration to subparagraph (2) of this paragraph. The
29 commission shall not have the authority to change the years of
30 creditable service required for vesting.

31 The commission may consider a matter described above and
32 render a decision notwithstanding that the provisions of the
33 statutory law may set forth a specific requirement on that matter.

34 The commission may consider a matter described above and
35 render a decision notwithstanding that the provisions of the
36 statutory law do not set forth a specific requirement on the
37 considered aspect of that matter or address that matter at all.

38 No decision of the commission shall be implemented if the direct
39 or indirect result of the decision will be that the system's funded
40 ratio falls below the target funded ratio in any valuation period
41 during the 30 years following the implementation of the decision.
42 The actuary of the system shall make a determination of the result
43 in that regard and submit that determination in a written report to
44 the commission prior to the implementation of the decision.

45 If any matter before the commission receives a majority vote, the
46 commission shall implement the decision.

47 A final action of the commission shall be made by the adoption
48 of a regulation that shall identify the modifications to the system by

1 reference to statutory section. The regulations shall also specify the
2 effective date of the modification and the system members,
3 including beneficiaries and retirees, to whom the modification
4 applies. Regulations of the commission are considered to be part of
5 the plan document for the system. A regulation adopted by the
6 commission may be modified by regulation in order to comply with
7 the requirements of this section.

8 k. No member of the commission, employee of the
9 commission, or employee of the Division of Pensions and Benefits
10 in the Department of the Treasury shall accept from any person,
11 whether directly or indirectly and whether by himself or through his
12 spouse or any member of his family, or through any partner or
13 associate, any gift, favor, service, employment or offer of
14 employment, or any other thing of value, including contributions to
15 the campaign of a member or employee as a candidate for elective
16 public office, which he knows or has reason to believe is offered to
17 him with intent to influence him in the performance of his public
18 duties and responsibilities. As used in this subsection, "person"
19 means an (1) individual or business entity, or officer or employee of
20 such an entity, who is seeking, or who holds, or who held within the
21 prior three years, a contract with the commission; or (2) an active or
22 retired member, or beneficiary, of the retirement system. A
23 member or employee violating this prohibition shall be guilty of a
24 crime of the third degree.

25 (cf: P.L.1992, c.125, s.5)

26

27 3. Section 17 of P.L.1954, c.84 (C.43:15A-17) is amended to
28 read as follows:

29 17. a. (1) Subject to the provisions of P.L.1955, c.70 the general
30 responsibility for the proper operation of the Public Employees'
31 Retirement System shall be vested in the board of trustees, and, as
32 specified, the committees established pursuant to subsection b. of
33 this section. Subject to the limitations of the law, the board shall
34 annually establish rules and regulations for the administration and
35 transaction of [its] the board's and committees' business and for
36 the control of the funds created by this subtitle. Such rules and
37 regulations shall be consistent with those adopted by the other
38 pension funds within the Division of Pensions and Benefits in order
39 to permit the most economical and uniform administration of all
40 such retirement systems. The committees shall adopt such
41 regulations as provided in subsection b. of this section.

42 (2) The membership of the board shall consist of the following:

43 a. Two trustees appointed by the Governor, with the advice and
44 consent of the Senate, who shall serve for a term of office of three
45 years and until their successors are appointed, who shall be private
46 citizens of the State of New Jersey and who are neither an officer
47 thereof nor active or retired members of the system. Of the two
48 trustees initially appointed by the Governor pursuant to P.L.1992,

1 c.41 (C.43:6A-33.1 et al.), one shall be appointed for a term of two
2 years and one for a term of three years.

3 b. The State Treasurer or the Deputy State Treasurer, when
4 designated for that purpose by the State Treasurer.

5 c. Three trustees elected for a term of three years by the
6 member employees of the State from among the active or retired
7 State members of the retirement system in a manner prescribed by
8 the board of trustees.

9 d. One trustee elected for a term of three years by the member
10 employees of counties from among the active or retired county
11 members of the retirement system and the same method of holding
12 an election from time to time used for the State employees'
13 representatives shall be followed in elections held for county
14 representatives.

15 e. Two trustees elected for a term of three years by the member
16 employees of municipalities from among the active or retired
17 municipal members of the retirement system and the same method
18 of holding an election from time to time used for the State
19 employees' representatives shall be followed in elections held for
20 municipal representatives.

21 (3) A vacancy occurring in the board of trustees shall be filled
22 by the appointment or election of a successor in the same manner as
23 his predecessor.

24 Each member of the board shall, upon appointment or election,
25 take an oath of office that, so far as it devolves upon him, he will
26 diligently and honestly administer the board's affairs, and that he
27 will not knowingly violate or willfully permit to be violated any
28 provision of law applicable to this act. The oath shall be subscribed
29 to by the member making it, certified by the officer before whom it
30 is taken and filed immediately in the office of the Secretary of
31 State.

32 Each trustee shall be entitled to one vote in the board and a
33 majority of all the votes of the entire board shall be necessary for a
34 decision by the board of trustees at a meeting of the board. The
35 board shall keep a record of all its proceedings, which shall be open
36 to public inspection.

37 The members of the board shall serve without compensation but
38 shall be reimbursed for any necessary expenditures. No employee
39 shall suffer loss of salary or wages through the serving on the
40 board.

41 (4) The State Treasurer shall designate a medical board after
42 consultation with the Director of the Division of Pensions and
43 Benefits, subject to veto by the board of trustees for valid reason. It
44 shall be composed of three physicians who are not eligible to
45 participate in the retirement system. The medical board shall pass
46 upon all medical examinations required under the provisions of this
47 act, shall investigate all essential statements and certificates by or
48 on behalf of a member in connection with an application for

1 disability retirement, and shall report in writing to the retirement
2 system its conclusions and recommendations upon all matters
3 referred to it.

4 b. There are established two committees, to be composed of
5 eight members each as follows, one for the State employees part of
6 the retirement system and one for the part of the retirement system
7 with employees of employers other than the State.

8 Each committee shall have four members who shall be appointed
9 by the Governor as representatives of public employers whose
10 employees are enrolled in the retirement system, and four members
11 who shall be appointed by the Public Employee Committee of the
12 AFL-CIO with the four appointments to be allocated among the
13 unions representing members of the retirement system having union
14 membership in a manner that results in the unions representing a
15 greater number of members receiving more appointments than the
16 unions representing fewer members. The members of the
17 committees shall not be appointed until that part of the system
18 attains the target funded ratio.

19 The members of each committees shall serve for a term of three
20 years and until a successor is appointed and qualified. For each
21 committee, of the initial appointments by the Governor, two
22 members shall serve for two years and until a successor is appointed
23 and qualified, and one shall serve for one year and until a successor
24 is appointed and qualified. For each committee, of the initial
25 appointments by the Public Employee Committee of the AFL-CIO,
26 one member shall serve for two years and until a successor is
27 appointed and qualified, and one shall serve for one year and until a
28 successor is appointed and qualified.

29 For each committee, the members of the committee shall select a
30 chairperson from among the members, who shall serve for a term of
31 one year, with no member serving more than one term until all the
32 members of that committee have served a term in a manner
33 alternating among the employer representatives and employee
34 representatives, unless the committee determines otherwise with
35 regard to this process.

36 The provisions of paragraph (3) of subsection a. of this section,
37 and section 36 of P.L.1954, c.84 (C.43:15A-36), shall apply to each
38 committee and its members, as appropriate.

39 Upon the convening of any meeting of a committee, the members
40 shall consider a motion to assume the authority provided in this
41 subsection and shall proceed only if a majority of the members of
42 the committee vote in the affirmative on that motion.

43 Each committee may contract with such actuaries or consultants,
44 or both, in accordance with the provisions of P.L.1954, c.48
45 (C.52:34-6 et seq.), as the committee may deem necessary to
46 perform its duties, when that part of the system has met the target
47 funded ratio.

1 When a part of the system has attained the target funded ratio as
2 defined in section 27 of P.L. , c. (C.) (pending before the
3 Legislature as this bill), the committee for that part shall have the
4 discretionary authority for that part to (1) modify the: member
5 contribution rate; formula for calculation of final compensation; the
6 fraction of compensation applied to service credited after the
7 modification; age at which a member may be eligible for and the
8 benefits for service or early retirement; and benefits provided for
9 disability retirement; and (2) activate the application of the
10 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for
11 retirees for the period that the part is at or above the target funded
12 ratio and modify the basis for the calculation of the adjustment and
13 set the duration and extent of the activation. A committee shall give
14 priority consideration to subparagraph (2) of this paragraph. A
15 committee shall not have the authority to change the years of
16 creditable service required for vesting.

17 Each committee may consider a matter described above and
18 render a decision notwithstanding that the provisions of the
19 statutory law may set forth a specific requirement on that matter.

20 Each committee may consider a matter described above and
21 render a decision notwithstanding that the provisions of the
22 statutory law do not set forth a specific requirement on the
23 considered aspect of that matter or address that matter at all.

24 The members of each committee shall have the same duty and
25 responsibility to the retirement system as do the members of the
26 board of trustees. No decision of a committee shall be implemented
27 if the direct or indirect result of the decision will be that the funded
28 ratio of that part falls below the target funded ratio in any valuation
29 period during the 30 years following the implementation of the
30 decision. The actuary of the fund shall make a determination of the
31 result in that regard and submit that determination in a written
32 report to the committee and the board prior to the implementation of
33 the decision.

34 If any matter before a committee receives at least five votes in
35 the affirmative, the board of trustees shall approve and implement
36 the committee's decision.

37 If any matter regarding benefits before a committee receives four
38 votes in the affirmative and four votes in the negative or a
39 committee otherwise reaches an impasse on a decision, the
40 provisions of section 33 of P.L. , c. (C.) (pending before the
41 Legislature as this bill) shall be followed.

42 A final action of the committee shall be made by the adoption of
43 a regulation that shall identify the modifications to the system by
44 reference to statutory section. The regulations shall also specify the
45 effective date of the modification and the system members,
46 including beneficiaries and retirees, to whom the modification
47 applies. Regulations of the committee are considered to be part of
48 the plan document for the system. A regulation adopted by the

1 committee may be modified by regulation in order to comply with
2 the requirements of this section.

3 c. No member of the board, committee, employee of the board,
4 or employee of the Division of Pensions and Benefits in the
5 Department of the Treasury shall accept from any person, whether
6 directly or indirectly and whether by himself or through his spouse
7 or any member of his family, or through any partner or associate,
8 any gift, favor, service, employment or offer of employment, or any
9 other thing of value, including contributions to the campaign of a
10 member or employee as a candidate for elective public office,
11 which he knows or has reason to believe is offered to him with
12 intent to influence him in the performance of his public duties and
13 responsibilities. As used in this subsection, "person" means an (1)
14 individual or business entity, or officer or employee of such an
15 entity, who is seeking, or who holds, or who held within the prior
16 three years, a contract with the board; (2) an active or retired
17 member, or beneficiary, of the retirement system; or (3) an entity,
18 or officer or employee of such an entity, in which the assets of the
19 retirement system have been invested. A board or committee
20 member or employee violating this prohibition shall be guilty of a
21 crime of the third degree.

22 (cf: P.L.1992, c.41, s.13)

23

24 4. Section 13 of P.L.1944, c.255 (C.43:16A-13) is amended to
25 read as follows:

26 13. a. (1) Subject to the provisions of P.L.1955, c.70 (C.52:18A-
27 95 et seq.), the general responsibility for the proper operation of the
28 retirement system is hereby vested in a board of trustees, and, as
29 specified, the committees established pursuant to subsection b. of
30 this section.

31 (2) The board shall consist of 11 trustees as follows:

32 (a) Five members to be appointed by the Governor, with the
33 advice and consent of the Senate, who shall serve for a term of
34 office of four years and until their successors are appointed and
35 who shall be private citizens of the State of New Jersey who are
36 neither an officer thereof nor an active or retired member of any
37 police or fire department thereof. Of the four members initially
38 appointed by the Governor pursuant to P.L.1992, c.125 (C.43:4B-1
39 et al.), one shall be appointed for a term of one year, one for a term
40 of two years, one for a term of three years, and one for a term of
41 four years. The member appointed by the Governor pursuant to the
42 provisions of this amendatory act, P.L.1995, c.238, shall for a term
43 of four years and until a successor is appointed.

44 (b) The State Treasurer or the deputy State Treasurer, when
45 designated for that purpose by the State Treasurer.

46 (c) Two policemen and two firemen who shall be active
47 members of the system and who shall be elected by the active
48 members of the system for a term of four years according to such

1 rules and regulations as the board of trustees shall adopt to govern
2 such election.

3 (d) One retiree from the system who shall be elected by retirees
4 from the system for a term of four years according to such rules and
5 regulations as the board of trustees shall adopt to govern the
6 election.

7 (3) Each trustee shall, after his appointment or election, take an
8 oath of office that, so far as it devolves upon him he will diligently
9 and honestly fulfill his duties as a board member, and that he will
10 not knowingly violate or willingly permit to be violated any of the
11 provisions of the law applicable to the retirement system. Such oath
12 shall be subscribed by the member making it, and certified by the
13 officer before whom it is taken, and immediately filed in the office
14 of the Secretary of State.

15 (4) If a vacancy occurs in the office of a trustee, the vacancy
16 shall be filled in the same manner as the office was previously
17 filled.

18 (5) The trustees shall serve without compensation, but they shall
19 be reimbursed for all necessary expenses that they may incur
20 through service on the board.

21 (6) Each trustee shall be entitled to one vote in the board. Six
22 trustees must be present at any meeting of said board for the
23 transaction of its business.

24 (7) Subject to the limitations of this act, the board of trustees
25 shall annually establish rules and regulations for the administration
26 of the funds created by this act and for the transaction of **[its]** the
27 board's and committees' business. Such rules and regulations shall
28 be consistent with those adopted by the other pension funds within
29 the Division of Pensions and Benefits in order to permit the most
30 economical and uniform administration of all such retirement
31 systems. The committees shall adopt such regulations as provided
32 in subsection b. of this section.

33 (8) The board of trustees shall elect from its membership a
34 chairman. The Director of the Division of Pensions and Benefits
35 shall appoint a qualified employee of the division to be secretary of
36 the board. The administration of the program shall be performed by
37 the personnel of the Division of Pensions and Benefits.

38 (9) The board of trustees shall keep a record of all of its
39 proceedings which shall be open to public inspection. The
40 retirement system shall publish annually a report showing the fiscal
41 transactions of the retirement system for the preceding year, the
42 amount of the accumulated cash and securities of the system, and
43 the last balance sheet showing the financial condition of the system
44 by means of an actuarial valuation of the assets and liabilities of the
45 retirement system.

46 (10) The Attorney General of the State of New Jersey shall be
47 the legal adviser of the retirement system, except that if the
48 Attorney General determines that a conflict of interest would affect

1 the ability of the Attorney General to represent the board or the
2 committees on a matter affecting the retirement system, the board
3 may select and employ legal counsel to advise and represent the
4 board or the committees on that matter.

5 (11) The State Treasurer shall designate a medical board after
6 consultation with the Director of the Division of Pensions and
7 Benefits, subject to veto by the board of trustees for valid reason. It
8 shall be composed of three physicians who are not eligible to
9 participate in the retirement system. The medical board shall pass
10 upon all medical examinations required under the provisions of this
11 act, shall investigate all essential statements and certificates by or
12 on behalf of a member in connection with an application for
13 disability retirement, and shall report in writing to the retirement
14 system its conclusions and recommendations upon all matters
15 referred to it.

16 (12) The actuary of the system shall be selected by the
17 Retirement Systems Actuary Selection Committee established by
18 P.L.1992, c.125. He shall be the technical adviser of the board of
19 trustees and the committees on matters regarding the operation of
20 the funds created by the provisions of this act, and shall perform
21 such other duties as are required in connection therewith.

22 (13) At least once in each three-year period the actuary shall
23 make an actuarial investigation into the mortality, service and
24 compensation experience of the members and beneficiaries of the
25 retirement system and, with the advice of the actuary, the board of
26 trustees shall adopt for the retirement system such mortality, service
27 and other tables as shall be deemed necessary and shall certify the
28 rates of contribution payable under the provisions of this act.

29 (14) (Deleted by amendment, P.L.1970, c.57.)

30 (15) On the basis of such tables recommended by the actuary as
31 the board of trustees shall adopt and regular interest, the actuary
32 shall make an annual valuation of the assets and liability of the
33 funds of the system created by this act.

34 (16) (Deleted by amendment, P.L.1987, c.330.)

35 (17) Each policeman or fireman member of the board of trustees
36 or the committees shall be entitled to time off from his duty, with
37 pay, during the periods of his attendance upon regular or special
38 meetings of the board of trustees or the committees, and such time
39 off shall include reasonable travel time required in connection
40 therewith.

41 b. There are established two committees, to be composed of 10
42 members each as follows, one for the State employees part of the
43 retirement system and one for the part of the retirement system with
44 employees of employers other than the State.

45 Each committee shall have five members who shall be appointed
46 by the Governor as representatives of public employers whose
47 employees are enrolled in the retirement system, two members who
48 shall be appointed by the head of the union representing the greatest

1 number of police officer members of the retirement system having
2 union membership, one member who shall be appointed by the head
3 of the union representing the second greatest number of police
4 officer members of the retirement system having union
5 membership, one member who shall be appointed by the head of the
6 union representing the greatest number of firefighter members of
7 the retirement system having union membership, and one member
8 who shall be appointed by the head of the union representing the
9 second greatest number of firefighter members of the retirement
10 system having union membership. The members of the committees
11 shall not be appointed until that part of the system attains the target
12 funded ratio.

13 The members of each committee shall serve for a term of three
14 years and until a successor is appointed and qualified. For each
15 committee, of the initial appointments by the Governor, two
16 members shall serve for two years and until a successor is appointed
17 and qualified, and two shall serve for one year and until a successor
18 is appointed and qualified. For each committee, of the initial
19 appointments by the head of the union representing the greatest
20 number of police officer members of the retirement system, the
21 members shall serve for two years and until a successor is appointed
22 and qualified. For each committee, of the initial appointment by the
23 head the union representing the greatest number of firefighter
24 members of the retirement system, the member shall serve for one
25 year and until a successor is appointed and qualified.

26 For each committee, the members of the committee shall select a
27 chairperson from among the members, who shall serve for a term of
28 one year, with no member serving more than one term until all the
29 members of the committee have served a term in an manner
30 alternating among the employer representatives and employee
31 representatives, unless the committee determines otherwise with
32 regard to this process.

33 The provisions of paragraphs (3) through (6), inclusive, and (17)
34 of subsection a. of this section, and subsection (4) of section 14 of
35 P.L.1944, c.255 (C.43:16A-14), shall apply to the committee and its
36 members, as appropriate. The committee shall keep a record of all
37 of its proceedings which shall be open to public inspection.

38 Upon the convening of any meeting of a committee, the members
39 shall consider a motion to assume the authority provided in this
40 subsection and shall proceed only if a majority of the members of
41 the committee vote in the affirmative on that motion.

42 Each committee may contract with such actuaries or consultants,
43 or both, in accordance with the provisions of P.L.1954, c.48
44 (C.52:34-6 et seq.), as the committee may deem necessary to
45 perform its duties, when that part of the system has attained the
46 target funded ratio.

47 When a part of the system, has attained the target funded ratio as
48 defined in section 27 of P.L. , c. (C.) (pending before the

1 Legislature as this bill), the committee for that part shall have the
2 discretionary authority for that part to (1) modify the: member
3 contribution rate; formula for calculation of final compensation; age
4 at which a member may be eligible for and the benefits for service
5 or special retirement; and benefits provided for disability
6 retirement; and (2) activate the application of the "Pension
7 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees
8 for the period that the part is at or above the target funded ratio and
9 modify the basis for the calculation of the adjustment and set the
10 duration and extent of the activation. A committee shall give
11 priority consideration to subparagraph (2) of this paragraph. A
12 committee shall not have the authority to change the years of
13 creditable service required for vesting.

14 Each committee may consider a matter described above and
15 render a decision notwithstanding that the provisions of the
16 statutory law may set forth a specific requirement on that matter.

17 Each committee may consider a matter described above and
18 render a decision notwithstanding that the provisions of the
19 statutory law do not set forth a specific requirement on the
20 considered aspect of that matter or address that matter at all.

21 The members of each committee shall have the same duty and
22 responsibility to the retirement system as do the members of the
23 board of trustees. No decision of a committee shall be implemented
24 if the direct or indirect result of the decision will be that the funded
25 ratio of that part falls below the target funded ratio in any valuation
26 period during the 30 years following the implementation of the
27 decision. The actuary of the system shall make a determination of
28 the result in that regard and submit that determination in a written
29 report to the committee and the board prior to the implementation of
30 the decision.

31 If any matter before a committee receives at least six votes in the
32 affirmative, the board of trustees shall approve and implement the
33 committee's decision.

34 If any matter regarding benefits before a committee receives five
35 votes in the affirmative and five votes in the negative or the
36 committee otherwise reaches an impasse on a decision, the
37 provisions of section 33 of P.L. , c. (C.) (pending before the
38 Legislature as this bill) shall be followed.

39 A final action of the committee shall be made by the adoption of
40 a regulation that shall identify the modifications to the system by
41 reference to statutory section. The regulations shall also specify the
42 effective date of the modification and the system members,
43 including beneficiaries and retirees, to whom the modification
44 applies. Regulations of the committee are considered to be part of
45 the plan document for the system. A regulation adopted by the
46 committee may be modified by regulation in order to comply with
47 the requirements of this section.

1 c. No member of the board, committee, employee of the board,
2 or employee of the Division of Pensions and Benefits in the
3 Department of the Treasury shall accept from any person, whether
4 directly or indirectly and whether by himself or through his spouse
5 or any member of his family, or through any partner or associate,
6 any gift, favor, service, employment or offer of employment, or any
7 other thing of value, including contributions to the campaign of a
8 member or employee as a candidate for elective public office,
9 which he knows or has reason to believe is offered to him with
10 intent to influence him in the performance of his public duties and
11 responsibilities. As used in this subsection, "person" means an (1)
12 individual or business entity, or officer or employee of such an
13 entity, who is seeking, or who holds, or who held within the prior
14 three years, a contract with the board; (2) an active or retired
15 member, or beneficiary, of the retirement system; or (3) an entity,
16 or officer or employee of such an entity, in which the assets of the
17 retirement system have been invested. A board or committee
18 member or employee violating this prohibition shall be guilty of a
19 crime of the third degree.

20 (cf: P.L.1995, c.238, s.1)

21

22 5. Section 30 of P.L.1965, c.89 (C.53:5A-30) is amended to
23 read as follows:

24 30. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95
25 et seq.), the general responsibility for the proper operation of the
26 retirement system is hereby vested in the board of trustees, and, as
27 specified, the committee established pursuant to subsection o. of
28 this section.

29 b. The board shall consist of five trustees as follows:

30 (1) Two active or retired members of the system who shall be
31 appointed by the Superintendent of State Police, who shall serve at
32 the pleasure of the superintendent and until their successors are
33 appointed and one of whom shall be or shall have been a
34 commissioned officer of the Division of State Police.

35 (2) Two members to be appointed by the Governor, with the
36 advice and consent of the Senate, who shall serve for a term of
37 office of three years and until their successors are appointed and
38 who shall be private citizens of the State of New Jersey who are
39 neither an officer thereof nor active or retired members of the
40 system. Of the two members initially appointed by the Governor
41 pursuant to P.L.1992, c.125 (C.43:4B-1 et al.), one shall be
42 appointed for a term of two years and one for a term of three years.

43 (3) The State Treasurer ex officio. The Deputy State Treasurer,
44 when designated for that purpose by the State Treasurer, may sit as
45 a member of the board of trustees and when so sitting shall have all
46 the powers and shall perform all the duties vested by this act in the
47 State Treasurer.

1 c. Each trustee shall, after his appointment, take an oath of
2 office that, so far as it devolves upon him, he will diligently and
3 honestly fulfill his duties as a board member, that he will not
4 knowingly violate or permit to be violated any of the provisions of
5 the law applicable to the retirement system. Such oath shall be
6 subscribed by the member taking it, and certified by the official
7 before whom it is taken, and immediately filed in the office of the
8 Secretary of State.

9 d. If a vacancy occurs in the office of a trustee, the vacancy
10 shall be filled in the same manner as the office was previously
11 filled.

12 e. The trustees shall serve without compensation, but they shall
13 be reimbursed by the State for all necessary expenses that they may
14 incur through service on the board. No employee member shall
15 suffer loss of salary through the serving on the board.

16 f. Except as otherwise herein provided, no member of the
17 board of trustees shall have any direct interest in the gains or profits
18 of any investments of the retirement system; nor shall any member
19 of the board of trustees directly or indirectly, for himself or as an
20 agent in any manner use the moneys of the retirement system,
21 except to make such current and necessary payments as are
22 authorized by the board of trustees; nor shall any member of the
23 board of trustees become an endorser or surety, or in any manner an
24 obligor for moneys loaned to or borrowed from the retirement
25 system.

26 g. Each trustee shall be entitled to one vote in the board. A
27 majority vote of all trustees shall be necessary for any decision by
28 the trustees at any meeting of said board.

29 h. Subject to the limitations of this act, the board of trustees
30 shall annually establish rules and regulations for the administration
31 of the funds created by this act and for the transactions of **[its]** the
32 board's and committee's business. Such rules and regulations shall
33 be consistent with those adopted by the other pension funds within
34 the Division of Pensions and Benefits in order to permit the most
35 economical and uniform administration of all such retirement
36 systems. The committee shall adopt such regulations as provided in
37 subsection o. of this section.

38 i. The actuary of the fund shall be selected by the Retirement
39 Systems Actuary Selection Committee established by P.L.1992,
40 c.125. He shall be the technical adviser of the board and the
41 committee on matters regarding the operation of the funds created
42 by the provisions of this act and shall perform such other duties as
43 are required in connection herewith.

44 j. The Attorney General shall be the legal adviser of the
45 retirement system, except that if the Attorney General determines
46 that a conflict of interest would affect the ability of the Attorney
47 General to represent the board or the committee on a matter
48 affecting the retirement system, the board may select and employ

1 legal counsel to advise and represent the board or the committee on
2 that matter.

3 k. The ~~Chief of the Bureau of Police and Fire Funds of the~~
4 Director of the Division of Pensions and Benefits of the State
5 Department of the Treasury shall appoint a qualified member of the
6 division who shall be the secretary of the board.

7 l. The board of trustees shall keep a record of all of its
8 proceedings which shall be open to public inspection. The
9 retirement system shall publish annually a report showing the fiscal
10 transactions of the retirement system for the preceding year, the
11 amount of the accumulated cash and securities of the system and the
12 last balance sheet showing the financial condition of the system by
13 means of an actuarial valuation of the assets and liabilities of the
14 retirement system.

15 m. The State Treasurer shall designate a medical board after
16 consultation with the Director of the Division of Pensions and
17 Benefits, subject to veto by the board of trustees for valid reason. It
18 shall be composed of three physicians. The medical board shall
19 pass on all medical examinations required under the provisions of
20 this act, and shall report in writing to the retirement system its
21 conclusions and recommendations upon all matters referred to it.

22 n. (Deleted by amendment, P.L.1987, c.330).

23 o. There is established a committee to be composed of eight
24 members, four of whom shall be appointed by the Governor as
25 representatives of the public employer whose employees are
26 enrolled in the retirement system, three of whom shall be appointed
27 by the head of the State Troopers Fraternal Association, and one of
28 whom shall be appointed by the head of the union representing the
29 greatest number of members of the retirement system who are
30 supervisory officers having union membership. The members of
31 the committee shall not be appointed until the system attains the
32 target funded ratio.

33 The members of the committee shall serve for a term of three
34 years and until a successor is appointed and qualified. Of the initial
35 appointments by the Governor, two members shall serve for two
36 years and until a successor is appointed and qualified, and one shall
37 serve for one year and until a successor is appointed and qualified.
38 Of the initial appointments by the State Troopers Fraternal
39 Association, one member shall serve for two years and until a
40 successor is appointed and qualified, and one shall serve for one
41 year and until a successor is appointed and qualified.

42 The members of the committee shall select a chairperson from
43 among the members, who shall serve for a term of one year, with no
44 member serving more than one term until all the members of the
45 committee have served a term in an manner alternating among the
46 employer representatives and employee representatives, unless the
47 committee determines otherwise with regard to this process.

1 The provisions of subsections c. through g., inclusive, of this
2 section shall apply to the committee and its members, as
3 appropriate. The committee shall keep a record of all of its
4 proceedings which shall be open to public inspection.

5 Upon the convening of any meeting of the committee, the
6 members shall consider a motion to assume the authority provided
7 in this subsection and shall proceed only if a majority of the
8 members of the committee vote in the affirmative on that motion.

9 The committee may contract with such actuaries or consultants,
10 or both, in accordance with the provisions of P.L.1954, c.48
11 (C.52:34-6 et seq.), as the committee may deem necessary to
12 perform its duties, when the system has attained the target funded
13 ratio.

14 When the retirement system has attained the target funded ratio
15 as defined in section 27 of P.L. , c. (C.) (pending before the
16 Legislature as this bill), the committee shall have the discretionary
17 authority for the system to (1) modify the: member contribution
18 rate; formula for calculation of final compensation or final salary;
19 age at which a member may be eligible for and the benefits for
20 service or special retirement; and benefits provided for disability
21 retirement; and (2) activate the application of the "Pension
22 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees
23 for the period that the system is at or above the target funded ratio
24 and modify the basis for the calculation of the adjustment and set
25 the duration and extent of the activation. The committee shall give
26 priority consideration to subparagraph (2) of this paragraph. The
27 committee shall not have the authority to change the years of
28 creditable service required for vesting.

29 The committee may consider a matter described above and
30 render a decision notwithstanding that the provisions of the
31 statutory law may set forth a specific requirement on that matter.

32 The committee may consider a matter described above and
33 render a decision notwithstanding that the provisions of the
34 statutory law do not set forth a specific requirement on the
35 considered aspect of that matter or address that matter at all.

36 The members of the committee shall have the same duty and
37 responsibility to the retirement system as do the members of the
38 board of trustees. No decision of the committee shall be
39 implemented if the direct or indirect result of the decision will be
40 that the system's funded ratio falls below the target funded ratio in
41 any valuation period during the 30 years following the
42 implementation of the decision. The actuary of the fund shall make
43 a determination of the result in that regard and submit that
44 determination in a written report to the committee and the board
45 prior to the implementation of the decision.

46 If any matter before the committee receives at least five votes in
47 the affirmative, the board of trustees shall approve and implement
48 the committee's decision.

1 If any matter regarding benefits before the committee receives
2 four votes in the affirmative and four votes in the negative or the
3 committee otherwise reaches an impasse on a decision, the
4 provisions of section 33 of P.L. , c. (C.) (pending before the
5 Legislature as this bill) shall be followed.

6 A final action of the committee shall be made by the adoption of
7 a regulation that shall identify the modifications to the system by
8 reference to statutory section. The regulations shall also specify the
9 effective date of the modification and the system members,
10 including beneficiaries and retirees, to whom the modification
11 applies. Regulations of the committee are considered to be part of
12 the plan document for the system. A regulation adopted by the
13 committee may be modified by regulation in order to comply with
14 the requirements of this section.

15 p. No member of the board, committee, employee of the board,
16 or employee of the Division of Pensions and Benefits in the
17 Department of the Treasury shall accept from any person, whether
18 directly or indirectly and whether by himself or through his spouse
19 or any member of his family, or through any partner or associate,
20 any gift, favor, service, employment or offer of employment, or any
21 other thing of value, including contributions to the campaign of a
22 member or employee as a candidate for elective public office,
23 which he knows or has reason to believe is offered to him with
24 intent to influence him in the performance of his public duties and
25 responsibilities. As used in this subsection, "person" means an (1)
26 individual or business entity, or officer or employee of such an
27 entity, who is seeking, or who holds, or who held within the prior
28 three years, a contract with the board; (2) an active or retired
29 member, or beneficiary, of the retirement system; or (3) an entity,
30 or officer or employee of such an entity, in which the assets of the
31 retirement system have been invested. A board or committee
32 member or employee violating this prohibition shall be guilty of a
33 crime of the third degree.

34 (cf: P.L.1992, c.125, s.17)

35
36 6. N.J.S.18A:66-57 is amended to read as follows:

37 18A:66-57. The board shall elect annually from its membership
38 a chairman and may also elect a vice chairman, who shall have all
39 the power and authority of the chairman in the event of the death,
40 absence or disability of the chairman. The actuary of the fund shall
41 be selected by the Retirement Systems Actuary Selection
42 Committee established by P.L.1992, c.125.

43 The actuary shall be the technical adviser of the board and the
44 committee on matters regarding the operation of the funds created
45 by the provisions of this article and shall perform such other duties
46 as are required in connection therewith.

47 The Attorney General shall be the legal adviser of the retirement
48 system, except that if the Attorney General determines that a

1 conflict of interest would affect the ability of the Attorney General
2 to represent the board or the committee on a matter affecting the
3 retirement system, the board may select and employ legal counsel to
4 advise and represent the board or the committee on that matter.

5 The chief or assistant chief of the office of secretarial services of
6 the Division of Pensions and Benefits of the State Department of
7 the Treasury, shall be the secretary of the board. The chief and
8 assistant chief of the office of secretarial services shall be in the
9 competitive division of the State classified service. The secretary
10 presently in office shall hold the position as chief of the office of
11 secretarial services subject to all of the provisions of Title 11 of the
12 Revised Statutes and shall not be removed from said office except
13 in the manner provided under the provisions of said title relating to
14 permanent employees in the competitive division of the State
15 classified service. The board of trustees shall select its secretary
16 from among the eligible candidates.

17 (cf: P.L.1992, c.125, s.3)

18

19 7. Section 18 of P.L.1954, c.84 (C.43:15A-18) is amended to
20 read as follows:

21 18. The board shall elect annually from its membership a
22 chairman and may also elect a vice-chairman, who shall have all the
23 power and authority of the chairman in the event of the death,
24 absence or disability of the chairman.

25 The actuary of the fund shall be selected by the Retirement
26 Systems Actuary Selection Committee established by P.L.1992,
27 c.125.

28 The actuary shall be the technical adviser of the board and the
29 committees on matters regarding the operation of the funds created
30 by the provisions of this act and shall perform such other duties as
31 are required in connection therewith.

32 The Attorney General shall be the legal adviser of the retirement
33 system, except that if the Attorney General determines that a
34 conflict of interest would affect the ability of the Attorney General
35 to represent the board or the committees on a matter affecting the
36 retirement system, the board may select and employ legal counsel to
37 advise and represent the board or the committees on that matter.

38 The chief or assistant chief of the office of secretarial services of
39 the Division of Pensions and Benefits of the State Department of
40 the Treasury shall be the secretary of the board. The chief and
41 assistant chief of the office of secretarial services shall be in the
42 competitive division of the State classified service. The secretary
43 presently in office shall hold the position as assistant chief of the
44 office of secretarial services subject to all of the provisions of Title
45 11 of the Revised Statutes and shall not be removed from said
46 office except in the manner provided under the provisions of said
47 Title relating to permanent employees in the competitive division of

1 the State classified service. The board of trustees shall select its
2 secretary from among the eligible candidates.

3 (cf: P.L.1992, c.125, s.8)

4

5 8. N.J.S.18A:66-29 is amended to read as follows:

6 18A:66-29. Members enrolled in the retirement system on or
7 after July 1, 1994 shall contribute 5% of compensation to the
8 system. Members enrolled in the system prior to July 1, 1994 shall
9 contribute 5% of compensation to the system effective with the
10 payroll period for which the beginning date is closest to July 1,
11 1995, provided, however, that any member enrolled before July 1,
12 1994, whose full contribution rate under the system prior to the
13 revisions by this act was less than 6%, shall pay 4% of
14 compensation to the system effective with the payroll period for
15 which the beginning date is closest to July 1, 1995, and 5% of
16 compensation to the system effective with the payroll period for
17 which the beginning date is closest to July 1, 1996.

18 Members enrolled in the retirement system on or after July 1,
19 2007 shall contribute 5.5% of compensation to the system.
20 Members enrolled in the system prior to July 1, 2007 shall
21 contribute 5.5% of compensation to the system effective with the
22 payroll period for which the beginning date is closest to July 1,
23 2007.

24 Members of the retirement system shall contribute 6.5% of
25 compensation to the system on and after the effective date of P.L. ,
26 c. (pending before the Legislature as this bill), with an additional
27 contribution of 1% to be phased-in in equal increments over a
28 period of seven years commencing with the first year following that
29 effective date.

30 (cf: P.L.2007, c.103, s.1)

31

32 9. Section 26 of P.L.1981, c.470 (C.43:6A-34.1) is amended to
33 read as follows:

34 26. a. The annuity savings fund shall be the fund to which shall
35 be credited aggregate contributions made by members or on their
36 behalf to provide for their allowances. The aggregate contributions
37 of a member withdrawn by him or paid to his estate or his
38 designated beneficiary in the event of death as provided by this
39 amendatory and supplementary act shall be paid from the annuity
40 savings fund. Upon the retirement of a member where the aggregate
41 contributions of the member are to be provided in the form of an
42 annuity, the aggregate contributions of the member shall be
43 transferred from the annuity savings fund to the retirement reserve
44 fund.

45 b. There shall be deducted from the payroll of each member of
46 the system 3% of the amount of any difference between the salary
47 on or after January 19, 1982 for any judicial position held by the
48 member and the salary for that position on January 18, 1982, except

1 that there shall be deducted from the payroll of each new member
2 initially enrolled on or after January 1, 1996, in the retirement
3 system, 3% of the salary for the judicial position held by the
4 member. There shall be deducted from the payroll of each member
5 of the system on and after the effective date of P.L. , c. (pending
6 before the Legislature as this bill) an additional 9% of the salary for
7 the judicial position held by the member phased-in in equal
8 increments over a period of seven years.

9 Every judge of the several courts to whom this amendatory and
10 supplementary act applies shall be deemed to consent and agree to
11 any deduction from his compensation required by this act and to all
12 other provisions of this act. Notwithstanding any other law, rule or
13 regulation affecting the salary, pay, compensation, other
14 perquisites, or tenure of person to whom this amendatory and
15 supplementary act applies, or shall apply, and notwithstanding that
16 the minimum salary, pay, or compensation or other perquisites
17 provided by law for him shall be reduced thereby, payment, less
18 such deductions, shall be a full and complete discharge and
19 acquittance of all claims and demands for service rendered by him
20 during the period covered by such payment.

21 (cf: P.L.1995, c.424, s.4)

22
23 10. Section 25 of P.L.1954, c.84 (C.43:15A-25) is amended to
24 read as follows:

25 25. a. The annuity savings fund shall be the fund in which shall
26 be credited accumulated deductions and contributions by members
27 or on their behalf to provide for their allowances. A single account
28 shall be established in this fund for each person who is or shall
29 become a member and all contributions deducted from each such
30 member's compensation shall be credited to this single account.

31 b. (1) Members enrolled in the retirement system on or after
32 July 1, 1994 shall contribute 5% of compensation to the system.
33 Members enrolled in the system prior to July 1, 1994 shall
34 contribute 5% of compensation to the system effective with the
35 payroll period for which the beginning date is closest to July 1,
36 1995, provided, however, that any member enrolled before July 1,
37 1994, whose full contribution rate under the system prior to the
38 revisions by this act was less than 6%, shall pay 4% of
39 compensation to the system effective with the payroll period for
40 which the beginning date is closest to July 1, 1995, and 5% of
41 compensation to the system effective with the payroll period for
42 which the beginning date is closest to July 1, 1996.

43 (2) Members enrolled in the retirement system on or after July
44 1, 2007 who are:

45 employees of the State, other than employees of the Judicial
46 Branch;

47 employees of an independent State authority, board, commission,
48 corporation, agency or organization;

1 employees of a local school district, regional school district,
2 county vocational school district, county special services school
3 district, jointure commission, educational services commission,
4 State-operated school district, charter school, county college, any
5 officer, board, or commission under the authority of the
6 Commissioner of Education or of the State Board of Education, and
7 any other public entity which is established pursuant to authority
8 provided by Title 18A of the New Jersey Statutes; or

9 employees of a State public institution of higher education, other
10 than employees of the University of Medicine and Dentistry of New
11 Jersey shall contribute 5.5% of compensation to the system, and all
12 such members described above enrolled in the system prior to July
13 1, 2007 shall contribute 5.5% of compensation to the system
14 effective with the payroll period for which the beginning date is
15 closest to July 1, 2007.

16 Members enrolled in the retirement system on or after July 1,
17 2008, other than those described in the paragraph above, shall
18 contribute 5.5% of compensation to the system. Members enrolled
19 in the system prior to July 1, 2008, other than those described in the
20 paragraph above, shall contribute 5.5% of compensation to the
21 system effective with the payroll period that begins immediately
22 after July 1, 2008.

23 (3) Members of the retirement system shall contribute 6.5% of
24 compensation to the system on and after the effective date of P.L. ,
25 c. (pending before the Legislature as this bill), with an additional
26 contribution of 1% to be phased-in in equal increments over a
27 period of seven years commencing with the first year following that
28 effective date.

29 c. The retirement system shall certify to each State department
30 or subdivision thereof, and to each branch of the State service not
31 included in a State department, and to every other employer, the
32 proportion of each member's compensation to be deducted and to
33 facilitate the making of deductions the retirement system may
34 modify the deduction required by a member by such an amount as
35 shall not exceed 1/10 of 1% of the compensation upon the basis of
36 which the deduction is to be made.

37 If payment in full, representing the monthly or biweekly
38 transmittal and report of salary deductions, is not made within 15
39 days of the due date established by the retirement system, interest at
40 the rate of 6% per annum shall commence to run against the total
41 transmittal of salary deductions for the period on the first day after
42 such fifteenth day.

43 d. Every employee to whom this act applies shall be deemed to
44 consent and agree to any deduction from his compensation required
45 by this act and to all other provisions of this act. Notwithstanding
46 any other law, rule or regulation affecting the salary, pay,
47 compensation, other perquisites, or tenure of a person to whom this
48 act applies, or shall apply, and notwithstanding that the minimum

1 salary, pay, or compensation or other perquisites provided by law
2 for him shall be reduced thereby, payment, less such deductions,
3 shall be a full and complete discharge and acquittance of all claims
4 and demands for service rendered by him during the period covered
5 by such payment.

6 (cf: P.L.2010, c.1, s.26)

7

8 11. Section 8 of P.L.1955, c.257 (C.43:15A-104) is amended to
9 read as follows:

10 8. The percentage contribution rate of each member who is a
11 law enforcement officer shall be fixed according to his age at the
12 time of becoming a permanent and full-time employee of the State
13 and shall be 1/2 of the total percentage contribution rate calculated
14 for such age by the actuary of the board of trustees to be required
15 to provide all benefits of service retirement, ordinary disability
16 retirement, and termination of service benefits provided by this act
17 and the act to which this act is a supplement. In the event that a
18 member ceases to hold a position as a law enforcement officer
19 although continuing his employment in a position covered by the
20 Public Employees' Retirement System, his rate of contribution shall
21 be fixed in accordance with the rates applicable at that time to
22 persons becoming members who are not law enforcement officers,
23 except that his age at the time of becoming a permanent full-time
24 employee of the State shall be used in determining his rate of
25 contribution. Members of the retirement system shall contribute
26 6.5% of compensation to the system on and after the effective date
27 of P.L. , c. (pending before the Legislature as this bill), with an
28 additional contribution of 1% to be phased-in in equal increments
29 over a period of seven years commencing with the first year
30 following that effective date.

31 (cf: P.L.1956, c.55, s.4)

32

33 12. Section 2 of P.L.1972, c.167 (C.43:15A-136) is amended to
34 read as follows:

35 2. Notwithstanding the provisions of section 25 of P.L.1954,
36 c.84 (C.43:15A-25), (a) a separate account shall be established in
37 the annuity savings fund for each member of the Legislature and all
38 contributions based on legislative salaries shall be credited to this
39 account as distinguished from any other account that the legislator
40 may have as a result of other public service covered by the
41 retirement system; and (b) the member of the Legislature shall
42 contribute at a rate equal to 5% of his legislative salary, which
43 contribution shall be deducted from his salary at the time or times it
44 is paid, and which shall be exclusive of any other contribution
45 required of the member for Social Security, contributory death
46 benefits or deductions for any other purpose. The contribution rate
47 shall be 5.5% of the member's legislative salary beginning July 1,
48 2007. The contribution rate shall be 6.5% of the member's

1 legislative salary on and after the effective date of P.L. ,
2 c. (pending before the Legislature as this bill), with an additional
3 contribution of 1% to be phased-in in equal increments over a
4 period of seven years commencing with the first year following that
5 effective date.

6 A member of the Legislature who is enrolled on the basis of
7 other public service before, during, or after his service as a member
8 of the Legislature shall contribute for such other service at the rate
9 of contribution required of other members as provided by section
10 25.

11 (cf: P.L.2007, c.103, s.3)

12

13 13. Section 3 of P.L.2001, c.259 (C.43:15A-144) is amended to
14 read as follows:

15 3. a. Notwithstanding the provisions of section 25 of P.L.1954,
16 c.84 (C.43:15A-25) to the contrary, a separate account shall be
17 established in the annuity savings fund for each workers
18 compensation judge and all contributions based on the judge's
19 salary shall be credited to this account. This account shall be
20 separate from any other account that the member may have as a
21 result of other public service covered by the retirement system.

22 b. A workers compensation judge shall contribute at a rate
23 equal to 5% of the judge's salary, which contribution shall be
24 deducted from the salary at the time or times it is paid, and which
25 shall be exclusive of any other contribution required of the member
26 for Social Security, contributory death benefits or deductions for
27 any other purpose. The contribution rate shall be 5.5% of the
28 judge's salary effective with the payroll period for which the
29 beginning date is closest to July 1, 2007. The contribution rate
30 shall be 6.5% of the judge's salary on and after the effective date of
31 P.L. , c. (pending before the Legislature as this bill), with an
32 additional contribution of 1% to be phased-in in equal increments
33 over a period of seven years commencing with the first year
34 following that effective date.

35 c. A workers compensation judge who is enrolled on the basis
36 of other public service before, during, or after service as a judge of
37 compensation shall contribute for such other service at the rate of
38 contribution required of other members as provided by section 25.

39 (cf: P.L.2007, c.103, s.5)

40

41 14. Section 3 of P.L.2001, c.366 (C.43:15A-157) is amended to
42 read as follows:

43 3. a. Notwithstanding the provisions of section 25 of P.L.1954,
44 c.84 (C.43:15A-25) to the contrary, a separate account shall be
45 established in the annuity savings fund for each prosecutor and all
46 contributions based on the prosecutor's salary shall be credited to
47 this account.

1 b. A prosecutor shall contribute at a rate established by the
2 board, which contribution shall be deducted from the salary at the
3 time or times it is paid, and which shall be exclusive of any other
4 contribution required of the prosecutor for Social Security,
5 contributory death benefits or deductions for any other purpose.
6 The contribution rate shall be 10% of the prosecutor's salary on and
7 after the effective date of P.L. , c. (pending before the Legislature
8 as this bill).

9 c. A prosecutor who is enrolled on the basis of other public
10 service before, during, or after service as a prosecutor shall
11 contribute for such other service at the rate of contribution required
12 of other members as provided by section 25.
13 (cf: P.L.2001, c.366, s.3)

14
15 15. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
16 read as follows:

17 15. (1) The contributions required for the support of the
18 retirement system shall be made by members and their employers.

19 (2) The uniform percentage contribution rate for members shall
20 be 8.5% of compensation. Members of the retirement system shall
21 contribute 10% of compensation to the system on and after the
22 effective date of P.L. , c. (pending before the Legislature as this
23 bill).

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

25 (4) Upon the basis of the tables recommended by the actuary
26 which the board adopts and regular interest, the actuary shall
27 compute annually, beginning as of June 30, 1991, the amount of
28 contribution which shall be the normal cost as computed under the
29 projected unit credit method attributable to service rendered under
30 the retirement system for the year beginning on July 1 immediately
31 succeeding the date of the computation. This shall be known as the
32 "normal contribution."

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

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

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

41 (8) The deductions provided for herein shall be made
42 notwithstanding that the minimum salary provided for by law for
43 any member shall be reduced thereby. Every member shall be
44 deemed to consent and agree to the deductions made and provided
45 for herein, and payment of salary or compensation less said
46 deduction shall be a full and complete discharge and acquittance of
47 all claims and demands whatsoever for the service rendered by such
48 person during the period covered by such payment, except as to the

1 benefits provided under this act. The chief fiscal officer of each
2 employer shall certify to the retirement system in such manner as
3 the retirement system may prescribe, the amounts deducted; and
4 when deducted shall be paid into said annuity savings fund, and
5 shall be credited to the individual account of the member from
6 whose salary said deduction was made.

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

1 year would exceed 20 years, the accrued liability contribution shall
2 be computed for the valuation year in the same manner provided for
3 the computation of the initial accrued liability contribution under
4 this section.

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

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

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

42 "Excess valuation assets" means, with respect to the valuation
43 assets allocated to the State, the valuation assets allocated to the
44 State for a valuation period less the actuarial accrued liability of the
45 State for the valuation period, and beginning with the valuation
46 period ending June 30, 1998, less the present value of the expected
47 additional normal cost contributions attributable to the provisions of
48 P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the

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

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

45 If there are excess valuation assets allocated to the other
46 employers for the valuation period ending June 30, 1998, the
47 accrued liability contributions payable by the other employers for
48 the valuation period ending June 30, 1997 shall be reduced to the

1 extent possible by the excess valuation assets allocated to the other
2 employers.

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

8 (1) for valuation periods ending June 30, 1996 through June 30,
9 2000, to the extent possible by up to 100% of the excess valuation
10 assets allocated to the State or to the other employers, respectively;

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

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

17 (4) for valuation periods ending June 30, 2003 through June 30,
18 2007, to the extent possible by up to 50% of the excess valuation
19 assets allocated to the State or to the other employers, respectively.

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

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

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

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

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

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

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

44 (10) The treasurer or corresponding officer of the employer shall
45 pay to the State Treasurer no later than April 1 of the State's fiscal
46 year in which payment is due the amount so certified as payable by
47 the employer, and shall pay monthly to the State Treasurer the
48 amount of the deductions from the salary of the members in the

1 employ of the employer, and the State Treasurer shall credit such
2 amount to the appropriate fund or funds, of the retirement system.

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

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

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

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

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

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

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

40 (16) The savings realized as a result of the amendments to this
41 section by P.L.2001, c.44 in the payment of normal contributions
42 computed by the actuary for the valuation periods ending June 30,
43 1998 for employers other than the State shall be used solely and
44 exclusively by a county or municipality for the purpose of reducing
45 the amount that is required to be raised by the local property tax
46 levy by the county for county purposes or by the municipality for
47 municipal purposes, as appropriate. The Director of the Division of
48 Local Government Services in the Department of Community

1 Affairs shall certify for each year that each county or municipality
2 has complied with the requirements set forth herein. If the director
3 finds that a county or municipality has not used the savings solely
4 and exclusively for the purpose of reducing the amount that is
5 required to be raised by the local property tax levy by the county for
6 county purposes or by the municipality for municipal purposes, as
7 appropriate, the director shall direct the county or municipal
8 governing body, as appropriate, to make corrections to its budget.

9 (cf: P.L.2010, c.1, s.32)

10
11 16. Section 38 of P.L.1965, c.89 (C.53:5A-38) is amended to
12 read as follows:

13 38. There shall be deducted from the payroll of each active
14 member of the system 7 1/2 % of the amount of his salary, which
15 shall be turned over to the State Treasurer and be credited by him
16 to the account of the State Police Retirement System. Members of
17 the retirement system shall contribute 9% of salary to the system on
18 and after the effective date of P.L. , c. (pending before the
19 Legislature as this bill).

20 The deductions provided for herein shall be made
21 notwithstanding that the minimum salary provided for by law for
22 any member shall be reduced thereby. Every member shall be
23 deemed to consent and agree to the deductions made and provided
24 for herein, and payment of salary or compensation less said
25 deductions shall be a full and complete discharge and acquittance
26 of all claims and demands whatsoever for the service rendered by
27 such person during the period covered by such payment, except as
28 to the benefits provided under this act.

29 (cf: P.L.1980, c.55, s.6)

30
31 17. N.J.S.18A:66-37 is amended to read as follows:

32 18A:66-37. Should a member resign after having established 25
33 years of creditable service before reaching age 60, or before
34 reaching the age of 62 if the person became a member of the
35 retirement system on or after the effective date of P.L.2008, c.89, or
36 after having established 30 years of creditable service before
37 reaching the age of 65 if the person became a member of the
38 retirement system on or after the effective date of P.L. , c.
39 (pending before the Legislature as this bill), the member may elect
40 "early retirement," provided, that such election is communicated by
41 such member to the retirement system by filing a written
42 application, duly attested, stating at what time subsequent to the
43 execution and filing thereof the member desires to be retired. The
44 member shall receive, in lieu of the payment provided in
45 N.J.S.18A:66-34, an annuity which is the actuarial equivalent of the
46 member's accumulated deductions and a pension in the amount
47 which, when added to the member's annuity, will provide a total
48 retirement allowance of 1/64 of the member's final compensation

1 for each year of service credited as class A service and 1/55 of the
2 member's final compensation for each year of service credited as
3 class B service, or for a person who becomes a member of the
4 retirement system on or after the effective date of P.L.2010, c.1
5 1/60 of final compensation for each year of service credited as class
6 B service, calculated in accordance with N.J.S.18A:66-44, reduced:

7 (a) by 1/4 of 1% for each month that the member lacks of being
8 age 55; or

9 (b) for a person who becomes a member of the retirement
10 system on or after July 1, 2007, by 1/4 of 1% for each month that
11 the member lacks of being age 55 and by 1/12 of 1% for each
12 month that the member lacks of being age 60 but over age 55; **[or]**

13 (c) for a person who becomes a member of the retirement
14 system on or after the effective date of P.L.2008, c.89, by 1/4 of 1%
15 for each month that the member lacks of being age 55 and by 1/12
16 of 1% for each month that the member lacks of being age 62 but
17 over age 55; or

18 (d) for a person who becomes a member of the retirement
19 system on or after the effective date of P.L. , c. (pending before
20 the Legislature as this bill), by 1/4 of 1% for each month that the
21 member lacks of being age 65; provided, however, that upon the
22 receipt of proper proofs of the death of such a member there shall
23 be paid to the member's beneficiary an amount equal to 3/16 of the
24 compensation upon which contributions by the member to the
25 annuity savings fund were based in the last year of creditable
26 service or in the year of the member's highest contractual salary,
27 whichever is higher.

28 Subparagraph (b) or (c) of this section shall not apply to a person
29 who at the time of enrollment in the retirement system on or after
30 July 1, 2007 transfers service credit from another State-
31 administered retirement system pursuant to N.J.S.18A:66-15.1, but
32 shall apply to a former member of the retirement system who has
33 been granted a retirement allowance and is reenrolled in the
34 retirement system on or after July 1, 2007 pursuant to
35 N.J.S.18A:66-53.2 after becoming employed again in a position that
36 makes the person eligible to be a member of the retirement system.

37 The board of trustees shall retire the member at the time
38 specified or at such other time within one month after the date so
39 specified as the board finds advisable.

40 (cf: P.L.2010, c.1, s.9)

41

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

44 41. a. A member who withdraws from service or ceases to be an
45 employee for any cause other than death or retirement shall, upon
46 the filing of an application therefor, receive all of his accumulated
47 deductions standing to the credit of his individual account in the
48 annuity savings fund, plus regular interest, less any outstanding

1 loan, except that for any period after June 30, 1944, the interest
2 payable shall be such proportion of the interest determined at the
3 regular rate of 2% per annum bears to the regular rate of interest,
4 and except that no interest shall be payable in the case of a member
5 who has less than three years of membership credit for which he has
6 made contributions. He shall cease to be a member two years from
7 the date he discontinued service as an eligible employee, or, if prior
8 thereto, upon payment to him of his accumulated deductions. If any
9 such person or member shall die before withdrawing or before
10 endorsing the check constituting the return of his accumulated
11 deductions, such deductions shall be paid to the member's
12 beneficiary. No member shall be entitled to withdraw the amounts
13 contributed by his employer covering his military leave unless he
14 shall have returned to the payroll and contributed to the retirement
15 system for a period of 90 days.

16 b. Should a member resign after having established 25 years of
17 creditable service before reaching age 60, or before reaching age 62
18 if the person became a member of the retirement system on or after
19 the effective date of P.L.2008, c.89, or after having established 30
20 years of creditable service before reaching the age of 65 if the
21 person became a member of the retirement system on or after the
22 effective date of P.L. , c. (pending before the Legislature as this
23 bill), he may elect "early retirement," provided, that such election is
24 communicated by such member to the retirement system by filing a
25 written application, duly attested, stating at what time subsequent to
26 the execution and filing thereof he desires to be retired. He shall
27 receive, in lieu of the payment provided in subsection a. of this
28 section, an annuity which is the actuarial equivalent of his
29 accumulated deductions together with regular interest, and a
30 pension in the amount which, when added to the member's annuity,
31 will provide a total retirement allowance of 1/64 of final
32 compensation for each year of service credited as Class A service
33 and 1/55 of final compensation for each year of service credited as
34 Class B service, or for a person who becomes a member of the
35 retirement system on or after the effective date of P.L.2010, c.1
36 1/60 of final compensation for each year of service credited as
37 Class B service, calculated in accordance with section 48
38 (C.43:15A-48) of this act, reduced:

39 (a) by 1/4 of 1% for each month that the member lacks of being
40 age 55; or

41 (b) for a person who becomes a member of the retirement
42 system on or after July 1, 2007, by 1/4 of 1% for each month that
43 the member lacks of being age 55 and by 1/12 of 1% for each
44 month that the member lacks of being age 60 but over age 55; **[or]**

45 (c) for a person who becomes a member of the retirement
46 system on or after the effective date of P.L.2008, c.89, by 1/4 of 1%
47 for each month that the member lacks of being age 55 and by 1/12

1 of 1% for each month that the member lacks of being age 62 but
2 over age 55; or

3 (d) for a person who becomes a member of the retirement
4 system on or after the effective date of P.L. , c. (pending before
5 the Legislature as this bill), by 1/4 of 1% for each month that the
6 member lacks of being age 65; provided, however, that upon the
7 receipt of proper proofs of the death of such a member there shall
8 be paid to his beneficiary an amount equal to three-sixteenths of the
9 compensation upon which contributions by the member to the
10 annuity savings fund were based in the last year of creditable
11 service.

12 Paragraph (b) or (c) of this subsection shall not apply to a person
13 who at the time of enrollment in the retirement system on or after
14 July 1, 2007 transfers service credit from another State-
15 administered retirement system pursuant to section 14 of P.L.1954,
16 c.84 (C.43:15A-14), but shall apply to a former member of the
17 retirement system who has been granted a retirement allowance and
18 is reenrolled in the retirement system on or after July 1, 2007
19 pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after
20 becoming employed again in a position that makes the person
21 eligible to be a member of the retirement system.

22 The board of trustees shall retire him at the time specified or at
23 such other time within one month after the date so specified as the
24 board finds advisable.

25 c. Upon the receipt of proper proofs of the death of a member
26 in service on account of which no accidental death benefit is
27 payable under section 49 there shall be paid to such member's
28 beneficiary:

29 (1) The member's accumulated deductions at the time of death
30 together with regular interest; and

31 (2) An amount equal to one and one-half times the
32 compensation upon which contributions by the member to the
33 annuity savings fund were based in the last year of creditable
34 service.

35 (cf: P.L.2010, c.1, s.12)

36

37 19. Section 16 of P.L.1964, c.241 (C.43:16A-11.1) is amended
38 to read as follows:

39 16. a. Should a member resign after having established 25 years
40 of creditable service, he may elect "special retirement," provided,
41 that such election is communicated by such member to the
42 retirement system by filing a written application, duly attested,
43 stating at what time subsequent to the execution and filing thereof
44 he desires to be retired. He shall receive, in lieu of the payment
45 provided in section 11, a retirement allowance which shall consist
46 of:

47 (1) An annuity which shall be the actuarial equivalent of his
48 aggregate contributions, and

1 (2) A pension in the amount which, when added to the member's
2 annuity, will provide (a) for a person who is a member on the
3 effective date of P.L. , c. (pending before the Legislature as this
4 bill), a total retirement allowance of 65% of [his] final
5 compensation, plus 1% of [his] final compensation multiplied by
6 the number of years of creditable service over 25 but not over 30 or
7 (b) for a person who becomes a member of the retirement system
8 after that effective date, a total retirement allowance of 60% of final
9 compensation, plus 1% of final compensation multiplied by the
10 number of years of creditable service over 25 but not over 30;
11 provided, however, that any member who has earned, prior to July
12 1, 1979, more than 30 years of creditable service, shall receive an
13 additional 1% of his final compensation for each year of his
14 creditable service over 30.

15 The board of trustees shall retire him at the time specified or at
16 such other time within one month after the date so specified as the
17 board finds advisable.

18 Upon the receipt of proper proofs of the death of such a retired
19 member, there shall be paid to his beneficiary an amount equal to
20 one-half of the final compensation received by the member.

21 b. The "special retirement" allowance payable under subsection
22 a. of this section to any person who retired under the retirement
23 system prior to December 20, 1989 shall be increased by an amount
24 equal to 5% of the person's final compensation or by such lesser
25 amount as would, if added to the allowance payable at the time of
26 retirement, provide a total retirement allowance of 70% of final
27 compensation, except that in the case of such a retirant who retired
28 on or after July 1, 1979 and had earned prior to that date more than
29 30 years of creditable service, the amount of the increase shall be
30 equal to 5% of the person's final compensation irrespective of the
31 total retirement allowance which such an increase would provide.
32 The provisions of this subsection shall not be construed either to
33 require a reduction in the retirement allowance payable to any
34 retirant or to provide for the payment of any adjustment in such an
35 allowance with respect to any period of time prior to the first day of
36 the month following that effective date.

37 (cf: P.L.2010, c.1, s.31)

38

39 20. N.J.S.18A:66-18 is amended to read as follows:

40 18A:66-18. The contingent reserve fund shall be the fund in
41 which shall be credited contributions made by the State and other
42 employers.

43 a. Upon the basis of the tables recommended by the actuary
44 which the board of trustees adopts and regular interest, the actuary
45 of the board shall compute annually, beginning as of March 31,
46 1992, the amount of contribution which shall be the normal cost as
47 computed under the projected unit credit method attributable to
48 service rendered under the retirement system for the year beginning

1 on July 1 immediately succeeding the date of the computation. This
2 shall be known as the "normal contribution."

3 b. Upon the basis of the tables recommended by the actuary
4 which the board of trustees adopts and regular interest, the actuary
5 of the board shall annually determine if there is an amount of the
6 accrued liability of the retirement system, computed under the
7 projected unit credit method, including the liability for pension
8 adjustment benefits for active employees funded pursuant to section
9 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered
10 by the assets of the retirement system, valued in accordance with
11 the asset valuation method established in this section. This shall be
12 known as the "unfunded accrued liability." If there was no
13 unfunded accrued liability for the valuation period immediately
14 preceding the current valuation period, the actuary, using the total
15 amount of this unfunded accrued liability, shall compute the initial
16 amount of contribution which, if [the contribution is increased at a
17 specific rate and] paid annually in level dollars for a specific period
18 of time, will amortize this liability. The State Treasurer shall
19 determine, upon the advice of the Director of the Division of
20 Pensions and Benefits, the board of trustees and the actuary, [the
21 rate of increase for the contribution and] the time period for full
22 funding of this liability, which shall not exceed 30 years. This shall
23 be known as the "accrued liability contribution." Thereafter, any
24 increase or decrease in the unfunded accrued liability as a result of
25 actuarial losses or gains for subsequent valuation years shall serve
26 to increase or decrease, respectively, the amortization period for the
27 unfunded accrued liability, unless an increase in the amortization
28 period will cause it to exceed 30 years. If an increase in the
29 amortization period as a result of actuarial losses for a valuation
30 year would exceed 30 years, the accrued liability contribution shall
31 be computed for the valuation year in the same manner provided for
32 the computation of the initial accrued liability contribution under
33 this section. Beginning with the July 1, 2019 actuarial valuation,
34 the accrued liability contribution shall be computed so that if the
35 contribution is paid annually in level dollars, it will amortize this
36 unfunded accrued liability over a closed 30 year period. Beginning
37 with the July 1, 2029 actuarial valuation, when the remaining
38 amortization period reaches 20 years, any increase or decrease in
39 the unfunded accrued liability as a result of actuarial losses or gains
40 for subsequent valuation years shall serve to increase or decrease,
41 respectively, the amortization period for the unfunded accrued
42 liability, unless an increase in the amortization period will cause it
43 to exceed 20 years. If an increase in the amortization period as a
44 result of actuarial losses for a valuation year would exceed 20 years,
45 the accrued liability contribution shall be computed for the
46 valuation year in the same manner provided for the computation of
47 the initial accrued liability contribution under this section.

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

5 The value of the assets to be used in the computation of the
6 contributions provided for under this section for valuation periods
7 shall be the value of the assets for the preceding valuation period
8 increased by the regular interest rate, plus the net cash flow for the
9 valuation period (the difference between the benefits and expenses
10 paid by the system and the contributions to the system) increased by
11 one half of the regular interest rate, plus 20% of the difference
12 between this expected value and the full market value of the assets
13 as of the end of the valuation period. This shall be known as the
14 "valuation assets." Notwithstanding the first sentence of this
15 paragraph, the valuation assets for the valuation period ending
16 March 31, 1996 shall be the full market value of the assets as of that
17 date and shall include the proceeds from the bonds issued pursuant
18 to the Pension Bond Financing Act of 1997, P.L.1997, c.114
19 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey
20 Economic Development Authority to fund the unfunded accrued
21 liability of the system. Notwithstanding the first sentence of this
22 paragraph, the valuation assets for the valuation period ending June
23 30, 1999 shall be the full market value of the assets as of that date.

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

25 (1) the valuation assets; less

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

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

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

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

42 If there are excess valuation assets for the valuation period
43 ending March 31, 1996, the normal contributions for the valuation
44 periods ending March 31, 1996 and March 31, 1997 which have not
45 yet been paid to the retirement system shall be reduced to the extent
46 possible by the excess valuation assets, provided that the General
47 Fund balances that would have been paid to the retirement system
48 except for this provision shall first be allocated as State aid to

1 public schools to the extent that additional sums are required to
2 comply with the May 14, 1997 decision of the New Jersey Supreme
3 Court in Abbott v. Burke, and provided further that the normal
4 contribution for the valuation period ending March 31, 1996 shall
5 not be less than \$54,000,000. If there are excess valuation assets
6 for a valuation period ending after March 31, 1996, the State
7 Treasurer may reduce the normal contribution payable for the next
8 valuation period as follows:

9 (1) for valuation periods ending March 31, 1997 through March
10 31, 2001, to the extent possible by up to 100% of the excess
11 valuation assets;

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

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

16 (4) for valuation periods ending March 31, 2004 through June
17 30, 2007, to the extent possible by up to 50% of the excess
18 valuation assets.

19 For calendar years 1998 and 1999, the rate of contribution of
20 members of the retirement system under N.J.S.18A:66-29 shall be
21 reduced by 1/2 of 1% from excess valuation assets. For calendar
22 years 2000 and 2001, the rate of contribution of members of the
23 retirement system shall be reduced equally with normal
24 contributions to the extent possible, but not more than 1/2 of 1%,
25 from excess valuation assets. Thereafter, through calendar year
26 2007, the rate of contribution of members of the retirement system
27 under that section for a calendar year shall be reduced equally with
28 normal contributions to the extent possible, but not by more than
29 2%, from excess valuation assets if the State Treasurer determines
30 that excess valuation assets shall be used to reduce normal
31 contributions by the State for the fiscal year beginning immediately
32 prior to the calendar year, and excess valuation assets above the
33 amount necessary to fund the reduction for that calendar year in the
34 member contribution rate plus an equal reduction in the normal
35 contribution shall be available for the further reduction of normal
36 contributions, subject to the limitations prescribed by this
37 subsection.

38 If there are excess valuation assets after reductions in normal
39 contributions and member contributions as authorized in the
40 preceding paragraphs for a valuation period beginning with the
41 valuation period ending June 30, 1999, an amount of excess
42 valuation assets not to exceed the amount of the member
43 contributions for the fiscal year in which the normal contributions
44 are payable shall be credited to the benefit enhancement fund. The
45 amount of excess valuation assets credited to the benefit
46 enhancement fund shall not exceed the present value of the
47 expected additional normal contributions attributable to the
48 provisions of P.L.2001, c.133 payable on behalf of the active

1 members over the expected working lives of the active members in
2 accordance with the tables of actuarial assumptions for the
3 valuation period. No additional excess valuation assets shall be
4 credited to the benefit enhancement fund after the maximum
5 amount is attained. Interest shall be credited to the benefit
6 enhancement fund as provided under N.J.S.18A:66-25.

7 The normal contribution for the increased benefits for active
8 members under P.L.2001, c.133 shall be paid from the benefit
9 enhancement fund. If assets in the benefit enhancement fund are
10 insufficient to pay the normal contribution for the increased benefits
11 for a valuation period, the State shall pay the amount of normal
12 contribution for the increased benefits not covered by assets from
13 the benefit enhancement fund.

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

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

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

24 f. The disbursements for benefits not covered by reserves in
25 the system on account of veterans shall be met by direct
26 contribution of the State.

27 (cf: P.L.2007, c.92, s.24)

28
29 21. Section 33 of P.L.1973, c.140 (C.43:6A-33) is amended to
30 read as follows:

31 33. a. Upon the basis of the tables recommended by the actuary
32 which the commission adopts and regular interest, the actuary shall
33 compute annually, beginning as of June 30, 1992, the amount of the
34 contribution which shall be the normal cost as computed under the
35 projected unit credit method attributable to service rendered under
36 the retirement system for the year beginning on July 1 immediately
37 succeeding the date of the computation. This shall be known as the
38 "normal contribution."

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

1 liability, shall compute the initial amount of contribution which, if
2 **【the contribution is increased at a specific rate and】** paid annually
3 in level dollars for a specific period of time, will amortize this
4 liability. The State Treasurer shall determine, upon the advice of
5 the Director of the Division of Pensions and Benefits, the
6 commission and the actuary, **【the rate of increase for the**
7 **contribution and】** the time period for full funding of this liability,
8 which shall not exceed 30 years. This shall be known as the
9 "accrued liability contribution." Thereafter, any increase or decrease
10 in the unfunded accrued liability as a result of actuarial losses or
11 gains for subsequent valuation years shall serve to increase or
12 decrease, respectively, the amortization period for the unfunded
13 accrued liability, unless an increase in the amortization period will
14 cause it to exceed 30 years. If an increase in the amortization
15 period as a result of actuarial losses for a valuation year would
16 exceed 30 years, the accrued liability contribution shall be
17 computed for the valuation year in the same manner provided for
18 the computation of the initial accrued liability contribution under
19 this section. Beginning with the July 1, 2019 actuarial valuation,
20 the accrued liability contribution shall be computed so that if the
21 contribution is paid annually in level dollars, it will amortize this
22 unfunded accrued liability over a closed 30 year period. Beginning
23 with the July 1, 2029 actuarial valuation, when the remaining
24 amortization period reaches 20 years, any increase or decrease in
25 the unfunded accrued liability as a result of actuarial losses or gains
26 for subsequent valuation years shall serve to increase or decrease,
27 respectively, the amortization period for the unfunded accrued
28 liability, unless an increase in the amortization period will cause it
29 to exceed 20 years. If an increase in the amortization period as a
30 result of actuarial losses for a valuation year would exceed 20 years,
31 the accrued liability contribution shall be computed for the
32 valuation year in the same manner provided for the computation of
33 the initial accrued liability contribution under this section.

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

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

1 30, 1996 shall be the full market value of the assets as of that date
2 and shall include the proceeds from the bonds issued pursuant to the
3 Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-
4 7.45 et seq.), paid to the system by the New Jersey Economic
5 Development Authority to fund the unfunded accrued liability of
6 the system.

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

22 (1) for valuation periods ending June 30, 1997 through June 30,
23 2001, to the extent possible by up to 100% of the excess valuation
24 assets;

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

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

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

32 c. The actuary shall certify annually the aggregate amount
33 payable to the contingent reserve fund in the ensuing year, which
34 amount shall be equal to the sum of the amounts described in this
35 section. The State shall pay into the contingent reserve fund during
36 the ensuing year the amount so determined.

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

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

42 (cf: P.L.2007, c.92, s.25)

43

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

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

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

9 b. With respect to employers other than the State, upon the
10 basis of the tables recommended by the actuary which the board
11 adopts and regular interest, the actuary shall compute the amount of
12 the accrued liability of the retirement system as of March 31, 1992
13 under the projected unit credit method, excluding the liability for
14 pension adjustment benefits for active employees funded pursuant
15 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already
16 covered by the assets of the retirement system, valued in accordance
17 with the asset valuation method established in this section. Using
18 the total amount of this unfunded accrued liability, the actuary shall
19 compute the initial amount of contribution which, if [the
20 contribution is increased at a specific rate and] paid annually in
21 level dollars for a specific period of time, will amortize this
22 liability. The State Treasurer shall determine, upon the advice of
23 the Director of the Division of Pensions and Benefits, the board of
24 trustees and the actuary, [the rate of increase for the contribution
25 and] the time period for full funding of this liability, which shall
26 not exceed 40 years on initial application of this section as amended
27 by this act, P.L.1994, c.62. This shall be known as the "accrued
28 liability contribution." Any increase or decrease in the unfunded
29 accrued liability as a result of actuarial losses or gains for the 10
30 valuation years following valuation year 1992 shall serve to
31 increase or decrease, respectively, the unfunded accrued liability
32 contribution. Thereafter, any increase or decrease in the unfunded
33 accrued liability as a result of actuarial losses or gains for
34 subsequent valuation years shall serve to increase or decrease,
35 respectively, the amortization period for the unfunded accrued
36 liability, unless an increase in the amortization period will cause it
37 to exceed 30 years. If an increase in the amortization period as a
38 result of actuarial losses for a valuation year would exceed 30 years,
39 the accrued liability contribution shall be computed for the
40 valuation year in the same manner provided for the computation of
41 the initial accrued liability contribution under this section.
42 Beginning with the July 1, 2019 actuarial valuation, the accrued
43 liability contribution shall be computed so that if the contribution is
44 paid annually in level dollars, it will amortize this unfunded accrued
45 liability over a closed 30 year period. Beginning with the July 1,
46 2029 actuarial valuation, when the remaining amortization period
47 reaches 20 years, any increase or decrease in the unfunded accrued
48 liability as a result of actuarial losses or gains for subsequent

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

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

1 the accrued liability contribution shall be computed for the
2 valuation year in the same manner provided for the computation of
3 the initial accrued liability contribution under this section.

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

8 The value of the assets to be used in the computation of the
9 contributions provided for under this section for valuation periods
10 shall be the value of the assets for the preceding valuation period
11 increased by the regular interest rate, plus the net cash flow for the
12 valuation period (the difference between the benefits and expenses
13 paid by the system and the contributions to the system) increased by
14 one half of the regular interest rate, plus 20% of the difference
15 between this expected value and the full market value of the assets
16 as of the end of the valuation period. This shall be known as the
17 "valuation assets." Notwithstanding the first sentence of this
18 paragraph, the valuation assets for the valuation period ending
19 March 31, 1996 shall be the full market value of the assets as of that
20 date and, with respect to the valuation assets allocated to the State,
21 shall include the proceeds from the bonds issued pursuant to the
22 "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-
23 7.45 et seq.), paid to the system by the New Jersey Economic
24 Development Authority to fund the unfunded accrued liability of
25 the system. Notwithstanding the first sentence of this paragraph,
26 the valuation assets for the valuation period ending June 30, 1999
27 shall be the full market value of the assets as of that date.

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

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

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

33 (3) the contributory group insurance premium fund, created by
34 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
35 4 of P.L.1960, c.79; less

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

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

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

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

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

7 (3) the contributory group insurance premium fund, created by
8 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
9 4 of P.L.1960, c.79; less

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

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

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

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

46 (4) for valuation periods ending March 31, 2004 through June
47 30, 2007, to the extent possible by up to 50% of the excess

1 valuation assets allocated to the State or to the other employers,
2 respectively.

3 For calendar years 1998 and 1999, the rate of contribution of
4 members of the retirement system under section 25 of P.L.1954,
5 c.84 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess
6 valuation assets and for calendar years 2000 and 2001, the rate of
7 contribution shall be reduced by 2% from excess valuation assets.
8 Thereafter, through calendar year 2007, the rate of contribution of
9 members of the retirement system under that section for a calendar
10 year shall be reduced equally with normal contributions to the
11 extent possible, but not by more than 2%, from excess valuation
12 assets if the State Treasurer determines that excess valuation assets
13 shall be used to reduce normal contributions by the State and local
14 employers for the fiscal year beginning immediately prior to the
15 calendar year, or for the calendar year for local employers whose
16 fiscal year is the calendar year, and excess valuation assets above
17 the amount necessary to fund the reduction for that calendar year in
18 the member contribution rate plus an equal reduction in the normal
19 contribution shall be available for the further reduction of normal
20 contributions, subject to the limitations prescribed by this
21 subsection.

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

40 The normal contribution for the increased benefits for active
41 employees under P.L.2001, c.133 shall be paid from the benefit
42 enhancement fund. If assets in the benefit enhancement fund are
43 insufficient to pay the normal contribution for the increased benefits
44 for a valuation period, the State shall pay the amount of normal
45 contribution for the increased benefits not covered by assets from
46 the benefit enhancement fund.

47 c. The retirement system shall certify annually the aggregate
48 amount payable to the contingent reserve fund in the ensuing year,

1 which amount shall be equal to the sum of the amounts described in
2 this section.

3 The State Treasurer shall reduce the normal and accrued liability
4 contributions payable by employers other than the State, excluding
5 the contribution payable from the benefit enhancement fund, to a
6 percentage of the amount certified annually by the retirement
7 system, which percentage shall be: for payments due in the State
8 fiscal year ending June 30, 2005, 20%; for payments due in the
9 State fiscal year ending June 30, 2006, not more than 40%; for
10 payments due in the State fiscal year ending June 30, 2007, not
11 more than 60%; and for payments due in the State fiscal year ending
12 June 30, 2008, not more than 80%.

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

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

38 The actuaries for the retirement system shall determine the
39 unfunded liability of the retirement system, by employer, for the
40 reduced normal and accrued liability contributions provided under
41 P.L.2009, c.19. This unfunded liability shall be paid by the
42 employer in level annual payments over a period of 15 years
43 beginning with the payments due in the State fiscal year ending
44 June 30, 2012 and shall be adjusted by the rate of return on the
45 actuarial value of assets.

46 The retirement system shall annually certify to each employer
47 the contributions due to the contingent reserve fund for the liability
48 under P.L.2009, c.19. The contributions certified by the retirement

1 system shall be paid by the employer to the retirement system on or
2 before the date prescribed by law for payment of employer
3 contributions for basic retirement benefits. If payment of the full
4 amount of the contribution certified is not made within 30 days
5 after the last date for payment of employer contributions for basic
6 retirement benefits, interest at the rate of 10% per year shall be
7 assessed against the unpaid balance on the first day after the
8 thirtieth day.

9 The State shall pay into the contingent reserve fund during the
10 ensuing year the amount so determined. The death benefits,
11 payable as a result of contribution by the State under the provisions
12 of this chapter upon the death of an active or retired member, shall
13 be paid from the contingent reserve fund.

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

17 (cf: P.L.2009, c.19, s.1)

18

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

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

23 a. Upon the basis of the tables recommended by the actuary
24 which the board adopts and regular interest, the actuary shall
25 compute annually, beginning as of June 30, 1992, the amount of the
26 contribution which shall be the normal cost as computed under the
27 projected unit credit method attributable to service rendered under
28 the retirement system for the year beginning on July 1 immediately
29 succeeding the date of the computation. This shall be known as the
30 "normal contribution."

31 b. Upon the basis of the tables recommended by the actuary
32 which the board adopts and regular interest, the actuary shall
33 annually determine if there is an amount of the accrued liability of
34 the retirement system, computed under the projected unit credit
35 method, which is not already covered by the assets of the retirement
36 system, valued in accordance with the asset valuation method
37 established in this section. This shall be known as the "unfunded
38 accrued liability." If there was no unfunded accrued liability for the
39 valuation period immediately preceding the current valuation
40 period, the actuary, using the total amount of this unfunded accrued
41 liability, shall compute the initial amount of contribution which, if
42 **【the contribution is increased at a specific rate and】** paid annually
43 in level dollars for a specific period of time, will amortize this
44 liability. The State Treasurer shall determine, upon the advice of
45 the Director of the Division of Pensions and Benefits, the board of
46 trustees and the actuary, **【the rate of increase for the contribution**
47 **and】** the time period for full funding of this liability, which shall
48 not exceed 30 years. This shall be known as the "accrued liability

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 June
41 30, 1996 shall be the full market value of the assets as of that date
42 and shall include the proceeds from the bonds issued pursuant to the
43 Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-
44 7.45 et seq.), paid to the system by the New Jersey Economic
45 Development Authority to fund the unfunded accrued liability of
46 the system.

47 "Excess valuation assets" means the valuation assets for a
48 valuation period less the actuarial accrued liability for the valuation

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

14 (1) for valuation periods ending June 30, 1997 through June 30,
15 2001, to the extent possible by up to 100% of the excess valuation
16 assets;

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

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

21 (4) for valuation periods ending June 30, 2004 through June 30,
22 2007, to the extent possible by up to 50% of the excess valuation
23 assets.

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

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

41 (cf: P.L.2007, c.92, s.27)

42

43 24. Section 19 of P.L.1992, c.125 (C.43:4B-1) is amended to
44 read as follows:

45 19. There is hereby established the Retirement Systems Actuary
46 Selection Committee which shall consist of the State Treasurer, and
47 the directors of the Divisions of Pensions and Benefits and
48 Investment, and Office of Management and Budget, or their

1 designated representatives, and one member designated by each of
2 the boards of trustees of the Public Employees' Retirement System
3 established pursuant to P.L.1954, c.84 (C. 43:15A-1 et seq.), the
4 Teachers' Pension and Annuity Fund established pursuant to
5 N.J.S.18A:66-1 et seq., and the Police and Firemen's Retirement
6 System established pursuant to P.L.1944, c.255 (C.43:16A-1 et
7 seq.). The committee shall select the actuary or actuaries for the
8 State retirement systems in accordance with the provisions of
9 P.L.1954, c.48 (C.52:34-6 et seq.), provided, however, that the
10 boards shall have the power to veto the selection of the actuary for
11 valid reason.

12 (cf: P.L.1992, c.125, s.19)

13

14 25. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read
15 as follows:

16 2. The monthly retirement allowance or pension originally
17 granted to any retirant and the pension or survivorship benefit
18 originally granted to any beneficiary shall be adjusted in accordance
19 with the provisions of this act provided, however, that:

20 a. the maximum retirement allowance, without option, shall
21 be considered the retirement allowance originally granted to any
22 retirant who, at retirement, elected an Option I allowance pursuant
23 to the provisions of the statutes stipulated in subsection b. of section
24 1 of this act (C.43:3B-1); and b. the minimum pension granted to
25 any beneficiary stipulated in subsection d. (4) of section 1 of this
26 act (C.43:3B-1), shall be considered the pension originally granted
27 to such beneficiary.

28 Pension adjustments shall not be paid to retirants or beneficiaries
29 who are not receiving their regular, full, monthly retirement
30 allowances, pensions or survivorship benefits. The adjustment
31 granted under the provisions of this act shall be effective only on
32 the first day of a month, shall be paid in monthly installments, and
33 shall not be decreased, increased, revoked or repealed except as
34 otherwise provided in this act. No adjustment shall be due to a
35 retirant or a beneficiary unless it constitutes a payment for an entire
36 month; provided, however, that an adjustment shall be payable for
37 the entire month in which the retirant or beneficiary dies.

38 Commencing with the effective date of P.L. , c. (pending
39 before the Legislature as this bill) and thereafter, no further
40 adjustments to the monthly retirement allowance or pension
41 originally granted to any retirant and the pension or survivorship
42 benefit granted to any beneficiary shall be made in accordance with
43 the provisions of P.L.1958, c.143 (C.43:3B-1 et seq.), unless the
44 adjustment is reactivated as permitted by law. This provision shall
45 not reduce the monthly retirement benefit that a retirant or a
46 beneficiary is receiving on the effective date of P.L. , c. (pending

1 before the Legislature as this bill) when the benefit includes an
2 adjustment granted prior to that effective date.

3 (cf: P.L.1993, c.335, s.2)

4

5 26. Section 5 of P.L.1997, c.113 (C.43:3C-9.5) is amended to
6 read as follows:

7 5. a. For purposes of this section, a "non-forfeitable right to
8 receive benefits" means that the benefits program, for any employee
9 for whom the right has attached, cannot be reduced. The provisions
10 of this section shall not apply to post-retirement medical benefits
11 which are provided pursuant to law.

12 b. Vested members of the Teachers' Pension and Annuity Fund,
13 the Judicial Retirement System, the Prison Officers' Pension Fund,
14 the Public Employees' Retirement System, the Consolidated Police
15 and Firemen's Pension Fund, the Police and Firemen's Retirement
16 System, and the State Police Retirement System, upon the
17 attainment of five years of service credit in the retirement system or
18 fund or on the date of enactment of this bill, whichever is later,
19 shall have a non-forfeitable right to receive benefits as provided
20 under the laws governing the retirement system or fund upon the
21 attainment of five years of service credit in the retirement system or
22 fund or on the effective date of this act, whichever is later. This
23 subsection shall not be applicable to a person who becomes a
24 member of these systems or funds on or after the effective date of
25 P.L.2010, c.1, except that such person shall not include a person
26 who at the time of enrollment in the retirement system or fund on or
27 after that effective date transfers service credit, as permitted, from
28 another State-administered retirement system or fund of which the
29 person was a member immediately prior to the effective date and
30 continuously thereafter, but shall include a former member of the
31 retirement system or fund who has been granted a retirement
32 allowance and is reenrolled in the retirement system or fund on or
33 after that effective date after becoming employed again in a position
34 that makes the person eligible to be a member of the retirement
35 system.

36 c. (1) The State and all other applicable employers shall make
37 **[an] their** annual normal contribution **[and an] to each system or**
38 fund as determined by the applicable board of trustees in
39 consultation with the system's or fund's actuary. The State and all
40 other applicable employers shall also make their annual unfunded
41 accrued liability contribution to each system or fund as determined
42 by the applicable board in consultation with the system's or fund's
43 actuary, pursuant to standard actuarial practices authorized by law,
44 unless **[both of the following conditions are met]**: (1) there is no
45 existing unfunded accrued liability contribution due to the system
46 or fund at the close of the valuation period applicable to the
47 upcoming fiscal year; **[and] or** (2) there are excess valuation assets
48 in excess of the actuarial accrued liability of the system or fund at

1 the close of the valuation period applicable to the upcoming fiscal
2 year. The annual normal contribution plus the annual unfunded
3 accrued liability contribution shall together be the annual required
4 contribution, provided, however, that for the State, section 38 of
5 P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's
6 annual required contribution. The amount of the State's annually
7 required contributions shall be included in all annual appropriations
8 acts as a dedicated line item.

9 (2) Each member of the Teachers' Pension and Annuity Fund,
10 the Judicial Retirement System, the Prison Officers' Pension Fund,
11 the Public Employees' Retirement System, the Consolidated Police
12 and Firemen's Pension Fund, the Police and Firemen's Retirement
13 System, and the State Police Retirement System shall have a
14 contractual right to the annual required contribution amount being
15 made by the member's employer or by any other public entity. The
16 contractual right to the annual required contribution means that the
17 employer or other public entity shall make the annual required
18 contribution on a timely basis to help ensure that the retirement
19 system is securely funded and that the retirement benefits to which
20 the members are entitled by statute and in consideration for their
21 public service and in compensation for their work will be paid upon
22 retirement. The failure of the State or any other public employer to
23 make the annually required contribution shall be deemed to be an
24 impairment of the contractual right of each employee. The Superior
25 Court, Law Division shall have jurisdiction over any action brought
26 by a member of any system or fund or any board of trustees to
27 enforce the contractual right set forth in this subsection. The State
28 and other public employers shall submit to the jurisdiction of the
29 Superior Court, Law Division and shall not assert sovereign
30 immunity in such an action. If a member or board prevails in
31 litigation to enforce the contractual right set forth in this subsection,
32 the court may award that party their reasonable attorney's fees.

33 d. This act shall not be construed to preclude forfeiture,
34 suspension or reduction in benefits for dishonorable service.

35 e. Except as expressly provided herein and only to the extent
36 so expressly provided, nothing in this act shall be deemed to (1)
37 limit the right of the State to alter, modify or amend such retirement
38 systems and funds, or (2) create in any member a right in the corpus
39 or management of a retirement system or pension fund. The rights
40 reserved to the State in this subsection shall not diminish the
41 contractual rights of employees established by subsections a., b.,
42 and c. of this section.

43 (cf: P.L.2010, c.1, s.29)

44
45 27. (New section) For the purpose of the Teachers' Pension and
46 Annuity Fund, established pursuant to N.J.S.18A:66-1 et seq., the
47 Judicial Retirement System, established pursuant to P.L.1973, c.140
48 (C.43:6A-1 et seq.), the Public Employees' Retirement System,

1 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the
2 Police and Firemen's Retirement System, established pursuant to
3 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police
4 Retirement System, established pursuant to P.L.1965, c.89
5 (C.53:5A-1 et seq.), "target funded ratio" means a ratio of the
6 actuarial value of assets to the actuarially determined accrued
7 liabilities expressed as a percentage that shall be for the State part
8 of each system, and the local part of each system, if any, 75 percent
9 in State fiscal year 2012, and increased in each fiscal year thereafter
10 by equal increments for seven years, until the ratio reaches 80
11 percent at which it shall remain for all subsequent fiscal years.

12

13 28. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to
14 read as follows:

15 5. a. There is hereby established in the Division of Investment
16 a State Investment Council which shall consist of **[13]** 16
17 members.

18 (1) Each of the following agencies, namely, the Board of
19 Trustees of the Public Employees' Retirement System, **[the Board**
20 **of Trustees of the State Police Retirement System,]** the Board of
21 Trustees of the Teachers' Pension and Annuity Fund, and the Board
22 of Trustees of the Police and Firemen's Retirement System of New
23 Jersey, shall **[elect]** designate one **[of the active members of its**
24 **retirement system, or one of the retirees of its retirement system**
25 **who is receiving a retirement allowance]** board member elected to
26 serve on the board, to serve as a member of the State Investment
27 Council herein established. The **[four]** three members of the
28 council so **[elected]** designated shall serve as such for a period of
29 three years from the date of their **[election]** designation and until
30 their respective successors are in like manner **[elected]** designated.

31 (2) **[Six]** Eight of the members of the State Investment Council
32 shall be appointed by the Governor, with the advice and consent of
33 the Senate, for a term of five years and shall serve until the
34 member's successor is appointed and has qualified. Of the initial
35 members appointed following the effective date of P.L. , c.
36 (pending before the Legislature as this bill), one shall serve for an
37 initial period of three years, and one shall serve for an initial period
38 of two years.

39 (3) One member of the State Investment Council shall be
40 appointed by the Governor from among three persons nominated
41 jointly by the President of the Senate and the Speaker of the
42 General Assembly and shall serve for a term of five years and until
43 the member's successor is appointed and has qualified.

44 (4) **[One member]** Two members of the State Investment
45 Council shall be appointed by the Governor from among **[three]** six
46 persons nominated by the Public Employee Committee of the New
47 Jersey State AFL-CIO and shall serve for a term of **[three]** five

1 years and until the member's successor is appointed and has
2 qualified. At least one of the two members appointed shall be a
3 member of a union representing police officers or firefighters. If the
4 persons nominated are not acceptable to the Governor for
5 appointment, the Governor may request submission of new
6 nominees.

7 (5) One member of the State Investment Council shall be
8 appointed by the Governor from among three persons nominated by
9 the New Jersey Education Association and shall serve for a term of
10 three years and until the member's successor is appointed and has
11 qualified. If the persons nominated are not acceptable to the
12 Governor for appointment, the Governor may request submission of
13 new nominees.

14 (6) One member of the State Investment Council shall be
15 appointed by the Governor from among three persons nominated by
16 the State Troopers Fraternal Association and shall serve for a term
17 of three years and until the member's successor is appointed and has
18 qualified. If the persons nominated are not acceptable to the
19 Governor for appointment, the Governor may request submission of
20 new nominees.

21 The ~~two~~ four members appointed pursuant to paragraphs (4)
22 ~~and~~, (5) ~~and~~ (6) of this subsection by the Governor to the council
23 shall be qualified by training, experience or long-term interest in the
24 direct management, analysis, supervision or investment of assets,
25 and this training, experience or long-term interest shall have been
26 supplemented by academic training in the fields of economics,
27 business, law, finance or actuarial science or by actual employment
28 in those fields.

29 At least ~~five~~ seven of the ~~seven~~ nine members appointed
30 pursuant to paragraphs (2) and (3) of this subsection by the
31 Governor to the council shall be qualified by training and
32 experience in the direct management, analysis, supervision or
33 investment of assets, which training and experience shall have been
34 acquired through academic training or through actual employment
35 in those fields.

36 b. No member of the State Investment Council shall hold any
37 office, position or employment in any political party nor shall any
38 such member benefit directly or indirectly from any transaction
39 made by the Director of the Division of Investment provided for
40 herein.

41 The members of the council shall elect annually from their
42 number a chairman of such council. Any member of the council so
43 elected shall serve as such chairman for a term of one year and until
44 a successor is, in like manner, elected. The chairman of the council
45 shall be its presiding officer.

46 The members of the council shall serve without compensation
47 but shall be reimbursed for necessary expenses incurred in the
48 performance of their duties as approved by the chairman of the

1 council. The members of the council shall be required to file the
2 same annual financial disclosure statements as those required to be
3 filed by members of other State boards and commissions who are
4 not compensated for their services, as such statements shall be
5 required by law or executive order of the Governor. The financial
6 disclosure statements of council members shall be made available to
7 the public in the same manner as the statements of members of
8 other State boards and commissions are made available to the
9 public.

10 Each member of the council, except the member appointed from
11 among persons nominated by the President of the Senate and the
12 Speaker of the General Assembly, may be removed from office by
13 the Governor, for cause, upon notice and opportunity to be heard at
14 a public hearing. Any vacancy in the membership of the council
15 occurring other than by expiration of term shall be filled in the same
16 manner as the original appointment, but for the unexpired term
17 only.

18 c. The terms of the members of the council serving pursuant to
19 paragraph (1) of subsection a. of this section and serving on the
20 effective date [specified for this section of P.L.2007, c.103, other
21 than the five members appointed by the Governor with the advice
22 and consent of the Senate to serve for terms of five years and the
23 one member appointed by the Governor from persons nominated
24 jointly by the President of the Senate and the Speaker of the
25 General Assembly to serve for a term of five years,] of P.L. __,
26 c. (pending before the Legislature as this bill) are terminated as of
27 that effective date. A member terminated pursuant to this subsection
28 shall be eligible for reappointment.

29 (cf: P.L.2007, c.103, s.50)

30

31 29. N.J.S.18A:66-61 is amended to read as follows:

32 18A:66-61. The board of trustees shall be and are hereby
33 constituted trustees of the various funds and accounts established by
34 this article; provided, however, that all functions, powers and
35 duties relating to the investment or reinvestment of moneys of, and
36 purchase, sale or exchange of any investments or securities, of or
37 for any fund or account established under this article, shall be
38 exercised and performed by the Director of the Division of
39 Investment in accordance with the provisions of chapter 270, of the
40 laws of 1950. The secretary of the board of trustees shall
41 determine from time to time the cash requirements of the various
42 funds and accounts established by this article and the amount
43 available for investment, all of which shall be certified to the
44 Director of the Division of Investment.

45 **[A]** An elected member of the board of trustees to be designated
46 by a majority vote thereof shall serve on the state investment
47 council as a representative of said board of trustees, for a term of

1 **[1 year] three years** and until **[his] a** successor is **[elected]**
2 **designated** and qualified.

3 The finance committee of the board of trustees shall be appointed
4 on or before July 1 of each calendar year by the chairman of the
5 board of trustees to serve through June 30 of the ensuing calendar
6 year and until their successors are appointed. The finance
7 committee of the board of trustees shall consist of three members
8 of the board of trustees, one of whom shall be the State Treasurer.
9 (cf: P.L.1970, c.57, s.8)

10

11 30. Section 32 of P.L.1954, c.84 (C.43:15A-32) is amended to
12 read as follows:

13 32. The board of trustees shall be and are hereby constituted
14 trustees of the various funds and accounts established by this act;
15 provided, however, that all functions, powers, and duties relating to
16 the investment or reinvestment of moneys of, and purchase, sale, or
17 exchange of any investments or securities, of or for any fund or
18 account established under this act, shall be exercised and
19 performed by the Director of the Division of Investment in
20 accordance with the provisions of chapter 270, P.L.1950, as
21 amended and supplemented. The secretary of the board of trustees
22 shall determine from time to time the cash requirements of the
23 various funds and accounts established by this act and the amount
24 available for investment, all of which shall be certified to the
25 Director of the Division of Investment.

26 The members of the finance committee of the board of trustees
27 shall be appointed at or after July 1 of each calendar year by the
28 chairman of the board of trustees to serve through June 30 of the
29 ensuing calendar year and until their successors are appointed. The
30 finance committee of the board of trustees shall consist of five
31 members of the board of trustees, one of whom shall be the State
32 Treasurer, and one of whom shall be the member designated to
33 serve on the State Investment Council. At least three members of
34 the finance committee shall be members of the board of trustees
35 who have been elected by members of the system. A quorum of
36 the finance committee shall consist of three members thereof.

37 **[A] An elected** member of the board of trustees to be designated
38 by a majority vote thereof shall serve on the State Investment
39 Council as a representative of said board of trustees, for a term of
40 **[1 year] three years** and until **[his] a** successor is **[elected]**
41 **designated** and qualified.

42 (cf: P.L.1970, c.57, s.3)

43

44 31. Section 14 of P.L.1944, c.255 (C.43:16A-14) is amended to
45 read as follows:

46 14. (1) The board of trustees shall be and are hereby constituted
47 trustees of the various funds and accounts established by this act;
48 provided, however, that all functions, powers and duties relating to

1 the investment or reinvestment of moneys of, and purchase, sale or
2 exchange of any investments or securities, of or for any fund or
3 account established under this act shall be exercised and performed
4 by the director of the Division of Investment in accordance with the
5 provisions of chapter 270, of the laws of 1950. The secretary of the
6 board of trustees shall determine from time to time the cash
7 requirements of the various funds and accounts established by this
8 act and the amount available for investment, all of which shall be
9 certified to the Director of the Division of Investment.

10 **[A]** An elected member of the board of trustees to be designated
11 by a majority vote thereof shall serve on the State Investment
12 Council as a representative of said board of trustees, for a term of
13 **[1 year]** three years and until **[his]** a successor is **[elected]**
14 designated and qualified.

15 (2) The Treasurer of the State of New Jersey shall be the
16 custodian of the several funds created by this act, shall select all
17 depositories and custodians and shall negotiate and execute custody
18 agreements in connection with the assets or investments of any of
19 said funds. All payments from said funds shall be made by him
20 only upon vouchers signed by the chairman and countersigned by
21 the secretary of the board of trustees. No voucher shall be drawn,
22 except upon the authority of the board duly entered in the records
23 of its proceedings.

24 (3) (Deleted by amendment.)

25 (4) Except as otherwise herein provided, no trustee and no
26 employee of the board of trustees shall have any direct interest in
27 the gains or profits of any investments of the retirement system;
28 nor shall any trustee or employee of the board directly or
29 indirectly, for himself or as an agent in any manner use the moneys
30 of the retirement system, except to make such current and necessary
31 payments as are authorized by the board of trustees; nor shall any
32 trustee or employee of the board of trustees become an endorser or
33 surety, or in any manner an obligor for moneys loaned to or
34 borrowed from the retirement system.

35 (cf: P.L.1970, c.57, s.11)

36

37 32. Section 31 of P.L.1965, c.89 (C.53:5A-31) is amended to
38 read as follows:

39 31. a. The board of trustees shall be and are hereby constituted
40 trustees of all the various funds established by this act except the
41 group insurance premium fund; provided, however, that all
42 functions, powers, and duties relating to the investment or
43 reinvestment of moneys of, and purchase, sale, or exchange of any
44 investments or securities, of or for any fund established under this
45 act, shall be exercised and performed by the Director of the
46 Division of Investment in accordance with the provisions of c. 270,
47 P.L.1950, as amended and supplemented.

1 b. The secretary of the board shall determine from time to time
2 the cash requirements of the various funds established by this act
3 and the amount available for investment, all of which shall be
4 certified to the Director of the Division of Investment.

5 c. ~~【A member of the board of trustees to be designated by a~~
6 ~~majority vote thereof shall serve on the State Investment Council as~~
7 ~~a representative of said board of trustees, for a term of 1 year and~~
8 ~~until his successor is elected and qualified】 Deleted by amendment,~~
9 P.L. , c. (pending before the Legislature as this bill).

10 d. The Treasurer of the State of New Jersey shall be the
11 custodian of the several funds. All payments from said funds shall
12 be made by him only upon vouchers signed by the secretary and the
13 chairman of the board of trustees. A duly attested copy of the
14 resolution of the board of trustees designating the chairman and
15 bearing on its face specimen signatures of the chairman and the
16 secretary shall be filed with the treasurer as his authority for making
17 payments upon such vouchers.

18 e. The administration of the program shall be performed by the
19 personnel of the Division of Pensions of the State Department of
20 the Treasury and the costs of administration shall be borne by the
21 State.

22 (cf: P.L.1971, c.181, s.21)

23
24 33. (New section) Whenever a committee of the Public
25 Employees' Retirement System, the Teachers' Pension and Annuity
26 Fund, the Police and Firemen's Retirement System, or the State
27 Police Retirement System fails to render a decision on a matter
28 before the committee because it has not received a vote of the
29 majority of the committee members after 60 days have passed
30 following the initial consideration of the matter, the committee shall
31 utilize a super conciliator, randomly selected from a list developed
32 by the New Jersey Public Employment Relations Commission. The
33 super conciliator shall assist the committee based upon procedures
34 and subject to qualifications established by the commission
35 pursuant to regulation.

36 The super conciliator shall promptly schedule investigatory
37 proceedings. The purpose of the proceedings shall be to:

38 Investigate and acquire all relevant information regarding the
39 committee's failure to render a decision;

40 Discuss with the members of the committee their differences,
41 and utilize means and mechanisms, including but not limited to
42 requiring 24-hour per day negotiations, until a voluntary settlement
43 is reached, and provide recommendations to resolve the members'
44 differences; and

45 Institute any other non-binding procedures deemed appropriate
46 by the super conciliator.

47 If the actions taken by the super conciliator fail to resolve the
48 dispute, the super conciliator shall issue a final report, which shall

1 be provided to the committee promptly and made available to the
2 public within 10 days thereafter.

3 The super conciliator, while functioning in a mediatory capacity,
4 shall not be required to disclose any files, records, reports,
5 documents, or other papers classified as confidential which are
6 received or prepared by him or to testify with regard to mediation
7 conducted by him under this section. Nothing contained herein
8 shall exempt an individual from disclosing information relating to
9 the commission of a crime.

10

11 34. Section 27 of P.L.1966, c.217 (C.43:15A-57.2) is amended
12 to read as follows:

13 27. a. Except as provided in subsections b. **[and]**, c., and d. of
14 this section, if a former member of the State Employees' Retirement
15 System or the retirement system, who has been granted a retirement
16 allowance for any cause other than disability, becomes employed
17 again in a position which makes him eligible to be a member of the
18 retirement system, his retirement allowance and the right to any
19 death benefit as a result of his former membership, shall be
20 canceled until he again retires.

21 Such person shall be re-enrolled in the retirement system and
22 shall contribute thereto at a rate based on his age at the time of re-
23 enrollment. Such person shall be treated as an active member for
24 determining disability or death benefits while in service and no
25 benefits pursuant to an optional selection with respect to his former
26 membership shall be paid if his death shall occur during the period
27 of such re-enrollment.

28 Upon subsequent retirement of such member, his former
29 retirement allowance shall be reinstated together with any optional
30 selection, based on his former membership. In addition, he shall
31 receive an additional retirement allowance based on his subsequent
32 service as a member computed in accordance with applicable
33 provisions of chapter 84 of the laws of 1954; provided, however,
34 that his total retirement allowance upon such subsequent retirement
35 shall not be a greater proportion of his final compensation than the
36 proportion to which he would have been entitled had he remained in
37 service during the period of his prior retirement. Any death benefit
38 to which such member shall be eligible shall be based on his latest
39 retirement, but shall not be less than the death benefit that was
40 applicable to his former retirement.

41 b. The cancellation, re-enrollment, and additional retirement
42 allowance provisions of subsection a. of this section shall not apply
43 to a former member of the retirement system who, after having been
44 granted a retirement allowance, becomes employed again by: (1) an
45 employer or employers in a position or positions for which the
46 aggregate compensation does not exceed \$15,000 per year; or (2) if
47 the compensation exceeds \$10,000 per year, by an employer that is
48 a public institution of higher education as defined in N.J.S.18A:62-

1 1 in a teaching staff position. The Director of the Division of
2 Pensions and Benefits may from time to time adjust the amount in
3 paragraph (1) of this subsection. This adjustment shall be 3/5 of the
4 percentage of change in the index, as defined in section 1 of
5 P.L.1958, c.143 (C.43:3B-1), over a period of time as determined
6 by the director.

7 c. The cancellation, reenrollment, and additional retirement
8 allowance provisions of subsection a. and the compensation
9 limitations of subsection b. of this section shall not apply to a
10 former member of the retirement system who, after having been
11 granted a retirement allowance, becomes employed by the State
12 Department of Education in a position of critical need as
13 determined by the State Commissioner of Education, or becomes
14 employed by a board of education in a position of critical need as
15 determined by the superintendent of the district on a contractual
16 basis for a term of not more than one year; except that the
17 cancellation, reenrollment, and additional retirement allowance
18 provisions and the compensation limitations shall apply if the
19 former member becomes employed within 120 days of retirement in
20 a position with the employer from which the member retired.
21 Nothing herein shall preclude a former member so reemployed by a
22 board of education from renewing a contract for one additional
23 year, provided that the total period of employment with any
24 individual board of education does not exceed a two-year period.

25 d. The cancellation, reenrollment, and additional retirement
26 allowance provisions of subsections a., b., and c. of this section
27 shall not apply to a former member of the retirement system who
28 was granted a retirement allowance pursuant to section 1 of
29 P.L.1985, c.414 (C.43:15A-47.2) prior to the effective date of
30 P.L. , c. (pending before the Legislature as this bill).
31 (cf: P.L.2001, c.355, s.2)

32

33 35. Section 20 of P.L.1971, c.175 (C.43:16A-15.3) is amended
34 to read as follows:

35 20. **[If]** a. Except as provided in subsection b. of this section, if
36 a former member of the retirement system who has been granted a
37 retirement allowance for any cause other than disability, becomes
38 employed again in a position which makes him eligible to be a
39 member of the retirement system, his retirement allowance and the
40 right to any death benefit as a result of his former membership,
41 shall be canceled until he again retires.

42 Such person shall be reenrolled in the retirement system and
43 shall contribute thereto at a rate based on his age at the time of
44 reenrollment. Such person shall be treated as an active member for
45 determining disability or death benefits while in service. Upon
46 subsequent retirement of such member, his former retirement
47 allowance shall be reinstated based on his former membership. In
48 addition, he shall receive an additional retirement allowance based

1 on his subsequent service as a member computed in accordance
2 with applicable provisions of this chapter; provided, however, that
3 his total retirement allowance upon such subsequent retirement
4 shall not be a greater proportion of his average final compensation
5 or final compensation, whichever is applicable, than the proportion
6 to which he would have been entitled had he remained in service
7 during the period of his prior retirement. Any death benefit to
8 which such member shall be eligible shall be based on his latest
9 retirement, but shall not be less than the death benefit that was
10 applicable to his former retirement.

11 b. The cancellation, reenrollment, and additional retirement
12 allowance provisions of subsection a. of this section shall not apply
13 to a former member of the retirement system who was granted a
14 retirement allowance pursuant to section 1 of P.L.1999, c.96
15 (C.43:16A-5.1) prior to the effective date of P.L. , c. (pending
16 before the Legislature as this bill).

17 (cf: P.L.1999, c.428, s.8)

18

19 36. Section 34 of P.L.2007, c.103 (C.52:14-17.46.4) is amended
20 to read as follows:

21 34. The School Employees' Health Benefits Program, authorized
22 by sections 31 through 41 of P.L.2007, c.103 (C.52:14-17.46.1
23 through C.52:14-17.46.11), shall be administered in the Department
24 of the Treasury. Administrative services required by the
25 commission shall be provided through the Division of Pensions and
26 Benefits, and the Director of the Division of Pensions and Benefits
27 shall be the secretary of the commission. The commission and the
28 committee shall establish a health benefits program for the school
29 employees of the State, the cost of which shall be paid as specified
30 in this act. The commission shall, by a majority vote of its full
31 authorized membership, establish and change rules and regulations
32 as may be deemed reasonable and necessary for the administration
33 of this act by the commission and committee. Until such rules and
34 regulations are established, the rules and regulations of the State
35 Health Benefits Commission shall be deemed to apply to the School
36 Employees' Health Benefits Program.

37 The Attorney General shall be the legal advisor of the
38 commission and committee.

39 The members of the commission and committee shall serve
40 without compensation but shall be reimbursed for any necessary
41 expenditure.

42 The commission shall ensure that audits and reviews are
43 performed as required by section 40 of P.L.2007, c.103 (C.52:14-
44 17.46.10). Actions of the commission related to such audits and
45 reviews shall require a majority vote of the full authorized
46 membership of the commission to be approved.

47 Except as otherwise specified in this act, actions of the
48 commission shall require the affirmative vote of a majority of the

1 members present at a meeting at which a majority of the full
2 authorized membership is present.

3 (cf: P.L.2007, c.103, s.34)

4

5 37. N.J.S.18A:66-43 is amended to read as follows:

6 18A:66-43. Retirement for service shall be as follows: (a) A
7 person who was a member before the effective date of P.L.2008,
8 c.89 and has attained 60 years of age may retire on a service
9 retirement allowance by filing with the retirement system a written
10 application, duly attested, stating at which time subsequent to the
11 execution and filing thereof he desires to be retired. The board of
12 trustees shall retire him at the time specified or at such other time
13 within 1 month after the date so specified as the board finds
14 advisable.

15 (b) A person who becomes a member on or after the effective
16 date of P.L.2008, c.89 and has attained 62 years of age may retire
17 on a service retirement allowance by filing with the retirement
18 system a written application, duly attested, stating at which time
19 subsequent to the execution and filing thereof the member desires to
20 be retired. The board of trustees shall retire the member at the time
21 specified or at such other time within 1 month after the date so
22 specified as the board finds advisable.

23 (c) A person who becomes a member on or after the effective
24 date of P.L. , c. (pending before the Legislature as this bill) and
25 has attained 65 years of age may retire on a service retirement
26 allowance by filing with the retirement system a written application,
27 duly attested, stating at which time subsequent to the execution and
28 filing thereof the member desires to be retired. The board of trustees
29 shall retire the member at the time specified or at such other time
30 within 1 month after the date so specified as the board finds
31 advisable.

32 (cf: P.L.2008. c.89, s.21)

33

34 38. Section 47 of P.L.1954, c.84 (C.43:15A-47) is amended to
35 read as follows:

36 47. a. A person who was a member before the effective date of
37 P.L.2008, c.89 and has attained 60 years of age may retire on a
38 service retirement allowance by filing with the retirement system a
39 written application, duly attested, stating at which time subsequent
40 to the execution and filing thereof the member desires to be retired.
41 The board of trustees shall retire him at the time specified or at such
42 other time within one month after the date so specified as the board
43 finds advisable.

44 b. A person who becomes a member on or after the effective
45 date of P.L.2008, c.89 and has attained 62 years of age may retire
46 on a service retirement allowance by filing with the retirement
47 system a written application, duly attested, stating at which time
48 subsequent to the execution and filing thereof the member desires to

1 be retired. The board of trustees shall retire the member at the time
2 specified or at such other time within one month after the date so
3 specified as the board finds advisable.

4 c. A person who becomes a member on or after the effective
5 date of P.L. , c. (pending before the Legislature as this bill)
6 and has attained 65 years of age may retire on a service retirement
7 allowance by filing with the retirement system a written application,
8 duly attested, stating at which time subsequent to the execution and
9 filing thereof the member desires to be retired. The board of
10 trustees shall retire the member at the time specified or at such
11 other time within one month after the date so specified as the board
12 finds advisable.

13 (cf: P.L.2008, c.89, s.24)

14

15 39. (New section) a. The amount of contribution to be paid
16 pursuant to the provisions of sections 40, 41, and 42 of P.L. ,
17 c. (C.) (pending before the Legislature as this bill) by public
18 employees of the State or of employers other than the State for
19 health care benefits coverage for the employee and any dependent
20 shall be as follows:

21

22 for family coverage or its equivalent -

23 an employee who earns less than \$25,000 shall pay 3 percent of
24 the cost of coverage;

25 an employee who earns \$25,000 or more but less than \$30,000
26 shall pay 4 percent of the cost of coverage;

27 an employee who earns \$30,000 or more but less than \$35,000
28 shall pay 5 percent of the cost of coverage;

29 an employee who earns \$35,000 or more but less than \$40,000
30 shall pay 6 percent of the cost of coverage;

31 an employee who earns \$40,000 or more but less than \$45,000
32 shall pay 7 percent of the cost of coverage;

33 an employee who earns \$45,000 or more but less than \$50,000
34 shall pay 9 percent of the cost of coverage;

35 an employee who earns \$50,000 or more but less than \$55,000
36 shall pay 12 percent of the cost of coverage;

37 an employee who earns \$55,000 or more but less than \$60,000
38 shall pay 14 percent of the cost of coverage;

39 an employee who earns \$60,000 or more but less than \$65,000
40 shall pay 17 percent of the cost of coverage;

41 an employee who earns \$65,000 or more but less than \$70,000
42 shall pay 19 percent of the cost of coverage;

43 an employee who earns \$70,000 or more but less than \$75,000
44 shall pay 22 percent of the cost of coverage;

45 an employee who earns \$75,000 or more but less than \$80,000
46 shall pay 23 percent of the cost of coverage;

47 an employee who earns \$80,000 or more but less than \$85,000
48 shall pay 24 percent of the cost of coverage;

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70

- 1 an employee who earns \$85,000 or more but less than \$90,000
2 shall pay 26 percent of the cost of coverage;
- 3 an employee who earns \$90,000 or more but less than \$95,000
4 shall pay 28 percent of the cost of coverage;
- 5 an employee who earns \$95,000 or more or but less than
6 \$100,000 shall pay 29 percent of the cost of coverage;
- 7 an employee who earns \$100,000 or more or but less than
8 \$110,000 shall pay 32 percent of the cost of coverage;
- 9 an employee who earns \$110,000 or more shall pay 35 percent of
10 the cost of coverage
- 11
- 12 for individual coverage or its equivalent -
- 13 an employee who earns less than \$20,000 shall pay 4.5 percent
14 of the cost of coverage;
- 15 an employee who earns \$20,000 or more but less than \$25,000
16 shall pay 5.5 percent of the cost of coverage;
- 17 an employee who earns \$25,000 or more but less than \$30,000
18 shall pay 7.5 percent of the cost of coverage;
- 19 an employee who earns \$30,000 or more but less than \$35,000
20 shall pay 10 percent of the cost of coverage;
- 21 an employee who earns \$35,000 or more but less than \$40,000
22 shall pay 11 percent of the cost of coverage;
- 23 an employee who earns \$40,000 or more but less than \$45,000
24 shall pay 12 percent of the cost of coverage;
- 25 an employee who earns \$45,000 or more but less than \$50,000
26 shall pay 14 percent of the cost of coverage;
- 27 an employee who earns \$50,000 or more but less than \$55,000
28 shall pay 20 percent of the cost of coverage;
- 29 an employee who earns \$55,000 or more but less than \$60,000
30 shall pay 23 percent of the cost of coverage;
- 31 an employee who earns \$60,000 or more but less than \$65,000
32 shall pay 27 percent of the cost of coverage;
- 33 an employee who earns \$65,000 or more but less than \$70,000
34 shall pay 29 percent of the cost of coverage;
- 35 an employee who earns \$70,000 or more but less than \$75,000
36 shall pay 32 percent of the cost of coverage;
- 37 an employee who earns \$75,000 or more but less than \$80,000
38 shall pay 33 percent of the cost of coverage;
- 39 an employee who earns \$80,000 or more but less than \$95,000
40 shall pay 34 percent of the cost of coverage;
- 41 an employee who earns \$95,000 or more shall pay 35 percent of
42 the cost of coverage;
- 43
- 44 for member with child or spouse coverage or its equivalent -
- 45 an employee who earns less than \$25,000 shall pay 3.5 percent
46 of the cost of coverage;
- 47 an employee who earns \$25,000 or more but less than \$30,000
48 shall pay 4.5 percent of the cost of coverage;

1 an employee who earns \$30,000 or more but less than \$35,000
2 shall pay 6 percent of the cost of coverage;
3 an employee who earns \$35,000 or more but less than \$40,000
4 shall pay 7 percent of the cost of coverage;
5 an employee who earns \$40,000 or more but less than \$45,000
6 shall pay 8 percent of the cost of coverage;
7 an employee who earns \$45,000 or more but less than \$50,000
8 shall pay 10 percent of the cost of coverage;
9 an employee who earns \$50,000 or more but less than \$55,000
10 shall pay 15 percent of the cost of coverage;
11 an employee who earns \$55,000 or more but less than \$60,000
12 shall pay 17 percent of the cost of coverage;
13 an employee who earns \$60,000 or more but less than \$65,000
14 shall pay 21 percent of the cost of coverage;
15 an employee who earns \$65,000 or more but less than \$70,000
16 shall pay 23 percent of the cost of coverage;
17 an employee who earns \$70,000 or more but less than \$75,000
18 shall pay 26 percent of the cost of coverage;
19 an employee who earns \$75,000 or more but less than \$80,000
20 shall pay 27 percent of the cost of coverage;
21 an employee who earns \$80,000 or more but less than \$85,000
22 shall pay 28 percent of the cost of coverage;
23 an employee who earns \$85,000 or more but less than \$100,000
24 shall pay 30 percent of the cost of coverage.
25 an employee who earns \$100,000 or more shall pay 35 percent of
26 the cost of coverage.

27
28 Base salary shall be used to determine what an employee earns
29 for the purposes of this provision.

30 As used in this section, "cost of coverage" means the premium or
31 periodic charges for medical and prescription drug plan coverage,
32 but not for dental, vision, or other health care, provided under the
33 State Health Benefits Program or the School Employees' Health
34 Benefits Program; or the premium or periodic charges for health
35 care, prescription drug, dental, and vision benefits, and for any
36 other health care benefit, provided pursuant to P.L.1979, c.391
37 (C.18A:16-12 et seq.), N.J.S.40A:10-16 et seq., or any other law by
38 a local board of education, local unit or agency thereof, and
39 including a county college, an independent State authority as
40 defined in section 43 of P.L. , c. (C.) (pending before the
41 Legislature as this bill), and a local authority as defined in section
42 44 of P.L. , c. (C.) (pending before the Legislature as this
43 bill), when the employer is not a participant in the State Health
44 Benefits Program or the School Employees' Health Benefits
45 Program.

46
47 40. (New section) a. Notwithstanding the provisions of any other
48 law to the contrary, public employees of the State and employers

1 other than the State shall contribute, through the withholding of the
2 contribution from the pay, salary, or other compensation, toward the
3 cost of health care benefits coverage for the employee and any
4 dependent provided under the State Health Benefits Program or the
5 School Employees' Health Benefits Program in an amount that shall
6 be determined in accordance with section 39 of P.L. , c. (C.)
7 (pending before the Legislature as this bill), except that, an
8 employee employed on the date on which the contribution
9 commences, as specified in subsection c. of this section, shall pay:

10 during the first year in which the contribution is effective, one-
11 fourth of the amount of contribution;

12 during the second year in which the contribution is effective,
13 one-half of the amount of contribution; and

14 during the third year in which the contribution is effective, three-
15 fourths of the amount of contribution,

16 as that amount is calculated in accordance with section 39 of
17 P.L. , c. (C.) (pending before the Legislature as this bill).

18 The amount payable by any employee under this subsection shall
19 not under any circumstance be less than the 1.5 percent of base
20 salary that is provided for in subsection c. of section 6 of P.L.1996,
21 c.8 (C.52:14-17.28b), subsection a. of section 7 of P.L.1964, c.125
22 (C.52:14-17.38), or subsection b. of section 39 of P.L.2007, c.103
23 (C.52:14-17.46.9). An employee who pays the contribution
24 required under this subsection shall not also be required to pay the
25 contribution of 1.5 percent of base salary under those subsections
26 listed above.

27 This section shall apply to employees for whom the employer
28 has assumed a health care benefits payment obligation, to require
29 that such employees pay at a minimum the amount of contribution
30 specified in this section for health care benefits coverage.

31 b. (1) Notwithstanding the provisions of any other law to the
32 contrary, public employees of the State and employers other than
33 the State, as those employees are specified in paragraph (2) of this
34 subsection, shall contribute, through the withholding of the
35 contribution from the monthly retirement allowance, toward the
36 cost of health care benefits coverage for the employee in retirement
37 and any dependent provided under the State Health Benefits
38 Program or the School Employees' Health Benefits Program in an
39 amount that shall be determined in accordance with section 39 of
40 P.L. , c. (C.) (pending before the Legislature as this bill) by
41 using the percentage applicable to the range within which the
42 annual retirement allowance, and any future cost of living
43 adjustments thereto, falls. The retirement allowance, and any future
44 cost of living adjustments thereto, shall be used to identify the
45 percentage of the cost of coverage.

46 (2) The contribution specified in paragraph (1) of this subsection
47 shall apply to:

1 (a) State employees and employees of an independent State
2 authority, board, commission, corporation, agency, or organization
3 for whom there is a majority representative for collective
4 negotiations purposes who accrue 25 years of nonconcurrent service
5 credit in one or more State or locally-administered retirement
6 systems on or after the effective date of P.L. , c. (pending before
7 the Legislature as this bill), or on or after the expiration of an
8 applicable binding collective negotiations agreement in force on
9 that effective date, and who retire on or after that effective date or
10 expiration date, excepting employees who elect deferred retirement;

11 (b) State employees and employees of an independent State
12 authority, board, commission, corporation, agency, or organization
13 for whom there is no majority representative for collective
14 negotiations purposes who accrue 25 years of nonconcurrent service
15 credit in one or more State or locally-administered retirement
16 systems on or after that effective date, or on or after the expiration
17 of an applicable binding collective negotiations agreement in force
18 on that effective date if the terms of that agreement concerning
19 health care benefits coverage in retirement have been deemed
20 applicable by the commission or the employer to those employees,
21 and who retire on or after that effective date or expiration date,
22 excepting employees who elect deferred retirement;

23 (c) employees covered by section 3 of P.L.1987, c.384 (C.52:14-
24 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section
25 1 of P.L.1995, c.357 (C.52:14-17.32f2) who accrue 25 years of
26 service credit on or after that effective date and retire on or after
27 that effective date, including employees who elect deferred
28 retirement;

29 (d) employees of an employer other than the State for whom
30 there is a majority representative for collective negotiations
31 purposes who accrue the number of years of service credit, and age
32 if required, as specified in subsection b. of section 7 of P.L.1964,
33 c.125 (C.52:14-17.38), on or after that effective date, or on or after
34 the expiration of an applicable binding collective negotiations
35 agreement in force on that effective date, and who retire on or after
36 that effective date or expiration date, excepting employees who
37 elect deferred retirement, when the employer has assumed payment
38 obligations for health care benefits in retirement for such an
39 employee; and

40 (e) employees of an employer other than the State for whom
41 there is no majority representative for collective negotiations
42 purposes who accrue the number of years of service credit, and age
43 if required, as specified in subsection b. of section 7 of P.L.1964,
44 c.125 (C.52:14-17.38), on or after that effective date, or on or after
45 the expiration of an applicable binding collective negotiations
46 agreement in force on that effective date if the terms of that
47 agreement concerning health care benefits payment obligations in
48 retirement have been deemed applicable by the employer to those

1 employees, and who retire on or after that effective date or
2 expiration date, excepting employees who elect deferred retirement,
3 when the employer has assumed payment obligations for health care
4 benefits in retirement for such an employee.

5 (3) Employees described in paragraph (2) of this subsection who
6 have 20 or more years of creditable service in one or more State or
7 locally-administered retirement systems on the effective date of
8 P.L. , c. (pending before the Legislature of this bill) shall not be
9 subject to the provisions of this subsection.

10 (4) The amount payable by a retiree under this subsection shall
11 not under any circumstance be less than the 1.5 percent of the
12 monthly retirement allowance, including any future cost of living
13 adjustments thereto, that is provided for such a retiree, if applicable
14 to that retiree, under subsection d. of section 6 of P.L.1996, c.8
15 (C.52:14-17.28b), subsection b. of section 7 of P.L.1964, c.125
16 (C.52:14-17.38), section 3 of P.L.1987, c.384 (C.52:14-17.32f),
17 section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section 1 of
18 P.L.1995, c.357 (C.52:14-17.32f2), or less than a comparable
19 contribution with regard to the retirees who are members of the
20 alternate benefit program. A retiree who pays the contribution
21 required under this subsection shall not also be required to pay the
22 contribution of 1.5 percent of the monthly retirement allowance
23 under those sections or subsections listed above.

24 c. The contribution required under subsection a. of this section
25 shall commence: (1) upon the effective date of P.L. , c. (pending
26 before the Legislature as this bill) for employees who do not have a
27 majority representative for collective negotiations purposes,
28 notwithstanding that the terms of a collective negotiations
29 agreement binding on the employer have been applied or have been
30 deemed applicable to those employees by the commission or the
31 employer, or have been used to modify the respective payment
32 obligations of the employer and those employees in a manner
33 consistent with those terms, as permitted by law, before that
34 effective date; and (2) upon the expiration of any applicable binding
35 collective negotiations agreement in force on that effective date for
36 employees covered by that agreement with the contribution required
37 for the first year under subsection a. of this section commencing in
38 the first year after that expiration, or upon the effective date of
39 P.L. , c. (pending before the Legislature as this bill) if such an
40 agreement has expired before that effective date with the
41 contribution required for the first year under subsection a. of this
42 section commencing in the first year after that effective date.

43 Once those employees are subjected to the contribution
44 requirements set forth in subsection a. of this section, the public
45 employers and public employees shall be bound by this act, P.L. ,
46 c. (C.) (pending before the Legislature as this bill), to apply the
47 contribution levels set forth in section 39 of this act until all
48 affected employees are contributing the full amount of the

1 contribution, as determined by the implementation schedule set
2 forth in subsection a. of this section. Notwithstanding the
3 expiration date set forth in section 83 of this act, P.L. , c. (C.)
4 (pending before the Legislature as this bill), or the expiration date
5 of any successor agreements, the parties shall be bound to apply the
6 requirements of this paragraph until they have reached the full
7 implementation of the schedule set forth in subsection a. of this
8 section.

9 The provisions of law permitting the determination of an amount
10 of contribution at the discretion of the employer or by means of a
11 binding collective negotiations agreement, and by means of the
12 application of the terms of such an agreement to employees who do
13 not have a majority representative for collective negotiations
14 purposes, or the modification of the respective payment obligations
15 of the employer and those employees in a manner consistent with
16 the terms of such an agreement, shall remain in effect with regard to
17 contributions, whether as a share of the cost, or percentage of the
18 premium or periodic charge, or otherwise, in addition to the
19 contributions required under subsections a. and b. of this section.

20 Paragraphs (5) and (6) of subsection c. of section 6 of P.L.1996,
21 c.8 (C.52:14-17.28b) shall not be deemed to apply with regard to
22 contributions specified and made under this section. Paragraph (7)
23 of subsection c. of P.L.1996, c.8 (C.52:14-17.28b) shall apply with
24 regard to contributions specified and made under this section.

25 A qualified retiree under section 1 of P.L.1997, c.330 (C.52:14-
26 17.32i) who meets the eligibility requirements on or after the
27 effective date of P.L. , c. (pending before the Legislature as this
28 bill) shall not pay less than the contribution required under
29 subsection b. of this section, including as specified in paragraph (3)
30 of subsection b. of this section. Part-time State employees and part-
31 time faculty members participating under section 1 of P.L.2003,
32 c.172 (C.52:14-17.33a) shall not pay less than the contribution
33 specified in subsection a. of this section. Subsection b. of this
34 section shall apply under subsection b. of section 7 of P.L.1964,
35 c.125 (C.52:14-17.38) to a surviving spouse of a retired employee
36 of an employer other than the State and the employee's dependents
37 in the same manner as to the retiree at the time of death.

38 The minimum contribution based on the retirement allowance of
39 members of the alternate benefit program in retirement shall be
40 determined, as may be necessary, pursuant to the formula specified
41 in paragraph (4) of subsection c. of section 6 of P.L.1996, c.8
42 (C.52:14-17.28b).

43 All other provisions of law shall remain applicable to the extent
44 not inconsistent with this section.

45 d. Any extension, alteration, re-opening, amendment or other
46 adjustment to a collective negotiations agreement in force on the
47 effective date of P.L. , c. (pending before the Legislature as this
48 bill), or to an agreement that is expired on that effective date, shall

1 be considered a new collective negotiations agreement entered into
2 after that effective date for the purposes of this section.

3
4 41. (New section) a. Notwithstanding the provisions of any
5 other law to the contrary, public employees, as specified herein, of a
6 local board of education shall contribute, through the withholding
7 of the contribution from the pay, salary, or other compensation,
8 toward the cost of health care benefits coverage for the employee
9 and any dependent provided pursuant to P.L.1979, c.391
10 (C.18A:16-12 et seq.), unless the provisions of subsection b. of this
11 section apply, in an amount that shall be determined in accordance
12 with section 39 of P.L. , c. (C.) (pending before the
13 Legislature as this bill), except that, employees employed on the
14 date on which the contribution commences, as specified in
15 subsection c. of this section, shall pay:

16 during the first year in which the contribution is effective, one-
17 fourth of the amount of contribution;

18 during the second year in which the contribution is effective,
19 one-half of the amount of contribution; and

20 during the third year in which the contribution is effective, three-
21 fourths of the amount of contribution,

22 as that amount is calculated in accordance with section 39 of
23 P.L. , c. (C.) (pending before the Legislature as this bill).

24 The amount payable by any employee under this subsection shall
25 not under any circumstance be less than the 1.5 percent of base
26 salary that is provided for in subsection b. of section 6 of P.L.1979,
27 c.391 (C.18A:16-17). An employee who pays the contribution
28 required under this subsection shall not also be required to pay the
29 contribution of 1.5 percent of base salary under subsection b. of
30 section 6 of P.L.1979, c.391 (C.18A:16-17).

31 This section shall apply to employees for whom the employer
32 has assumed a health care benefits payment obligation pursuant to
33 section 6 of P.L.1979, c.391 (C.18A:16-17), to require that such
34 employees pay at a minimum the amount of contribution specified
35 in this section for health care benefits coverage.

36 b. A board of education may enter into a contract or contracts
37 to provide health care benefits including prescription drug benefits
38 and other health care benefits, as may be required to implement a
39 duly executed collective negotiations agreement, and may provide
40 through such agreement for an amount of employee contribution as
41 a cost share or premium share that is other than the percentage
42 required under subsection a. of this section, if the total aggregate
43 savings during the term of the agreement from employee
44 contributions or plan design, or both, from that agreement as
45 applied to employees covered by that agreement, and to employees
46 not covered by that agreement but to whom the agreement has been
47 applied by the employer, if any, equals or exceeds the annual
48 savings that would have resulted had those employees made the

1 contributions required under subsection a. of this section plus the
2 annual savings resulting to the plans within the School Employees'
3 Health Benefits Program as a result of plan design changes made
4 pursuant to P.L. , c. (C.) (pending before the Legislature as
5 this bill).

6 A board of education shall certify the savings in writing to the
7 Department of Education and the Division of Pensions and Benefits
8 in the Department of the Treasury. The Department of Education
9 shall review and approve or reject the certification within 30 days
10 of receipt. The certification is deemed approved if not rejected
11 within that time. The agreement shall not be executed until that
12 approval is received or the 30 day period has lapsed, whichever
13 occurs first.

14 c. The contribution under subsection a. of this section shall
15 commence: (1) upon the effective date of P.L. , c. (pending
16 before the Legislature as this bill) for employees who do not have a
17 majority representative for collective negotiations purposes,
18 notwithstanding that the terms of a collective negotiations
19 agreement binding on the employer have been applied or have been
20 deemed applicable to those employees by the employer, or have
21 been used to modify the respective payment obligations of the
22 employer and those employees in a manner consistent with those
23 terms, before that effective date; and (2) upon the expiration of any
24 applicable binding collective negotiations agreement in force on
25 that effective date for employees covered by that agreement with
26 the contribution required for the first year under subsection a. of
27 this section commencing in the first year after that expiration, or
28 upon the effective date of P.L. , c. (pending before the
29 Legislature as this bill) if such an agreement has expired before that
30 effective date with the contribution required for the first year under
31 subsection a. of this section commencing in the first year after that
32 effective date.

33 Once those employees are subjected to the contribution
34 requirements set forth in subsection a. of this section, the public
35 employers and public employees shall be bound by this act, P.L. ,
36 c. (C.) (pending before the Legislature as this bill), to apply the
37 contribution levels set forth in section 39 of this act until all
38 affected employees are contributing the full amount of the
39 contribution, as determined by the implementation schedule set
40 forth in subsection a. of this section. Notwithstanding the
41 expiration date set forth in section 83 of this act, P.L. , c. (C.)
42 (pending before the Legislature as this bill), or the expiration date
43 of any successor agreements, the parties shall be bound to apply the
44 requirements of this paragraph until they have reached the full
45 implementation of the schedule set forth in subsection a. of this
46 section.

47 As may be permitted by law or otherwise, the authority to
48 determine an amount of contribution at the discretion of the

1 employer or by means of a binding collective negotiations
2 agreement, and by means of the application of the terms of such an
3 agreement to employees who do not have a majority representative
4 for collective negotiations purposes, or the modification of the
5 respective payment obligations of the employer and those
6 employees in a manner consistent with the terms of such
7 agreements, shall remain in effect with regard to contributions,
8 whether as a share of the cost, or percentage of the premium or
9 periodic charge, or otherwise, in addition to the contributions
10 required under subsection a. of this section.

11 This section shall apply when the health care benefits are
12 provided through self insurance, the purchase of commercial
13 insurance or reinsurance, an insurance fund or joint insurance fund,
14 or in any other manner, or any combination thereof.

15 All other provisions of law shall remain applicable to the extent
16 not inconsistent with this section.

17 d. Any extension, alteration, re-opening, amendment or other
18 adjustment to a collective negotiations agreement in force on the
19 effective date of P.L. , c. (pending before the Legislature as this
20 bill), or to an agreement that is expired on that effective date, shall
21 be considered a new collective negotiations agreement entered into
22 after that effective date for the purposes of this section.

23

24 42. (New section) a. Notwithstanding the provisions of any
25 other law to the contrary, public employees, as specified herein, of a
26 local unit or agency thereof, herein referred to as an employer, shall
27 contribute, through the withholding of the contribution from the
28 pay, salary, or other compensation, toward the cost of health care
29 benefits coverage for the employee and any dependent provided
30 pursuant to N.J.S.40A:10-16 et seq., unless the provisions of
31 subsection c. of this section apply, in an amount that shall be
32 determined in accordance with section 39 of P.L. , c. (C.)
33 (pending before the Legislature as this bill), except that, employees
34 employed on the date on which the contribution commences, as
35 specified in subsection d. of this section, shall pay:

36 during the first year in which the contribution is effective, one-
37 fourth of the amount of contribution;

38 during the second year in which the contribution is effective,
39 one-half of the amount of contribution; and

40 during the third year in which the contribution is effective, three-
41 fourths of the amount of contribution,

42 as that amount is calculated in accordance with section 39 of
43 P.L. , c. (C.) (pending before the Legislature as this bill).

44 The amount payable by any employee under this subsection shall
45 not under any circumstance be less than the 1.5 percent of base
46 salary that is provided for in subsection b. of N.J.S.40A:10-21 or
47 section 16 of P.L.2010, c.2 (C.18A:64A-13.1a). An employee who
48 pays the contribution required under this subsection shall not also

1 be required to pay the contribution of 1.5 percent of base salary
2 under subsection b. of N.J.S.40A:10-21 or section 16 of P.L.2010,
3 c.2 (C.18A:64A-13.1a).

4 This subsection shall apply to employees for whom the employer
5 has assumed a health care benefits payment obligation pursuant to
6 N.J.S.40A:10-21, to require that such employees pay at a minimum
7 the amount of contribution specified in this section for health care
8 benefits coverage, with employer including a county college.

9 b. (1) Notwithstanding the provisions of any other law to the
10 contrary, public employees of an employer, as those employees are
11 specified in paragraph (2) of this subsection, shall contribute,
12 through the withholding of the contribution from the monthly
13 retirement allowance, toward the cost of health care benefits
14 coverage for the employee in retirement and any dependent
15 provided pursuant to N.J.S.40A:10-16 et seq., unless the provisions
16 of subsection c. of this section apply, in an amount that shall be
17 determined in accordance with section 39 of P.L. , c. (C.)
18 (pending before the Legislature as this bill) by using the percentage
19 applicable to the range within which the annual retirement
20 allowance, and any future cost of living adjustments thereto, falls.
21 The retirement allowance, and any future cost of living adjustments
22 thereto, shall be used to identify the percentage of the cost of
23 coverage.

24 (2) The contribution specified in paragraph (1) of this
25 subsection shall apply to:

26 (a) employees of employers for whom there is a majority
27 representative for collective negotiations purposes who accrue the
28 number of years of service credit, and age if required, as specified
29 in N.J.S.40A:10-23, or on or after the expiration of an applicable
30 binding collective negotiations agreement in force on that effective
31 date, and who retire on or after that effective date or expiration
32 date, excepting employees who elect deferred retirement, when the
33 employer has assumed payment obligations for health care benefits
34 in retirement for such an employee; and

35 (b) employees of employers for whom there is no majority
36 representative for collective negotiations purposes who accrue the
37 number of years of service credit, and age if required, as specified
38 in N.J.S.40A:10-23, on or after that effective date or on or after the
39 expiration of a binding collective negotiations agreement in force
40 on that effective date if the terms of that agreement concerning
41 health care benefits payment obligations in retirement have been
42 deemed applicable by the employer to those employees, and who
43 retire on or after that effective date or expiration date, excepting
44 employees who elect deferred retirement, when the employer has
45 assumed payment obligations for health care benefits in retirement
46 for such an employee.

47 (3) Employees described in paragraph (2) of this subsection who
48 have 20 or more years of creditable service in one or more State or

1 locally-administered retirement systems on the effective date of
2 P.L. , c. (pending before the Legislature of this bill) shall not be
3 subject to the provisions of this subsection.

4 The amount payable by a retiree under this subsection shall not
5 under any circumstance be less than the 1.5 percent of the monthly
6 retirement allowance, including any future cost of living
7 adjustments thereto, that is provided for such a retiree, if applicable
8 to that retiree, under subsection b. of section N.J.S.40A:10-23. A
9 retiree who pays the contribution required under this subsection
10 shall not also be required to pay the contribution of 1.5 percent of
11 the monthly retirement allowance under subsection b. of section
12 N.J.S.40A:10-23.

13 c. A local unit may enter into a contract or contracts to provide
14 health care benefits, including prescription drug benefits and other
15 health care benefits, as may be required to implement a duly
16 executed collective negotiations agreement, and may provide
17 through such agreement for an amount of employee or retiree
18 contribution as a cost share or premium share that is other than the
19 percentage required under subsections a. or b., or both, of this
20 section, if the total aggregate savings during the term of that
21 agreement from such contributions or plan design, or both, from
22 that agreement as applied to employees and retirees covered by that
23 agreement, and to employees and retirees not covered by that
24 agreement but to whom the agreement has been applied by the
25 employer, if any, equals or exceeds the annual savings that would
26 have resulted had those employees or retirees made the
27 contributions required under subsections a. or b., or both, of this
28 section plus the annual savings resulting to the plans within the
29 State Health Benefits Program as a result of plan design changes
30 made pursuant to P.L. , c. (C.) (pending before the
31 Legislature as this bill).

32 A local unit shall certify the savings in writing to the Division of
33 Local Government Services in the Department of Community
34 Affairs and the Division of Pensions and Benefits in the Department
35 of the Treasury. The Department of Community Affairs shall
36 review and approve or reject the certification within 30 days of
37 receipt. The certification shall be deemed approved if not rejected
38 within that time. The agreement shall not be executed until that
39 approval is received or the 30 day period has lapsed, whichever
40 occurs first.

41 d. The contribution under subsection a. of this section shall
42 commence: (1) upon the effective date of P.L. , c. (pending
43 before the Legislature as this bill) for employees who do not have a
44 majority representative for collective negotiations purposes,
45 notwithstanding that the terms of an applicable collective
46 negotiations agreement binding on the employer have been applied
47 or have been deemed applicable to those employees by the
48 employer, or have been used to modify the respective payment

1 obligations of the employer and those employees in a manner
2 consistent with those terms, before that effective date; and (2) upon
3 the expiration of any applicable binding collective negotiations
4 agreement in force on that effective date for employees covered by
5 that agreement with the contribution required for the first year
6 under subsection a. of this section commencing in the first year
7 after that expiration, or upon the effective date of P.L. ,
8 c. (pending before the Legislature as this bill) if such an agreement
9 has expired before that effective date with the contribution required
10 for the first year under subsection a. of this section commencing in
11 the first year after that effective date.

12 Once those employees are subjected to the contribution
13 requirements set forth in subsection a. of this section, the public
14 employers and public employees shall be bound by this act, P.L. ,
15 c. (C.) (pending before the Legislature as this bill), to apply
16 the contribution levels set forth in section 39 of this act until all
17 affected employees are contributing the full amount of the
18 contribution, as determined by the implementation schedule set
19 forth in subsection a. of this section. Notwithstanding the
20 expiration date set forth in section 83 of this act, P.L. , c.
21 (C.) (pending before the Legislature as this bill), or the
22 expiration date of any successor agreements, the parties shall be
23 bound to apply the requirements of this paragraph until they have
24 reached the full implementation of the schedule set forth in
25 subsection a. of this section.

26 As may be permitted by law or otherwise, the authority to
27 determine an amount of contribution at the discretion of the
28 employer or by means of a binding collective negotiations
29 agreement, and by means of the application of the terms of such an
30 agreement to employees who do not have a majority representative
31 for collective negotiations purposes, or the modification of the
32 respective payment obligations of the employer and those
33 employees in a manner consistent with the terms of such an
34 agreement, shall remain in effect with regard to contributions,
35 whether as a share of the cost, or percentage of the premium or
36 periodic charge, or otherwise, in addition to the contributions
37 required under subsections a. and b. of this section.

38 This section shall apply when the health care benefits are
39 provided through self insurance, the purchase of commercial
40 insurance or reinsurance, an insurance fund or joint insurance fund,
41 or in any other manner, or any combination thereof.

42 This section shall apply to counties and municipalities, and any
43 agency, board, commission, authority, or instrumentality of a local
44 unit, fire districts, or other entities created by a county or
45 municipality, and to county colleges.

46 Amounts deducted from a retiree's benefit pursuant to subsection
47 b. of this section shall be paid to the retiree's former employer, as
48 appropriate

1 All other provisions of law shall remain applicable to the extent
2 not inconsistent with this section.

3 e. Any extension, alteration, re-opening, amendment or other
4 adjustment to a collective negotiations agreement in force on the
5 effective date of P.L. , c. (pending before the Legislature as this
6 bill), or to an agreement that is expired on that effective date, shall
7 be considered a new collective negotiations agreement entered into
8 after that effective date for the purposes of this section.

9
10 43. (New section) As used in this section, "independent State
11 authority" means a public authority, board, commission,
12 corporation, or other agency or instrumentality of the State
13 allocated, in but not of, a principal department of State government
14 pursuant to Article V, Section IV, paragraph 1 of the New Jersey
15 Constitution, or which is not subject to supervision or control by the
16 department in which it is allocated, and a regional authority, but
17 shall not include a college or university.

18 Notwithstanding the provisions of any other law to the contrary,
19 public employees of an independent State authority who are not
20 subject to the provisions of section 40 of P.L. , c. (C.)
21 (pending before the Legislature as this bill) shall contribute,
22 through the withholding of the contribution from the pay, salary, or
23 other compensation or from the monthly retirement allowance,
24 toward the cost of health care benefits coverage for the employee
25 and any dependent provided by the authority during active service
26 and in retirement in an amount that shall be determined as closely
27 as possible in accordance with sections 39 and 40 of P.L. ,
28 c. (C.) (pending before the Legislature as this bill).

29 Once those employees are subjected to the contribution
30 requirements set forth in this section, the public employers and
31 public employees shall be bound by this act, P.L. , c. (C.)
32 (pending before the Legislature as this bill), to apply the
33 contribution levels set forth in section 39 of this act until all
34 affected employees are contributing the full amount of the
35 contribution, as determined by the implementation schedule set
36 forth in subsection a. of section 40 of this act. Notwithstanding the
37 expiration date set forth in section 83 of this act, P.L. ,
38 c. (C.) (pending before the Legislature as this bill), or the
39 expiration date of any successor agreements, the parties shall be
40 bound to apply the requirements of this paragraph until they have
41 reached the full implementation of the schedule set forth in
42 subsection a. of section 40 of this act.

43
44 44. (New section) As used in this section, "local authority"
45 means an "authority" as defined under the "Local Authorities Fiscal
46 Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.).

47 Notwithstanding the provisions of any other law to the contrary,
48 public employees of a local authority who are not subject to the

1 provisions of sections 40 and 42 of P.L. , c. (C.) (pending
2 before the Legislature as this bill) shall contribute, through the
3 withholding of the contribution from the pay, salary, or other
4 compensation or from the monthly retirement allowance, toward the
5 cost of health care benefits coverage for the employee and any
6 dependent provided by the local authority during active service and
7 in retirement in an amount that shall be determined as closely as
8 possible in accordance with sections 39 and 42 of P.L. ,
9 c. (C.) (pending before the Legislature as this bill).

10 Once those employees are subjected to the contribution
11 requirements set forth in this section, the public employers and
12 public employees shall be bound by this act, P.L. , c. (C.)
13 (pending before the Legislature as this bill), to apply the
14 contribution levels set forth in section 39 of this act until all
15 affected employees are contributing the full amount of the
16 contribution, as determined by the implementation schedule set
17 forth in subsection a. of section 42 of this act. Notwithstanding the
18 expiration date set forth in section 83 of this act, P.L. , c. (C.)
19 (pending before the Legislature as this bill), or the expiration date
20 of any successor agreements, the parties shall be bound to apply the
21 requirements of this paragraph until they have reached the full
22 implementation of the schedule set forth in subsection a. of section
23 40 of this act.

24

25 45. Section 3 of P.L.1961, c.49 (C.52:14-17.27) is amended to
26 read as follows:

27 3. a. There is hereby created a State Health Benefits
28 Commission, consisting of five members: the State Treasurer; the
29 Commissioner of Banking and Insurance; the Chairperson of the
30 Civil Service Commission; a State employees' representative chosen
31 by the Public Employees' Committee of the AFL-CIO; and [,
32 through June 30, 2008, when employers of employees, as defined in
33 section 32 of P.L.2007, c.103 (C.52:14-17.46.2), will no longer be
34 eligible to participate in the State Health Benefits Program
35 authorized by P.L.1961, c.49, a representative chosen by the New
36 Jersey Education Association, which represents the largest number
37 of employees of employers other than the State participating in the
38 State Health Benefits Program. Beginning July 1, 2008,] the fifth
39 member of the commission shall be a local employees'
40 representative chosen by the Public Employees' Committee of the
41 AFL-CIO.

42 The treasurer shall be chairman of the commission and the health
43 benefits program authorized by P.L.1961, c.49 shall be administered
44 in the Treasury Department. The Director of the Division of
45 Pensions and Benefits shall be the secretary of the commission. The
46 commission and committee shall establish a health benefits program
47 for the employees of the State, the cost of which shall be paid as
48 specified in section 6 of P.L.1961, c.49 (C.52:14-17.30). The

1 commission, in consultation with the committee, shall establish
2 rules and regulations as may be deemed reasonable and necessary
3 for the administration of P.L.1961, c.49.

4 The Attorney General shall be the legal advisor of the
5 commission and committee.

6 The members of the commission and committee shall serve
7 without compensation but shall be reimbursed for any necessary
8 expenditures. The public employee members shall not suffer loss of
9 salary or wages during service on the commission or committee.

10 The commission shall publish annually a report showing the
11 fiscal transactions of the program for the preceding year and stating
12 other facts pertaining to the plan. The commission shall submit the
13 report to the Governor and furnish a copy to every employer for use
14 of the participants and the public.

15 b. There is established a State Health Benefits Plan Design
16 Committee, composed of 12 members as follows:

17 six members who shall be appointed by the Governor as
18 representatives of public employers whose employees are enrolled
19 in the program;

20 three members who shall be appointed by the Public Employee
21 Committee of the AFL-CIO;

22 one member who shall be appointed by the head of the union,
23 that is not affiliated with the AFL-CIO, that represents the greatest
24 number of police officers in this State;

25 one member who shall be appointed by the head of the union,
26 that is not affiliated with the AFL-CIO, that represents the greatest
27 number of firefighters in this State; and

28 one member who shall be appointed by the head of the State
29 Troopers Fraternal Association.

30 The members of the committee shall serve for a term of three
31 years and until a successor is appointed and qualified. Of the initial
32 appointments by the Governor, three members shall serve for two
33 years and until a successor is appointed and qualified, and two shall
34 serve for one year and until a successor is appointed and qualified.
35 Of the initial appointment by the head of the union representing the
36 greatest number of police officers in the State, the member shall
37 serve for two years and until a successor is appointed and qualified.
38 Of the initial appointment by the head the union representing the
39 greatest number of firefighters in the State, the member shall serve
40 for one year and until a successor is appointed and qualified.

41 The members of the committee shall select a chairperson from
42 among the members, who shall serve for a term of one year, with no
43 member serving more than one term as chairperson until all the
44 members of the committee have served a term in a manner
45 alternating among the employer representatives and employee
46 representatives, unless the committee determines otherwise with
47 regard to this process.

1 The committee shall have the responsibility for and authority
2 over the various plans and components of those plans, including for
3 medical benefits, prescription benefits, dental, vision, and any other
4 health care benefits, offered and administered by the program. The
5 committee shall have the authority to create, modify, or terminate
6 any plan or component, at its sole discretion. Any reference in law
7 to the State Health Benefits Commission in the context of the
8 creation, modification, or termination of a plan or plan component
9 shall be deemed to apply to the committee.

10 The members of the committee shall have the same duty and
11 responsibility to the program as do the members of the commission.

12 If any matter before the committee receives at least seven votes
13 in the affirmative, the commission shall approve and implement the
14 committee's decision.

15 If any matter before the committee receives six votes in the
16 affirmative and six votes in the negative or the committee otherwise
17 reaches an impasse on a decision, the provisions of section 55 of
18 P.L. , c. (C.) (pending before the Legislature as this bill) shall
19 be followed.

20 (cf: P.L.2008, c.29, s.108)

21

22 46. Section 33 of P.L.2007, c.103 (C.52:14-17.46.3) is amended
23 to read as follows:

24 33. a. There is hereby created a School Employees' Health
25 Benefits Commission, consisting of nine members:

26 (1) the State Treasurer and the Commissioner of the Department
27 of Banking and Insurance serving ex officio;

28 (2) a member appointed by the Governor who is a New Jersey
29 resident and is qualified by experience, education, or training in the
30 review, administration, or design of health insurance plans for self-
31 insured employers;

32 (3) a member appointed by the Governor from among three
33 persons nominated by the New Jersey School Boards' Association,
34 which member shall be qualified by experience, education, or
35 training in the review, administration, or design of health insurance
36 plans for self-insured employers;

37 (4) three members appointed by the Governor from among five
38 persons nominated by the New Jersey Education Association, of
39 whom two shall be qualified by experience, education, or training in
40 the review, administration, or design of health insurance plans for
41 self-insured employers;

42 (5) a member appointed by the Governor from among three
43 persons nominated by the education section of the New Jersey State
44 AFL-CIO, which member shall be qualified by experience,
45 education, or training in the review, administration, or design of
46 health insurance plans for self-insured employers; and

47 (6) a member appointed pursuant to subsection b. of this section
48 who shall be the chairperson.

1 b. The Governor shall appoint the chairperson from among
2 three persons nominated jointly by at least six of the eight members
3 appointed pursuant to subsection a. of this section.

4 c. If the Governor declines to make an appointment from
5 among the persons nominated for membership, the Governor shall
6 request that a new list of nominees be provided in compliance with
7 subsection a. of this section. If the Governor declines to make an
8 appointment from the new list, the process set forth in this
9 subsection shall be repeated until the Governor makes an
10 appointment from a list of nominees. Except with respect to the
11 appointment of the chairperson, if a new list of nominees is not
12 submitted within 45 days of the Governor's request, the Governor
13 shall make the appointment without the need to select from any list
14 of nominees.

15 d. The initial terms of the members of the commission shall be
16 as follows:

17 (1) the member appointed pursuant to paragraph (3) of
18 subsection a. of this section and the two members appointed
19 pursuant to paragraph (4) of subsection a. of this section who are
20 required to be qualified by experience, education, or training shall
21 serve for a term of three years;

22 (2) the member appointed pursuant to paragraph (2) of
23 subsection a. of this section, the member appointed pursuant to
24 paragraph (4) of subsection a. of this section who is not required to
25 be qualified by experience, education, or training, and the member
26 appointed pursuant to paragraph (5) of subsection a. of this section
27 shall serve for a term of two years; and

28 (3) the chairperson shall serve for a term of six years.

29 All subsequent terms shall be for three years, except that the
30 term of the chairperson shall be five years. A member of the
31 commission may be reappointed to succeeding terms without limit
32 in the same manner as the original appointment. A vacancy
33 occurring on the commission shall be filled in the same manner as
34 the original appointment and only for the unexpired term.

35 e. There is established a School Employees' Health Benefits
36 Plan Design Committee, composed of six members as follows:

37 three members who shall be appointed by the Governor as
38 representatives of public employers whose employees are enrolled
39 in the program;

40 two members who shall be appointed by the New Jersey
41 Education Association; and

42 one member who shall be appointed by the education section of
43 the New Jersey State AFL-CIO.

44 The members of the committee shall serve for a term of three
45 years and until a successor is appointed and qualified. Of the initial
46 appointments by the Governor, two members shall serve for two
47 years and until a successor is appointed and qualified, and one shall
48 serve for one year and until a successor is appointed and qualified.

1 Of the initial appointments by the New Jersey Education
2 Association, one member shall serve for one year and until a
3 successor is appointed and qualified.

4 The members of the committee shall select a chairperson from
5 among the members, who shall serve for a term of one year, with no
6 member serving more than one term as chairperson until all the
7 members of the committee have served a term in a manner
8 alternating among the employer representatives and employee
9 representatives, unless the committee determines otherwise with
10 regard to this process.

11 The committee shall have the responsibility for and authority
12 over the various plans and components of those plans, including for
13 medical benefits, prescription benefits, dental, vision, and any other
14 health care benefits, offered and administered by the program. The
15 committee shall have the authority to create, modify, or terminate
16 any plan or component, at its sole discretion. Any reference in law
17 to the School Employees' Health Benefits Commission in the
18 context of the creation, modification, or termination of a plan or
19 plan component shall be deemed to apply to the committee.

20 The members of the committee shall have the same duty and
21 responsibility to the program as do the members of the commission.

22 If any matter before the committee receives at least four votes in
23 the affirmative, the commission shall approve and implement the
24 committee's decision.

25 If any matter before the committee receives three votes in the
26 affirmative and three votes in the negative or the committee
27 otherwise reaches an impasse on a decision, the provisions of
28 section 55 of P.L. , c. (C.) (pending before the Legislature as
29 this bill) shall be followed.

30 (cf: P.L.2007, c.103, s.33)

31

32 47. Section 5 of P.L.1961, c.49 (C.52:14-17.29) is amended to
33 read as follows:

34 5. (A) The contract or contracts purchased by the commission
35 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-
36 17.28) shall provide separate coverages or policies as follows:

37 (1) Basic benefits which shall include:

38 (a) Hospital benefits, including outpatient;

39 (b) Surgical benefits;

40 (c) Inpatient medical benefits;

41 (d) Obstetrical benefits; and

42 (e) Services rendered by an extended care facility or by a home
43 health agency and for specified medical care visits by a physician
44 during an eligible period of such services, without regard to
45 whether the patient has been hospitalized, to the extent and subject
46 to the conditions and limitations agreed to by the commission and
47 the carrier or carriers.

1 Basic benefits shall be substantially equivalent to those available
2 on a group remittance basis to employees of the State and their
3 dependents under the subscription contracts of the New Jersey
4 "Blue Cross" and "Blue Shield" Plans. Such basic benefits shall
5 include benefits for:

- 6 (i) Additional days of inpatient medical service;
- 7 (ii) Surgery elsewhere than in a hospital;
- 8 (iii) X-ray, radioactive isotope therapy and pathology services;
- 9 (iv) Physical therapy services;
- 10 (v) Radium or radon therapy services;

11 and the extended basic benefits shall be subject to the same
12 conditions and limitations, applicable to such benefits, as are set
13 forth in "Extended Outpatient Hospital Benefits Rider," Form 1500,
14 71(9-66), and in "Extended Benefit Rider" (as amended), Form MS
15 7050J(9-66) issued by the New Jersey "Blue Cross" and "Blue
16 Shield" Plans, respectively, and as the same may be amended or
17 superseded, subject to filing by the Commissioner of Banking and
18 Insurance; and

19 (2) Major medical expense benefits which shall provide benefit
20 payments for reasonable and necessary eligible medical expenses
21 for hospitalization, surgery, medical treatment and other related
22 services and supplies to the extent they are not covered by basic
23 benefits. The commission may, by regulation, determine what types
24 of services and supplies shall be included as "eligible medical
25 services" under the major medical expense benefits coverage as
26 well as those which shall be excluded from or limited under such
27 coverage. Benefit payments for major medical expense benefits
28 shall be equal to a percentage of the reasonable charges for eligible
29 medical services incurred by a covered employee or an employee's
30 covered dependent, during a calendar year as exceed a deductible
31 for such calendar year of \$100.00 subject to the maximums
32 hereinafter provided and to the other terms and conditions
33 authorized by this act. The percentage shall be 80% of the first
34 \$2,000.00 of charges for eligible medical services incurred
35 subsequent to satisfaction of the deductible and 100% thereafter.
36 There shall be a separate deductible for each calendar year for (a)
37 each enrolled employee and (b) all enrolled dependents of such
38 employee. Not more than \$1,000,000.00 shall be paid for major
39 medical expense benefits with respect to any one person for the
40 entire period of such person's coverage under the plan, whether
41 continuous or interrupted except that this maximum may be
42 reapplied to a covered person in amounts not to exceed \$2,000.00 a
43 year. Maximums of \$10,000.00 per calendar year and \$20,000.00
44 for the entire period of the person's coverage under the plan shall
45 apply to eligible expenses incurred because of mental illness or
46 functional nervous disorders, and such may be reapplied to a
47 covered person, except as provided in P.L.1999, c.441 (C.52:14-
48 17.29d et al.). The same provisions shall apply for retired

1 employees and their dependents. Under the conditions agreed upon
2 by the commission and the carriers as set forth in the contract, the
3 deductible for a calendar year may be satisfied in whole or in part
4 by eligible charges incurred during the last three months of the prior
5 calendar year.

6 Any service determined by regulation of the commission to be an
7 "eligible medical service" under the major medical expense benefits
8 coverage which is performed by a duly licensed practicing
9 psychologist within the lawful scope of his practice shall be
10 recognized for reimbursement under the same conditions as would
11 apply were such service performed by a physician.

12 (B) The contract or contracts purchased by the commission
13 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-
14 17.28) shall include coverage for services and benefits that are at a
15 level that is equal to or exceeds the level of services and benefits set
16 forth in this subsection, provided that such services and benefits
17 shall include only those that are eligible medical services and not
18 those deemed experimental, investigative or otherwise not eligible
19 medical services. The determination of whether services or benefits
20 are eligible medical services shall be made by the commission
21 consistent with the best interests of the State and participating
22 employers, employees, and dependents. The following list of
23 services is not intended to be exclusive or to require that any limits
24 or exclusions be exceeded.

25 Covered services shall include:

26 (1) Physician services, including:

27 (a) Inpatient services, including:

28 (i) medical care including consultations;

29 (ii) surgical services and services related thereto; and

30 (iii) obstetrical services including normal delivery, cesarean
31 section, and abortion.

32 (b) Outpatient/out-of-hospital services, including:

33 (i) office visits for covered services and care;

34 (ii) allergy testing and related diagnostic/therapy services;

35 (iii) dialysis center care;

36 (iv) maternity care;

37 (v) well child care;

38 (vi) child immunizations/lead screening;

39 (vii) routine adult physicals including pap, mammography, and
40 prostate examinations; and

41 (viii) annual routine obstetrical/gynecological exam.

42 (2) Hospital services, both inpatient and outpatient, including:

43 (a) room and board;

44 (b) intensive care and other required levels of care;

45 (c) semi-private room;

46 (d) therapy and diagnostic services;

47 (e) surgical services or facilities and treatment related thereto;

48 (f) nursing care;

- 1 (g) necessary supplies, medicines, and equipment for care; and
- 2 (h) maternity care and related services.
- 3 (3) Other facility and services, including:
- 4 (a) approved treatment centers for medical
- 5 emergency/accidental injury;
- 6 (b) approved surgical center;
- 7 (c) hospice;
- 8 (d) chemotherapy;
- 9 (e) diagnostic x-ray and lab tests;
- 10 (f) ambulance;
- 11 (g) durable medical equipment;
- 12 (h) prosthetic devices;
- 13 (i) foot orthotics;
- 14 (j) diabetic supplies and education; and
- 15 (k) oxygen and oxygen administration.

16 (4) All services for which coverage is required pursuant to
17 P.L.1961, c.49 (C.52:14-17.25 et seq.), as amended and
18 supplemented. Benefits under the contract or contracts purchased as
19 authorized by the State Health Benefits Program shall include those
20 for mental health services subject to limits and exclusions
21 consistent with the provisions of the New Jersey State Health
22 Benefits Program Act.

23 (C) The contract or contracts purchased by the commission
24 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-
25 17.28) shall include the following provisions regarding
26 reimbursements and payments:

27 (1) In the successor plan, the co-payment for doctor's office
28 visits shall be \$10 per visit with a maximum out-of-pocket of \$400
29 per individual and \$1,000 per family for in-network services for
30 each calendar year. The out-of-network deductible shall be \$100 per
31 individual and \$250 per family for each calendar year, and the
32 participant shall receive reimbursement for out-of-network charges
33 at the rate of 80% of reasonable and customary charges, provided
34 that the out-of-pocket maximum shall not exceed \$2,000 per
35 individual and \$5,000 per family for each calendar year.

36 (2) In the State managed care plan that is required to be included
37 in a contract entered into pursuant to subsection c. of section 4 of
38 P.L.1961, c.49 (C.52:14-17.28), the co-payment for doctor's office
39 visits shall be \$15 per visit. The participant shall receive
40 reimbursement for out-of-network charges at the rate of 70% of
41 reasonable and customary charges. The in-network and out-of-
42 network limits, exclusions, maximums, and deductibles shall be
43 substantially equivalent to those in the NJ PLUS plan in effect on
44 June 30, 2007, with adjustments to that plan pursuant to a binding
45 collective negotiations agreement or pursuant to action by the
46 commission, in its sole discretion, to apply such adjustments to
47 State employees for whom there is no majority representative for
48 collective negotiations purposes.

1 (3) "Reasonable and customary charges" means charges based
2 upon the 90th percentile of the usual, customary, and reasonable
3 (UCR) fee schedule determined by the Health Insurance
4 Association of America or a similar nationally recognized database
5 of prevailing health care charges.

6 (D) Benefits under the contract or contracts purchased as
7 authorized by this act may be subject to such limitations,
8 exclusions, or waiting periods as the commission finds to be
9 necessary or desirable to avoid inequity, unnecessary utilization,
10 duplication of services or benefits otherwise available, including
11 coverage afforded under the laws of the United States, such as the
12 federal Medicare program, or for other reasons.

13 Benefits under the contract or contracts purchased as authorized
14 by this act shall include those for the treatment of alcoholism where
15 such treatment is prescribed by a physician and shall also include
16 treatment while confined in or as an outpatient of a licensed
17 hospital or residential treatment program which meets minimum
18 standards of care equivalent to those prescribed by the Joint
19 Commission on Hospital Accreditation. No benefits shall be
20 provided beyond those stipulated in the contracts held by the State
21 Health Benefits Commission.

22 (E) The rates charged for any contract purchased under the
23 authority of this act shall reasonably and equitably reflect the cost
24 of the benefits provided based on principles which in the judgment
25 of the commission are actuarially sound. The rates charged shall be
26 determined by the carrier on accepted group rating principles with
27 due regard to the experience, both past and contemplated, under the
28 contract. The commission shall have the right to particularize
29 subgroups for experience purposes and rates. No increase in rates
30 shall be retroactive.

31 (F) The initial term of any contract purchased by the
32 commission under the authority of this act shall be for such period
33 to which the commission and the carrier may agree, but permission
34 may be made for automatic renewal in the absence of notice of
35 termination by the commission. Subsequent terms for which any
36 contract may be renewed as herein provided shall each be limited to
37 a period not to exceed one year.

38 (G) A contract purchased by the commission pursuant to
39 subsection b. of section 4 of P.L.1961, c.49 (C.52:14-17.28) shall
40 contain a provision that if basic benefits or major medical expense
41 benefits of an employee or of an eligible dependent under the
42 contract, after having been in effect for at least one month in the
43 case of basic benefits or at least three months in the case of major
44 medical expense benefits, is terminated, other than by voluntary
45 cancellation of enrollment, there shall be a 31-day period following
46 the effective date of termination during which such employee or
47 dependent may exercise the option to convert, without evidence of
48 good health, to converted coverage issued by the carriers on a direct

1 payment basis. Such converted coverage shall include benefits of
2 the type classified as "basic benefits" or "major medical expense
3 benefits" in subsection (A) hereof and shall be equivalent to the
4 benefits which had been provided when the person was covered as
5 an employee. The provision shall further stipulate that the employee
6 or dependent exercising the option to convert shall pay the full
7 periodic charges for the converted coverage which shall be subject
8 to such terms and conditions as are normally prescribed by the
9 carrier for this type of coverage.

10 (H) The commission may purchase a contract or contracts to
11 provide drug prescription and other health care benefits or authorize
12 the purchase of a contract or contracts to provide drug prescription
13 and other health care benefits as may be required to implement a
14 duly executed collective negotiations agreement or as may be
15 required to implement a determination by a public employer to
16 provide such benefit or benefits to employees not included in
17 collective negotiations units.

18 (I) The commission shall take action as necessary, in
19 cooperation with the School Employees' Health Benefits
20 Commission established pursuant to section 33 of P.L.2007, c.103
21 (C.52:14-17.46.3), to effectuate the purposes of the School
22 Employees' Health Benefits Program Act as provided in sections 31
23 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
24 17.46.11) and to enable the School Employees' Health Benefits
25 Commission to begin providing coverage to participants pursuant to
26 the School Employees' Health Benefits Program Act as of July 1,
27 2008.

28 (J) Beginning January 1, 2012, the State Health Benefits Plan
29 Design Committee shall provide to employees the option to select
30 one of at least three levels of coverage each for family, individual,
31 individual and spouse, and individual and dependent, or equivalent
32 categories, for each plan offered by the program differentiated by
33 out of pocket costs to employees including co-payments and
34 deductibles. Notwithstanding any other provision of law to the
35 contrary, the committee shall have the sole discretion to set the
36 amounts for maximums, co-pays, deductibles, and other such
37 participant costs for all plans in the program. The committee shall
38 also provide for a high deductible health plan that conforms with
39 the Internal Revenue Code Section 223.

40 There shall be appropriated annually for each State fiscal year,
41 through the annual appropriations act, such amounts as shall be
42 necessary as funding by the State as an employer, or as otherwise
43 required, with regard to employees or retirees who have enrolled in
44 a high deductible health plan that conforms with Internal Revenue
45 Code Section 223.

46 (cf: P.L.2007, c.103, s.23)

1 48. Section 36 of P.L.2007, c.103 (C.52:14-17.46.6) is amended
2 to read as follows:

3 36. a. Notwithstanding the provisions of any other law to the
4 contrary, the commission shall not enter into a contract under the
5 School Employees' Health Benefits Program Act, sections 31
6 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
7 17.46.11), for the benefits provided pursuant to the act, unless the
8 level of benefits provided under the contract entered into is equal to
9 or exceeds the level of benefits provided in this section, or as
10 modified pursuant to section 40 of that act (C.52:14-17.46.10). Only
11 benefits for medically necessary services that are not deemed
12 experimental, investigative or otherwise not eligible medical
13 services shall be provided. The determination that services are not
14 "eligible medical services" shall be made by the commission
15 consistent with the best interests of the State, participating
16 employers and those persons covered hereunder. Benefits for
17 services provided pursuant to the School Employees' Health
18 Benefits Act shall be subject to limits or exclusions consistent with
19 those that apply to benefits provided pursuant to the New Jersey
20 State Health Benefits Program Act. The services provided pursuant
21 to this section shall include all services, subject to applicable limits
22 and exclusions, provided through the State Health Benefits Program
23 as of July 1, 2007. The list of services in subsection b. of this
24 section is not intended to be exclusive or to require that any limits
25 or exclusions be exceeded.

26 b. The services covered hereunder by the School Employees'
27 Health Benefits Program shall include:

- 28 (1) Physician services, including:
29 (a) Inpatient services, including:
30 (i) medical care including consultations;
31 (ii) surgical services and services related thereto; and
32 (iii) obstetrical services including normal delivery, cesarean
33 section, and abortion.
34 (b) Outpatient/out-of-hospital services, including:
35 (i) office visits for covered services and care;
36 (ii) allergy testing and related diagnostic/therapy services;
37 (iii) dialysis center care;
38 (iv) maternity care;
39 (v) well child care;
40 (vi) child immunizations/lead screening;
41 (vii) routine adult physicals including pap, mammography, and
42 prostate examinations; and
43 (viii) annual routine obstetrical/gynecological exam.
44 (2) Hospital services, both inpatient and outpatient, including:
45 (a) room and board;
46 (b) intensive care and other required levels of care;
47 (c) semi-private room;
48 (d) therapy and diagnostic services;

- 1 (e) surgical services or facilities and treatment related thereto;
- 2 (f) nursing care;
- 3 (g) necessary supplies, medicines, and equipment for care; and
- 4 (h) maternity care and related services.
- 5 (3) Other facility and services, including:
- 6 (a) approved treatment centers for medical
- 7 emergency/accidental injury;
- 8 (b) approved surgical center;
- 9 (c) hospice;
- 10 (d) chemotherapy;
- 11 (e) diagnostic x-ray and lab tests;
- 12 (f) ambulance;
- 13 (g) durable medical equipment;
- 14 (h) prosthetic devices;
- 15 (i) foot orthotics;
- 16 (j) diabetic supplies and education; and
- 17 (k) oxygen and oxygen administration.
- 18 c. Benefits under the contract or contracts purchased as
- 19 authorized by the School Employees' Health Benefits Program Act
- 20 shall include those for the treatment of alcoholism where such
- 21 treatment is prescribed by a physician and shall also include
- 22 treatment while confined in or as an outpatient of a licensed
- 23 hospital or residential treatment program which meets minimum
- 24 standards of care equivalent to those prescribed by the Joint
- 25 Commission on Hospital Accreditation. No benefits shall be
- 26 provided beyond those stipulated in the contracts held by the School
- 27 Employees' Health Benefits Commission.
- 28 d. Benefits under the contract or contracts purchased as
- 29 authorized by the School Employees' Health Benefits Program Act
- 30 shall include those for mental health services subject to limits and
- 31 exclusions consistent with those that apply to benefits for such
- 32 services pursuant to the New Jersey State Health Benefits Program
- 33 Act. Coverage for biologically-based mental illness, as defined in
- 34 section 1 of P.L.1999, c.441 (C.52:14-17.29d), shall be provided in
- 35 accordance with section 2 of P.L.1999, c.441 (C.52:14-17.29e).
- 36 e. Coverage provided under the School Employees' Health
- 37 Benefits Program Act shall include coverage for all services for
- 38 which coverage is mandated in the State Health Benefits Program
- 39 pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.).
- 40 f. (1) As used in this subsection:
- 41 (a) "brand name" means the proprietary or trade name assigned
- 42 to a drug product by the manufacturer or distributor of the drug
- 43 product.
- 44 (b) "carrier" means an insurance company, hospital, medical, or
- 45 health service corporation, preferred provider organization, or
- 46 health maintenance organization under agreement or contract with
- 47 the commission to administer the School Employee Prescription
- 48 Drug Plan.

1 (c) "School Employee Prescription Drug Plan" means the plan
2 for providing payment for eligible prescription drug expenses of
3 members of the School Employees' Health Benefits Program and
4 their eligible dependents.

5 (d) "generic drug products" means prescription drug products
6 and insulin approved and designated by the United States Food and
7 Drug Administration as therapeutic equivalents for reference listed
8 drug products. The term includes drug products listed in the New
9 Jersey Generic Formulary by the Drug Utilization Review Council
10 pursuant to P.L.1977, c.240 (C.24:6E-1 et al.).

11 (e) "mail-order pharmacy" means the mail order program
12 available through the carrier.

13 (f) "preferred brands" means brand name prescription drug
14 products and insulin determined by the carrier to be more cost
15 effective alternative for prescription drug products and insulin with
16 comparable therapeutic efficacy within a therapeutic class, as
17 defined or recognized in the United States Pharmacopeia or the
18 American Hospital Formulary Service Drug Information, or by the
19 American Society of Health Systems Pharmacists. A drug product
20 for which there is no other therapeutically equivalent drug product
21 shall be a preferred brand. Determinations of preferred brands by
22 the carrier shall be subject to review and modification by the
23 commission.

24 (g) "retail pharmacy" means a pharmacy, drug store or other
25 retail establishment in this State at which prescription drugs are
26 dispensed by a registered pharmacist under the laws of this State, or
27 a pharmacy, drug store or other retail establishment in another state
28 at which prescription drug products are dispensed by a registered
29 pharmacist under the laws of that state if expenses for prescription
30 drug products dispensed at the pharmacy, drug store, or other retail
31 establishment are eligible for payment under the School Employee
32 Prescription Drug Plan.

33 (h) "other brands" means prescription drug products which are
34 not preferred brands or generic drug products. A new drug product
35 approved by the United States Food and Drug Administration which
36 is not a generic drug product shall be included in this category until
37 the carrier makes a determination concerning inclusion of the drug
38 product in the list of preferred brands.

39 (2) (a) Employers that participate in the School Employees'
40 Health Benefits Program may offer to their employees and eligible
41 dependents:

42 (i) enrollment in the School Employee Prescription Drug Plan,
43 or

44 (ii) enrollment in another free-standing prescription drug plan,
45 or

46 (iii) election of prescription drug coverage under their health
47 care coverage through the School Employees' Health Benefits
48 Program plan or as otherwise determined by the commission.

1 (b) A co-payment shall be required for each prescription drug
2 expense if the employer chooses to participate in the School
3 Employee Prescription Drug Plan. The initial amounts of the co-
4 payments shall be the same as those in effect on July 1, 2007 for the
5 employee prescription drug plan offered through the State Health
6 Benefits Program.

7 (c) If the employer elects to offer a free-standing prescription
8 drug plan, the employee's share of the cost for this prescription drug
9 plan may be determined by means of a binding collective
10 negotiations agreement, including any agreements in force at the
11 time the employer commences participation in the School
12 Employees' Health Benefits Program.

13 (d) If an employee declines the employer's offering of a free-
14 standing prescription drug plan, no reimbursement for prescription
15 drugs shall be provided under the health care coverage through the
16 School Employees' Health Benefits Program plan in which the
17 employee is enrolled.

18 (e) Prescription drug classifications that are not eligible for
19 coverage under the employer's prescription drug plan shall also not
20 be eligible for coverage under the health care coverage through the
21 School Employees' Health Benefits Program plan except as
22 federally or State mandated.

23 (f) If the employer elects to not offer a free-standing
24 prescription drug plan, then the employer shall offer prescription
25 drug coverage under the health care coverage through the School
26 Employees' Health Benefits Program plan or as determined by the
27 commission. Any plan that has in-network and out-of-network
28 coverage shall cover prescription drugs at 90% in-network and at
29 the out-of-network rate applicable to health care coverage in the
30 plan. The out-of-pocket amounts paid towards prescription drugs
31 shall be combined with out-of-pocket medical payments to reach all
32 out-of-pocket maximums.

33 (g) Health care coverages through the School Employees' Health
34 Benefits Program that only have in-network benefits shall include a
35 prescription card with co-payment amounts the same as those in
36 effect on July 1, 2007 for such coverages offered through the State
37 Health Benefits Program.

38 (h) In the fifth year following the initial appointment of all of its
39 members, the commission shall, as part of the fifth year audit and
40 review undertaken pursuant to section 40 of that act, review the
41 prescription drug program established in this subsection and may
42 make changes in the program pursuant to the terms of section 40 by
43 majority vote of the full authorized membership of the commission.

44 g. Beginning January 1, 2012, the School Employees' Health
45 Benefits Plan Design Committee shall provide to employees the
46 option to select one of at least three levels of coverage each for
47 family, individual, individual and spouse, and individual and
48 dependent, or equivalent categories, for each plan offered by the

1 program differentiated by out of pocket costs to employees
2 including co-payments and deductibles. Notwithstanding any other
3 provision of law to the contrary, the committee shall have the sole
4 discretion to set the amounts for maximums, co-pays, deductibles,
5 and other such participant costs for all plans in the program. The
6 committee shall also provide for a high deductible health plan that
7 conforms with the Internal Revenue Code Section 223.

8 There shall be appropriated annually for each State fiscal year,
9 through the annual appropriations act, such amounts as shall be
10 necessary as funding by the State with regard to retirees who have
11 enrolled in a high deductible health plan that conforms with Internal
12 Revenue Code Section 223.

13 (cf: P.L.2007, c.103, s.36)

14
15 49. Section 37 of P.L.2007, c.103 (C.52:14-17.46.7) is amended
16 to read as follows:

17 37. Beginning with the initial year of the School Employees'
18 Health Benefits Program, the commission shall offer to
19 participating employers and to qualified employees, retirees and
20 dependents a managed care plan in which the office co-payment
21 amount shall be \$10 per visit with a maximum out-of-pocket of
22 \$400 per individual and \$1,000 per family for in-network services
23 for each calendar year. The out-of-network deductible shall be \$100
24 per individual and \$250 per family for each calendar year with the
25 plan paying for 80% of reasonable and customary charges as
26 defined herein up to an out-of-pocket maximum that shall not
27 exceed \$2,000 per individual and \$5,000 per family for each
28 calendar year.

29 In the successor plan, the in-network out-of-pocket payments
30 shall count toward the out-of-network out-of-pocket maximums.
31 Any lifetime maximum for out-of-network services shall not be less
32 than any maximums in effect under the State Health Benefits
33 Program as of July 1, 2007. There shall be no lifetime maximum for
34 in-network services.

35 The carrier that administers the successor plan shall make
36 available to the plan participants through in-network and out-of-
37 network providers access to physicians and hospitals sufficient in
38 geographic scope and number to provide access to health care
39 services that is substantially equivalent to the access to health care
40 services available through the State Health Benefits Program as of
41 July 1, 2007.

42 Beginning with the initial year of the School Employees' Health
43 Benefits Program, the commission shall be authorized to offer to
44 participating employers and qualified employees, retirees and
45 dependents managed care plans in which the in-network per visit
46 charge shall not exceed \$15 per visit and the out of network
47 reimbursement shall be 70% of reasonable and customary charges

1 as defined herein, provided the in-network and out-of-network
2 maximums and deductibles do not exceed the limits set forth above.

3 The amounts of maximums, co-pays, deductibles, and other
4 participant costs shall be reviewed, as part of the fifth year audit
5 undertaken pursuant to section 40 of P.L.2007, c.103 (C.52:14-
6 17.46.10). The commission shall make changes in such amounts
7 pursuant to section 40 by majority vote of the full authorized
8 membership of the commission.

9 Beginning January 1, 2012, the School Employees' Health
10 Benefits Plan Design Committee shall have the sole discretion to set
11 the amounts for maximums, co-pays, deductibles, and other such
12 participant costs for all plans offered in the program,
13 notwithstanding any other provision of law to the contrary.

14 "Reasonable and customary charges" means, for any out-of-
15 network payment made by a carrier, charges based upon the 90th
16 percentile of the usual, customary, and reasonable (UCR) fee
17 schedule determined by the Health Insurance Association of
18 America or a similar nationally recognized database of prevailing
19 health care charges.

20 Beginning with the initial year of the School Employees' Health
21 Benefits Program, the commission shall offer to participating
22 employers and qualified employees, retirees and dependents one or
23 more health maintenance organization plans.

24 (cf: P.L.2007, c.103, s.37)

25

26 50. The Division of Pensions and Benefits in the Department of
27 the Treasury shall conduct a study of: the risk impact of permitting
28 employers to commence and to terminate participation in the State
29 Health Benefits Program and the School Employees' Health
30 Benefits Program; the long term sustainability of the programs;
31 employee wellness programs; options for out-of-network cost
32 containment; and the impact on the programs of the provisions of
33 P.L. , c. (C.) (pending before the Legislature as this bill).
34 The division shall conclude its study within one year following the
35 effective date of P.L. , c. (pending before the Legislature as this
36 bill) and submit a written report of its conclusions and
37 recommendations to the Governor and the Legislature.

38

39 51. Section 44 of P.L.2007, c.62 (C.18A:16-19.1) is amended to
40 read as follows:

41 44. Notwithstanding the provisions of any other law to the
42 contrary, a board of education, or an agency or instrumentality
43 thereof, may establish as an employer a cafeteria plan for its
44 employees pursuant to section 125 of the federal Internal Revenue
45 Code, 26 U.S.C. s.125, and shall establish such a plan for medical
46 or dental expenses not covered by a health benefits plan. The plan
47 **【may】** shall provide for a reduction in an employee's salary,
48 through payroll deductions or otherwise, in exchange for payment

1 by the employer of medical or dental expenses not covered by a
2 health benefits plan, and may provide for a reduction in an
3 employee's salary, through payroll deductions or otherwise, in
4 exchange for payment by the employer of dependent care expenses
5 as provided in section 129 of the code, 26 U.S.C. s.129, and such
6 other benefits as are consistent with section 125 which are included
7 under the plan. The amount of any reduction in an employee's
8 salary for the purpose of contributing to the plan shall continue to
9 be treated as regular compensation for all other purposes, including
10 the calculation of pension contributions and the amount of any
11 retirement allowance, but, to the extent permitted by the federal
12 Internal Revenue Code, shall not be included in the computation of
13 federal taxes withheld from the employee's salary.

14 (cf: P.L.2007, c.62, s.44)

15

16 52. Section 45 of P.L.2007, c.62 (C.40A:10-23.5) is amended to
17 read as follows:

18 45. Notwithstanding the provisions of any other law to the
19 contrary, a local unit of government, or an agency, board,
20 commission, authority or instrumentality thereof, may establish as
21 an employer a cafeteria plan for its employees pursuant to section
22 125 of the federal Internal Revenue Code, 26 U.S.C. s.125, and
23 shall establish such a plan for medical or dental expenses not
24 covered by a health benefits plan. The plan **[may]** shall provide for
25 a reduction in an employee's salary, through payroll deductions or
26 otherwise, in exchange for payment by the employer of medical or
27 dental expenses not covered by a health benefits plan, and may
28 provide for a reduction in an employee's salary, through payroll
29 deductions or otherwise, in exchange for payment by the employer
30 of dependent care expenses as provided in section 129 of the code,
31 26 U.S.C. s.129, and such other benefits as are consistent with
32 section 125 which are included under the plan. The amount of any
33 reduction in an employee's salary for the purpose of contributing to
34 the plan shall continue to be treated as regular compensation for all
35 other purposes, including the calculation of pension contributions
36 and the amount of any retirement allowance, but, to the extent
37 permitted by the federal Internal Revenue Code, shall not be
38 included in the computation of federal taxes withheld from the
39 employee's salary.

40 (cf: P.L.2007, c.62, s.45)

41

42 53. Section 7 of P.L.1996, c.8 (C.52:14-15.1a) is amended to
43 read as follows:

44 7. Notwithstanding the provisions of any other law to the
45 contrary, the State Treasurer on behalf of the State, and the
46 governing body of an independent State authority, board,
47 commission, corporation, agency or organization may establish as
48 an employer a cafeteria plan for its employees pursuant to section

1 125 of the federal Internal Revenue Code, 26 U.S.C.125, and shall
2 establish such a plan for medical or dental expenses not covered by
3 a health benefits plan. The plan **【may】** shall provide for a
4 reduction in an employee's salary, through payroll deductions or
5 otherwise, in exchange for payment by the employer of medical or
6 dental expenses not covered by a health benefits plan, and may
7 provide for a reduction in an employee's salary, through payroll
8 deductions or otherwise, in exchange for payment by the employer
9 of dependent care expenses as provided in section 129 of the code,
10 26 U.S.C.129, and such other benefits as are consistent with section
11 125 which are included under the plan. The amount of any
12 reduction in an employee's salary for the purpose of contributing to
13 the plan shall continue to be treated as regular compensation for all
14 other purposes, including the calculation of pension contributions
15 and the amount of any retirement allowance, but, to the extent
16 permitted by the federal Internal Revenue Code, shall not be
17 included in the computation of federal taxes withheld from the
18 employee's salary.

19 (cf: P.L.1996, c.8, s.7)

20

21 54. Section 39 of P.L.2007, c.103 (C.52:14-17.46.9) is amended
22 to read as follows:

23 39. a. For each active covered employee and for the eligible
24 dependents the employee may have enrolled at the employee's
25 option, from funds appropriated therefor, the employer shall pay to
26 the commission the premium or periodic charges for the benefits
27 provided under the contract in amounts equal to the premium or
28 periodic charges for the benefits provided under such a contract
29 covering the employee and the employee's enrolled dependents.

30 b. The obligations of any employer to pay the premium or
31 periodic charges for health benefits coverage provided under the
32 School Employees' Health Benefits Program Act, sections 31
33 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
34 17.46.11), may be determined by means of a binding collective
35 negotiations agreement, including any agreement in force at the
36 time the employer commences participation in the School
37 Employees' Health Benefits Program. With respect to employees for
38 whom there is no majority representative for collective negotiations
39 purposes, the employer may, in its sole discretion, modify the
40 respective payment obligations set forth in law for the employer and
41 such employees in a manner consistent with the terms of any
42 collective negotiations agreement binding on the employer.

43 Commencing on the effective date of P.L.2010, c.2 and upon the
44 expiration of any applicable binding collective negotiations
45 agreement in force on that effective date, employees shall pay 1.5
46 percent of base salary, through the withholding of the contribution,
47 for health benefits coverage provided under P.L.2007, c.103
48 (C.52:14-17.46.1 et seq.), notwithstanding any other amount that

1 may be required additionally pursuant to this subsection by means
2 of a binding collective negotiations agreement or the modification
3 of payment obligations.

4 c. There is hereby established a School Employee Health
5 Benefits Program fund consisting of all contributions to premiums
6 and periodic charges remitted to the State treasury by participating
7 employers for employee coverage. All such contributions shall be
8 deposited in the fund and the fund shall be used to pay the portion
9 of the premium and periodic charges attributable to employee and
10 dependent coverage.

11 d. Notwithstanding any law to the contrary and except as
12 provided by amendment by P.L.2010, c.2, and by P.L. _____,
13 c. (pending before the Legislature as this bill), the payment in
14 full of premium or periodic charges for eligible retirees and their
15 dependents pursuant to section 3 of P.L.1987, c.384 (C.52:14-
16 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section
17 1 of P.L.1995, c.357 (C.52:14-17.32f2) shall be continued without
18 alteration or interruption and there shall be no premium sharing or
19 periodic charges for certain school employees in retirement once
20 they have met the criteria for vesting for pension benefits, which
21 criteria for purposes of this subsection only shall mean the criteria
22 for vesting in the Teachers' Pension and Annuity Fund. For
23 purposes of this subsection, "premium sharing or periodic charges"
24 shall mean payments by eligible retirees based upon a proportion of
25 the premiums for health care benefits.

26 (cf: P.L.2010, c.2, s.6)

27

28 55. (New section) Whenever the State Health Benefits Plan
29 Design Committee of the State Health Benefits Program or the
30 School Employees' Health Benefits Plan Design Committee of the
31 School Employees' Health Benefits Program fails to render a
32 decision on a matter before the committee because it has not
33 received a vote of the majority of the committee members after 60
34 days have passed following the initial consideration of the matter,
35 the committee shall utilize a super conciliator, randomly selected
36 from a list developed by the New Jersey Public Employment
37 Relations Commission. The super conciliator shall assist the
38 committee based upon procedures and subject to qualifications
39 established by the commission pursuant to regulation.

40 The super conciliator shall promptly schedule investigatory
41 proceedings. The purpose of the proceedings shall be to:

42 Investigate and acquire all relevant information regarding the
43 committee's failure to render a decision;

44 Discuss with the members of the committee their differences,
45 and utilize means and mechanisms, including but not limited to
46 requiring 24-hour per day negotiations, until a voluntary settlement
47 is reached, and provide recommendations to resolve the members'
48 differences; and

1 Institute any other non-binding procedures deemed appropriate
2 by the super conciliator.

3 If the actions taken by the super conciliator fail to resolve the
4 dispute, the super conciliator shall issue a final report, which shall
5 be provided to the committee promptly and made available to the
6 public within 10 days thereafter.

7 The super conciliator, while functioning in a mediatory capacity,
8 shall not be required to disclose any files, records, reports,
9 documents, or other papers classified as confidential which are
10 received or prepared by him or to testify with regard to mediation
11 conducted by him under this section. Nothing contained herein
12 shall exempt an individual from disclosing information relating to
13 the commission of a crime.

14

15 56. Section 1 of P.L.1997, c.113 (C.43:3C-9.1) is amended to
16 read as follows:

17 1. In accordance with the provisions of section 401 (a) (2) of
18 the federal Internal Revenue Code, and subject to such exceptions
19 as may be permitted for governmental plans under section 401 (a)
20 (2) of the federal Internal Revenue Code, at no time prior to the
21 satisfaction of all liabilities with respect to members and their
22 beneficiaries under the Teachers' Pension and Annuity Fund,
23 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
24 Retirement System, established pursuant to P.L.1973, c.140
25 (C.43:6A-1 et seq.), the Prison Officers' Pension Fund, established
26 pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the Public
27 Employees' Retirement System, established pursuant to P.L.1954,
28 c.84 (C.43:15A-1 et seq.), the Consolidated Police and Firemen's
29 Pension Fund, established pursuant to R.S.43:16-1 et seq., the
30 Police and Firemen's Retirement System, established pursuant to
31 P.L.1944, c.255 (C.43:16A-1 et seq.), the State Police Retirement
32 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),
33 **[and]** the Alternate Benefit Program, established pursuant to
34 P.L.1969, c.242 (C.18A:66-167 et seq.), and the Defined
35 Contribution Retirement Program, established pursuant to P.L.2007,
36 c.92 (C.43:15C-1 et seq.), shall any part of the corpus or income of
37 the respective retirement systems, within the taxable year or
38 thereafter, be used for or diverted to purposes other than for the
39 exclusive benefit of the members or their beneficiaries.

40 (cf: P.L.1997, c.113, s.1)

41

42 57. Section 2 of P.L.1997, c.113 (C.43:3C-9.2) is amended to
43 read as follows:

44 2. Notwithstanding any law, rule or regulation to the contrary,
45 the contributions to and benefits payable under the Teachers'
46 Pension and Annuity Fund, the Judicial Retirement System, the
47 Prison Officers' Pension Fund, the Public Employees' Retirement
48 System, the Consolidated Police and Firemen's Pension Fund, the

1 Police and Firemen's Retirement System, the State Police
2 Retirement System **[and]**, the Alternate Benefit Program, and the
3 Defined Contribution Retirement Program shall not exceed the
4 limitations provided under section 415 of the federal Internal
5 Revenue Code. The Division of Pensions and Benefits in the
6 Department of the Treasury shall be responsible for implementation
7 and enforcement of these limitations.

8 (cf: P.L.1997, c.113, s.2)

9
10 58. Section 4 of P.L.1997, c.113 (C.43:3C-9.4) is amended to
11 read as follows:

12 4. a. Notwithstanding any law, rule or regulation to the
13 contrary, for members of the Alternate Benefit Program, the amount
14 of compensation which may be used for employer and member
15 contributions and benefits under the program after June 30, 1996
16 shall not exceed the compensation limitation of section 401 (a) (17)
17 of the federal Internal Revenue Code of 1986, (26 U.S.C. s.401 (a)
18 (17)), as amended pursuant to section 13212 of the Omnibus Budget
19 Reconciliation Act of 1993, Pub. L.103-66, 107 Stat. 312, or as
20 hereafter amended or supplemented, to the extent applicable to
21 governmental plans. The provisions of this section shall not be
22 applicable to members enrolled prior to July 1, 1996 if the employer
23 of the members certifies to the Director of the Division of Pensions
24 and Benefits, in the form and manner prescribed by the director,
25 prior to July 1, 1997, that the employer will pay the additional cost
26 for not applying the limit to the members.

27 b. Notwithstanding any law, rule or regulation to the contrary, for
28 members of the Defined Contribution Retirement Program, the amount
29 of compensation which may be used for employer and member
30 contributions shall not exceed the compensation limitation of section
31 401(a)(17) of the federal Internal Revenue Code of 1986 (26 U.S.C.
32 s.401(a)(17)), as amended from time to time.

33 (cf: P.L.1997, c.113, s.4)

34
35 59. Section 41 of P.L.2007, c.92 (C.43:3C-9.6) is amended to
36 read as follows:

37 41. a. Upon the termination of the Teachers' Pension and
38 Annuity Fund, the Public Employees' Retirement System, the
39 Judicial Retirement System, the Police and Firemen's Retirement
40 System, the State Police Retirement System, the Prison Officers'
41 Pension Fund, **[or]** the Consolidated Police and Firemen's Fund,
42 the Alternate Benefit Program, or the Defined Contribution
43 Retirement Program, or upon complete discontinuance of
44 contributions to any of the retirement systems, the rights of all
45 members of such retirement system to benefits accrued to the date
46 of such termination or discontinuance, to the extent then funded, are
47 non-forfeitable.

1 b. Notwithstanding any law, rule or regulation to the contrary,
2 the form and timing of all distributions from the Teachers' Pension
3 and Annuity Fund, the Public Employees' Retirement System, the
4 Judicial Retirement System, the Police and Firemen's Retirement
5 System, the State Police Retirement System, the Prison Officers'
6 Pension Fund, [or] the Consolidated Police and Firemen's Fund,
7 the Alternate Benefit Program, or the Defined Contribution
8 Retirement Program, to a member, or to the beneficiary of a
9 member if the member dies before the member's entire interest has
10 been distributed, shall conform to the required distribution
11 provisions of section 401(a)(9) of the federal Internal Revenue
12 Code and the regulations issued by the United States Department of
13 the Treasury under that Code section, including the incidental death
14 benefit requirements of section 401(a)(9)(G) of the federal Internal
15 Revenue Code. In addition, in no event shall payments under any
16 of the retirement systems commence to be paid to a member later
17 than the member's required beginning date, without regard to
18 whether the member has filed application therefor. For this
19 purpose, a member's required beginning date is the April 1 of the
20 calendar year following the later of (1) the calendar year in which
21 the member attains age 70 1/2 or (2) the calendar year in which the
22 member retires. The actuarial adjustment described in section
23 401(a)(9)(C)(iii) of the federal Internal Revenue Code shall not
24 apply.

25 (cf: P.L.2007, c.92, s.41)

26

27 60. (New section) a. Notwithstanding any law, rule or
28 regulation to the contrary, the Teachers' Pension and Annuity Fund,
29 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
30 Retirement System, established pursuant to P.L.1973, c.140
31 (C.43:6A-1 et seq.), the Prison Officers' Pension Fund, established
32 pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the Public
33 Employees' Retirement System, established pursuant to P.L.1954,
34 c.84 (C.43:15A-1 et seq.), the Consolidated Police and Firemen's
35 Pension Fund, established pursuant to R.S.43:16-1 et seq., the
36 Police and Firemen's Retirement System, established pursuant to
37 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police
38 Retirement System, established pursuant to P.L.1965, c.89
39 (C.53:5A-1 et seq.), are established as qualified governmental
40 defined benefit plans pursuant to sections 401(a) and 414(d) of the
41 federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
42 414(d)), as amended, or such other provision of the federal Internal
43 Revenue Code, as applicable, regulations of the U.S. Treasury
44 Department, and other guidance of the federal Internal Revenue
45 Service.

46 b. Notwithstanding any law, rule or regulation to the contrary, the
47 Alternate Benefit Program, established pursuant to P.L.1969, c.242
48 (C.18A:66-167 et seq.), and the Defined Contribution Retirement

1 Program, established pursuant to P.L.2007, c.92 (C.43:15C-1 et seq.)
2 are established as qualified governmental defined contribution plans
3 pursuant to sections 401(a) and 414(d) of the federal Internal Revenue
4 Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as amended, or such
5 other provision of the federal Internal Revenue Code, as applicable,
6 regulations of the U.S. Treasury Department, and other guidance of the
7 federal Internal Revenue Service.

8 c. Notwithstanding the provisions of any law, rule or regulation
9 to the contrary, the Director of the Division of Pensions and
10 Benefits in the Department of the Treasury shall be authorized to
11 modify the provisions of the foregoing retirement plans, when a
12 modification is required to maintain the qualified status of the
13 retirement plans under the Internal Revenue Code of 1986,
14 applicable regulations of the U.S. Treasury Department or other
15 guidance of the federal Internal Revenue Service. Notwithstanding
16 the provisions of the Administrative Procedure Act, P.L.1968, c.410
17 (C.52:14B-1 et seq.), the director may modify the provisions of the
18 foregoing retirement plans, when a modification is required to
19 maintain the qualified status of the retirement plans by
20 promulgating a rule or regulation which shall be effective upon
21 filing with the Office of Administrative Law.

22

23 61. (New section) a. A member shall be fully vested in his or her
24 accumulated contributions at all times.

25 b. A member shall be fully vested in his or her service
26 retirement benefit upon the attainment of normal retirement age
27 under the retirement system and the completion of any required
28 years of service. Normal retirement age means the age established
29 by regulation consistent with statute.

30 c. In conformity with section 401(a)(8) of the federal Internal
31 Revenue Code (26 U.S.C. s.401(c)(8)), any forfeitures of benefits
32 by members or former members of the plan shall not be applied to
33 increase the benefits any member would otherwise receive under
34 the plan.

35

36 62. (New section) Notwithstanding any law, rule or regulation
37 to the contrary, the Teachers' Pension and Annuity Fund, the
38 Judicial Retirement System, the Prison Officers' Pension Fund, the
39 Public Employees' Retirement System, the Consolidated Police and
40 Firemen's Pension Fund, the Police and Firemen's Retirement
41 System, the State Police Retirement System, the Alternate Benefit
42 Program, and the Defined Contribution Retirement Program shall be
43 administered in accordance with the rollover requirements of
44 section 401(a)(31) of the federal Internal Revenue Code (26 U.S.C.
45 s.401(a)(31)).

46

47 63. (New section) Effective December 12, 1994,
48 notwithstanding any other provision of the retirement system law,

1 contributions, benefits and service credit with respect to qualified
2 military service are governed by section 414(u) of the federal
3 Internal Revenue Code (26 U.S.C. s.414(u)) and the Uniformed
4 Services Employment and Reemployment Rights Act of 1994 (38
5 U.S.C. s.4301 et seq.).

6
7 64. (New section) Effective as of July 1, 1989, a retirement
8 board, or a member of such board, shall not engage in a transaction
9 prohibited by section 503(b) of the federal Internal Revenue Code
10 (26 U.S.C. s.503(b)).

11
12 65. (New section) Each retirement system may participate under
13 Section 401(a)(24) of the federal Internal Revenue Code in a
14 qualified group trust that meets the requirements of Section 401(a)
15 of the federal Internal Revenue Code (26 U.S.C. s.401(a)(24)) in
16 accordance with Revenue Ruling 81-100, as amended by Revenue
17 Ruling 2004-67 and Revenue Ruling 2011-1.

18
19 66. (New section) a. Post-employment benefits other than pensions
20 under the State Health Benefits Program, P.L.1961, c.49 (C.52:14-
21 17.25 et seq.), for retired employees, and their dependents, of
22 employers other than the State that are participating in the State Health
23 Benefits Program pursuant to section 3 of P.L.1964, c.125 (C.52:14-
24 17.34), as non-State participating employers, shall be funded and paid
25 by means of contributions to a separate trust fund. For the purposes of
26 this section, the term "post-employment benefits other than pensions"
27 means post-employment benefits including, but not limited to, health,
28 dental and vision care, which give rise to a liability under Statement
29 No. 43 of the Governmental Accounting Standards Board, Reporting
30 for Postemployment Benefit Plans Other Than Pension Plans, and
31 Statement No. 45 of the Governmental Accounting Standards Board,
32 Accounting and Financial Reporting by Employers for
33 Postemployment Benefits Other Than Pensions, together, GASB
34 43/45, as amended from time to time, or any successor publication.
35 For purposes of this section, and notwithstanding anything to the
36 contrary, the term "non-State participating employers" is limited only
37 to entities that are a political subdivision of the State, as defined in
38 federal Treas. Reg. s. 1.103-1(b), or entities the income of which is
39 excluded from gross income under section 115 of the Internal Revenue
40 Code of 1986 (26 U.S.C. s.115), as amended. For purposes of this
41 section, the term "dependent" or "dependents" means a dependent as
42 defined under section 152 of the Internal Revenue Code of 1986 (26
43 U.S.C. s.152), as amended, without regard to subsections (b)(1),
44 (b)(2), or (d)(1)(B) thereof, of a retired employee.

45 b. There is hereby established the State of New Jersey Other Post-
46 Employment Benefits (OPEB) Fund, which is intended to qualify as an
47 instrumentality of the State or a political subdivision of the State under
48 section 115 of the Internal Revenue Code of 1986 (26 U.S.C. s.115),

1 as amended. The assets of the OPEB Fund shall be used only to fund
2 and pay post-employment benefits other than pensions, and the
3 reasonable cost of administering such benefits, with respect to eligible
4 retired employees, and their dependents, of non-State participating
5 employers, and deposits and contributions to the OPEB Fund shall be
6 irrevocable except as specifically provided in subsection i. of this
7 section. The OPEB Fund shall be a trust, trust account or custodial
8 account, the assets of which shall be deemed an arrangement
9 equivalent to a trust for all legal purposes, and shall be established by
10 means of appropriate documentation so as to be exempt from taxation
11 under the provisions of applicable federal and State tax law, which
12 shall contain such terms and conditions as are required to comply with
13 all State and federal law including but not limited to the following:

14 (1) The OPEB Fund shall provide no guaranty that payments or
15 reimbursements to employees, former employees, retirees, spouses or
16 beneficiaries will be tax-free.

17 (2) In the event that the OPEB Fund has obtained a ruling from the
18 Internal Revenue Service concerning only the federal tax treatment of
19 the OPEB Fund's income, that ruling may not be cited or relied upon
20 by any non-State participating employer as precedent concerning any
21 matter relating to the non-State participating employer's health plans,
22 including post-retirement health plans. In particular, that ruling shall
23 have no effect on whether contributions to the non-State participating
24 employer's health plans or payments from the non-State participating
25 employer's health plans, including reimbursements of medical
26 expenses, are excludable from the gross income of employees, former
27 employees or retirees, under the Internal Revenue Code of 1986, as
28 amended.

29 (3) The federal income tax consequences to employees, former
30 employees and retirees shall depend on the terms and operation of the
31 non-State participating employer's health plans.

32 c. The assets of the OPEB Fund shall be segregated from all other
33 funds of the State and the non-State participating employers,
34 including without limitation the fund described in section 48 of
35 P.L.2007, c.103 (C.52:14-17.32a1), and shall be invested and
36 administered solely in the interest of retired employees, and their
37 dependents, of non-State participating employers entitled to post-
38 employment benefits other than pensions provided by the State Health
39 Benefits Program. However, the OPEB Fund may be invested in a
40 group trust established pursuant to section 401(a)(24) of the Internal
41 Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended. Neither
42 the State, the State Legislature, the State Health Benefits Commission,
43 the Treasurer of the State of New Jersey, the Division of Pensions and
44 Benefits in the Department of the Treasury, nor any public officer,
45 employee or agency, nor service provider to the OPEB Fund, shall use
46 or authorize the use of assets contributed to the OPEB Fund, or the
47 investment earnings thereon, for any purpose other than the provision
48 of post-employment benefits other than pensions in accordance with

1 the terms of the State Health Benefits Program applicable to retired
2 employees, and their dependents, of non-State participating employers,
3 and the defraying of the reasonable costs of administering the OPEB
4 Fund and the benefits provided by means of the OPEB Fund. The
5 assets constituting the OPEB Fund shall under no circumstances be
6 subject to assignment or alienation in favor of the creditors of the State
7 or any non-State participating employer, or of the individuals or
8 entities that administer the State Health Benefits Program or the OPEB
9 Fund. Private parties' interests shall neither materially participate in
10 the OPEB Fund nor benefit more than incidentally from the operation
11 or earnings of the OPEB Fund.

12 d. The Director of the Division of Pensions and Benefits shall
13 serve as the administrator of the OPEB Fund. The Director of the
14 Division of Investment as trustee shall have the authority to adopt a
15 trust agreement, to receive and hold all moneys in the OPEB Fund, and
16 to disburse the same in accordance with instructions from the fund
17 administrator. The Director of the Division of Investment shall have
18 the authority to invest and reinvest the moneys in the OPEB Fund and
19 to acquire for or on behalf of the OPEB Fund such investments in
20 accordance with the standards governing the investment of other funds
21 managed by the Director of the Division of Investment under the rules
22 and regulations of the State Investment Council. The State, the
23 Division of Pensions and Benefits, the State Treasurer, the Division of
24 Investment, and the State Investment Council, and their respective
25 officers and employees, shall not be liable for any loss incurred by the
26 OPEB Fund.

27 e. The fund administrator or the trustee may select and contract
28 with custodians, record keepers, actuaries and other consultants, and
29 other service providers with respect to the administration of the OPEB
30 Fund, and may delegate to such persons or entities, or to any person
31 within the Department of the Treasury, any of their duties and
32 responsibilities. The Director of the Division of Investment may select
33 and contract with investment managers, investment advisors and other
34 service providers with respect to the investment of the OPEB Fund,
35 and may delegate to such persons or entities, or to any person within
36 the Division of Investment, any of its duties and responsibilities.

37 f. The fund administrator shall, with the assistance of a qualified
38 actuary, determine a funding policy for the OPEB Fund and may
39 promulgate rules and procedures with respect to the administration and
40 funding of the OPEB Fund. The fund administrator, with the
41 assistance of a qualified actuary, shall annually measure and determine
42 an amount for the annual "other post-employment benefits" cost of
43 providing benefits for the retirees and their dependents of each non-
44 State participating employer in the State Health Benefits Program
45 based on the "annual required cost" (ARC) for providing such benefits
46 determined in accordance with applicable standards under GASB
47 43/45. The fund administrator shall report the OPEB cost for each
48 non-State participating employer to such employer on an annual basis.

1 g. The fund administrator, with the assistance of a qualified
2 actuary, shall annually determine, and the fund administrator shall
3 approve, the aggregate contribution to the OPEB Fund to fund post-
4 employment benefits other than pensions under the terms of the State
5 Health Benefit Program, which shall be the amount necessary to pay
6 the anticipated premiums or periodic charges for the benefits for the
7 following annual valuation period, with respect to all non-State
8 employers participating in the OPEB Fund. The fund administrator
9 shall determine and approve the rate or rates to be charged to non-State
10 participating employers as contributions by such employers to the
11 OPEB Fund, based on such allocable amounts of the above-described
12 aggregate contribution and such other factors as the fund administrator
13 shall determine with respect to the setting of such rates.

14 h. Deposits to the OPEB Fund shall be made by each non-State
15 participating employer in the amounts specified by the fund
16 administrator. Deposits to the OPEB Fund by each non-State
17 participating employer shall be segregated in a separate account for
18 recordkeeping purposes from the deposits from all other non-State
19 participating employers in the OPEB Fund. Such deposits may be
20 commingled for purposes of investment, but the fund administrator
21 shall provide record keeping to establish the deposits allocable to each
22 non-State participating employer and shall periodically report the
23 value of the separate accounts to the applicable non-State participating
24 employers. Investment earnings attributable to the OPEB Fund shall
25 be determined on an aggregate basis for all non-State participating
26 employers. A non-State participating employer shall not make a
27 deposit to the OPEB Fund if the total amount invested with respect to
28 that employer would exceed such employer's actuarially determined
29 liability for post-employment benefits other than pensions due to its
30 employees, as determined under the applicable standards of GASB
31 43/45.

32 i. In the event that, following the satisfaction in full of all
33 liabilities for post-employment benefits other than pensions to
34 retired employees, and their dependents, of non-State participating
35 employers, there remain undistributed assets of the OPEB Fund,
36 such assets shall be distributed in the manner determined by the
37 fund administrator, provided that in no event shall such assets be
38 distributed to, or used for the purpose of paying benefits for, the
39 active or retired employees of an entity that is not a State, a political
40 subdivision of the State or an entity the income of which is
41 excluded from gross income under section 115 of the Internal
42 Revenue Code of 1986 (26 U.S.C. s.115), as amended.

43
44 67. (New section) With respect to the portion of the alternate
45 benefit program, P.L.1969, c.242 (C.18A:66-167 et seq.), that is
46 subject to section 403(b) of the federal Internal Revenue Code (26
47 U.S.C. s. 403(b)), the State may terminate the 403(b) portion of

1 alternate benefit program only as permitted by the applicable
2 regulations of the United States Department of the Treasury.

3

4 68. Section 2 of P.L.1963, c.123 (C.52:18A-108) is amended to
5 read as follows:

6 2. As used in this act:

7 a. "Fiscal year" means any year commencing on July 1 and
8 ending on June 30 next following.

9 b. "Participant" means (1) for the purposes of the Supplemental
10 Annuity Collective Trust under section 4 of P.L.1965, c.90 (C.52:18A-
11 113.1), any member of a State administered retirement system, who
12 has elected to make voluntary additional contributions to the
13 Supplemental Annuity Collective Trust, or for whom an employer
14 has agreed to purchase an annuity from the Supplemental Annuity
15 Collective Trust as hereinafter provided; or (2) for the purposes of
16 the Additional Contributions Tax-Sheltered Program under section 1
17 of P.L.1995, c.92 (C.52:18A-113.2), means any employee of the
18 Department of Education, the Commission on Higher Education, the
19 governing body of any public institution of education, or any public
20 school, as defined in N.J.S.18A:1-1, regularly scheduled to work 20
21 or more hours per week who has elected to make voluntary
22 additional contributions to the Supplemental Annuity Collective
23 Trust, or for whom an employer has agreed to purchase an annuity
24 from the Supplemental Annuity Collective Trust as hereinafter
25 provided. An employee regularly works less than 20 hours per
26 week if, for the 12-month period beginning on the date the
27 employee's employment commenced, the employee's employer
28 reasonably expects the employee to work fewer than 1,000 hours of
29 service, as defined under section 410(a)(3)(C) of the Internal
30 Revenue Code of 1986 (26 U.S.C. s.410(a)(3)(C)), as amended, and,
31 for each plan year ending after the close of that 12-month period,
32 the employee has worked fewer than 1,000 hours of service.

33 c. "State administered retirement system" means any of the
34 following retirement plans: Public Employees' Retirement System
35 of New Jersey established pursuant to chapter 84, P.L.1954;
36 Teachers' Pension and Annuity Fund established pursuant to chapter
37 37, P.L.1955; Police and Firemen's Retirement System of New
38 Jersey established pursuant to chapter 255, P.L.1944; Consolidated
39 Police and Firemen's Pension Fund established pursuant to chapter
40 358, P.L.1952; Prison Officers' Pension Fund established pursuant
41 to chapter 220, P.L.1941; and State Police Retirement and
42 Benevolent Fund established pursuant to chapter 188, P.L.1925.
43 (cf: P.L.1965, c.90, s.1)

44

45 69. Section 6 of P.L.1963, c.123 (C.52:18A-112) is amended to
46 read as follows:

47 6. A member of a State administered retirement system or an
48 employee of a board of education, as defined in N.J.S.18A:1-1,

1 regularly scheduled to work 20 or more hours per week may
2 become a participant by filing an application for enrollment in
3 either the Variable Division or the Fixed Division, or both, in
4 accordance with rules and regulations established by the council.
5 An employee regularly works less than 20 hours per week if, for the
6 12-month period beginning on the date the employee's employment
7 commenced, the employee's employer reasonably expects the
8 employee to work fewer than 1,000 hours of service, as defined under
9 section 410(a)(3)(C) of the Internal Revenue Code of 1986 (26 U.S.C.
10 s.410(a)(3)(C)), and, for each plan year ending after the close of that
11 12-month period, the employee has worked fewer than 1,000 hours of
12 service.

13 (cf: P.L.1963, c.123, s.6)

14

15 70. Section 1 of P.L.1995, c.92 (C.52:18A-113.2) is amended to
16 read as follows:

17 1. a. The Department of Education, the Commission on Higher
18 Education, and the governing body of any public institution of
19 **[higher]** education may enter into a written agreement with any of
20 its employees to reduce the employee's annual salary for the
21 purpose of investing in a tax-deferred annuity for the employee
22 pursuant to section 403(b) of the federal Internal Revenue Code of
23 **[1954]** 1986 (26 U.S.C. s.403(b)), as amended. Investments shall
24 be (1) with an insurer or mutual fund company authorized to
25 provide investment contracts under the alternate benefit program;
26 (2) in investment contracts authorized under the program for
27 supplemental retirement benefits which meet the requirements of
28 section 403(b) of the federal Internal Revenue Code (26 U.S.C.
29 s.403(b)), as amended; and (3) on the same terms and conditions
30 provided for participants in the alternate benefit program.

31 b. An agreement (1) shall specify the amount and the effective
32 date of the reduction; (2) shall be subject to filing with and approval
33 by the State Treasurer or filing with and approval by the governing
34 body of the institution of public higher education, as appropriate;
35 and (3) shall be legally binding and irrevocable with respect to the
36 amounts earned while the agreement is in effect. The total amount
37 of the reduction in an employee's salary pursuant hereto, for any
38 calendar year, shall not exceed the lesser of (a) the applicable dollar
39 amount or (b) the participant's Includible Compensation for the
40 calendar year. Includible Compensation is an employee's actual wages
41 in box 1 of Form W-2 for a year for services to the employer, but
42 subject to a maximum of \$200,000, or such higher maximum as may
43 apply under section 401(a)(17) of the federal Internal Revenue Code
44 (26 U.S.C. s.401(a)(17), and increased up to the dollar maximum by
45 any compensation reduction election under section 125, 132(f), 401(k),
46 403(b), or 457(b) of the federal Internal Revenue Code (26 U.S.C.
47 s.125, 132(f), 401(k), 403(b), or 457(b)). The amount of Includible
48 Compensation is determined without regard to any community

1 property laws. The applicable dollar amount is the amount established
2 under section 402(g)(1)(B) of the federal Internal Revenue Code (26
3 U.S.C. s.402(g)(1)(B)), which is \$16,500 for 2011, and is adjusted for
4 cost-of-living after 2011 to the extent provided under section 415(d) of
5 the federal Internal Revenue Code (26 U.S.C. s.415(d)). The total
6 amount of the reduction in an employee's salary pursuant hereto, for
7 any calendar year, when added to the contributions made in the year
8 on behalf of the employee in accordance with section 7 of P.L.1963,
9 c.123 (C.52:18A-113), exceed the limitations set forth in
10 [Pub.L.93-406 (Employment Retirement Income Security Act of
11 1974) and] section 415 (c) of the federal Internal Revenue Code (26
12 U.S.C.s.415 (c)). For the purposes of this section, if the participant is
13 or has been a participant in one or more other plans under section
14 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), and
15 any other plan that permits elective deferrals under section 402(g) of
16 the federal Internal Revenue Code (26 U.S.C. s.402(g)), then this plan
17 and all such other plans shall be considered as one plan for purposes of
18 applying the foregoing limitations.

19 c. An agreement may be terminated at any time upon written
20 notice by either the employee or the employer. Termination shall
21 take effect at the beginning of the payroll period whose first day is
22 nearest to the 30th day following the day on which notification of
23 termination was (1) received by the employer, in the event
24 termination is initiated by the employee, or (2) sent to the
25 employee, in the event termination is initiated by the employer.

26 d. Amounts payable pursuant to this section by an employer on
27 behalf of an employee for a payroll period shall be transmitted and
28 credited not later than the fifth business day after the date on which
29 the employee is paid for that pay period.

30 e. The plan described in subsection a. of this section shall be
31 known as the New Jersey Additional Contributions Tax-Sheltered
32 Program.

33 (cf: P.L.1999, c.247, s.4)

34

35 71. Section 2 of P.L.1995, c.92 (C.52:18A-113.3) is amended to
36 read as follows:

37 2. Upon approval and filing, the State Treasurer or the
38 applicable governing body of a public institution of **[higher]**
39 education shall reduce an employee's salary pursuant to the
40 agreement and shall pay an amount equal to the amount agreed
41 upon for the salary reduction as an employer contribution to the
42 issuer of the employee's annuity. Participation in a reduction of
43 salary pursuant to this act shall not cause the employee to lose any
44 benefits under a State-administered retirement system to which the
45 employee would otherwise be entitled had the employee not agreed
46 to a reduction in salary for the purpose of purchasing a tax-deferred
47 annuity. Employee contributions and any survivor's benefit shall be

1 paid on the basis of the employee's salary without regard to the
2 reduction authorized by this act.

3 (cf: P.L.1995, c.92, s.2)

4

5 72. Section 3 of P.L.1995, c.92 (C.52:18A-113.4) is amended to
6 read as follows:

7 3. Payments for tax-deferred annuities shall be made by the
8 State Treasurer or the applicable governing body of a public
9 institution of **[higher]** education to the issuers of the annuities out
10 of moneys available for the salaries of employees who have entered
11 into agreements pursuant to this act.

12 (cf: P.L.1995, c.92, s.3)

13

14 73. Section 1 of P.L.1996, c.77 (C.52:18A-113.6) is amended to
15 read as follows:

16 1. Employees of the Department of Education, the Commission
17 on Higher Education, or the governing body of any public
18 institution of **[higher]** education who are participants in the
19 Supplemental Annuity Collective Trust pursuant to section 403(b)
20 of the federal Internal Revenue Code of **[1954]** 1986 (26 U.S.C.
21 s.403(b)), as amended, **[may :**

22 **a.] shall** transfer all **[or a portion of any]** funds that they may
23 have invested as participants in the Supplemental Annuity
24 Collective Trust to a tax-deferred annuity with an insurer or mutual
25 fund company authorized to provide investment contracts under the
26 alternate benefit program pursuant to the provisions of P.L.1995,
27 c.92 (C.52:18A-113.2 et seq.) **]; or**

28 **b. transfer** all or a portion of any funds that they may have
29 invested in a tax-deferred annuity with any authorized provider to
30 the Supplemental Annuity Collective Trust**].**

31 (cf: P.L.1996, c.77, s.1)

32

33 74. Section 9 of P.L.1963, c.123 (C.52:18A-115) is amended to
34 read as follows:

35 9. The assets of the Variable Division shall be invested and
36 reinvested principally in common stocks and securities which are
37 convertible into common stocks. Such common stocks and
38 securities shall be **[restricted to those listed]** traded on a securities
39 exchange in the United States or over-the-counter market.

40 (cf: P.L.1963, c.123, s.9)

41

42 75. (New section) With respect to the portion of the
43 Supplemental Annuity Collective Trust that is subject to section
44 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), the
45 State may terminate the Supplemental Annuity Collective Trust as
46 provided in this section.

1 a. The State enacted P.L.1963, c.123 (C.52:18A-107 et seq.)
2 with the intention and expectation that contributions would be
3 continued to the Supplemental Annuity Collective Trust program
4 indefinitely. The State, however, has no obligation or liability
5 whatsoever to maintain the program for any length of time and may
6 discontinue contributions under the program at any time without
7 any liability hereunder for any discontinuance.

8 b. The State reserves the authority to amend or terminate the
9 Supplemental Annuity Collective Trust program at any time and for
10 any reason.

11 c. The State may provide that, in connection with a termination
12 of the program, all accounts will be distributed, provided that the
13 State and any related employer on the date of termination do not
14 make contributions to an alternative plan or program subject to the
15 rules under section 403(b) of the Internal Revenue Code of 1986
16 (26 U.S.C. s.403(b)), as amended, that is not part of the program
17 during the period beginning on the date of termination and ending
18 12 months after the distribution of all assets from the Supplemental
19 Annuity Collective Trust program, except as permitted by the
20 applicable regulations of the United States Department of the
21 Treasury.

22

23 76. (New section) a. As used in this section:

24 "emergency care" means immediate treatment provided in
25 response to a sudden, acute and unanticipated medical crisis in
26 order to avoid injury, impairment, or death.

27 "in-State health care provider" means an individual or entity,
28 including, but not limited to, a physician or other health care
29 professional licensed pursuant to Title 45 of the Revised Statutes,
30 and a hospital or other health care facility licensed pursuant to Title
31 26 of the Revised Statutes that is not an out-of-State health care
32 provider.

33 "out-of-State health care provider" means an individual or entity
34 providing health care services at a location outside the geographic
35 boundaries of this State.

36 "primary care" means the provision of preventive, diagnostic,
37 treatment, management, and reassessment services to individuals in
38 facilities providing family practice, general internal medicine,
39 general pediatrics, and routine obstetrics/gynecology.

40 "reasonably proximate" means a geographic distance from the
41 covered person's place of residence that does not exceed 25 miles.

42 "tertiary care" means specialized care performed by specialists
43 working in an inpatient or outpatient facility for special
44 investigation and treatment of complex diseases or conditions.

45 b. Notwithstanding the provisions of any other law to the
46 contrary, a carrier which offers health benefits coverage under the
47 State Health Benefits Program, School Employees' Health Benefits
48 Program, or any self-insured plan or plan offered to public

1 employees or retirees outside the State Health Benefits Program or
2 the School Employees' Health Benefits Program, to an employee or
3 retiree and any dependent eligible for such health care benefits
4 coverage, shall only provide coverage for medically necessary
5 health care services provided by an out-of-State health care provider
6 as specified in subsection c. of this subsection, except for coverage
7 authorized pursuant to subsection f. or g. of this section.

8 c. Medically necessary tertiary health care services may be
9 performed by an out-of-State specialty or subspecialty health care
10 provider when there is no in-State health care provider reasonably
11 available to treat the particular condition based on an expedited
12 determination by the carrier and the State Health Benefits
13 Commission, the School Employees' Health Benefits Commission
14 or the plan administrator, as the case may be, in consultation with
15 the Department of Health and Senior Services, that such service is
16 not otherwise available through an in-State health care provider or
17 where there is no in-network provider who is reasonably proximate
18 to the covered person's place of residence.

19 d. (1) The out-of-State health care provider shall receive
20 reimbursement for out-of-network charges at the lesser of the
21 contractual rate or a rate equal to 150% of the Medicare fee
22 schedule for those same services.

23 (2) The employee or retiree shall be responsible for the entire
24 balance of the out-of-State health provider's charges that exceed the
25 applicable out-of-network reimbursement.

26 e. The carrier shall establish preauthorization or review
27 requirements of the health benefits plan regarding the determination
28 of medical necessity for the employee, retiree, or covered dependent
29 to access out-of-State benefits, as set forth in writing pursuant to
30 section 5 of P.L.1997, c.192 (C.26:2S-5), with which the covered
31 person shall comply as a condition of receiving benefits pursuant to
32 this section.

33 f. This section shall not apply to: (1) emergency care; (2)
34 primary care; (3) an employee, retiree, or covered dependent who
35 has his or her principal residence outside of this State or is enrolled
36 as a full-time student at a school located outside this State and
37 resides outside this State while attending that school, or (4) such
38 other unusual and compelling circumstance determined by the State
39 Health Benefits Commission, School Employees' Health Benefits
40 Commission or the plan administrator, as the case may be, in
41 consultation with the Department of Health and Senior Services,
42 that warrants an individualized exception from the requirements of
43 this section. For the purposes of this subsection, a person will be
44 deemed to have his principal residence outside this State if all of the
45 following conditions are met: the person spends the majority of his
46 or her nonworking time outside the State, and resides at a location
47 outside the State which is clearly the center of his or her domestic

1 life, and has designated the out-of-State residence as his or her legal
2 address and legal residence for voting.

3 g. This section shall not apply to cases when it is medically
4 necessary for the employee, retiree, or covered dependent to
5 continue current treatment with the out-of-State health care provider
6 or under the following circumstances: (1) in cases of the pregnancy
7 through the postpartum evaluation, up to six weeks after delivery;
8 (2) in the case of post-operative care, up to six months following
9 the surgical procedure; (3) in the case of oncological treatment, up
10 to one year following the first date of treatment; and (4) in the case
11 of psychiatric treatment, up to one year following the first date of
12 treatment.

13 h. Notwithstanding the provisions of another law to the
14 contrary, the State Health Benefits Plan Design Committee, the
15 School Employees' Health Benefits Plan Design Committee, and
16 any public employer shall provide to employees the option to select
17 a single plan that shall not limit coverage for medically necessary
18 health care services provided by an out-of-State health care provider
19 pursuant to this section. Each employee or retiree who selects
20 coverage under the plan shall pay the additional portion of the
21 premium or periodic charge associated with selecting a plan that
22 does not limit coverage for medically necessary health care services
23 provided by an out-of-State health care provider for health care
24 benefits provided to the employee, retiree, and dependents covered
25 under the plan.

26 i. This section shall be operative January 1, 2012.

27

28 77. (New section) A public employer and employees who are in
29 negotiations for the next collective negotiations agreement to be
30 executed after the employees in that unit have reached full
31 implementation of the premium share set forth in section 39 of
32 P.L. , c. (C.) (pending before the Legislature as this bill)
33 shall conduct negotiations concerning contributions for health care
34 benefits as if the full premium share was included in the prior
35 contract. The public employers and public employees shall remain
36 bound by the provisions of sections 39, 40, and 43 of P.L. , c.
37 (C.) (pending before the Legislature as this bill), notwithstanding
38 the expiration of those sections, until the full amount of the
39 contribution required by section 39 has been implemented in
40 accordance with the schedule set forth in section 40.

41 Employees subject to any collective negotiations agreement in
42 effect on the effective date of P.L. , c. (pending before the
43 Legislature as this bill), that has an expiration date on or after the
44 expiration of sections 39 through 44, inclusive, of P.L. , c. (C.)
45 (pending before the Legislature as this bill), shall be subject, upon
46 expiration of that collective negotiations agreement, to sections 39, 40,
47 and 43 until the health care contribution schedule set forth in section
48 40 is fully implemented.

1 After full implementation, those contribution levels shall become
2 part of the parties' collective negotiations and shall then be subject to
3 collective negotiations in a manner similar to other negotiable items
4 between the parties.

5 A public employee whose amount of contribution in retirement
6 was determined in accordance with section 40 or 43 shall be
7 required to contribute in retirement the amount so determined
8 pursuant to section 40 or 43 notwithstanding that section 40 or 43
9 has expired, with the retirement allowance, and any future cost of
10 living adjustment thereto, used to identify the percentage of the cost
11 of coverage.

12

13 78. (New section) A public employer and employees who are in
14 negotiations for the next collective negotiations agreement to be
15 executed after the employees in that unit have reached full
16 implementation of the premium share set forth in section 39 of
17 P.L. , c. (C.)(pending before the legislature as this bill) shall
18 conduct negotiations concerning contributions for health care
19 benefits as if the full premium share was included in the prior
20 contract. The public employers and public employees shall remain
21 bound by the provisions of sections 39 and 41 of P.L. , c. (C.)
22 (pending before the Legislature as this bill), notwithstanding the
23 expiration of those sections, until the full amount of the
24 contribution required by section 39 has been implemented in
25 accordance with the schedule set forth in section 41.

26 Employees subject to any collective negotiations agreement in
27 effect on the effective date of P.L. , c. (pending before the
28 Legislature as this bill), that has an expiration date on or after the
29 expiration of sections 39 through 44, inclusive, of P.L. , c. (C.)
30 (pending before the Legislature as this bill), shall be subject, upon
31 expiration of that collective negotiations agreement, to sections 39 and
32 41 until the health care contribution schedule set forth in section 41 is
33 fully implemented.

34 After full implementation, those contribution levels shall become
35 part of the parties' collective negotiations and shall then be subject to
36 collective negotiations in a manner similar to other negotiable items
37 between the parties.

38

39 79. (New section) A public employer and employees who are in
40 negotiations for the next collective negotiation agreement to be
41 executed after the employees in that unit have reached full
42 implementation of the premium share set forth in section 39 of
43 P.L. , c. (C.) (pending before the Legislature as this bill) shall
44 conduct negotiations concerning contributions for health care
45 benefits as if the full premium share was included in the prior
46 contract. The public employers and public employees shall remain
47 bound by the provisions of sections 39, 42, and 44 of P.L. ,
48 c. (C.) (pending before the Legislature as this bill),

1 notwithstanding the expiration of those sections, until the full
2 amount of the contribution required by section 39 has been
3 implemented in accordance with the schedule set forth in section
4 42.

5 Employees subject to any collective negotiations agreement in
6 effect on the effective date of P.L. , c. (pending before the
7 Legislature as this bill), that has an expiration date on or after the
8 expiration of sections 39 through 44, inclusive, of P.L. , c. (C.)
9 (pending before the Legislature as this bill), shall be subject, upon
10 expiration of that collective negotiations agreement, to sections 39, 42,
11 and 44 until the health care contribution schedule set forth in section
12 42 is fully implemented.

13 After full implementation, those contribution levels shall become
14 part of the parties' collective negotiations and shall then be subject to
15 collective negotiations in a manner similar to other negotiable items
16 between the parties.

17 A public employee whose amount of contribution in retirement
18 was determined in accordance with section 42 or 44 shall be
19 required to contribute in retirement the amount so determined
20 pursuant to section 42 or 44 notwithstanding that section 42 or 44
21 has expired, with the retirement allowance, and any future cost of
22 living adjustment thereto, used to identify the percentage of the cost
23 of coverage.

24
25 80. Notwithstanding any other provision of this amendatory and
26 supplementary act, P.L. , c. (C.) (pending before the
27 Legislature as this bill) to the contrary, the increases in the
28 employee contributions under the amendatory sections 8 through
29 16, inclusive, and the contributions required under sections 39
30 through 44, inclusive, shall begin upon the implementation of
31 necessary administrative actions for collection and shall not be
32 applied retroactively to this act's effective date. Nothing contained
33 in this section shall affect the implementation of any other provision
34 of this act.

35
36 81. If any provision of P.L. , c. (C.) (pending before the
37 Legislature as this bill) or its application to any particular person or
38 circumstance is held invalid, that provision or its application shall
39 be severable and shall not affect the validity of other provisions or
40 applications of this act.

41
42 82. The following are repealed:
43 Section 2 of P.L.1989, c.6 (C.52:14-17.28a);
44 Section 1 of P.L.1985, c.414 (C.43:15A-47.2); and
45 Section 1 of P.L.1999, c.96 (C.43:16A-5.1).

1 83. This act shall take effect immediately, and sections 39
2 through 44, inclusive, shall expire four years after the effective
3 date.

4
5
6 STATEMENT
7

8 This bill makes various changes to the manner in which the
9 Teachers' Pension and Annuity Fund (TPAF), the Judicial
10 Retirement System (JRS), the Public Employees' Retirement
11 System (PERS), the Police and Firemen's Retirement System
12 (PFRS), and the State Police Retirement System (SPRS) operate
13 and to the benefit provisions of those systems.

14 The bill establishes new pension committees as follows:

15 one 8-member committee for the TPAF and one for the SPRS;

16 two 8-member committees in the PERS, one for the State part of
17 the PERS and one for the local part of the PERS; and

18 two 10-member committees in the PFRS, one for the State part
19 of the PFRS and one for the local part of the PFRS.

20 Half of the members of each committee will be appointed by the
21 Governor to represent public employers and half appointed by the
22 certain unions whose members are in the retirement system. When
23 a target funded ratio for the system or part of the system is
24 achieved, each committee will have the discretionary authority to
25 modify the: member contribution rate; formula for calculation of
26 final compensation or final salary; fraction used to calculate a
27 retirement allowance; age at which a member may be eligible and
28 the benefits for service or early retirement; and benefits provided
29 for disability retirement. A committee will not have authority to
30 change the number of years required for vesting.

31 The term "target funded ratio" means a ratio of the actuarial
32 value of assets against the actuarially determined accrued liabilities
33 expressed as a percentage that will be 75 percent in State fiscal year
34 2012, and increased annually by equal increments in each of the
35 subsequent seven fiscal years, until the ratio reaches 80 percent at
36 which it is to remain for all subsequent fiscal years.

37 The committees of these systems will have the authority to
38 reactivate the cost of living adjustment on pensions and modify the
39 basis for the calculation of the cost of living adjustment and set the
40 duration and extent of the activation. A committee must give
41 priority consideration to the reactivation of the cost of living
42 adjustment.

43 The State House Commission will have the same authority with
44 regard to JRS.

45 Each committee may also hire actuaries and consultants.

46 The bill establishes a process using a super conciliator to resolve
47 an impasse on a decision or matter regarding benefits before any of

1 the newly established committees in the TPAF, PERS, PFRS, and
2 SPRS.

3 With regard to employee benefits, the bill provides for increases
4 in the employee contribution rates: from 5.5% to 6.5% plus an
5 additional 1% phased-in over 7 years beginning in the first year,
6 meaning after 12 months, after the bill's effective date for TPAF
7 and PERS (including legislators, Law Enforcement Officer (LEO)
8 members, and workers compensation judges); from 3% to 12% for
9 JRS phased-in over seven years; from 8.5% to 10% for PFRS
10 members and members of PERS Prosecutors Part; and from 7.5% to
11 9% for SPRS members. New members of TPAF and PERS will
12 need 30 years of creditable service and age 65 for receipt of the
13 early retirement benefit without a reduction of 1/4 of 1% for each
14 month that the member is under age 65. TPAF and PERS members
15 enrolled before November 1, 2008 are eligible for a service
16 retirement benefit at age 60 and members enrolled on or after that
17 date are eligible at age 62. New members will be eligible for a
18 service retirement benefit at age 65. A new PFRS member's special
19 retirement benefit will be 60% of final compensation, plus 1% of
20 final compensation multiplied by the number of years of creditable
21 service over 25 but not over 30, instead of the current benefit of
22 65% of final compensation plus 1% for each year of service over 25
23 but not over 30.

24 The bill repeals N.J.S.A.43:15A-47.2 and 43:16A-5.1 which
25 provide that a member of PERS or PFRS may retire while holding
26 an elective public office covered by PERS or PFRS and continue to
27 receive the full salary for that office, if the member's PERS or
28 PFRS retirement allowance is not based solely on service in the
29 elected public office. It also provides that the PFRS or PERS
30 retirees who were granted a retirement allowance under those
31 sections prior to the bill's effective date and are currently in an
32 elective office covered by either of those systems may continue to
33 receive their pension benefit and salary for the elective office.

34 Under the bill, the automatic cost-of-living adjustment will no
35 longer be provided to current and future retirees and beneficiaries,
36 unless it is reactivated as permitted by the bill.

37 For the PERS, TPAF, SPRS, PFRS, and JRS, the bill changes the
38 method for the amortization of the system's unfunded liability.

39 One section of the bill provides that each member of the TPAF,
40 JRS, Prison Officers' Pension Fund, PERS, Consolidated Police and
41 Firemen's Pension Fund, PFRS, and SPRS will have a contractual
42 right to the annual required contribution made by the employer or
43 by any other public entity. The contractual right to the annual
44 required contribution means that the employer or other public entity
45 must make the annual required contribution on a timely basis to
46 help ensure that the retirement system is securely funded and that
47 the retirement benefits to which the members are entitled by statute
48 and in consideration for their public service and in compensation

1 for their work will be paid upon retirement. The failure of the State
2 or any other public employer to make the annually required
3 contribution will be deemed to be an impairment of the contractual
4 right of each employee. The Superior Court, Law Division will
5 have jurisdiction over any action brought by a member of any
6 system or fund or any board of trustees to enforce the contractual
7 right set forth in this bill. The State and other public employers will
8 submit to the jurisdiction of the Superior Court, Law Division and
9 will not assert sovereign immunity in such an action. If a member
10 or board prevails in litigation to enforce the contractual right set
11 forth in this bill, the court may award that party their reasonable
12 attorney's fees.

13 That section also provides that the rights reserved to the State in
14 current law to alter, modify, or amend such retirement systems and
15 funds, or to create in any member a right in the corpus or
16 management of a retirement system or pension fund, cannot
17 diminish the contractual right of employees established by this bill.

18 In addition, the bill increases the membership of the State
19 Investment Council from 13 to 16 members. It eliminates one
20 representative from the SPRS, but adds one member from the State
21 Troopers Fraternal Association. Two additional members are
22 appointed by the Governor with the advice and consent of the
23 Senate, and one additional appointment is added to the current one
24 by the Governor from persons nominated by Public Employee
25 Committee of the New Jersey State AFL-CIO, specifying that one
26 of the two will be a representative of a police officers' or
27 firefighters' union. The bill also provides that an elected member,
28 as opposed to any member, of the boards of trustees for TPAF,
29 PERS and PFRS will be eligible for designation to serve on the
30 State Investment Council.

31 This bill requires all public employees and certain public retirees
32 to contribute toward the cost of health care benefits coverage based
33 upon a percentage of the cost of coverage.

34 Under the bill, all active public employees will pay a percentage
35 of the cost of health care benefits coverage for themselves and any
36 dependents. However, lower compensated employees will pay a
37 smaller percentage and more highly compensated employees will
38 pay a higher percentage. In addition, the applicable percentage will
39 vary based upon whether the employee has family, individual, or
40 member with child or spouse coverage. The rates gradually
41 increase based on an employee's compensation, at intervals of
42 \$5,000. These rates will be phased in over several years for
43 employees employed on the contribution's effective date who will
44 pay $\frac{1}{4}$, $\frac{1}{2}$, and $\frac{3}{4}$ of the amount of the contribution rate during the
45 first, second and third years, respectively, meaning during the three
46 12-month periods after the contribution rates become effective. The
47 bill establishes a "floor" for employee contributions so that no
48 employee will pay an amount that is less than 1.5% of the

1 employee's compensation. Employees who pay for health care
2 benefits coverage based upon a percentage of the cost of coverage
3 will not also be required to pay the minimum contribution of 1.5%
4 of compensation, as provided by other laws. The contribution will
5 commence on the bill's effective date for certain public employees
6 and upon the expiration of a collective negotiation agreement for
7 others.

8 Similar provisions in the bill apply to retirees of the State,
9 employers other than the State, and units of local government who
10 accrue 25 years of service after the bill's effective date, or on or
11 after the expiration of an applicable collective bargaining agreement
12 in effect on that date, and retire after that, who will be required to
13 contribute a percentage of the cost of health care benefits coverage
14 in retirement, but as based on their retirement benefit. These
15 provisions will not apply to public employees who have 20 or more
16 year of service in one or more State or locally-administered
17 retirement systems. A 1.5% "floor", for those retirees to whom the
18 1.5% contribution in current law applies, will also be applicable to
19 these retirees.

20 The bill allows boards of education and units of local
21 government, that do not participate in the SHBP or SEHBP, to enter
22 into contracts for health care benefits coverage, as may be required
23 to implement a collective negotiations agreement, and agree to
24 different employee contribution rates if certain cost savings in the
25 aggregate over the period of the agreement can be demonstrated.
26 The savings must be certified to the Department of Education or the
27 Department of Community Affairs, as appropriate. The
28 departments are to approve or reject the certification, within 30
29 days of receipt. The certification is deemed approved if not rejected
30 within that time. The agreement cannot be executed until that
31 approval is received or the 30 day period has lapsed, whichever
32 occurs first.

33 The provisions concerning contributions for health care benefits
34 will expire four years after the effective date.

35 A public employer and employees who are in negotiations for the
36 next collective negotiations agreement to be executed after the
37 employees in that unit have reached full implementation of the
38 premium share set forth in the bill must conduct negotiations
39 concerning contributions for health care benefits as if the full
40 premium share was included in the prior contract. The public
41 employers and public employees will remain bound by the health
42 care contribution provisions of the bill, notwithstanding the
43 expiration of those sections, until the full amount of the
44 contribution has been implemented in accordance with the schedule
45 set forth in the bill.

46 Employees subject to any collective negotiations agreement in
47 effect on the effective date of the bill, that has an expiration date on or
48 after the expiration of the health care contribution provisions of the

1 bill, will be subject to those provisions, upon expiration of that
2 collective negotiations agreement, until the health care contribution
3 schedule set forth in the bill is fully implemented.

4 After full implementation, those contribution levels will become
5 part of the parties' collective negotiations and will then be subject to
6 collective negotiations in a manner similar to other negotiable items
7 between the parties.

8 A public employee whose amount of contribution in retirement
9 was determined in accordance with the expired sections of law will
10 be required to contribute the amount so determined in retirement,
11 notwithstanding that the law has expired, with the retirement
12 allowance, and any future cost of living adjustment thereto, used to
13 identify the percentage of the cost of coverage.

14 The increased employee contributions under the bill for pension
15 benefits and the contributions for health care benefits will begin
16 upon the implementation of necessary administrative actions for
17 collection and will not be applied retroactively to this bill's
18 effective date.

19 The bill also creates two new committees, one for the State
20 Health Benefits Program and one for the School Employees' Health
21 Benefits Program and confers on the committees the responsibility
22 for plan design. Half of the committee members will be appointed
23 by the Governor to represent public employers and half by certain
24 unions who represent public employees in the State.

25 The bill requires the committees for both programs to set the
26 amounts for maximums, co-pays, deductibles, and other such
27 participant costs; provide employees with the option to select one
28 level of at least three levels of coverage each for family, individual,
29 individual and spouse, and individual and dependent, or equivalent
30 categories, for each plan offered by the program differentiated by
31 out of pocket costs to employees including with regard to co-
32 payments and deductibles; and provide for a high deductible health
33 plan that conforms to the Internal Revenue Code Section 223.

34 The bill contains a section, to begin January 1, 2012, to limit
35 coverage for certain medically necessary tertiary health care
36 services performed by certain out of State health care providers.

37 The bill repeals a provision of law that provides that the State
38 Health Benefits Commission must not enter into a contract for the
39 benefits provided pursuant to the contract in effect on October 1,
40 1988, including, but not limited to, basic benefits, extended basic
41 benefits, and major medical benefits unless the level of benefits
42 provided under the contract entered into is equal to or exceeds the
43 level of benefits provided for in the contract in effect on October 1,
44 1988, or unless the benefits in effect on October 1, 1988 are
45 modified by an authorized collective bargaining agreement made on
46 behalf of the State.

47 Various provisions of the bill contain a number of changes to the
48 law that are necessary to maintain the qualified plan status of the

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1 retirement systems under the federal Internal Revenue Code; for
2 compliance with Statements Nos. 43 and 45 of the Governmental
3 Accounting Standards Board, Accounting and Financial Reporting
4 by Employers for Postemployment Benefits Other Than Pensions
5 (GASB 43/45); and to bring the defined contribution plans into
6 compliance with U.S. Department of Treasury regulations affecting
7 administration of plans administered under section 403(b) of the
8 Internal Revenue Code. Modifications pertaining to the
9 Supplemental Annuity Collective Trust are also being made by the
10 bill.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2937

STATE OF NEW JERSEY

DATED: JUNE 16, 2011

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2937.

This bill makes various changes to the manner in which the Teachers' Pension and Annuity Fund (TPAF), the Judicial Retirement System (JRS), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), and the State Police Retirement System (SPRS) operate and to the benefit provisions of those systems.

The bill establishes new pension committees as follows:

one 8-member committee for the TPAF and one for the SPRS;

two 8-member committees in the PERS, one for the State part of the PERS and one for the local part of the PERS; and

two 10-member committees in the PFRS, one for the State part of the PFRS and one for the local part of the PFRS.

Half of the members of each committee will be appointed by the Governor to represent public employers and half appointed by certain unions whose members are in the retirement system. When a target funded ratio for the system or part of the system is achieved, each committee will have the discretionary authority to modify the: member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. A committee will not have authority to change the number of years required for vesting.

The term "target funded ratio" means a ratio of the actuarial value of assets against the actuarially determined accrued liabilities expressed as a percentage that will be 75 percent in State fiscal year 2012, and increased annually by equal increments in each of the subsequent seven fiscal years, until the ratio reaches 80 percent at which it is to remain for all subsequent fiscal years.

The committees of these systems will have the authority to reactivate the cost of living adjustment on pensions and modify the basis for the calculation of the cost of living adjustment and set the duration and extent of the activation. A committee must give priority consideration to the reactivation of the cost of living adjustment.

The State House Commission will have the same authority with regard to JRS.

Each committee may also hire actuaries and consultants.

The bill establishes a process using a super conciliator to resolve an impasse on a decision or matter regarding benefits before any of the newly established committees in the TPAF, PERS, PFRS, and SPRS.

With regard to employee benefits, the bill provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the bill's effective date for TPAF and PERS (including legislators, Law Enforcement Officer (LEO) members, and workers compensation judges); from 3% to 12% for JRS phased-in over seven years; from 8.5% to 10% for PFRS members and members of PERS Prosecutors Part; and from 7.5% to 9% for SPRS members. New members of TPAF and PERS will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. TPAF and PERS members enrolled before November 1, 2008 are eligible for a service retirement benefit at age 60 and members enrolled on or after that date are eligible at age 62. New members will be eligible for a service retirement benefit at age 65. A new PFRS member's special retirement benefit will be 60% of final compensation, plus 1% of final compensation multiplied by the number of years of creditable service over 25 but not over 30, instead of the current benefit of 65% of final compensation plus 1% for each year of service over 25 but not over 30.

The bill repeals N.J.S.A.43:15A-47.2 and 43:16A-5.1 which provide that a member of PERS or PFRS may retire while holding an elective public office covered by PERS or PFRS and continue to receive the full salary for that office, if the member's PERS or PFRS retirement allowance is not based solely on service in the elected public office. It also provides that the PFRS or PERS retirees who were granted a retirement allowance under those sections prior to the bill's effective date and are currently in an elective office covered by either of those systems may continue to receive their pension benefit and salary for the elective office.

Under the bill, the automatic cost-of-living adjustment will no longer be provided to current and future retirees and beneficiaries, unless it is reactivated as permitted by the bill.

For the PERS, TPAF, SPRS, PFRS, and JRS, the bill changes the method for the amortization of the system's unfunded liability.

One section of the bill provides that each member of the TPAF, JRS, Prison Officers' Pension Fund, PERS, Consolidated Police and Firemen's Pension Fund, PFRS, and SPRS will have a contractual right to the annual required contribution made by the employer or by any other public entity. The contractual right to the annual required contribution means that the employer or other public entity must make

the annual required contribution on a timely basis to help ensure that the retirement system is securely funded and that the retirement benefits to which the members are entitled by statute and in consideration for their public service and in compensation for their work will be paid upon retirement. The failure of the State or any other public employer to make the annually required contribution will be deemed to be an impairment of the contractual right of each employee. The Superior Court, Law Division will have jurisdiction over any action brought by a member of any system or fund or any board of trustees to enforce the contractual right set forth in this bill. The State and other public employers will submit to the jurisdiction of the Superior Court, Law Division and will not assert sovereign immunity in such an action. If a member or board prevails in litigation to enforce the contractual right set forth in this bill, the court may award that party their reasonable attorney's fees.

That section also provides that the rights reserved to the State in current law to alter, modify, or amend such retirement systems and funds, or to create in any member a right in the corpus or management of a retirement system or pension fund, cannot diminish the contractual right of employees established by this bill.

In addition, the bill increases the membership of the State Investment Council from 13 to 16 members. It eliminates one representative from the SPRS, but adds one member from the State Troopers Fraternal Association. Two additional members are appointed by the Governor with the advice and consent of the Senate, and one additional appointment is added to the current one by the Governor from persons nominated by Public Employee Committee of the New Jersey State AFL-CIO, specifying that one of the two will be a representative of a police officers' or firefighters' union. The bill also provides that an elected member, as opposed to any member, of the boards of trustees for TPAF, PERS and PFRS will be eligible for designation to serve on the State Investment Council.

This bill requires all public employees and certain public retirees to contribute toward the cost of health care benefits coverage based upon a percentage of the cost of coverage.

Under the bill, all active public employees will pay a percentage of the cost of health care benefits coverage for themselves and any dependents. However, lower compensated employees will pay a smaller percentage and more highly compensated employees will pay a higher percentage. In addition, the applicable percentage will vary based upon whether the employee has family, individual, or member with child or spouse coverage. The rates gradually increase based on an employee's compensation, at intervals of \$5,000. These rates will be phased in over several years for employees employed on the contribution's effective date who will pay $\frac{1}{4}$, $\frac{1}{2}$, and $\frac{3}{4}$ of the amount of the contribution rate during the first, second and third years, respectively, meaning during the three 12-month periods after the

contribution rates become effective. The bill establishes a “floor” for employee contributions so that no employee will pay an amount that is less than 1.5% of the employee’s compensation. Employees who pay for health care benefits coverage based upon a percentage of the cost of coverage will not also be required to pay the minimum contribution of 1.5% of compensation, as provided by other laws. The contribution will commence on the bill’s effective date for certain public employees and upon the expiration of a collective negotiation agreement for others.

Similar provisions in the bill apply to retirees of the State, employers other than the State, and units of local government who accrue 25 years of service after the bill’s effective date, or on or after the expiration of an applicable collective bargaining agreement in effect on that date, and retire after that, who will be required to contribute a percentage of the cost of health care benefits coverage in retirement, but as based on their retirement benefit. These provisions will not apply to public employees who, on the effective date of the bill, have 20 or more years of service in one or more State or locally-administered retirement systems. A 1.5% “floor”, for those retirees to whom the 1.5% contribution in current law applies, will also be applicable to these retirees.

The bill allows boards of education and units of local government, that do not participate in the SHBP or SEHBP, to enter into contracts for health care benefits coverage, as may be required to implement a collective negotiations agreement, and agree to different employee contribution rates if certain cost savings in the aggregate over the period of the agreement can be demonstrated. The savings must be certified to the Department of Education or the Department of Community Affairs, as appropriate. The departments are to approve or reject the certification, within 30 days of receipt. The certification is deemed approved if not rejected within that time. The agreement cannot be executed until that approval is received or the 30 day period has lapsed, whichever occurs first.

The provisions concerning contributions for health care benefits will expire four years after the effective date.

A public employer and employees who are in negotiations for the next collective negotiations agreement to be executed after the employees in that unit have reached full implementation of the premium share set forth in the bill must conduct negotiations concerning contributions for health care benefits as if the full premium share was included in the prior contract. The public employers and public employees will remain bound by the health care contribution provisions of the bill, notwithstanding the expiration of those sections, until the full amount of the contribution has been implemented in accordance with the schedule set forth in the bill.

Employees subject to any collective negotiations agreement in effect on the effective date of the bill, that has an expiration date on or

after the expiration of the health care contribution provisions of the bill, will be subject to those provisions, upon expiration of that collective negotiations agreement, until the health care contribution schedule set forth in the bill is fully implemented.

After full implementation, those contribution levels will become part of the parties' collective negotiations and will then be subject to collective negotiations in a manner similar to other negotiable items between the parties.

A public employee whose amount of contribution in retirement was determined in accordance with the expired sections of law will be required to contribute the amount so determined in retirement, notwithstanding that the law has expired, with the retirement allowance, and any future cost of living adjustment thereto, used to identify the percentage of the cost of coverage.

The increased employee contributions under the bill for pension benefits and the contributions for health care benefits will begin upon the implementation of necessary administrative actions for collection and will not be applied retroactively to this bill's effective date.

The bill also creates two new committees, one for the State Health Benefits Program and one for the School Employees' Health Benefits Program and confers on the committees the responsibility for plan design. Half of the committee members will be appointed by the Governor to represent public employers and half by certain unions who represent public employees in the State. The bill establishes a process using a super conciliator to resolve an impasse on a matter before a committee.

The bill requires the committees for both programs to set the amounts for maximums, co-pays, deductibles, and other such participant costs; provide employees with the option to select one level of at least three levels of coverage each for family, individual, individual and spouse, and individual and dependent, or equivalent categories, for each plan offered by the program differentiated by out of pocket costs to employees including with regard to co-payments and deductibles; and provide for a high deductible health plan that conforms to the Internal Revenue Code Section 223.

The bill contains a section, to begin January 1, 2012, to limit coverage for certain medically necessary tertiary health care services performed by certain out of State health care providers.

The bill repeals a provision of law that provides that the State Health Benefits Commission must not enter into a contract for the benefits provided pursuant to the contract in effect on October 1, 1988, including, but not limited to, basic benefits, extended basic benefits, and major medical benefits unless the level of benefits provided under the contract entered into is equal to or exceeds the level of benefits provided for in the contract in effect on October 1, 1988, or unless the benefits in effect on October 1, 1988 are modified by an authorized collective bargaining agreement made on behalf of the State.

Various provisions of the bill contain a number of changes to the law that are necessary to maintain the qualified plan status of the retirement systems under the federal Internal Revenue Code; for compliance with Statements Nos. 43 and 45 of the Governmental Accounting Standards Board, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 43/45); and to bring the defined contribution plans into compliance with U.S. Department of Treasury regulations affecting administration of plans administered under section 403(b) of the Internal Revenue Code. Modifications pertaining to the Supplemental Annuity Collective Trust are also being made by the bill.

FISCAL IMPACT:

According to testimony provided by the Department of the Treasury to the Senate Budget and Appropriations Committee, increases in State and local employee contributions to the various State and local pension funds, in accordance with the provisions of the bill, will be \$3.9 billion in the first ten years and \$120 billion over 30 years. In addition, the Department of the Treasury testified that increases in employee contributions for health care benefits and plan changes will provide savings, in the first year, of \$10 million to the State and \$5 million to boards of education and units of local government. Those savings will increase to \$1.4 billion and \$1.6 billion to the State, and boards of education and units of local government, respectively, by the 10th year. The Administration did not provide the committee with any information about the underlying assumptions for its fiscal estimate.

FISCAL NOTE
SENATE, No. 2937
STATE OF NEW JERSEY
214th LEGISLATURE

DATED: JUNE 28, 2011

SUMMARY

- Synopsis:** Makes various changes to pension and health care benefits for public employees.
- Type of Impact:** Expenditure decrease: State General and Property Tax Relief Fund, school district and local government funds.
- Agencies Affected:** Division of Pensions and Benefits in the Department of the Treasury, school districts, and local governments.

	Executive Estimate		
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
State Savings	\$45,689,111	\$114,768,044	\$203,442,676
Local Savings	\$77,000,000	\$328,000,000	\$473,000,000

- The Office of Legislative Services (OLS) **neither agrees nor disagrees** with the Executive Branch estimate ([PDF](#)) regarding the projected savings to the State from contribution and plan changes made to the State Health Benefits Program and the School Employees Health Benefits Program (SHBP/SEHBP) because the Executive Branch did not provide sufficient information and data for these portions of the bill. The OLS notes that the Executive Branch estimate does not recognize the exemption from premium sharing in retirement for employees with 20 or more years of service in retirement, and thus the Executive estimate overstates savings.
- The OLS **cannot independently verify, and therefore neither agrees nor disagrees with,** the Executive Branch estimate regarding the projected savings to the State from contribution and plan changes made to the State-administered retirement system. The Executive Branch indicates that the bill will have the effect of reducing the State's FY 2012 employer contribution by \$38 million, to \$468 million.
- The OLS notes that in order for pension savings to be realized in FY 2012, a recalculation of FY 2010 actuarial valuations will be performed by the Executive to reflect the changes made

by this bill. This retroactive adjustment of actuarial valuations already performed and reported is not typically done.

- This bill increases employee contributions to the State-administered retirement systems; makes certain benefits changes for PERS, TPAF, and PFRS; eliminates the cost-of-living adjustment (COLA) to the retirement allowance for current and future retirees; requires, for four years, increased contributions of all public employees for health care benefits; and requires SHBP and SEHBP to develop new health care benefit plans that are differentiated by cost factors such as co-pays, deductibles, coinsurance, and in-State or out-of-State coverage.
- For the SHBP and the SEHBP, additional plans will be offered, pursuant to the bill. However, the cost for the new plans is unknown. The Executive Branch estimate is based on current SHBP and SEHBP plans.

BILL DESCRIPTION

Pensions

Senate Bill No. 2937 of 2011 makes various changes to the manner in which the Teachers' Pension and Annuity Fund (TPAF), the Judicial Retirement System (JRS), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), and the State Police Retirement System (SPRS) operate and to the benefit provisions of those systems.

With regard to employee pension benefits, the bill provides for increases in the employee contribution rates: from 5.5 percent to 6.5 percent plus an additional 1 percent phased-in over 7 years beginning in the first year, meaning after 12 months, after the bill's effective date for TPAF and PERS (including legislators, Law Enforcement Officer (LEO) members, and workers compensation judges); from 3 percent to 12 percent for JRS phased-in over seven years; from 8.5 percent to 10 percent for PFRS members and members of PERS Prosecutors Part; and from 7.5 percent to 9 percent for SPRS members. New members of TPAF and PERS will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1 percent for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65. A new PFRS member's special retirement benefit will be 60 percent of final compensation, plus 1 percent of final compensation multiplied by the number of years of creditable service over 25 but not over 30, instead of the current benefit of 65 percent of final compensation plus 1 percent for each year of service over 25 but not over 30.

Under the bill, the automatic cost-of-living adjustment will no longer be provided to current and future retirees and beneficiaries, unless it is reactivated as permitted by the bill.

Health Benefits

This bill requires all public employees and certain public retirees to contribute toward the cost of health care benefits coverage based upon a percentage of the cost of coverage.

Under the bill, all active public employees will pay a percentage of the cost of health care benefits coverage for themselves and any dependents. Lower compensated employees will pay a smaller percentage and more highly compensated employees will pay a higher percentage. In addition, the applicable percentage will vary based upon whether the employee has family, individual, or member with child or spouse coverage. The percentages gradually increase based on an employee's compensation, at intervals of \$5,000. These percentages will be phased in

over several years for employees employed on the contribution's effective date who will pay $\frac{1}{4}$, $\frac{1}{2}$, and $\frac{3}{4}$ of the amount of the contribution rate during the first, second and third years, respectively, meaning during the three 12-month periods after the contribution rates become effective. The bill establishes a "floor" for employee contributions so that no employee will pay an amount that is less than 1.5 percent of the employee's compensation. Employees who pay for health care benefits coverage based upon a percentage of the cost of coverage will not also be required to pay the minimum contribution of 1.5 percent of compensation, as provided by other laws. The contribution will commence on the bill's effective date for certain public employees and upon the expiration of a collective negotiation agreement for others.

Similar provisions in the bill apply to retirees of the State and employers other than the State, who accrue 25 years of service after the bill's effective date, or on or after the expiration of an applicable collective bargaining agreement in effect on that date, who will be required to contribute a percentage of the cost of health care benefits coverage in retirement based on the same percentages applicable to active employees, but as based on their retirement benefit. This provision of the bill will not apply to employees who have at least 20 years of service on the effective date of the bill.

The provisions concerning contributions for health care benefits will expire four years after the effective date or when full implementation of the contribution has been attained.

The increased employee contributions under the bill for pension benefits and the contributions for health care benefits will begin upon the implementation of necessary administrative actions for collection and will not be applied retroactively to this bill's effective date. The bill is effective immediately upon enactment.

FISCAL ANALYSIS

EXECUTIVE BRANCH

According to projections developed by the pension plans' and health benefit plans' actuaries, the Division of Pensions and Benefits in the Department of the Treasury estimates that total State savings attributable to the changes to employee contributions for pensions and health care and to pension benefit and actuarial changes, such as elimination of the retiree COLA for the State-administered retirement systems, will be \$45,689,111 in FY 2012, \$114,768,000 in FY 2013, and \$203,442,676 in FY 2014. The fiscal impact in FY 2012 resulting from the pension reform changes are estimates and are subject to change.

The health care plan savings represent the additional member contributions required under the bill for SHBP and SEHBP and assume all participants will begin the revised contributions July 1, 2011. Implementation of the new contribution depends on the expiration of existing contractual agreements, which may vary by labor group. Most State employees will begin paying the new contribution in FY 2012. Information is not available on the status of local contracts. Projected savings do not include the impact of health care benefit plan design changes for the SHBP/SEHBP required by the bill.

Executive Branch Fiscal Estimate

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
PENSION SAVINGS			
State Savings	\$37,689,111	\$63,768,044	\$91,442,676
Local Savings	\$72,000,000	\$274,000,000	\$349,000,000
Total State and Local Pension Savings	\$109,689,111	\$337,768,044	\$440,442,676
SHBP/SEHBP SAVINGS			
State (Active Employees)	\$4,000,000	\$45,000,000	\$104,000,000
State (State and Education Retirees)	\$4,000,000	\$6,000,000	\$8,000,000
Total State Savings	\$8,000,000	\$51,000,000	\$112,000,000
Local Education (Active Employees)	\$3,000,000	\$32,000,000	\$77,000,000
Local Government (Active Employees)	\$2,000,000	\$22,000,000	\$47,000,000
Total Local Savings	\$5,000,000	\$54,000,000	\$124,000,000
Total State and Local Health Care Saving (SHBP/SEHBP only)	\$13,000,000	\$105,000,000	\$236,000,000

OFFICE OF LEGISLATIVE SERVICES

The OLS **neither agrees nor disagrees** with the Executive Branch estimate regarding the projected savings to the State from contribution and plan changes made to the State Health Benefits Program and the School Employees Health Benefits Program (SHBP/SEHBP) because the Executive Branch did not provide sufficient information and data for the health care portion of the bill. The OLS notes that the Executive Branch estimate does not recognize the exemption

from premium sharing in retirement for employees with 20 or more years of service in retirement, and thus the Executive estimate overstates savings.

The OLS **cannot independently verify, and therefore neither agrees nor disagrees with** the Executive Branch estimate regarding the projected savings to the State from contribution and plan changes made to the State-administered retirement system. The Executive Branch indicates that, according to the actuaries, the FY 2010 actuarial evaluation can be revised to recognize future employee contributions and other actuarial changes that will result from this bill. This will have the effect of reducing the State's FY 2012 employer contribution by \$38 million, to \$468 million, and subsequently the unfunded liability. Given the inability of the OLS to replicate actuarial calculations, the OLS cannot evaluate the Executive Branch estimate of projected savings from contribution and plan changes made to State-administered retirement systems.

The OLS notes that the Executive Branch estimates SHBP/SEHBP savings based on the existing SHBP/SEHBP plans. Under the bill, the State Health Benefits Plan Design Committee and the School Employees' Benefits Plan Design Committee are required to design new health benefit plans that are differentiated by cost factors such as co-pays, deductibles, coinsurance, and in-State and out-of State coverage. Savings based on the existing program, as provided for in this Executive Branch estimate, do not reflect the savings under the new SHBP/SEHBP cost structure, which is not yet knowable. In addition, the OLS notes that for both pension and health care benefits, the bill establishes various new committees which may increase administrative costs to the State-administered retirement systems and the SHBP/SEHBP.

The Executive Branch did not provide estimates for savings to be realized by school districts and local government that do not participate in the SHBP/SEHBP from contributions to health care, probably due to insufficient data on current school district and local government health care costs and plans.

Section: State Government

*Analyst: Kimberly McCord Clemmensen
Senior Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L.1980, c.67 (C. 52:13B-6 et seq.).

ASSEMBLY, No. 4133

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 16, 2011

Sponsored by:

Assemblyman LOUIS D. GREENWALD

District 6 (Camden)

Assemblyman DECLAN J. O'SCANLON, JR.

District 12 (Mercer and Monmouth)

SYNOPSIS

Makes various changes to pension and health care benefits for public employees.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning public employee pension and health care
2 benefits, and amending and supplementing various parts of the
3 statutory law and repealing P.L.1999, c.96, P.L.1985, c.414, and
4 section 2 of P.L.1989, c.6.

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

8
9 1. N.J.S.18A:66-56 is amended to read as follows:

10 18A:66-56. a. (1) Subject to the provisions of chapter 70 of the
11 laws of 1955, the general responsibility for the proper operation of
12 the teachers' pension and annuity fund shall be vested in the board
13 of trustees, and, as specified, in the committee established pursuant
14 to subsection b. of this section. Subject to the limitations of the law,
15 the board shall annually establish rules and regulations for the
16 administration and transaction of **[its]** the board's and committee's
17 business and for the control of the funds created by this article.
18 Such rules and regulations shall be consistent with those adopted by
19 the other pension funds within the Division of Pensions and
20 Benefits in order to permit the most economical and uniform
21 administration of all such retirement systems. The committee shall
22 adopt such regulations as provided in subsection b. of this section.

23 (2) The membership of the board shall consist of the following:

24 (a) The State Treasurer or the deputy State Treasurer, when
25 designated for that purpose by the State Treasurer;

26 (b) Two trustees appointed by the Governor, with the advice and
27 consent of the Senate, who shall serve for a term of office of three
28 years and until their successors are appointed, and who shall be
29 private citizens of the State of New Jersey and who are neither an
30 officer thereof nor active or retired members of the system, except
31 that of the two trustees initially appointed by the Governor pursuant
32 to P.L.1992, c.41 (C.43:6A-33.1 et al.), one shall be appointed for a
33 term of two years and one for a term of three years;

34 (c) Three trustees from among the active or retired members of
35 the retirement system, elected by the membership or by the
36 delegates elected for this purpose by the membership, one of whom
37 shall be elected each year for a three-year term commencing on
38 January 1, following such election in such manner as the board of
39 trustees may prescribe. If the board of trustees determines that the
40 election of trustees under this subsection is to be made by delegates
41 elected by the membership, it shall prescribe that those delegates
42 shall be chosen from among active and retired members of the
43 retirement system;

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 (d) One trustee not an active or retired teacher nor an officer of
2 the State, elected by the other trustees, other than the State
3 Treasurer, for a term of three years.

4 (3) A vacancy occurring in the board of trustees shall be filled in
5 the same manner as provided in this section for regular appointment
6 or election to the position where the vacancy exists, except that a
7 vacancy occurring in the trustees elected from among the active or
8 retired members of the retirement system shall be filled for the
9 unexpired term.

10 Each member of the board shall, upon appointment or election,
11 take an oath of office that, so far as it devolves upon him, he will
12 diligently and honestly administer the board's affairs, and that he
13 will not knowingly violate or willfully permit to be violated any
14 provision of law applicable to this article. The oath shall be
15 subscribed to by the member making it, certified by the officer
16 before whom it is taken and filed immediately in the office of the
17 Secretary of State.

18 Each trustee shall be entitled to one vote in the board and a
19 majority of all the votes of the entire board shall be necessary for a
20 decision by the board of trustees at a meeting of the board or
21 committee. The board shall keep a record of all its proceedings,
22 which shall be open to public inspection.

23 The members of the board shall serve without compensation but
24 shall be reimbursed for any necessary expenditures. No employee
25 shall suffer loss of salary or wages through serving on the board.

26 (4) The State Treasurer shall designate a medical board after
27 consultation with the Director of the Division of Pensions and
28 Benefits, subject to veto by the board for valid reason. It shall be
29 composed of three physicians who are not eligible to participate in
30 the retirement system. The medical board shall pass upon all
31 medical examinations required under the provisions of this article,
32 shall investigate all essential statements and certificates by or on
33 behalf of a member in connection with an application for disability
34 retirement, and shall report in writing to the retirement system its
35 conclusions and recommendations upon all matters referred to it.

36 b. There is established a committee to be composed of eight
37 members, four of whom shall be appointed by the Governor as
38 representatives of public employers whose employees are enrolled
39 in the retirement system, three of whom shall be appointed by the
40 head of the union representing the greatest number of members of
41 the retirement system having union membership, and one of whom
42 shall be appointed by the head of the union representing the second
43 greatest number of members of the retirement system having union
44 membership. The members of the committee shall not be appointed
45 until the system, or part of the system, attains the target funded
46 ratio.

47 The members of the committee shall serve for a term of three
48 years and until a successor is appointed and qualified. Of the initial

1 appointments by the Governor, two members shall serve for two
2 years and until a successor is appointed and qualified, and one shall
3 serve for one year and until a successor is appointed and qualified.
4 Of the initial appointments by the head of the union representing
5 the greatest number of members of the retirement system, one
6 member shall serve for two years and until a successor is appointed
7 and qualified, and one shall serve for one year and until a successor
8 is appointed and qualified.

9 The members of the committee shall select a chairperson from
10 among the members, who shall serve for a term of one year, with no
11 member serving more than one term, until all the members of the
12 committee have served a term in a manner alternating among the
13 employer representatives and employee representatives, unless the
14 committee determines otherwise with regard to this process.

15 The provisions of paragraph (3) of subsection a. of this section,
16 and N.J.S.18A:66-60, shall apply to the committee and its members,
17 as appropriate.

18 Upon the convening of any meeting of the committee, the
19 members shall consider a motion to assume the authority provided
20 in this subsection and shall proceed only if a majority of the
21 members of the committee vote in the affirmative on that motion.

22 The committee may contract with such actuaries or consultants,
23 or both, in accordance with the provisions of P.L.1954, c.48
24 (C.52:34-6 et seq.), as the committee may deem necessary to
25 perform its duties, when the system or part of the system has
26 attained the target funded ratio.

27 When the retirement system, or a part of the system, has attained
28 the target funded ratio as defined in section 27 of P.L. _____,
29 c. (C. _____) (pending before the Legislature as this bill), the
30 committee shall have the discretionary authority for the system or
31 for that part, as appropriate, to (1) modify the: member contribution
32 rate; formula for calculation of final compensation; the fraction of
33 compensation applied to service credited after the modification; age
34 at which a member may be eligible for and the benefits for service
35 or early retirement; and benefits provided for disability retirement;
36 and (2) activate the application of the "Pension Adjustment Act,"
37 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that
38 the system or part is at or above the target funded ratio and modify
39 the basis for the calculation of the adjustment and set the duration
40 and extent of the activation. The committee shall give priority
41 consideration to subparagraph (2) of this paragraph. The committee
42 shall not have the authority to change the years of creditable service
43 required for vesting.

44 The committee may consider a matter described above and
45 render a decision notwithstanding that the provisions of the
46 statutory law may set forth a specific requirement on that matter.

47 The committee may consider a matter described above and
48 render a decision notwithstanding that the provisions of the

1 statutory law do not set forth a specific requirement on the
2 considered aspect of that matter or address that matter at all.

3 The members of the committee shall have the same duty and
4 responsibility to the retirement system as do the members of the
5 board of trustees. No decision of the committee shall be
6 implemented if the direct or indirect result of the decision will be
7 that the system's or part's funded ratio falls below the target funded
8 ratio in any valuation period during the 30 years following the
9 implementation of the decision. The actuary of the fund shall make
10 a determination of the result in that regard and submit that
11 determination in a written report to the committee and the board
12 prior to the implementation of the decision.

13 If any matter before the committee receives at least five votes in
14 the affirmative, the board of trustees shall approve and implement
15 the committee's decision.

16 If any matter regarding benefits before the committee receives
17 four votes in the affirmative and four votes in the negative or the
18 committee otherwise reaches an impasse on a decision, the
19 provisions of section 33 of P.L. , c. (C.) (pending before the
20 Legislature as this bill) shall be followed.

21 A final action of the committee shall be made by the adoption of
22 a regulation that shall identify the modifications to the system by
23 reference to statutory section. The regulations shall also specify the
24 effective date of the modification and the system members,
25 including beneficiaries and retirees, to whom the modification
26 applies. Regulations of the committee are considered to be part of
27 the plan document for the system. A regulation adopted by the
28 committee may be modified by regulation in order to comply with
29 the requirements of this section.

30 c. No member of the board, committee, employee of the board,
31 or employee of the Division of Pensions and Benefits in the
32 Department of the Treasury shall accept from any person, whether
33 directly or indirectly and whether by himself or through his spouse
34 or any member of his family, or through any partner or associate,
35 any gift, favor, service, employment or offer of employment, or any
36 other thing of value, including contributions to the campaign of a
37 member or employee as a candidate for elective public office, which
38 he knows or has reason to believe is offered to him with intent to
39 influence him in the performance of his public duties and
40 responsibilities. As used in this paragraph, "person" means an (1)
41 individual or business entity, or officer or employee of such an
42 entity, who is seeking, or who holds, or who held within the prior
43 three years, a contract with the board; (2) an active or retired
44 member, or beneficiary, of the retirement system; or (3) an entity,
45 or officer or employee of such an entity, in which the assets of the
46 retirement system have been invested. A board or committee

1 member or employee violating this prohibition shall be guilty of a
2 crime of the third degree.

3 (cf: P.L.1999, c.230, s.1)

4

5 2. Section 29 of P.L.1973, c.140 (C.43:6A-29) is amended to
6 read as follows:

7 29. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95
8 to 52:18A-104), the general responsibility for the proper operation
9 of the retirement system is hereby vested in the State House
10 Commission.

11 b. Except as otherwise herein provided, no member of the State
12 House Commission shall have any direct interest in the gains or
13 profits of any investments of the retirement system, nor shall any
14 member of the State House Commission directly or indirectly, for
15 himself or as an agent in any manner use the moneys of the
16 retirement system, except to make such current and necessary
17 payments as are authorized by the commission; nor shall any
18 member of the State House Commission become an endorser or
19 surety, or in any manner an obligor for moneys loaned to or
20 borrowed from the retirement system.

21 c. For purposes of this act, each member of the State House
22 Commission shall be entitled to one vote and a majority vote of all
23 members shall be necessary for any decision by the commission at
24 any meeting of said commission.

25 d. Subject to the limitations of this act, the State House
26 Commission shall annually establish rules and regulations for the
27 administration of the funds created by this act and for the
28 transaction of its business. Such rules and regulations shall be
29 consistent with those adopted by the other pension funds within the
30 Division of Pensions and Benefits in order to permit the most
31 economical and uniform administration of all such retirement
32 systems.

33 e. The actuary of the system shall be selected by the
34 Retirement Systems Actuary Selection Committee established by
35 P.L.1992, c.125. He shall be the technical adviser of the
36 commission on matters regarding the operation of the funds created
37 by the provisions of this act and shall perform such other duties as
38 are required in connection herewith.

39 f. The Attorney General shall be the legal adviser of the
40 retirement system, except that if the Attorney General determines
41 that a conflict of interest would affect the ability of the Attorney
42 General to represent the commission on a matter affecting the
43 retirement system, the commission may select and employ legal
44 counsel to advise and represent the commission on that matter.

45 g. The Director of the Division of Pensions and Benefits of the
46 State Department of the Treasury shall be the secretary of the
47 commission for purposes pertaining to the provisions of this act.

1 h. For purposes of this act, the State House Commission shall
2 keep a record of all of its proceedings which shall be open to public
3 inspection. The retirement system shall publish annually a report
4 showing the fiscal transactions of the retirement system for the
5 preceding year, the amount of the accumulated cash and securities
6 of the system and the last balance sheet showing the financial
7 condition of the system by means of any actuarial valuation of the
8 assets and liabilities of the retirement system.

9 i. The State Treasurer shall designate a medical board after
10 consultation with the Director of the Division of Pensions and
11 Benefits. It shall be composed of three physicians. The medical
12 board shall pass on all medical examinations required under the
13 provisions of this act, and shall report in writing to the retirement
14 system its conclusions and recommendations upon all matters
15 referred to it.

16 j. When the retirement system has attained the target funded
17 ratio as defined in section 27 of P.L. , c. (C.) (pending
18 before the Legislature as this bill), the commission shall have the
19 discretionary authority for the system to (1) modify the: member
20 contribution rate; formula for calculation of final salary; age at
21 which a member may be eligible for and the benefits for service or
22 early retirement; and benefits provided for disability retirement; and
23 (2) activate the application of the "Pension Adjustment Act,"
24 P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees for the period that
25 the system is at or above the target funded ratio and modify the
26 basis for the calculation of the adjustment and set the duration and
27 extent of the activation. The commission shall give priority
28 consideration to subparagraph (2) of this paragraph. The
29 commission shall not have the authority to change the years of
30 creditable service required for vesting.

31 The commission may consider a matter described above and
32 render a decision notwithstanding that the provisions of the
33 statutory law may set forth a specific requirement on that matter.

34 The commission may consider a matter described above and
35 render a decision notwithstanding that the provisions of the
36 statutory law do not set forth a specific requirement on the
37 considered aspect of that matter or address that matter at all.

38 No decision of the commission shall be implemented if the direct
39 or indirect result of the decision will be that the system's funded
40 ratio falls below the target funded ratio in any valuation period
41 during the 30 years following the implementation of the decision.
42 The actuary of the system shall make a determination of the result
43 in that regard and submit that determination in a written report to
44 the commission prior to the implementation of the decision.

45 If any matter before the commission receives a majority vote, the
46 commission shall implement the decision.

47 A final action of the commission shall be made by the adoption
48 of a regulation that shall identify the modifications to the system by

1 reference to statutory section. The regulations shall also specify the
2 effective date of the modification and the system members,
3 including beneficiaries and retirees, to whom the modification
4 applies. Regulations of the commission are considered to be part of
5 the plan document for the system. A regulation adopted by the
6 commission may be modified by regulation in order to comply with
7 the requirements of this section.

8 k. No member of the commission, employee of the
9 commission, or employee of the Division of Pensions and Benefits
10 in the Department of the Treasury shall accept from any person,
11 whether directly or indirectly and whether by himself or through his
12 spouse or any member of his family, or through any partner or
13 associate, any gift, favor, service, employment or offer of
14 employment, or any other thing of value, including contributions to
15 the campaign of a member or employee as a candidate for elective
16 public office, which he knows or has reason to believe is offered to
17 him with intent to influence him in the performance of his public
18 duties and responsibilities. As used in this subsection, "person"
19 means an (1) individual or business entity, or officer or employee of
20 such an entity, who is seeking, or who holds, or who held within the
21 prior three years, a contract with the commission; or (2) an active or
22 retired member, or beneficiary, of the retirement system. A
23 member or employee violating this prohibition shall be guilty of a
24 crime of the third degree.

25 (cf: P.L.1992, c.125, s.5)

26

27 3. Section 17 of P.L.1954, c.84 (C.43:15A-17) is amended to
28 read as follows:

29 17. a. (1) Subject to the provisions of P.L.1955, c.70 the general
30 responsibility for the proper operation of the Public Employees'
31 Retirement System shall be vested in the board of trustees, and, as
32 specified, the committees established pursuant to subsection b. of
33 this section. Subject to the limitations of the law, the board shall
34 annually establish rules and regulations for the administration and
35 transaction of [its] the board's and committees' business and for
36 the control of the funds created by this subtitle. Such rules and
37 regulations shall be consistent with those adopted by the other
38 pension funds within the Division of Pensions and Benefits in order
39 to permit the most economical and uniform administration of all
40 such retirement systems. The committees shall adopt such
41 regulations as provided in subsection b. of this section.

42 (2) The membership of the board shall consist of the following:

43 a. Two trustees appointed by the Governor, with the advice and
44 consent of the Senate, who shall serve for a term of office of three
45 years and until their successors are appointed, who shall be private
46 citizens of the State of New Jersey and who are neither an officer
47 thereof nor active or retired members of the system. Of the two
48 trustees initially appointed by the Governor pursuant to P.L.1992,

1 c.41 (C.43:6A-33.1 et al.), one shall be appointed for a term of two
2 years and one for a term of three years.

3 b. The State Treasurer or the Deputy State Treasurer, when
4 designated for that purpose by the State Treasurer.

5 c. Three trustees elected for a term of three years by the
6 member employees of the State from among the active or retired
7 State members of the retirement system in a manner prescribed by
8 the board of trustees.

9 d. One trustee elected for a term of three years by the member
10 employees of counties from among the active or retired county
11 members of the retirement system and the same method of holding
12 an election from time to time used for the State employees'
13 representatives shall be followed in elections held for county
14 representatives.

15 e. Two trustees elected for a term of three years by the member
16 employees of municipalities from among the active or retired
17 municipal members of the retirement system and the same method
18 of holding an election from time to time used for the State
19 employees' representatives shall be followed in elections held for
20 municipal representatives.

21 (3) A vacancy occurring in the board of trustees shall be filled
22 by the appointment or election of a successor in the same manner as
23 his predecessor.

24 Each member of the board shall, upon appointment or election,
25 take an oath of office that, so far as it devolves upon him, he will
26 diligently and honestly administer the board's affairs, and that he
27 will not knowingly violate or willfully permit to be violated any
28 provision of law applicable to this act. The oath shall be subscribed
29 to by the member making it, certified by the officer before whom it
30 is taken and filed immediately in the office of the Secretary of
31 State.

32 Each trustee shall be entitled to one vote in the board and a
33 majority of all the votes of the entire board shall be necessary for a
34 decision by the board of trustees at a meeting of the board. The
35 board shall keep a record of all its proceedings, which shall be open
36 to public inspection.

37 The members of the board shall serve without compensation but
38 shall be reimbursed for any necessary expenditures. No employee
39 shall suffer loss of salary or wages through the serving on the
40 board.

41 (4) The State Treasurer shall designate a medical board after
42 consultation with the Director of the Division of Pensions and
43 Benefits, subject to veto by the board of trustees for valid reason. It
44 shall be composed of three physicians who are not eligible to
45 participate in the retirement system. The medical board shall pass
46 upon all medical examinations required under the provisions of this
47 act, shall investigate all essential statements and certificates by or
48 on behalf of a member in connection with an application for

1 disability retirement, and shall report in writing to the retirement
2 system its conclusions and recommendations upon all matters
3 referred to it.

4 b. There are established two committees, to be composed of
5 eight members each as follows, one for the State employees part of
6 the retirement system and one for the part of the retirement system
7 with employees of employers other than the State.

8 Each committee shall have four members who shall be appointed
9 by the Governor as representatives of public employers whose
10 employees are enrolled in the retirement system, and four members
11 who shall be appointed by the Public Employee Committee of the
12 AFL-CIO with the four appointments to be allocated among the
13 unions representing members of the retirement system having union
14 membership in a manner that results in the unions representing a
15 greater number of members receiving more appointments than the
16 unions representing fewer members. The members of the
17 committees shall not be appointed until that part of the system
18 attains the target funded ratio.

19 The members of each committees shall serve for a term of three
20 years and until a successor is appointed and qualified. For each
21 committee, of the initial appointments by the Governor, two
22 members shall serve for two years and until a successor is appointed
23 and qualified, and one shall serve for one year and until a successor
24 is appointed and qualified. For each committee, of the initial
25 appointments by the Public Employee Committee of the AFL-CIO,
26 one member shall serve for two years and until a successor is
27 appointed and qualified, and one shall serve for one year and until a
28 successor is appointed and qualified.

29 For each committee, the members of the committee shall select a
30 chairperson from among the members, who shall serve for a term of
31 one year, with no member serving more than one term until all the
32 members of that committee have served a term in a manner
33 alternating among the employer representatives and employee
34 representatives, unless the committee determines otherwise with
35 regard to this process.

36 The provisions of paragraph (3) of subsection a. of this section,
37 and section 36 of P.L.1954, c.84 (C.43:15A-36), shall apply to each
38 committee and its members, as appropriate.

39 Upon the convening of any meeting of a committee, the members
40 shall consider a motion to assume the authority provided in this
41 subsection and shall proceed only if a majority of the members of
42 the committee vote in the affirmative on that motion.

43 Each committee may contract with such actuaries or consultants,
44 or both, in accordance with the provisions of P.L.1954, c.48
45 (C.52:34-6 et seq.), as the committee may deem necessary to
46 perform its duties, when that part of the system has met the target
47 funded ratio.

1 When a part of the system has attained the target funded ratio as
2 defined in section 27 of P.L. , c. (C.) (pending before the
3 Legislature as this bill), the committee for that part shall have the
4 discretionary authority for that part to (1) modify the: member
5 contribution rate; formula for calculation of final compensation; the
6 fraction of compensation applied to service credited after the
7 modification; age at which a member may be eligible for and the
8 benefits for service or early retirement; and benefits provided for
9 disability retirement; and (2) activate the application of the
10 "Pension Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for
11 retirees for the period that the part is at or above the target funded
12 ratio and modify the basis for the calculation of the adjustment and
13 set the duration and extent of the activation. A committee shall give
14 priority consideration to subparagraph (2) of this paragraph. A
15 committee shall not have the authority to change the years of
16 creditable service required for vesting.

17 Each committee may consider a matter described above and
18 render a decision notwithstanding that the provisions of the
19 statutory law may set forth a specific requirement on that matter.

20 Each committee may consider a matter described above and
21 render a decision notwithstanding that the provisions of the
22 statutory law do not set forth a specific requirement on the
23 considered aspect of that matter or address that matter at all.

24 The members of each committee shall have the same duty and
25 responsibility to the retirement system as do the members of the
26 board of trustees. No decision of a committee shall be implemented
27 if the direct or indirect result of the decision will be that the funded
28 ratio of that part falls below the target funded ratio in any valuation
29 period during the 30 years following the implementation of the
30 decision. The actuary of the fund shall make a determination of the
31 result in that regard and submit that determination in a written
32 report to the committee and the board prior to the implementation of
33 the decision.

34 If any matter before a committee receives at least five votes in
35 the affirmative, the board of trustees shall approve and implement
36 the committee's decision.

37 If any matter regarding benefits before a committee receives four
38 votes in the affirmative and four votes in the negative or a
39 committee otherwise reaches an impasse on a decision, the
40 provisions of section 33 of P.L. , c. (C.) (pending before the
41 Legislature as this bill) shall be followed.

42 A final action of the committee shall be made by the adoption of
43 a regulation that shall identify the modifications to the system by
44 reference to statutory section. The regulations shall also specify the
45 effective date of the modification and the system members,
46 including beneficiaries and retirees, to whom the modification
47 applies. Regulations of the committee are considered to be part of
48 the plan document for the system. A regulation adopted by the

1 committee may be modified by regulation in order to comply with
2 the requirements of this section.

3 c. No member of the board, committee, employee of the board,
4 or employee of the Division of Pensions and Benefits in the
5 Department of the Treasury shall accept from any person, whether
6 directly or indirectly and whether by himself or through his spouse
7 or any member of his family, or through any partner or associate,
8 any gift, favor, service, employment or offer of employment, or any
9 other thing of value, including contributions to the campaign of a
10 member or employee as a candidate for elective public office,
11 which he knows or has reason to believe is offered to him with
12 intent to influence him in the performance of his public duties and
13 responsibilities. As used in this subsection, "person" means an (1)
14 individual or business entity, or officer or employee of such an
15 entity, who is seeking, or who holds, or who held within the prior
16 three years, a contract with the board; (2) an active or retired
17 member, or beneficiary, of the retirement system; or (3) an entity,
18 or officer or employee of such an entity, in which the assets of the
19 retirement system have been invested. A board or committee
20 member or employee violating this prohibition shall be guilty of a
21 crime of the third degree.

22 (cf: P.L.1992, c.41, s.13)

23

24 4. Section 13 of P.L.1944, c.255 (C.43:16A-13) is amended to
25 read as follows:

26 13. a. (1) Subject to the provisions of P.L.1955, c.70 (C.52:18A-
27 95 et seq.), the general responsibility for the proper operation of the
28 retirement system is hereby vested in a board of trustees, and, as
29 specified, the committees established pursuant to subsection b. of
30 this section.

31 (2) The board shall consist of 11 trustees as follows:

32 (a) Five members to be appointed by the Governor, with the
33 advice and consent of the Senate, who shall serve for a term of
34 office of four years and until their successors are appointed and
35 who shall be private citizens of the State of New Jersey who are
36 neither an officer thereof nor an active or retired member of any
37 police or fire department thereof. Of the four members initially
38 appointed by the Governor pursuant to P.L.1992, c.125 (C.43:4B-1
39 et al.), one shall be appointed for a term of one year, one for a term
40 of two years, one for a term of three years, and one for a term of
41 four years. The member appointed by the Governor pursuant to the
42 provisions of this amendatory act, P.L.1995, c.238, shall for a term
43 of four years and until a successor is appointed.

44 (b) The State Treasurer or the deputy State Treasurer, when
45 designated for that purpose by the State Treasurer.

46 (c) Two policemen and two firemen who shall be active
47 members of the system and who shall be elected by the active
48 members of the system for a term of four years according to such

1 rules and regulations as the board of trustees shall adopt to govern
2 such election.

3 (d) One retiree from the system who shall be elected by retirees
4 from the system for a term of four years according to such rules and
5 regulations as the board of trustees shall adopt to govern the
6 election.

7 (3) Each trustee shall, after his appointment or election, take an
8 oath of office that, so far as it devolves upon him he will diligently
9 and honestly fulfill his duties as a board member, and that he will
10 not knowingly violate or willingly permit to be violated any of the
11 provisions of the law applicable to the retirement system. Such oath
12 shall be subscribed by the member making it, and certified by the
13 officer before whom it is taken, and immediately filed in the office
14 of the Secretary of State.

15 (4) If a vacancy occurs in the office of a trustee, the vacancy
16 shall be filled in the same manner as the office was previously
17 filled.

18 (5) The trustees shall serve without compensation, but they shall
19 be reimbursed for all necessary expenses that they may incur
20 through service on the board.

21 (6) Each trustee shall be entitled to one vote in the board. Six
22 trustees must be present at any meeting of said board for the
23 transaction of its business.

24 (7) Subject to the limitations of this act, the board of trustees
25 shall annually establish rules and regulations for the administration
26 of the funds created by this act and for the transaction of **[its]** the
27 board's and committees' business. Such rules and regulations shall
28 be consistent with those adopted by the other pension funds within
29 the Division of Pensions and Benefits in order to permit the most
30 economical and uniform administration of all such retirement
31 systems. The committees shall adopt such regulations as provided
32 in subsection b. of this section.

33 (8) The board of trustees shall elect from its membership a
34 chairman. The Director of the Division of Pensions and Benefits
35 shall appoint a qualified employee of the division to be secretary of
36 the board. The administration of the program shall be performed by
37 the personnel of the Division of Pensions and Benefits.

38 (9) The board of trustees shall keep a record of all of its
39 proceedings which shall be open to public inspection. The
40 retirement system shall publish annually a report showing the fiscal
41 transactions of the retirement system for the preceding year, the
42 amount of the accumulated cash and securities of the system, and
43 the last balance sheet showing the financial condition of the system
44 by means of an actuarial valuation of the assets and liabilities of the
45 retirement system.

46 (10) The Attorney General of the State of New Jersey shall be
47 the legal adviser of the retirement system, except that if the
48 Attorney General determines that a conflict of interest would affect

1 the ability of the Attorney General to represent the board or the
2 committees on a matter affecting the retirement system, the board
3 may select and employ legal counsel to advise and represent the
4 board or the committees on that matter.

5 (11) The State Treasurer shall designate a medical board after
6 consultation with the Director of the Division of Pensions and
7 Benefits, subject to veto by the board of trustees for valid reason. It
8 shall be composed of three physicians who are not eligible to
9 participate in the retirement system. The medical board shall pass
10 upon all medical examinations required under the provisions of this
11 act, shall investigate all essential statements and certificates by or
12 on behalf of a member in connection with an application for
13 disability retirement, and shall report in writing to the retirement
14 system its conclusions and recommendations upon all matters
15 referred to it.

16 (12) The actuary of the system shall be selected by the
17 Retirement Systems Actuary Selection Committee established by
18 P.L.1992, c.125. He shall be the technical adviser of the board of
19 trustees and the committees on matters regarding the operation of
20 the funds created by the provisions of this act, and shall perform
21 such other duties as are required in connection therewith.

22 (13) At least once in each three-year period the actuary shall
23 make an actuarial investigation into the mortality, service and
24 compensation experience of the members and beneficiaries of the
25 retirement system and, with the advice of the actuary, the board of
26 trustees shall adopt for the retirement system such mortality, service
27 and other tables as shall be deemed necessary and shall certify the
28 rates of contribution payable under the provisions of this act.

29 (14) (Deleted by amendment, P.L.1970, c.57.)

30 (15) On the basis of such tables recommended by the actuary as
31 the board of trustees shall adopt and regular interest, the actuary
32 shall make an annual valuation of the assets and liability of the
33 funds of the system created by this act.

34 (16) (Deleted by amendment, P.L.1987, c.330.)

35 (17) Each policeman or fireman member of the board of trustees
36 or the committees shall be entitled to time off from his duty, with
37 pay, during the periods of his attendance upon regular or special
38 meetings of the board of trustees or the committees, and such time
39 off shall include reasonable travel time required in connection
40 therewith.

41 b. There are established two committees, to be composed of 10
42 members each as follows, one for the State employees part of the
43 retirement system and one for the part of the retirement system with
44 employees of employers other than the State.

45 Each committee shall have five members who shall be appointed
46 by the Governor as representatives of public employers whose
47 employees are enrolled in the retirement system, two members who
48 shall be appointed by the head of the union representing the greatest

1 number of police officer members of the retirement system having
2 union membership, one member who shall be appointed by the head
3 of the union representing the second greatest number of police
4 officer members of the retirement system having union
5 membership, one member who shall be appointed by the head of the
6 union representing the greatest number of firefighter members of
7 the retirement system having union membership, and one member
8 who shall be appointed by the head of the union representing the
9 second greatest number of firefighter members of the retirement
10 system having union membership. The members of the committees
11 shall not be appointed until that part of the system attains the target
12 funded ratio.

13 The members of each committee shall serve for a term of three
14 years and until a successor is appointed and qualified. For each
15 committee, of the initial appointments by the Governor, two
16 members shall serve for two years and until a successor is appointed
17 and qualified, and two shall serve for one year and until a successor
18 is appointed and qualified. For each committee, of the initial
19 appointments by the head of the union representing the greatest
20 number of police officer members of the retirement system, the
21 members shall serve for two years and until a successor is appointed
22 and qualified. For each committee, of the initial appointment by the
23 head the union representing the greatest number of firefighter
24 members of the retirement system, the member shall serve for one
25 year and until a successor is appointed and qualified.

26 For each committee, the members of the committee shall select a
27 chairperson from among the members, who shall serve for a term of
28 one year, with no member serving more than one term until all the
29 members of the committee have served a term in an manner
30 alternating among the employer representatives and employee
31 representatives, unless the committee determines otherwise with
32 regard to this process.

33 The provisions of paragraphs (3) through (6), inclusive, and (17)
34 of subsection a. of this section, and subsection (4) of section 14 of
35 P.L.1944, c.255 (C.43:16A-14), shall apply to the committee and its
36 members, as appropriate. The committee shall keep a record of all
37 of its proceedings which shall be open to public inspection.

38 Upon the convening of any meeting of a committee, the members
39 shall consider a motion to assume the authority provided in this
40 subsection and shall proceed only if a majority of the members of
41 the committee vote in the affirmative on that motion.

42 Each committee may contract with such actuaries or consultants,
43 or both, in accordance with the provisions of P.L.1954, c.48
44 (C.52:34-6 et seq.), as the committee may deem necessary to
45 perform its duties, when that part of the system has attained the
46 target funded ratio.

47 When a part of the system, has attained the target funded ratio as
48 defined in section 27 of P.L. , c. (C.) (pending before the

1 Legislature as this bill), the committee for that part shall have the
2 discretionary authority for that part to (1) modify the: member
3 contribution rate; formula for calculation of final compensation; age
4 at which a member may be eligible for and the benefits for service
5 or special retirement; and benefits provided for disability
6 retirement; and (2) activate the application of the "Pension
7 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees
8 for the period that the part is at or above the target funded ratio and
9 modify the basis for the calculation of the adjustment and set the
10 duration and extent of the activation. A committee shall give
11 priority consideration to subparagraph (2) of this paragraph. A
12 committee shall not have the authority to change the years of
13 creditable service required for vesting.

14 Each committee may consider a matter described above and
15 render a decision notwithstanding that the provisions of the
16 statutory law may set forth a specific requirement on that matter.

17 Each committee may consider a matter described above and
18 render a decision notwithstanding that the provisions of the
19 statutory law do not set forth a specific requirement on the
20 considered aspect of that matter or address that matter at all.

21 The members of each committee shall have the same duty and
22 responsibility to the retirement system as do the members of the
23 board of trustees. No decision of a committee shall be implemented
24 if the direct or indirect result of the decision will be that the funded
25 ratio of that part falls below the target funded ratio in any valuation
26 period during the 30 years following the implementation of the
27 decision. The actuary of the system shall make a determination of
28 the result in that regard and submit that determination in a written
29 report to the committee and the board prior to the implementation of
30 the decision.

31 If any matter before a committee receives at least six votes in the
32 affirmative, the board of trustees shall approve and implement the
33 committee's decision.

34 If any matter regarding benefits before a committee receives five
35 votes in the affirmative and five votes in the negative or the
36 committee otherwise reaches an impasse on a decision, the
37 provisions of section 33 of P.L. , c. (C.) (pending before the
38 Legislature as this bill) shall be followed.

39 A final action of the committee shall be made by the adoption of
40 a regulation that shall identify the modifications to the system by
41 reference to statutory section. The regulations shall also specify the
42 effective date of the modification and the system members,
43 including beneficiaries and retirees, to whom the modification
44 applies. Regulations of the committee are considered to be part of
45 the plan document for the system. A regulation adopted by the
46 committee may be modified by regulation in order to comply with
47 the requirements of this section.

1 c. No member of the board, committee, employee of the board,
2 or employee of the Division of Pensions and Benefits in the
3 Department of the Treasury shall accept from any person, whether
4 directly or indirectly and whether by himself or through his spouse
5 or any member of his family, or through any partner or associate,
6 any gift, favor, service, employment or offer of employment, or any
7 other thing of value, including contributions to the campaign of a
8 member or employee as a candidate for elective public office,
9 which he knows or has reason to believe is offered to him with
10 intent to influence him in the performance of his public duties and
11 responsibilities. As used in this subsection, "person" means an (1)
12 individual or business entity, or officer or employee of such an
13 entity, who is seeking, or who holds, or who held within the prior
14 three years, a contract with the board; (2) an active or retired
15 member, or beneficiary, of the retirement system; or (3) an entity,
16 or officer or employee of such an entity, in which the assets of the
17 retirement system have been invested. A board or committee
18 member or employee violating this prohibition shall be guilty of a
19 crime of the third degree.

20 (cf: P.L.1995, c.238, s.1)

21

22 5. Section 30 of P.L.1965, c.89 (C.53:5A-30) is amended to
23 read as follows:

24 30. a. Subject to the provisions of P.L.1955, c.70 (C.52:18A-95
25 et seq.), the general responsibility for the proper operation of the
26 retirement system is hereby vested in the board of trustees, and, as
27 specified, the committee established pursuant to subsection o. of
28 this section.

29 b. The board shall consist of five trustees as follows:

30 (1) Two active or retired members of the system who shall be
31 appointed by the Superintendent of State Police, who shall serve at
32 the pleasure of the superintendent and until their successors are
33 appointed and one of whom shall be or shall have been a
34 commissioned officer of the Division of State Police.

35 (2) Two members to be appointed by the Governor, with the
36 advice and consent of the Senate, who shall serve for a term of
37 office of three years and until their successors are appointed and
38 who shall be private citizens of the State of New Jersey who are
39 neither an officer thereof nor active or retired members of the
40 system. Of the two members initially appointed by the Governor
41 pursuant to P.L.1992, c.125 (C.43:4B-1 et al.), one shall be
42 appointed for a term of two years and one for a term of three years.

43 (3) The State Treasurer ex officio. The Deputy State Treasurer,
44 when designated for that purpose by the State Treasurer, may sit as
45 a member of the board of trustees and when so sitting shall have all
46 the powers and shall perform all the duties vested by this act in the
47 State Treasurer.

1 c. Each trustee shall, after his appointment, take an oath of
2 office that, so far as it devolves upon him, he will diligently and
3 honestly fulfill his duties as a board member, that he will not
4 knowingly violate or permit to be violated any of the provisions of
5 the law applicable to the retirement system. Such oath shall be
6 subscribed by the member taking it, and certified by the official
7 before whom it is taken, and immediately filed in the office of the
8 Secretary of State.

9 d. If a vacancy occurs in the office of a trustee, the vacancy
10 shall be filled in the same manner as the office was previously
11 filled.

12 e. The trustees shall serve without compensation, but they shall
13 be reimbursed by the State for all necessary expenses that they may
14 incur through service on the board. No employee member shall
15 suffer loss of salary through the serving on the board.

16 f. Except as otherwise herein provided, no member of the
17 board of trustees shall have any direct interest in the gains or profits
18 of any investments of the retirement system; nor shall any member
19 of the board of trustees directly or indirectly, for himself or as an
20 agent in any manner use the moneys of the retirement system,
21 except to make such current and necessary payments as are
22 authorized by the board of trustees; nor shall any member of the
23 board of trustees become an endorser or surety, or in any manner an
24 obligor for moneys loaned to or borrowed from the retirement
25 system.

26 g. Each trustee shall be entitled to one vote in the board. A
27 majority vote of all trustees shall be necessary for any decision by
28 the trustees at any meeting of said board.

29 h. Subject to the limitations of this act, the board of trustees
30 shall annually establish rules and regulations for the administration
31 of the funds created by this act and for the transactions of **[its]** the
32 board's and committee's business. Such rules and regulations shall
33 be consistent with those adopted by the other pension funds within
34 the Division of Pensions and Benefits in order to permit the most
35 economical and uniform administration of all such retirement
36 systems. The committee shall adopt such regulations as provided in
37 subsection o. of this section.

38 i. The actuary of the fund shall be selected by the Retirement
39 Systems Actuary Selection Committee established by P.L.1992,
40 c.125. He shall be the technical adviser of the board and the
41 committee on matters regarding the operation of the funds created
42 by the provisions of this act and shall perform such other duties as
43 are required in connection herewith.

44 j. The Attorney General shall be the legal adviser of the
45 retirement system, except that if the Attorney General determines
46 that a conflict of interest would affect the ability of the Attorney
47 General to represent the board or the committee on a matter
48 affecting the retirement system, the board may select and employ

1 legal counsel to advise and represent the board or the committee on
2 that matter.

3 k. The ~~Chief of the Bureau of Police and Fire Funds of the~~
4 Director of the Division of Pensions and Benefits of the State
5 Department of the Treasury shall appoint a qualified member of the
6 division who shall be the secretary of the board.

7 l. The board of trustees shall keep a record of all of its
8 proceedings which shall be open to public inspection. The
9 retirement system shall publish annually a report showing the fiscal
10 transactions of the retirement system for the preceding year, the
11 amount of the accumulated cash and securities of the system and the
12 last balance sheet showing the financial condition of the system by
13 means of an actuarial valuation of the assets and liabilities of the
14 retirement system.

15 m. The State Treasurer shall designate a medical board after
16 consultation with the Director of the Division of Pensions and
17 Benefits, subject to veto by the board of trustees for valid reason. It
18 shall be composed of three physicians. The medical board shall
19 pass on all medical examinations required under the provisions of
20 this act, and shall report in writing to the retirement system its
21 conclusions and recommendations upon all matters referred to it.

22 n. (Deleted by amendment, P.L.1987, c.330).

23 o. There is established a committee to be composed of eight
24 members, four of whom shall be appointed by the Governor as
25 representatives of the public employer whose employees are
26 enrolled in the retirement system, three of whom shall be appointed
27 by the head of the State Troopers Fraternal Association, and one of
28 whom shall be appointed by the head of the union representing the
29 greatest number of members of the retirement system who are
30 supervisory officers having union membership. The members of
31 the committee shall not be appointed until the system attains the
32 target funded ratio.

33 The members of the committee shall serve for a term of three
34 years and until a successor is appointed and qualified. Of the initial
35 appointments by the Governor, two members shall serve for two
36 years and until a successor is appointed and qualified, and one shall
37 serve for one year and until a successor is appointed and qualified.
38 Of the initial appointments by the State Troopers Fraternal
39 Association, one member shall serve for two years and until a
40 successor is appointed and qualified, and one shall serve for one
41 year and until a successor is appointed and qualified.

42 The members of the committee shall select a chairperson from
43 among the members, who shall serve for a term of one year, with no
44 member serving more than one term until all the members of the
45 committee have served a term in an manner alternating among the
46 employer representatives and employee representatives, unless the
47 committee determines otherwise with regard to this process.

1 The provisions of subsections c. through g., inclusive, of this
2 section shall apply to the committee and its members, as
3 appropriate. The committee shall keep a record of all of its
4 proceedings which shall be open to public inspection.

5 Upon the convening of any meeting of the committee, the
6 members shall consider a motion to assume the authority provided
7 in this subsection and shall proceed only if a majority of the
8 members of the committee vote in the affirmative on that motion.

9 The committee may contract with such actuaries or consultants,
10 or both, in accordance with the provisions of P.L.1954, c.48
11 (C.52:34-6 et seq.), as the committee may deem necessary to
12 perform its duties, when the system has attained the target funded
13 ratio.

14 When the retirement system has attained the target funded ratio
15 as defined in section 27 of P.L. , c. (C.) (pending before the
16 Legislature as this bill), the committee shall have the discretionary
17 authority for the system to (1) modify the: member contribution
18 rate; formula for calculation of final compensation or final salary;
19 age at which a member may be eligible for and the benefits for
20 service or special retirement; and benefits provided for disability
21 retirement; and (2) activate the application of the "Pension
22 Adjustment Act," P.L.1958, c.143 (C.43:3B-1 et seq.) for retirees
23 for the period that the system is at or above the target funded ratio
24 and modify the basis for the calculation of the adjustment and set
25 the duration and extent of the activation. The committee shall give
26 priority consideration to subparagraph (2) of this paragraph. The
27 committee shall not have the authority to change the years of
28 creditable service required for vesting.

29 The committee may consider a matter described above and
30 render a decision notwithstanding that the provisions of the
31 statutory law may set forth a specific requirement on that matter.

32 The committee may consider a matter described above and
33 render a decision notwithstanding that the provisions of the
34 statutory law do not set forth a specific requirement on the
35 considered aspect of that matter or address that matter at all.

36 The members of the committee shall have the same duty and
37 responsibility to the retirement system as do the members of the
38 board of trustees. No decision of the committee shall be
39 implemented if the direct or indirect result of the decision will be
40 that the system's funded ratio falls below the target funded ratio in
41 any valuation period during the 30 years following the
42 implementation of the decision. The actuary of the fund shall make
43 a determination of the result in that regard and submit that
44 determination in a written report to the committee and the board
45 prior to the implementation of the decision.

46 If any matter before the committee receives at least five votes in
47 the affirmative, the board of trustees shall approve and implement
48 the committee's decision.

1 If any matter regarding benefits before the committee receives
2 four votes in the affirmative and four votes in the negative or the
3 committee otherwise reaches an impasse on a decision, the
4 provisions of section 33 of P.L. , c. (C.) (pending before the
5 Legislature as this bill) shall be followed.

6 A final action of the committee shall be made by the adoption of
7 a regulation that shall identify the modifications to the system by
8 reference to statutory section. The regulations shall also specify the
9 effective date of the modification and the system members,
10 including beneficiaries and retirees, to whom the modification
11 applies. Regulations of the committee are considered to be part of
12 the plan document for the system. A regulation adopted by the
13 committee may be modified by regulation in order to comply with
14 the requirements of this section.

15 p. No member of the board, committee, employee of the board,
16 or employee of the Division of Pensions and Benefits in the
17 Department of the Treasury shall accept from any person, whether
18 directly or indirectly and whether by himself or through his spouse
19 or any member of his family, or through any partner or associate,
20 any gift, favor, service, employment or offer of employment, or any
21 other thing of value, including contributions to the campaign of a
22 member or employee as a candidate for elective public office,
23 which he knows or has reason to believe is offered to him with
24 intent to influence him in the performance of his public duties and
25 responsibilities. As used in this subsection, "person" means an (1)
26 individual or business entity, or officer or employee of such an
27 entity, who is seeking, or who holds, or who held within the prior
28 three years, a contract with the board; (2) an active or retired
29 member, or beneficiary, of the retirement system; or (3) an entity,
30 or officer or employee of such an entity, in which the assets of the
31 retirement system have been invested. A board or committee
32 member or employee violating this prohibition shall be guilty of a
33 crime of the third degree.

34 (cf: P.L.1992, c.125, s.17)

35
36 6. N.J.S.18A:66-57 is amended to read as follows:

37 18A:66-57. The board shall elect annually from its membership
38 a chairman and may also elect a vice chairman, who shall have all
39 the power and authority of the chairman in the event of the death,
40 absence or disability of the chairman. The actuary of the fund shall
41 be selected by the Retirement Systems Actuary Selection
42 Committee established by P.L.1992, c.125.

43 The actuary shall be the technical adviser of the board and the
44 committee on matters regarding the operation of the funds created
45 by the provisions of this article and shall perform such other duties
46 as are required in connection therewith.

47 The Attorney General shall be the legal adviser of the retirement
48 system, except that if the Attorney General determines that a

1 conflict of interest would affect the ability of the Attorney General
2 to represent the board or the committee on a matter affecting the
3 retirement system, the board may select and employ legal counsel to
4 advise and represent the board or the committee on that matter.

5 The chief or assistant chief of the office of secretarial services of
6 the Division of Pensions and Benefits of the State Department of
7 the Treasury, shall be the secretary of the board. The chief and
8 assistant chief of the office of secretarial services shall be in the
9 competitive division of the State classified service. The secretary
10 presently in office shall hold the position as chief of the office of
11 secretarial services subject to all of the provisions of Title 11 of the
12 Revised Statutes and shall not be removed from said office except
13 in the manner provided under the provisions of said title relating to
14 permanent employees in the competitive division of the State
15 classified service. The board of trustees shall select its secretary
16 from among the eligible candidates.

17 (cf: P.L.1992, c.125, s.3)

18

19 7. Section 18 of P.L.1954, c.84 (C.43:15A-18) is amended to
20 read as follows:

21 18. The board shall elect annually from its membership a
22 chairman and may also elect a vice-chairman, who shall have all the
23 power and authority of the chairman in the event of the death,
24 absence or disability of the chairman.

25 The actuary of the fund shall be selected by the Retirement
26 Systems Actuary Selection Committee established by P.L.1992,
27 c.125.

28 The actuary shall be the technical adviser of the board and the
29 committees on matters regarding the operation of the funds created
30 by the provisions of this act and shall perform such other duties as
31 are required in connection therewith.

32 The Attorney General shall be the legal adviser of the retirement
33 system, except that if the Attorney General determines that a
34 conflict of interest would affect the ability of the Attorney General
35 to represent the board or the committees on a matter affecting the
36 retirement system, the board may select and employ legal counsel to
37 advise and represent the board or the committees on that matter.

38 The chief or assistant chief of the office of secretarial services of
39 the Division of Pensions and Benefits of the State Department of
40 the Treasury shall be the secretary of the board. The chief and
41 assistant chief of the office of secretarial services shall be in the
42 competitive division of the State classified service. The secretary
43 presently in office shall hold the position as assistant chief of the
44 office of secretarial services subject to all of the provisions of Title
45 11 of the Revised Statutes and shall not be removed from said
46 office except in the manner provided under the provisions of said
47 Title relating to permanent employees in the competitive division of

1 the State classified service. The board of trustees shall select its
2 secretary from among the eligible candidates.

3 (cf: P.L.1992, c.125, s.8)

4

5 8. N.J.S.18A:66-29 is amended to read as follows:

6 18A:66-29. Members enrolled in the retirement system on or
7 after July 1, 1994 shall contribute 5% of compensation to the
8 system. Members enrolled in the system prior to July 1, 1994 shall
9 contribute 5% of compensation to the system effective with the
10 payroll period for which the beginning date is closest to July 1,
11 1995, provided, however, that any member enrolled before July 1,
12 1994, whose full contribution rate under the system prior to the
13 revisions by this act was less than 6%, shall pay 4% of
14 compensation to the system effective with the payroll period for
15 which the beginning date is closest to July 1, 1995, and 5% of
16 compensation to the system effective with the payroll period for
17 which the beginning date is closest to July 1, 1996.

18 Members enrolled in the retirement system on or after July 1,
19 2007 shall contribute 5.5% of compensation to the system.
20 Members enrolled in the system prior to July 1, 2007 shall
21 contribute 5.5% of compensation to the system effective with the
22 payroll period for which the beginning date is closest to July 1,
23 2007.

24 Members of the retirement system shall contribute 6.5% of
25 compensation to the system on and after the effective date of P.L. ,
26 c. (pending before the Legislature as this bill), with an additional
27 contribution of 1% to be phased-in in equal increments over a
28 period of seven years commencing with the first year following that
29 effective date.

30 (cf: P.L.2007, c.103, s.1)

31

32 9. Section 26 of P.L.1981, c.470 (C.43:6A-34.1) is amended to
33 read as follows:

34 26. a. The annuity savings fund shall be the fund to which shall
35 be credited aggregate contributions made by members or on their
36 behalf to provide for their allowances. The aggregate contributions
37 of a member withdrawn by him or paid to his estate or his
38 designated beneficiary in the event of death as provided by this
39 amendatory and supplementary act shall be paid from the annuity
40 savings fund. Upon the retirement of a member where the aggregate
41 contributions of the member are to be provided in the form of an
42 annuity, the aggregate contributions of the member shall be
43 transferred from the annuity savings fund to the retirement reserve
44 fund.

45 b. There shall be deducted from the payroll of each member of
46 the system 3% of the amount of any difference between the salary
47 on or after January 19, 1982 for any judicial position held by the
48 member and the salary for that position on January 18, 1982, except

1 that there shall be deducted from the payroll of each new member
2 initially enrolled on or after January 1, 1996, in the retirement
3 system, 3% of the salary for the judicial position held by the
4 member. There shall be deducted from the payroll of each member
5 of the system on and after the effective date of P.L. , c. (pending
6 before the Legislature as this bill) an additional 9% of the salary for
7 the judicial position held by the member phased-in in equal
8 increments over a period of seven years.

9 Every judge of the several courts to whom this amendatory and
10 supplementary act applies shall be deemed to consent and agree to
11 any deduction from his compensation required by this act and to all
12 other provisions of this act. Notwithstanding any other law, rule or
13 regulation affecting the salary, pay, compensation, other
14 perquisites, or tenure of person to whom this amendatory and
15 supplementary act applies, or shall apply, and notwithstanding that
16 the minimum salary, pay, or compensation or other perquisites
17 provided by law for him shall be reduced thereby, payment, less
18 such deductions, shall be a full and complete discharge and
19 acquittance of all claims and demands for service rendered by him
20 during the period covered by such payment.

21 (cf: P.L.1995, c.424, s.4)

22

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

25 25. a. The annuity savings fund shall be the fund in which shall
26 be credited accumulated deductions and contributions by members
27 or on their behalf to provide for their allowances. A single account
28 shall be established in this fund for each person who is or shall
29 become a member and all contributions deducted from each such
30 member's compensation shall be credited to this single account.

31 b. (1) Members enrolled in the retirement system on or after
32 July 1, 1994 shall contribute 5% of compensation to the system.
33 Members enrolled in the system prior to July 1, 1994 shall
34 contribute 5% of compensation to the system effective with the
35 payroll period for which the beginning date is closest to July 1,
36 1995, provided, however, that any member enrolled before July 1,
37 1994, whose full contribution rate under the system prior to the
38 revisions by this act was less than 6%, shall pay 4% of
39 compensation to the system effective with the payroll period for
40 which the beginning date is closest to July 1, 1995, and 5% of
41 compensation to the system effective with the payroll period for
42 which the beginning date is closest to July 1, 1996.

43 (2) Members enrolled in the retirement system on or after July
44 1, 2007 who are:

45 employees of the State, other than employees of the Judicial
46 Branch;

47 employees of an independent State authority, board, commission,
48 corporation, agency or organization;

1 employees of a local school district, regional school district,
2 county vocational school district, county special services school
3 district, jointure commission, educational services commission,
4 State-operated school district, charter school, county college, any
5 officer, board, or commission under the authority of the
6 Commissioner of Education or of the State Board of Education, and
7 any other public entity which is established pursuant to authority
8 provided by Title 18A of the New Jersey Statutes; or

9 employees of a State public institution of higher education, other
10 than employees of the University of Medicine and Dentistry of New
11 Jersey shall contribute 5.5% of compensation to the system, and all
12 such members described above enrolled in the system prior to July
13 1, 2007 shall contribute 5.5% of compensation to the system
14 effective with the payroll period for which the beginning date is
15 closest to July 1, 2007.

16 Members enrolled in the retirement system on or after July 1,
17 2008, other than those described in the paragraph above, shall
18 contribute 5.5% of compensation to the system. Members enrolled
19 in the system prior to July 1, 2008, other than those described in the
20 paragraph above, shall contribute 5.5% of compensation to the
21 system effective with the payroll period that begins immediately
22 after July 1, 2008.

23 (3) Members of the retirement system shall contribute 6.5% of
24 compensation to the system on and after the effective date of P.L. ,
25 c. (pending before the Legislature as this bill), with an additional
26 contribution of 1% to be phased-in in equal increments over a
27 period of seven years commencing with the first year following that
28 effective date.

29 c. The retirement system shall certify to each State department
30 or subdivision thereof, and to each branch of the State service not
31 included in a State department, and to every other employer, the
32 proportion of each member's compensation to be deducted and to
33 facilitate the making of deductions the retirement system may
34 modify the deduction required by a member by such an amount as
35 shall not exceed 1/10 of 1% of the compensation upon the basis of
36 which the deduction is to be made.

37 If payment in full, representing the monthly or biweekly
38 transmittal and report of salary deductions, is not made within 15
39 days of the due date established by the retirement system, interest at
40 the rate of 6% per annum shall commence to run against the total
41 transmittal of salary deductions for the period on the first day after
42 such fifteenth day.

43 d. Every employee to whom this act applies shall be deemed to
44 consent and agree to any deduction from his compensation required
45 by this act and to all other provisions of this act. Notwithstanding
46 any other law, rule or regulation affecting the salary, pay,
47 compensation, other perquisites, or tenure of a person to whom this
48 act applies, or shall apply, and notwithstanding that the minimum

1 salary, pay, or compensation or other perquisites provided by law
2 for him shall be reduced thereby, payment, less such deductions,
3 shall be a full and complete discharge and acquittance of all claims
4 and demands for service rendered by him during the period covered
5 by such payment.

6 (cf: P.L.2010, c.1, s.26)

7

8 11. Section 8 of P.L.1955, c.257 (C.43:15A-104) is amended to
9 read as follows:

10 8. The percentage contribution rate of each member who is a
11 law enforcement officer shall be fixed according to his age at the
12 time of becoming a permanent and full-time employee of the State
13 and shall be 1/2 of the total percentage contribution rate calculated
14 for such age by the actuary of the board of trustees to be required
15 to provide all benefits of service retirement, ordinary disability
16 retirement, and termination of service benefits provided by this act
17 and the act to which this act is a supplement. In the event that a
18 member ceases to hold a position as a law enforcement officer
19 although continuing his employment in a position covered by the
20 Public Employees' Retirement System, his rate of contribution shall
21 be fixed in accordance with the rates applicable at that time to
22 persons becoming members who are not law enforcement officers,
23 except that his age at the time of becoming a permanent full-time
24 employee of the State shall be used in determining his rate of
25 contribution. Members of the retirement system shall contribute
26 6.5% of compensation to the system on and after the effective date
27 of P.L. , c. (pending before the Legislature as this bill), with an
28 additional contribution of 1% to be phased-in in equal increments
29 over a period of seven years commencing with the first year
30 following that effective date.

31 (cf: P.L.1956, c.55, s.4)

32

33 12. Section 2 of P.L.1972, c.167 (C.43:15A-136) is amended to
34 read as follows:

35 2. Notwithstanding the provisions of section 25 of P.L.1954,
36 c.84 (C.43:15A-25), (a) a separate account shall be established in
37 the annuity savings fund for each member of the Legislature and all
38 contributions based on legislative salaries shall be credited to this
39 account as distinguished from any other account that the legislator
40 may have as a result of other public service covered by the
41 retirement system; and (b) the member of the Legislature shall
42 contribute at a rate equal to 5% of his legislative salary, which
43 contribution shall be deducted from his salary at the time or times it
44 is paid, and which shall be exclusive of any other contribution
45 required of the member for Social Security, contributory death
46 benefits or deductions for any other purpose. The contribution rate
47 shall be 5.5% of the member's legislative salary beginning July 1,
48 2007. The contribution rate shall be 6.5% of the member's

1 legislative salary on and after the effective date of P.L. ,
2 c. (pending before the Legislature as this bill), with an additional
3 contribution of 1% to be phased-in in equal increments over a
4 period of seven years commencing with the first year following that
5 effective date.

6 A member of the Legislature who is enrolled on the basis of
7 other public service before, during, or after his service as a member
8 of the Legislature shall contribute for such other service at the rate
9 of contribution required of other members as provided by section
10 25.

11 (cf: P.L.2007, c.103, s.3)

12

13 13. Section 3 of P.L.2001, c.259 (C.43:15A-144) is amended to
14 read as follows:

15 3. a. Notwithstanding the provisions of section 25 of P.L.1954,
16 c.84 (C.43:15A-25) to the contrary, a separate account shall be
17 established in the annuity savings fund for each workers
18 compensation judge and all contributions based on the judge's
19 salary shall be credited to this account. This account shall be
20 separate from any other account that the member may have as a
21 result of other public service covered by the retirement system.

22 b. A workers compensation judge shall contribute at a rate
23 equal to 5% of the judge's salary, which contribution shall be
24 deducted from the salary at the time or times it is paid, and which
25 shall be exclusive of any other contribution required of the member
26 for Social Security, contributory death benefits or deductions for
27 any other purpose. The contribution rate shall be 5.5% of the
28 judge's salary effective with the payroll period for which the
29 beginning date is closest to July 1, 2007. The contribution rate
30 shall be 6.5% of the judge's salary on and after the effective date of
31 P.L. , c. (pending before the Legislature as this bill), with an
32 additional contribution of 1% to be phased-in in equal increments
33 over a period of seven years commencing with the first year
34 following that effective date.

35 c. A workers compensation judge who is enrolled on the basis
36 of other public service before, during, or after service as a judge of
37 compensation shall contribute for such other service at the rate of
38 contribution required of other members as provided by section 25.

39 (cf: P.L.2007, c.103, s.5)

40

41 14. Section 3 of P.L.2001, c.366 (C.43:15A-157) is amended to
42 read as follows:

43 3. a. Notwithstanding the provisions of section 25 of P.L.1954,
44 c.84 (C.43:15A-25) to the contrary, a separate account shall be
45 established in the annuity savings fund for each prosecutor and all
46 contributions based on the prosecutor's salary shall be credited to
47 this account.

1 b. A prosecutor shall contribute at a rate established by the
2 board, which contribution shall be deducted from the salary at the
3 time or times it is paid, and which shall be exclusive of any other
4 contribution required of the prosecutor for Social Security,
5 contributory death benefits or deductions for any other purpose.
6 The contribution rate shall be 10% of the prosecutor's salary on and
7 after the effective date of P.L. , c. (pending before the Legislature
8 as this bill).

9 c. A prosecutor who is enrolled on the basis of other public
10 service before, during, or after service as a prosecutor shall
11 contribute for such other service at the rate of contribution required
12 of other members as provided by section 25.
13 (cf: P.L.2001, c.366, s.3)

14

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

17 15. (1) The contributions required for the support of the
18 retirement system shall be made by members and their employers.

19 (2) The uniform percentage contribution rate for members shall
20 be 8.5% of compensation. Members of the retirement system shall
21 contribute 10% of compensation to the system on and after the
22 effective date of P.L. , c. (pending before the Legislature as this
23 bill).

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

25 (4) Upon the basis of the tables recommended by the actuary
26 which the board adopts and regular interest, the actuary shall
27 compute annually, beginning as of June 30, 1991, the amount of
28 contribution which shall be the normal cost as computed under the
29 projected unit credit method attributable to service rendered under
30 the retirement system for the year beginning on July 1 immediately
31 succeeding the date of the computation. This shall be known as the
32 "normal contribution."

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

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

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

41 (8) The deductions provided for herein shall be made
42 notwithstanding that the minimum salary provided for by law for
43 any member shall be reduced thereby. Every member shall be
44 deemed to consent and agree to the deductions made and provided
45 for herein, and payment of salary or compensation less said
46 deduction shall be a full and complete discharge and acquittance of
47 all claims and demands whatsoever for the service rendered by such
48 person during the period covered by such payment, except as to the

1 benefits provided under this act. The chief fiscal officer of each
2 employer shall certify to the retirement system in such manner as
3 the retirement system may prescribe, the amounts deducted; and
4 when deducted shall be paid into said annuity savings fund, and
5 shall be credited to the individual account of the member from
6 whose salary said deduction was made.

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

1 year would exceed 20 years, the accrued liability contribution shall
2 be computed for the valuation year in the same manner provided for
3 the computation of the initial accrued liability contribution under
4 this section.

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

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

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

42 "Excess valuation assets" means, with respect to the valuation
43 assets allocated to the State, the valuation assets allocated to the
44 State for a valuation period less the actuarial accrued liability of the
45 State for the valuation period, and beginning with the valuation
46 period ending June 30, 1998, less the present value of the expected
47 additional normal cost contributions attributable to the provisions of
48 P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the

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

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

45 If there are excess valuation assets allocated to the other
46 employers for the valuation period ending June 30, 1998, the
47 accrued liability contributions payable by the other employers for
48 the valuation period ending June 30, 1997 shall be reduced to the

1 extent possible by the excess valuation assets allocated to the other
2 employers.

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

8 (1) for valuation periods ending June 30, 1996 through June 30,
9 2000, to the extent possible by up to 100% of the excess valuation
10 assets allocated to the State or to the other employers, respectively;

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

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

17 (4) for valuation periods ending June 30, 2003 through June 30,
18 2007, to the extent possible by up to 50% of the excess valuation
19 assets allocated to the State or to the other employers, respectively.

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

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

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

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

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

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

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

44 (10) The treasurer or corresponding officer of the employer shall
45 pay to the State Treasurer no later than April 1 of the State's fiscal
46 year in which payment is due the amount so certified as payable by
47 the employer, and shall pay monthly to the State Treasurer the
48 amount of the deductions from the salary of the members in the

1 employ of the employer, and the State Treasurer shall credit such
2 amount to the appropriate fund or funds, of the retirement system.

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

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

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

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

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

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

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

40 (16) The savings realized as a result of the amendments to this
41 section by P.L.2001, c.44 in the payment of normal contributions
42 computed by the actuary for the valuation periods ending June 30,
43 1998 for employers other than the State shall be used solely and
44 exclusively by a county or municipality for the purpose of reducing
45 the amount that is required to be raised by the local property tax
46 levy by the county for county purposes or by the municipality for
47 municipal purposes, as appropriate. The Director of the Division of
48 Local Government Services in the Department of Community

1 Affairs shall certify for each year that each county or municipality
2 has complied with the requirements set forth herein. If the director
3 finds that a county or municipality has not used the savings solely
4 and exclusively for the purpose of reducing the amount that is
5 required to be raised by the local property tax levy by the county for
6 county purposes or by the municipality for municipal purposes, as
7 appropriate, the director shall direct the county or municipal
8 governing body, as appropriate, to make corrections to its budget.

9 (cf: P.L.2010, c.1, s.32)

10

11 16. Section 38 of P.L.1965, c.89 (C.53:5A-38) is amended to
12 read as follows:

13 38. There shall be deducted from the payroll of each active
14 member of the system 7 1/2 % of the amount of his salary, which
15 shall be turned over to the State Treasurer and be credited by him
16 to the account of the State Police Retirement System. Members of
17 the retirement system shall contribute 9% of salary to the system on
18 and after the effective date of P.L. , c. (pending before the
19 Legislature as this bill).

20 The deductions provided for herein shall be made
21 notwithstanding that the minimum salary provided for by law for
22 any member shall be reduced thereby. Every member shall be
23 deemed to consent and agree to the deductions made and provided
24 for herein, and payment of salary or compensation less said
25 deductions shall be a full and complete discharge and acquittance
26 of all claims and demands whatsoever for the service rendered by
27 such person during the period covered by such payment, except as
28 to the benefits provided under this act.

29 (cf: P.L.1980, c.55, s.6)

30

31 17. N.J.S.18A:66-37 is amended to read as follows:

32 18A:66-37. Should a member resign after having established 25
33 years of creditable service before reaching age 60, or before
34 reaching the age of 62 if the person became a member of the
35 retirement system on or after the effective date of P.L.2008, c.89, or
36 after having established 30 years of creditable service before
37 reaching the age of 65 if the person became a member of the
38 retirement system on or after the effective date of P.L. ,
39 c. (pending before the Legislature as this bill), the member may
40 elect "early retirement," provided, that such election is
41 communicated by such member to the retirement system by filing a
42 written application, duly attested, stating at what time subsequent to
43 the execution and filing thereof the member desires to be retired.
44 The member shall receive, in lieu of the payment provided in
45 N.J.S.18A:66-34, an annuity which is the actuarial equivalent of the
46 member's accumulated deductions and a pension in the amount
47 which, when added to the member's annuity, will provide a total
48 retirement allowance of 1/64 of the member's final compensation

1 for each year of service credited as class A service and 1/55 of the
2 member's final compensation for each year of service credited as
3 class B service, or for a person who becomes a member of the
4 retirement system on or after the effective date of P.L.2010, c.1
5 1/60 of final compensation for each year of service credited as class
6 B service, calculated in accordance with N.J.S.18A:66-44, reduced:

7 (a) by 1/4 of 1% for each month that the member lacks of being
8 age 55; or

9 (b) for a person who becomes a member of the retirement
10 system on or after July 1, 2007, by 1/4 of 1% for each month that
11 the member lacks of being age 55 and by 1/12 of 1% for each
12 month that the member lacks of being age 60 but over age 55; **[or]**

13 (c) for a person who becomes a member of the retirement
14 system on or after the effective date of P.L.2008, c.89, by 1/4 of 1%
15 for each month that the member lacks of being age 55 and by 1/12
16 of 1% for each month that the member lacks of being age 62 but
17 over age 55; or

18 (d) for a person who becomes a member of the retirement
19 system on or after the effective date of P.L. , c. (pending before
20 the Legislature as this bill), by 1/4 of 1% for each month that the
21 member lacks of being age 65; provided, however, that upon the
22 receipt of proper proofs of the death of such a member there shall
23 be paid to the member's beneficiary an amount equal to 3/16 of the
24 compensation upon which contributions by the member to the
25 annuity savings fund were based in the last year of creditable
26 service or in the year of the member's highest contractual salary,
27 whichever is higher.

28 Subparagraph (b) or (c) of this section shall not apply to a person
29 who at the time of enrollment in the retirement system on or after
30 July 1, 2007 transfers service credit from another State-
31 administered retirement system pursuant to N.J.S.18A:66-15.1, but
32 shall apply to a former member of the retirement system who has
33 been granted a retirement allowance and is reenrolled in the
34 retirement system on or after July 1, 2007 pursuant to
35 N.J.S.18A:66-53.2 after becoming employed again in a position that
36 makes the person eligible to be a member of the retirement system.

37 The board of trustees shall retire the member at the time
38 specified or at such other time within one month after the date so
39 specified as the board finds advisable.

40 (cf: P.L.2010, c.1, s.9)

41

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

44 41. a. A member who withdraws from service or ceases to be an
45 employee for any cause other than death or retirement shall, upon
46 the filing of an application therefor, receive all of his accumulated
47 deductions standing to the credit of his individual account in the
48 annuity savings fund, plus regular interest, less any outstanding

1 loan, except that for any period after June 30, 1944, the interest
2 payable shall be such proportion of the interest determined at the
3 regular rate of 2% per annum bears to the regular rate of interest,
4 and except that no interest shall be payable in the case of a member
5 who has less than three years of membership credit for which he has
6 made contributions. He shall cease to be a member two years from
7 the date he discontinued service as an eligible employee, or, if prior
8 thereto, upon payment to him of his accumulated deductions. If any
9 such person or member shall die before withdrawing or before
10 endorsing the check constituting the return of his accumulated
11 deductions, such deductions shall be paid to the member's
12 beneficiary. No member shall be entitled to withdraw the amounts
13 contributed by his employer covering his military leave unless he
14 shall have returned to the payroll and contributed to the retirement
15 system for a period of 90 days.

16 b. Should a member resign after having established 25 years of
17 creditable service before reaching age 60, or before reaching age 62
18 if the person became a member of the retirement system on or after
19 the effective date of P.L.2008, c.89, or after having established 30
20 years of creditable service before reaching the age of 65 if the
21 person became a member of the retirement system on or after the
22 effective date of P.L. , c. (pending before the Legislature as this
23 bill), he may elect "early retirement," provided, that such election is
24 communicated by such member to the retirement system by filing a
25 written application, duly attested, stating at what time subsequent to
26 the execution and filing thereof he desires to be retired. He shall
27 receive, in lieu of the payment provided in subsection a. of this
28 section, an annuity which is the actuarial equivalent of his
29 accumulated deductions together with regular interest, and a
30 pension in the amount which, when added to the member's annuity,
31 will provide a total retirement allowance of 1/64 of final
32 compensation for each year of service credited as Class A service
33 and 1/55 of final compensation for each year of service credited as
34 Class B service, or for a person who becomes a member of the
35 retirement system on or after the effective date of P.L.2010, c.1
36 1/60 of final compensation for each year of service credited as
37 Class B service, calculated in accordance with section 48
38 (C.43:15A-48) of this act, reduced:

39 (a) by 1/4 of 1% for each month that the member lacks of being
40 age 55; or

41 (b) for a person who becomes a member of the retirement
42 system on or after July 1, 2007, by 1/4 of 1% for each month that
43 the member lacks of being age 55 and by 1/12 of 1% for each
44 month that the member lacks of being age 60 but over age 55; **[or]**

45 (c) for a person who becomes a member of the retirement
46 system on or after the effective date of P.L.2008, c.89, by 1/4 of 1%
47 for each month that the member lacks of being age 55 and by 1/12

1 of 1% for each month that the member lacks of being age 62 but
2 over age 55; or

3 (d) for a person who becomes a member of the retirement
4 system on or after the effective date of P.L. , c. (pending before
5 the Legislature as this bill), by 1/4 of 1% for each month that the
6 member lacks of being age 65; provided, however, that upon the
7 receipt of proper proofs of the death of such a member there shall
8 be paid to his beneficiary an amount equal to three-sixteenths of the
9 compensation upon which contributions by the member to the
10 annuity savings fund were based in the last year of creditable
11 service.

12 Paragraph (b) or (c) of this subsection shall not apply to a person
13 who at the time of enrollment in the retirement system on or after
14 July 1, 2007 transfers service credit from another State-
15 administered retirement system pursuant to section 14 of P.L.1954,
16 c.84 (C.43:15A-14), but shall apply to a former member of the
17 retirement system who has been granted a retirement allowance and
18 is reenrolled in the retirement system on or after July 1, 2007
19 pursuant to section 27 of P.L.1966, c.217 (C.43:15A-57.2) after
20 becoming employed again in a position that makes the person
21 eligible to be a member of the retirement system.

22 The board of trustees shall retire him at the time specified or at
23 such other time within one month after the date so specified as the
24 board finds advisable.

25 c. Upon the receipt of proper proofs of the death of a member
26 in service on account of which no accidental death benefit is
27 payable under section 49 there shall be paid to such member's
28 beneficiary:

29 (1) The member's accumulated deductions at the time of death
30 together with regular interest; and

31 (2) An amount equal to one and one-half times the
32 compensation upon which contributions by the member to the
33 annuity savings fund were based in the last year of creditable
34 service.

35 (cf: P.L.2010, c.1, s.12)

36

37 19. Section 16 of P.L.1964, c.241 (C.43:16A-11.1) is amended
38 to read as follows:

39 16. a. Should a member resign after having established 25 years
40 of creditable service, he may elect "special retirement," provided,
41 that such election is communicated by such member to the
42 retirement system by filing a written application, duly attested,
43 stating at what time subsequent to the execution and filing thereof
44 he desires to be retired. He shall receive, in lieu of the payment
45 provided in section 11, a retirement allowance which shall consist
46 of:

47 (1) An annuity which shall be the actuarial equivalent of his
48 aggregate contributions, and

1 (2) A pension in the amount which, when added to the member's
2 annuity, will provide (a) for a person who is a member on the
3 effective date of P.L. , c. (pending before the Legislature as this
4 bill), a total retirement allowance of 65% of [his] final
5 compensation, plus 1% of [his] final compensation multiplied by
6 the number of years of creditable service over 25 but not over 30 or
7 (b) for a person who becomes a member of the retirement system
8 after that effective date, a total retirement allowance of 60% of final
9 compensation, plus 1% of final compensation multiplied by the
10 number of years of creditable service over 25 but not over 30;
11 provided, however, that any member who has earned, prior to July
12 1, 1979, more than 30 years of creditable service, shall receive an
13 additional 1% of his final compensation for each year of his
14 creditable service over 30.

15 The board of trustees shall retire him at the time specified or at
16 such other time within one month after the date so specified as the
17 board finds advisable.

18 Upon the receipt of proper proofs of the death of such a retired
19 member, there shall be paid to his beneficiary an amount equal to
20 one-half of the final compensation received by the member.

21 b. The "special retirement" allowance payable under subsection
22 a. of this section to any person who retired under the retirement
23 system prior to December 20, 1989 shall be increased by an amount
24 equal to 5% of the person's final compensation or by such lesser
25 amount as would, if added to the allowance payable at the time of
26 retirement, provide a total retirement allowance of 70% of final
27 compensation, except that in the case of such a retirant who retired
28 on or after July 1, 1979 and had earned prior to that date more than
29 30 years of creditable service, the amount of the increase shall be
30 equal to 5% of the person's final compensation irrespective of the
31 total retirement allowance which such an increase would provide.
32 The provisions of this subsection shall not be construed either to
33 require a reduction in the retirement allowance payable to any
34 retirant or to provide for the payment of any adjustment in such an
35 allowance with respect to any period of time prior to the first day of
36 the month following that effective date.

37 (cf: P.L.2010, c.1, s.31)

38

39 20. N.J.S.18A:66-18 is amended to read as follows:

40 18A:66-18. The contingent reserve fund shall be the fund in
41 which shall be credited contributions made by the State and other
42 employers.

43 a. Upon the basis of the tables recommended by the actuary
44 which the board of trustees adopts and regular interest, the actuary
45 of the board shall compute annually, beginning as of March 31,
46 1992, the amount of contribution which shall be the normal cost as
47 computed under the projected unit credit method attributable to
48 service rendered under the retirement system for the year beginning

1 on July 1 immediately succeeding the date of the computation. This
2 shall be known as the "normal contribution."

3 b. Upon the basis of the tables recommended by the actuary
4 which the board of trustees adopts and regular interest, the actuary
5 of the board shall annually determine if there is an amount of the
6 accrued liability of the retirement system, computed under the
7 projected unit credit method, including the liability for pension
8 adjustment benefits for active employees funded pursuant to section
9 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered
10 by the assets of the retirement system, valued in accordance with
11 the asset valuation method established in this section. This shall be
12 known as the "unfunded accrued liability." If there was no
13 unfunded accrued liability for the valuation period immediately
14 preceding the current valuation period, the actuary, using the total
15 amount of this unfunded accrued liability, shall compute the initial
16 amount of contribution which, if [the contribution is increased at a
17 specific rate and] paid annually in level dollars for a specific period
18 of time, will amortize this liability. The State Treasurer shall
19 determine, upon the advice of the Director of the Division of
20 Pensions and Benefits, the board of trustees and the actuary, [the
21 rate of increase for the contribution and] the time period for full
22 funding of this liability, which shall not exceed 30 years. This shall
23 be known as the "accrued liability contribution." Thereafter, any
24 increase or decrease in the unfunded accrued liability as a result of
25 actuarial losses or gains for subsequent valuation years shall serve
26 to increase or decrease, respectively, the amortization period for the
27 unfunded accrued liability, unless an increase in the amortization
28 period will cause it to exceed 30 years. If an increase in the
29 amortization period as a result of actuarial losses for a valuation
30 year would exceed 30 years, the accrued liability contribution shall
31 be computed for the valuation year in the same manner provided for
32 the computation of the initial accrued liability contribution under
33 this section. Beginning with the July 1, 2019 actuarial valuation,
34 the accrued liability contribution shall be computed so that if the
35 contribution is paid annually in level dollars, it will amortize this
36 unfunded accrued liability over a closed 30 year period. Beginning
37 with the July 1, 2029 actuarial valuation, when the remaining
38 amortization period reaches 20 years, any increase or decrease in
39 the unfunded accrued liability as a result of actuarial losses or gains
40 for subsequent valuation years shall serve to increase or decrease,
41 respectively, the amortization period for the unfunded accrued
42 liability, unless an increase in the amortization period will cause it
43 to exceed 20 years. If an increase in the amortization period as a
44 result of actuarial losses for a valuation year would exceed 20 years,
45 the accrued liability contribution shall be computed for the
46 valuation year in the same manner provided for the computation of
47 the initial accrued liability contribution under this section.

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

5 The value of the assets to be used in the computation of the
6 contributions provided for under this section for valuation periods
7 shall be the value of the assets for the preceding valuation period
8 increased by the regular interest rate, plus the net cash flow for the
9 valuation period (the difference between the benefits and expenses
10 paid by the system and the contributions to the system) increased by
11 one half of the regular interest rate, plus 20% of the difference
12 between this expected value and the full market value of the assets
13 as of the end of the valuation period. This shall be known as the
14 "valuation assets." Notwithstanding the first sentence of this
15 paragraph, the valuation assets for the valuation period ending
16 March 31, 1996 shall be the full market value of the assets as of that
17 date and shall include the proceeds from the bonds issued pursuant
18 to the Pension Bond Financing Act of 1997, P.L.1997, c.114
19 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey
20 Economic Development Authority to fund the unfunded accrued
21 liability of the system. Notwithstanding the first sentence of this
22 paragraph, the valuation assets for the valuation period ending June
23 30, 1999 shall be the full market value of the assets as of that date.

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

25 (1) the valuation assets; less

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

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

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

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

42 If there are excess valuation assets for the valuation period
43 ending March 31, 1996, the normal contributions for the valuation
44 periods ending March 31, 1996 and March 31, 1997 which have not
45 yet been paid to the retirement system shall be reduced to the extent
46 possible by the excess valuation assets, provided that the General
47 Fund balances that would have been paid to the retirement system
48 except for this provision shall first be allocated as State aid to

1 public schools to the extent that additional sums are required to
2 comply with the May 14, 1997 decision of the New Jersey Supreme
3 Court in *Abbott v. Burke*, and provided further that the normal
4 contribution for the valuation period ending March 31, 1996 shall
5 not be less than \$54,000,000. If there are excess valuation assets
6 for a valuation period ending after March 31, 1996, the State
7 Treasurer may reduce the normal contribution payable for the next
8 valuation period as follows:

9 (1) for valuation periods ending March 31, 1997 through March
10 31, 2001, to the extent possible by up to 100% of the excess
11 valuation assets;

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

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

16 (4) for valuation periods ending March 31, 2004 through June
17 30, 2007, to the extent possible by up to 50% of the excess
18 valuation assets.

19 For calendar years 1998 and 1999, the rate of contribution of
20 members of the retirement system under N.J.S.18A:66-29 shall be
21 reduced by 1/2 of 1% from excess valuation assets. For calendar
22 years 2000 and 2001, the rate of contribution of members of the
23 retirement system shall be reduced equally with normal
24 contributions to the extent possible, but not more than 1/2 of 1%,
25 from excess valuation assets. Thereafter, through calendar year
26 2007, the rate of contribution of members of the retirement system
27 under that section for a calendar year shall be reduced equally with
28 normal contributions to the extent possible, but not by more than
29 2%, from excess valuation assets if the State Treasurer determines
30 that excess valuation assets shall be used to reduce normal
31 contributions by the State for the fiscal year beginning immediately
32 prior to the calendar year, and excess valuation assets above the
33 amount necessary to fund the reduction for that calendar year in the
34 member contribution rate plus an equal reduction in the normal
35 contribution shall be available for the further reduction of normal
36 contributions, subject to the limitations prescribed by this
37 subsection.

38 If there are excess valuation assets after reductions in normal
39 contributions and member contributions as authorized in the
40 preceding paragraphs for a valuation period beginning with the
41 valuation period ending June 30, 1999, an amount of excess
42 valuation assets not to exceed the amount of the member
43 contributions for the fiscal year in which the normal contributions
44 are payable shall be credited to the benefit enhancement fund. The
45 amount of excess valuation assets credited to the benefit
46 enhancement fund shall not exceed the present value of the
47 expected additional normal contributions attributable to the
48 provisions of P.L.2001, c.133 payable on behalf of the active

1 members over the expected working lives of the active members in
2 accordance with the tables of actuarial assumptions for the
3 valuation period. No additional excess valuation assets shall be
4 credited to the benefit enhancement fund after the maximum
5 amount is attained. Interest shall be credited to the benefit
6 enhancement fund as provided under N.J.S.18A:66-25.

7 The normal contribution for the increased benefits for active
8 members under P.L.2001, c.133 shall be paid from the benefit
9 enhancement fund. If assets in the benefit enhancement fund are
10 insufficient to pay the normal contribution for the increased benefits
11 for a valuation period, the State shall pay the amount of normal
12 contribution for the increased benefits not covered by assets from
13 the benefit enhancement fund.

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

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

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

24 f. The disbursements for benefits not covered by reserves in
25 the system on account of veterans shall be met by direct
26 contribution of the State.

27 (cf: P.L.2007, c.92, s.24)

28
29 21. Section 33 of P.L.1973, c.140 (C.43:6A-33) is amended to
30 read as follows:

31 33. a. Upon the basis of the tables recommended by the actuary
32 which the commission adopts and regular interest, the actuary shall
33 compute annually, beginning as of June 30, 1992, the amount of the
34 contribution which shall be the normal cost as computed under the
35 projected unit credit method attributable to service rendered under
36 the retirement system for the year beginning on July 1 immediately
37 succeeding the date of the computation. This shall be known as the
38 "normal contribution."

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

1 liability, shall compute the initial amount of contribution which, if
2 **【the contribution is increased at a specific rate and】** paid annually
3 in level dollars for a specific period of time, will amortize this
4 liability. The State Treasurer shall determine, upon the advice of
5 the Director of the Division of Pensions and Benefits, the
6 commission and the actuary, **【the rate of increase for the**
7 **contribution and】** the time period for full funding of this liability,
8 which shall not exceed 30 years. This shall be known as the
9 "accrued liability contribution." Thereafter, any increase or decrease
10 in the unfunded accrued liability as a result of actuarial losses or
11 gains for subsequent valuation years shall serve to increase or
12 decrease, respectively, the amortization period for the unfunded
13 accrued liability, unless an increase in the amortization period will
14 cause it to exceed 30 years. If an increase in the amortization
15 period as a result of actuarial losses for a valuation year would
16 exceed 30 years, the accrued liability contribution shall be
17 computed for the valuation year in the same manner provided for
18 the computation of the initial accrued liability contribution under
19 this section. Beginning with the July 1, 2019 actuarial valuation,
20 the accrued liability contribution shall be computed so that if the
21 contribution is paid annually in level dollars, it will amortize this
22 unfunded accrued liability over a closed 30 year period. Beginning
23 with the July 1, 2029 actuarial valuation, when the remaining
24 amortization period reaches 20 years, any increase or decrease in
25 the unfunded accrued liability as a result of actuarial losses or gains
26 for subsequent valuation years shall serve to increase or decrease,
27 respectively, the amortization period for the unfunded accrued
28 liability, unless an increase in the amortization period will cause it
29 to exceed 20 years. If an increase in the amortization period as a
30 result of actuarial losses for a valuation year would exceed 20 years,
31 the accrued liability contribution shall be computed for the
32 valuation year in the same manner provided for the computation of
33 the initial accrued liability contribution under this section.

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

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

1 30, 1996 shall be the full market value of the assets as of that date
2 and shall include the proceeds from the bonds issued pursuant to the
3 Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-
4 7.45 et seq.), paid to the system by the New Jersey Economic
5 Development Authority to fund the unfunded accrued liability of
6 the system.

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

22 (1) for valuation periods ending June 30, 1997 through June 30,
23 2001, to the extent possible by up to 100% of the excess valuation
24 assets;

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

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

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

32 c. The actuary shall certify annually the aggregate amount
33 payable to the contingent reserve fund in the ensuing year, which
34 amount shall be equal to the sum of the amounts described in this
35 section. The State shall pay into the contingent reserve fund during
36 the ensuing year the amount so determined.

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

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

42 (cf: P.L.2007, c.92, s.25)

43

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

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

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

9 b. With respect to employers other than the State, upon the
10 basis of the tables recommended by the actuary which the board
11 adopts and regular interest, the actuary shall compute the amount of
12 the accrued liability of the retirement system as of March 31, 1992
13 under the projected unit credit method, excluding the liability for
14 pension adjustment benefits for active employees funded pursuant
15 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already
16 covered by the assets of the retirement system, valued in accordance
17 with the asset valuation method established in this section. Using
18 the total amount of this unfunded accrued liability, the actuary shall
19 compute the initial amount of contribution which, if [the
20 contribution is increased at a specific rate and] paid annually in
21 level dollars for a specific period of time, will amortize this
22 liability. The State Treasurer shall determine, upon the advice of
23 the Director of the Division of Pensions and Benefits, the board of
24 trustees and the actuary, [the rate of increase for the contribution
25 and] the time period for full funding of this liability, which shall
26 not exceed 40 years on initial application of this section as amended
27 by this act, P.L.1994, c.62. This shall be known as the "accrued
28 liability contribution." Any increase or decrease in the unfunded
29 accrued liability as a result of actuarial losses or gains for the 10
30 valuation years following valuation year 1992 shall serve to
31 increase or decrease, respectively, the unfunded accrued liability
32 contribution. Thereafter, any increase or decrease in the unfunded
33 accrued liability as a result of actuarial losses or gains for
34 subsequent valuation years shall serve to increase or decrease,
35 respectively, the amortization period for the unfunded accrued
36 liability, unless an increase in the amortization period will cause it
37 to exceed 30 years. If an increase in the amortization period as a
38 result of actuarial losses for a valuation year would exceed 30 years,
39 the accrued liability contribution shall be computed for the
40 valuation year in the same manner provided for the computation of
41 the initial accrued liability contribution under this section.
42 Beginning with the July 1, 2019 actuarial valuation, the accrued
43 liability contribution shall be computed so that if the contribution is
44 paid annually in level dollars, it will amortize this unfunded accrued
45 liability over a closed 30 year period. Beginning with the July 1,
46 2029 actuarial valuation, when the remaining amortization period
47 reaches 20 years, any increase or decrease in the unfunded accrued
48 liability as a result of actuarial losses or gains for subsequent

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

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

1 the accrued liability contribution shall be computed for the
2 valuation year in the same manner provided for the computation of
3 the initial accrued liability contribution under this section.

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

8 The value of the assets to be used in the computation of the
9 contributions provided for under this section for valuation periods
10 shall be the value of the assets for the preceding valuation period
11 increased by the regular interest rate, plus the net cash flow for the
12 valuation period (the difference between the benefits and expenses
13 paid by the system and the contributions to the system) increased by
14 one half of the regular interest rate, plus 20% of the difference
15 between this expected value and the full market value of the assets
16 as of the end of the valuation period. This shall be known as the
17 "valuation assets." Notwithstanding the first sentence of this
18 paragraph, the valuation assets for the valuation period ending
19 March 31, 1996 shall be the full market value of the assets as of that
20 date and, with respect to the valuation assets allocated to the State,
21 shall include the proceeds from the bonds issued pursuant to the
22 "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-
23 7.45 et seq.), paid to the system by the New Jersey Economic
24 Development Authority to fund the unfunded accrued liability of
25 the system. Notwithstanding the first sentence of this paragraph,
26 the valuation assets for the valuation period ending June 30, 1999
27 shall be the full market value of the assets as of that date.

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

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

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

33 (3) the contributory group insurance premium fund, created by
34 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
35 4 of P.L.1960, c.79; less

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

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

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

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

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

7 (3) the contributory group insurance premium fund, created by
8 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
9 4 of P.L.1960, c.79; less

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

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

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

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

46 (4) for valuation periods ending March 31, 2004 through June
47 30, 2007, to the extent possible by up to 50% of the excess

1 valuation assets allocated to the State or to the other employers,
2 respectively.

3 For calendar years 1998 and 1999, the rate of contribution of
4 members of the retirement system under section 25 of P.L.1954,
5 c.84 (C.43:15A-25) shall be reduced by 1/2 of 1% from excess
6 valuation assets and for calendar years 2000 and 2001, the rate of
7 contribution shall be reduced by 2% from excess valuation assets.
8 Thereafter, through calendar year 2007, the rate of contribution of
9 members of the retirement system under that section for a calendar
10 year shall be reduced equally with normal contributions to the
11 extent possible, but not by more than 2%, from excess valuation
12 assets if the State Treasurer determines that excess valuation assets
13 shall be used to reduce normal contributions by the State and local
14 employers for the fiscal year beginning immediately prior to the
15 calendar year, or for the calendar year for local employers whose
16 fiscal year is the calendar year, and excess valuation assets above
17 the amount necessary to fund the reduction for that calendar year in
18 the member contribution rate plus an equal reduction in the normal
19 contribution shall be available for the further reduction of normal
20 contributions, subject to the limitations prescribed by this
21 subsection.

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

40 The normal contribution for the increased benefits for active
41 employees under P.L.2001, c.133 shall be paid from the benefit
42 enhancement fund. If assets in the benefit enhancement fund are
43 insufficient to pay the normal contribution for the increased benefits
44 for a valuation period, the State shall pay the amount of normal
45 contribution for the increased benefits not covered by assets from
46 the benefit enhancement fund.

47 c. The retirement system shall certify annually the aggregate
48 amount payable to the contingent reserve fund in the ensuing year,

1 which amount shall be equal to the sum of the amounts described in
2 this section.

3 The State Treasurer shall reduce the normal and accrued liability
4 contributions payable by employers other than the State, excluding
5 the contribution payable from the benefit enhancement fund, to a
6 percentage of the amount certified annually by the retirement
7 system, which percentage shall be: for payments due in the State
8 fiscal year ending June 30, 2005, 20%; for payments due in the
9 State fiscal year ending June 30, 2006, not more than 40%; for
10 payments due in the State fiscal year ending June 30, 2007, not
11 more than 60%; and for payments due in the State fiscal year ending
12 June 30, 2008, not more than 80%.

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

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

38 The actuaries for the retirement system shall determine the
39 unfunded liability of the retirement system, by employer, for the
40 reduced normal and accrued liability contributions provided under
41 P.L.2009, c.19. This unfunded liability shall be paid by the
42 employer in level annual payments over a period of 15 years
43 beginning with the payments due in the State fiscal year ending
44 June 30, 2012 and shall be adjusted by the rate of return on the
45 actuarial value of assets.

46 The retirement system shall annually certify to each employer
47 the contributions due to the contingent reserve fund for the liability
48 under P.L.2009, c.19. The contributions certified by the retirement

1 system shall be paid by the employer to the retirement system on or
2 before the date prescribed by law for payment of employer
3 contributions for basic retirement benefits. If payment of the full
4 amount of the contribution certified is not made within 30 days
5 after the last date for payment of employer contributions for basic
6 retirement benefits, interest at the rate of 10% per year shall be
7 assessed against the unpaid balance on the first day after the
8 thirtieth day.

9 The State shall pay into the contingent reserve fund during the
10 ensuing year the amount so determined. The death benefits,
11 payable as a result of contribution by the State under the provisions
12 of this chapter upon the death of an active or retired member, shall
13 be paid from the contingent reserve fund.

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

17 (cf: P.L.2009, c.19, s.1)

18

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

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

23 a. Upon the basis of the tables recommended by the actuary
24 which the board adopts and regular interest, the actuary shall
25 compute annually, beginning as of June 30, 1992, the amount of the
26 contribution which shall be the normal cost as computed under the
27 projected unit credit method attributable to service rendered under
28 the retirement system for the year beginning on July 1 immediately
29 succeeding the date of the computation. This shall be known as the
30 "normal contribution."

31 b. Upon the basis of the tables recommended by the actuary
32 which the board adopts and regular interest, the actuary shall
33 annually determine if there is an amount of the accrued liability of
34 the retirement system, computed under the projected unit credit
35 method, which is not already covered by the assets of the retirement
36 system, valued in accordance with the asset valuation method
37 established in this section. This shall be known as the "unfunded
38 accrued liability." If there was no unfunded accrued liability for the
39 valuation period immediately preceding the current valuation
40 period, the actuary, using the total amount of this unfunded accrued
41 liability, shall compute the initial amount of contribution which, if
42 **【the contribution is increased at a specific rate and】** paid annually
43 in level dollars for a specific period of time, will amortize this
44 liability. The State Treasurer shall determine, upon the advice of
45 the Director of the Division of Pensions and Benefits, the board of
46 trustees and the actuary, **【the rate of increase for the contribution**
47 **and】** the time period for full funding of this liability, which shall
48 not exceed 30 years. This shall be known as the "accrued liability

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 June
41 30, 1996 shall be the full market value of the assets as of that date
42 and shall include the proceeds from the bonds issued pursuant to the
43 Pension Bond Financing Act of 1997, P.L.1997, c.114 (C.34:1B-
44 7.45 et seq.), paid to the system by the New Jersey Economic
45 Development Authority to fund the unfunded accrued liability of
46 the system.

47 "Excess valuation assets" means the valuation assets for a
48 valuation period less the actuarial accrued liability for the valuation

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

14 (1) for valuation periods ending June 30, 1997 through June 30,
15 2001, to the extent possible by up to 100% of the excess valuation
16 assets;

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

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

21 (4) for valuation periods ending June 30, 2004 through June 30,
22 2007, to the extent possible by up to 50% of the excess valuation
23 assets.

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

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

41 (cf: P.L.2007, c.92, s.27)

42

43 24. Section 19 of P.L.1992, c.125 (C.43:4B-1) is amended to
44 read as follows:

45 19. There is hereby established the Retirement Systems Actuary
46 Selection Committee which shall consist of the State Treasurer, and
47 the directors of the Divisions of Pensions and Benefits and
48 Investment, and Office of Management and Budget, or their

1 designated representatives, and one member designated by each of
2 the boards of trustees of the Public Employees' Retirement System
3 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the
4 Teachers' Pension and Annuity Fund established pursuant to
5 N.J.S.18A:66-1 et seq., and the Police and Firemen's Retirement
6 System established pursuant to P.L.1944, c.255 (C.43:16A-1 et
7 seq.). The committee shall select the actuary or actuaries for the
8 State retirement systems in accordance with the provisions of
9 P.L.1954, c.48 (C.52:34-6 et seq.), provided, however, that the
10 boards shall have the power to veto the selection of the actuary for
11 valid reason.

12 (cf: P.L.1992, c.125, s.19)

13

14 25. Section 2 of P.L.1958, c.143 (C.43:3B-2) is amended to read
15 as follows:

16 2. The monthly retirement allowance or pension originally
17 granted to any retirant and the pension or survivorship benefit
18 originally granted to any beneficiary shall be adjusted in accordance
19 with the provisions of this act provided, however, that:

20 a. the maximum retirement allowance, without option, shall be
21 considered the retirement allowance originally granted to any
22 retirant who, at retirement, elected an Option I allowance pursuant
23 to the provisions of the statutes stipulated in subsection b. of section
24 1 of this act (C.43:3B-1); and b. the minimum pension granted to
25 any beneficiary stipulated in subsection d. (4) of section 1 of this
26 act (C.43:3B-1), shall be considered the pension originally granted
27 to such beneficiary.

28 Pension adjustments shall not be paid to retirants or beneficiaries
29 who are not receiving their regular, full, monthly retirement
30 allowances, pensions or survivorship benefits. The adjustment
31 granted under the provisions of this act shall be effective only on
32 the first day of a month, shall be paid in monthly installments, and
33 shall not be decreased, increased, revoked or repealed except as
34 otherwise provided in this act. No adjustment shall be due to a
35 retirant or a beneficiary unless it constitutes a payment for an entire
36 month; provided, however, that an adjustment shall be payable for
37 the entire month in which the retirant or beneficiary dies.

38 Commencing with the effective date of P.L. , c. (pending
39 before the Legislature as this bill) and thereafter, no further
40 adjustments to the monthly retirement allowance or pension
41 originally granted to any retirant and the pension or survivorship
42 benefit granted to any beneficiary shall be made in accordance with
43 the provisions of P.L.1958, c.143 (C.43:3B-1 et seq.), unless the
44 adjustment is reactivated as permitted by law. This provision shall
45 not reduce the monthly retirement benefit that a retirant or a
46 beneficiary is receiving on the effective date of P.L. , c. (pending
47 before the Legislature as this bill) when the benefit includes an

1 adjustment granted prior to that effective date.

2 (cf: P.L.1993, c.335, s.2)

3

4 26. Section 5 of P.L.1997, c.113 (C.43:3C-9.5) is amended to
5 read as follows:

6 5. a. For purposes of this section, a "non-forfeitable right to
7 receive benefits" means that the benefits program, for any employee
8 for whom the right has attached, cannot be reduced. The provisions
9 of this section shall not apply to post-retirement medical benefits
10 which are provided pursuant to law.

11 b. Vested members of the Teachers' Pension and Annuity Fund,
12 the Judicial Retirement System, the Prison Officers' Pension Fund,
13 the Public Employees' Retirement System, the Consolidated Police
14 and Firemen's Pension Fund, the Police and Firemen's Retirement
15 System, and the State Police Retirement System, upon the
16 attainment of five years of service credit in the retirement system or
17 fund or on the date of enactment of this bill, whichever is later,
18 shall have a non-forfeitable right to receive benefits as provided
19 under the laws governing the retirement system or fund upon the
20 attainment of five years of service credit in the retirement system or
21 fund or on the effective date of this act, whichever is later. This
22 subsection shall not be applicable to a person who becomes a
23 member of these systems or funds on or after the effective date of
24 P.L.2010, c.1, except that such person shall not include a person
25 who at the time of enrollment in the retirement system or fund on or
26 after that effective date transfers service credit, as permitted, from
27 another State-administered retirement system or fund of which the
28 person was a member immediately prior to the effective date and
29 continuously thereafter, but shall include a former member of the
30 retirement system or fund who has been granted a retirement
31 allowance and is reenrolled in the retirement system or fund on or
32 after that effective date after becoming employed again in a position
33 that makes the person eligible to be a member of the retirement
34 system.

35 c. (1) The State and all other applicable employers shall make
36 **[an] their** annual normal contribution **[and an] to each system or**
37 **fund as determined by the applicable board of trustees in**
38 **consultation with the system's or fund's actuary.** The State and all
39 **other applicable employers shall also make their** annual unfunded
40 accrued liability contribution to each system or fund **as determined**
41 **by the applicable board in consultation with the system's or fund's**
42 **actuary,** pursuant to standard actuarial practices authorized by law,
43 unless **[both of the following conditions are met]:** (1) there is no
44 existing unfunded accrued liability contribution due to the system
45 or fund at the close of the valuation period applicable to the
46 upcoming fiscal year; **[and] or** (2) there are excess valuation assets
47 in excess of the actuarial accrued liability of the system or fund at
48 the close of the valuation period applicable to the upcoming fiscal

1 year. The annual normal contribution plus the annual unfunded
2 accrued liability contribution shall together be the annual required
3 contribution, provided, however, that for the State, section 38 of
4 P.L.2010, c.1 (C.43:3C-14) shall apply with regard to the State's
5 annual required contribution. The amount of the State's annually
6 required contributions shall be included in all annual appropriations
7 acts as a dedicated line item.

8 (2) Each member of the Teachers' Pension and Annuity Fund,
9 the Judicial Retirement System, the Prison Officers' Pension Fund,
10 the Public Employees' Retirement System, the Consolidated Police
11 and Firemen's Pension Fund, the Police and Firemen's Retirement
12 System, and the State Police Retirement System shall have a
13 contractual right to the annual required contribution amount being
14 made by the member's employer or by any other public entity. The
15 contractual right to the annual required contribution means that the
16 employer or other public entity shall make the annual required
17 contribution on a timely basis to help ensure that the retirement
18 system is securely funded and that the retirement benefits to which
19 the members are entitled by statute and in consideration for their
20 public service and in compensation for their work will be paid upon
21 retirement. The failure of the State or any other public employer to
22 make the annually required contribution shall be deemed to be an
23 impairment of the contractual right of each employee. The Superior
24 Court, Law Division shall have jurisdiction over any action brought
25 by a member of any system or fund or any board of trustees to
26 enforce the contractual right set forth in this subsection. The State
27 and other public employers shall submit to the jurisdiction of the
28 Superior Court, Law Division and shall not assert sovereign
29 immunity in such an action. If a member or board prevails in
30 litigation to enforce the contractual right set forth in this subsection,
31 the court may award that party their reasonable attorney's fees.

32 d. This act shall not be construed to preclude forfeiture,
33 suspension or reduction in benefits for dishonorable service.

34 e. Except as expressly provided herein and only to the extent
35 so expressly provided, nothing in this act shall be deemed to (1)
36 limit the right of the State to alter, modify or amend such retirement
37 systems and funds, or (2) create in any member a right in the corpus
38 or management of a retirement system or pension fund. The rights
39 reserved to the State in this subsection shall not diminish the
40 contractual rights of employees established by subsections a., b.,
41 and c. of this section.

42 (cf: P.L.2010, c.1, s.29)

43
44 27. (New section) For the purpose of the Teachers' Pension and
45 Annuity Fund, established pursuant to N.J.S.18A:66-1 et seq., the
46 Judicial Retirement System, established pursuant to P.L.1973, c.140
47 (C.43:6A-1 et seq.), the Public Employees' Retirement System,
48 established pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the

1 Police and Firemen's Retirement System, established pursuant to
2 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police
3 Retirement System, established pursuant to P.L.1965, c.89
4 (C.53:5A-1 et seq.), "target funded ratio" means a ratio of the
5 actuarial value of assets to the actuarially determined accrued
6 liabilities expressed as a percentage that shall be for the State part
7 of each system, and the local part of each system, if any, 75 percent
8 in State fiscal year 2012, and increased in each fiscal year thereafter
9 by equal increments for seven years, until the ratio reaches 80
10 percent at which it shall remain for all subsequent fiscal years.

11

12 28. Section 5 of P.L.1950, c.270 (C.52:18A-83) is amended to
13 read as follows:

14 5. a. There is hereby established in the Division of Investment
15 a State Investment Council which shall consist of ~~13~~ 16
16 members.

17 (1) Each of the following agencies, namely, the Board of
18 Trustees of the Public Employees' Retirement System, ~~the Board~~
19 ~~of Trustees of the State Police Retirement System,~~ the Board of
20 Trustees of the Teachers' Pension and Annuity Fund, and the Board
21 of Trustees of the Police and Firemen's Retirement System of New
22 Jersey, shall ~~elect~~ designate one ~~of the active members of its~~
23 ~~retirement system, or one of the retirees of its retirement system~~
24 ~~who is receiving a retirement allowance~~ board member elected to
25 serve on the board, to serve as a member of the State Investment
26 Council herein established. The ~~four~~ three members of the
27 council so ~~elect~~ designated shall serve as such for a period of
28 three years from the date of their ~~election~~ designation and until
29 their respective successors are in like manner ~~elect~~ designated.

30 (2) ~~Six~~ Eight of the members of the State Investment Council
31 shall be appointed by the Governor, with the advice and consent of
32 the Senate, for a term of five years and shall serve until the
33 member's successor is appointed and has qualified. Of the initial
34 members appointed following the effective date of P.L. _____,
35 c. (pending before the Legislature as this bill), one shall serve for
36 an initial period of three years, and one shall serve for an initial
37 period of two years.

38 (3) One member of the State Investment Council shall be
39 appointed by the Governor from among three persons nominated
40 jointly by the President of the Senate and the Speaker of the
41 General Assembly and shall serve for a term of five years and until
42 the member's successor is appointed and has qualified.

43 (4) ~~One member~~ Two members of the State Investment
44 Council shall be appointed by the Governor from among ~~three~~ six
45 persons nominated by the Public Employee Committee of the New
46 Jersey State AFL-CIO and shall serve for a term of ~~three~~ five
47 years and until the member's successor is appointed and has

1 qualified. At least one of the two members appointed shall be a
2 member of a union representing police officers or firefighters. If the
3 persons nominated are not acceptable to the Governor for
4 appointment, the Governor may request submission of new
5 nominees.

6 (5) One member of the State Investment Council shall be
7 appointed by the Governor from among three persons nominated by
8 the New Jersey Education Association and shall serve for a term of
9 three years and until the member's successor is appointed and has
10 qualified. If the persons nominated are not acceptable to the
11 Governor for appointment, the Governor may request submission of
12 new nominees.

13 (6) One member of the State Investment Council shall be
14 appointed by the Governor from among three persons nominated by
15 the State Troopers Fraternal Association and shall serve for a term
16 of three years and until the member's successor is appointed and has
17 qualified. If the persons nominated are not acceptable to the
18 Governor for appointment, the Governor may request submission of
19 new nominees.

20 The ~~two~~ four members appointed pursuant to paragraphs (4)
21 ~~and~~, (5) ~~and~~ (6) of this subsection by the Governor to the council
22 shall be qualified by training, experience or long-term interest in the
23 direct management, analysis, supervision or investment of assets,
24 and this training, experience or long-term interest shall have been
25 supplemented by academic training in the fields of economics,
26 business, law, finance or actuarial science or by actual employment
27 in those fields.

28 At least ~~five~~ seven of the ~~seven~~ nine members appointed
29 pursuant to paragraphs (2) and (3) of this subsection by the
30 Governor to the council shall be qualified by training and
31 experience in the direct management, analysis, supervision or
32 investment of assets, which training and experience shall have been
33 acquired through academic training or through actual employment
34 in those fields.

35 b. No member of the State Investment Council shall hold any
36 office, position or employment in any political party nor shall any
37 such member benefit directly or indirectly from any transaction
38 made by the Director of the Division of Investment provided for
39 herein.

40 The members of the council shall elect annually from their
41 number a chairman of such council. Any member of the council so
42 elected shall serve as such chairman for a term of one year and until
43 a successor is, in like manner, elected. The chairman of the council
44 shall be its presiding officer.

45 The members of the council shall serve without compensation
46 but shall be reimbursed for necessary expenses incurred in the
47 performance of their duties as approved by the chairman of the
48 council. The members of the council shall be required to file the

1 same annual financial disclosure statements as those required to be
2 filed by members of other State boards and commissions who are
3 not compensated for their services, as such statements shall be
4 required by law or executive order of the Governor. The financial
5 disclosure statements of council members shall be made available to
6 the public in the same manner as the statements of members of
7 other State boards and commissions are made available to the
8 public.

9 Each member of the council, except the member appointed from
10 among persons nominated by the President of the Senate and the
11 Speaker of the General Assembly, may be removed from office by
12 the Governor, for cause, upon notice and opportunity to be heard at
13 a public hearing. Any vacancy in the membership of the council
14 occurring other than by expiration of term shall be filled in the same
15 manner as the original appointment, but for the unexpired term
16 only.

17 c. The terms of the members of the council serving pursuant to
18 paragraph (1) of subsection a. of this section and serving on the
19 effective date **[**specified for this section of P.L.2007, c.103, other
20 than the five members appointed by the Governor with the advice
21 and consent of the Senate to serve for terms of five years and the
22 one member appointed by the Governor from persons nominated
23 jointly by the President of the Senate and the Speaker of the
24 General Assembly to serve for a term of five years,**]** of P.L.____,
25 c. (pending before the Legislature as this bill) are terminated as of
26 that effective date. A member terminated pursuant to this subsection
27 shall be eligible for reappointment.

28 (cf: P.L.2007, c.103, s.50)

29

30 29. N.J.S.18A:66-61 is amended to read as follows:

31 18A:66-61. The board of trustees shall be and are hereby
32 constituted trustees of the various funds and accounts established by
33 this article; provided, however, that all functions, powers and
34 duties relating to the investment or reinvestment of moneys of, and
35 purchase, sale or exchange of any investments or securities, of or
36 for any fund or account established under this article, shall be
37 exercised and performed by the Director of the Division of
38 Investment in accordance with the provisions of chapter 270, of the
39 laws of 1950. The secretary of the board of trustees shall
40 determine from time to time the cash requirements of the various
41 funds and accounts established by this article and the amount
42 available for investment, all of which shall be certified to the
43 Director of the Division of Investment.

44 **[A]** An elected member of the board of trustees to be designated
45 by a majority vote thereof shall serve on the state investment
46 council as a representative of said board of trustees, for a term of
47 **[1 year]** three years and until **[his]** a successor is **[elected]**
48 designated and qualified.

1 The finance committee of the board of trustees shall be appointed
2 on or before July 1 of each calendar year by the chairman of the
3 board of trustees to serve through June 30 of the ensuing calendar
4 year and until their successors are appointed. The finance
5 committee of the board of trustees shall consist of three members
6 of the board of trustees, one of whom shall be the State Treasurer.
7 (cf: P.L.1970, c.57, s.8)

8
9 30. Section 32 of P.L.1954, c.84 (C.43:15A-32) is amended to
10 read as follows:

11 32. The board of trustees shall be and are hereby constituted
12 trustees of the various funds and accounts established by this act;
13 provided, however, that all functions, powers, and duties relating to
14 the investment or reinvestment of moneys of, and purchase, sale, or
15 exchange of any investments or securities, of or for any fund or
16 account established under this act, shall be exercised and
17 performed by the Director of the Division of Investment in
18 accordance with the provisions of chapter 270, P.L.1950, as
19 amended and supplemented. The secretary of the board of trustees
20 shall determine from time to time the cash requirements of the
21 various funds and accounts established by this act and the amount
22 available for investment, all of which shall be certified to the
23 Director of the Division of Investment.

24 The members of the finance committee of the board of trustees
25 shall be appointed at or after July 1 of each calendar year by the
26 chairman of the board of trustees to serve through June 30 of the
27 ensuing calendar year and until their successors are appointed. The
28 finance committee of the board of trustees shall consist of five
29 members of the board of trustees, one of whom shall be the State
30 Treasurer, and one of whom shall be the member designated to
31 serve on the State Investment Council. At least three members of
32 the finance committee shall be members of the board of trustees
33 who have been elected by members of the system. A quorum of
34 the finance committee shall consist of three members thereof.

35 **[A] An elected** member of the board of trustees to be designated
36 by a majority vote thereof shall serve on the State Investment
37 Council as a representative of said board of trustees, for a term of
38 **[1 year] three years** and until **[his] a** successor is **[elected]**
39 **designated** and qualified.

40 (cf: P.L.1970, c.57, s.3)

41

42 31. Section 14 of P.L.1944, c.255 (C.43:16A-14) is amended to
43 read as follows:

44 14. (1) The board of trustees shall be and are hereby constituted
45 trustees of the various funds and accounts established by this act;
46 provided, however, that all functions, powers and duties relating to
47 the investment or reinvestment of moneys of, and purchase, sale or
48 exchange of any investments or securities, of or for any fund or

1 account established under this act shall be exercised and performed
2 by the director of the Division of Investment in accordance with the
3 provisions of chapter 270, of the laws of 1950. The secretary of the
4 board of trustees shall determine from time to time the cash
5 requirements of the various funds and accounts established by this
6 act and the amount available for investment, all of which shall be
7 certified to the Director of the Division of Investment.

8 **[A]** An elected member of the board of trustees to be designated
9 by a majority vote thereof shall serve on the State Investment
10 Council as a representative of said board of trustees, for a term of
11 **[1 year]** three years and until **[his]** a successor is **[elected]**
12 designated and qualified.

13 (2) The Treasurer of the State of New Jersey shall be the
14 custodian of the several funds created by this act, shall select all
15 depositories and custodians and shall negotiate and execute custody
16 agreements in connection with the assets or investments of any of
17 said funds. All payments from said funds shall be made by him
18 only upon vouchers signed by the chairman and countersigned by
19 the secretary of the board of trustees. No voucher shall be drawn,
20 except upon the authority of the board duly entered in the records
21 of its proceedings.

22 (3) (Deleted by amendment.)

23 (4) Except as otherwise herein provided, no trustee and no
24 employee of the board of trustees shall have any direct interest in
25 the gains or profits of any investments of the retirement system;
26 nor shall any trustee or employee of the board directly or
27 indirectly, for himself or as an agent in any manner use the moneys
28 of the retirement system, except to make such current and necessary
29 payments as are authorized by the board of trustees; nor shall any
30 trustee or employee of the board of trustees become an endorser or
31 surety, or in any manner an obligor for moneys loaned to or
32 borrowed from the retirement system.

33 (cf: P.L.1970, c.57, s.11)

34
35 32. Section 31 of P.L.1965, c.89 (C.53:5A-31) is amended to
36 read as follows:

37 31. a. The board of trustees shall be and are hereby constituted
38 trustees of all the various funds established by this act except the
39 group insurance premium fund; provided, however, that all
40 functions, powers, and duties relating to the investment or
41 reinvestment of moneys of, and purchase, sale, or exchange of any
42 investments or securities, of or for any fund established under this
43 act, shall be exercised and performed by the Director of the
44 Division of Investment in accordance with the provisions of c. 270,
45 P.L.1950, as amended and supplemented.

46 b. The secretary of the board shall determine from time to time
47 the cash requirements of the various funds established by this act

1 and the amount available for investment, all of which shall be
2 certified to the Director of the Division of Investment.

3 c. ~~【A member of the board of trustees to be designated by a~~
4 ~~majority vote thereof shall serve on the State Investment Council as~~
5 ~~a representative of said board of trustees, for a term of 1 year and~~
6 ~~until his successor is elected and qualified】 Deleted by amendment,~~
7 P.L. , c. (pending before the Legislature as this bill).

8 d. The Treasurer of the State of New Jersey shall be the
9 custodian of the several funds. All payments from said funds shall
10 be made by him only upon vouchers signed by the secretary and the
11 chairman of the board of trustees. A duly attested copy of the
12 resolution of the board of trustees designating the chairman and
13 bearing on its face specimen signatures of the chairman and the
14 secretary shall be filed with the treasurer as his authority for making
15 payments upon such vouchers.

16 e. The administration of the program shall be performed by the
17 personnel of the Division of Pensions of the State Department of the
18 Treasury and the costs of administration shall be borne by the
19 State.

20 (cf: P.L.1971, c.181, s.21)

21

22 33. (New section) Whenever a committee of the Public
23 Employees' Retirement System, the Teachers' Pension and Annuity
24 Fund, the Police and Firemen's Retirement System, or the State
25 Police Retirement System fails to render a decision on a matter
26 before the committee because it has not received a vote of the
27 majority of the committee members after 60 days have passed
28 following the initial consideration of the matter, the committee shall
29 utilize a super conciliator, randomly selected from a list developed
30 by the New Jersey Public Employment Relations Commission. The
31 super conciliator shall assist the committee based upon procedures
32 and subject to qualifications established by the commission
33 pursuant to regulation.

34 The super conciliator shall promptly schedule investigatory
35 proceedings. The purpose of the proceedings shall be to:

36 Investigate and acquire all relevant information regarding the
37 committee's failure to render a decision;

38 Discuss with the members of the committee their differences,
39 and utilize means and mechanisms, including but not limited to
40 requiring 24-hour per day negotiations, until a voluntary settlement
41 is reached, and provide recommendations to resolve the members'
42 differences; and

43 Institute any other non-binding procedures deemed appropriate
44 by the super conciliator.

45 If the actions taken by the super conciliator fail to resolve the
46 dispute, the super conciliator shall issue a final report, which shall
47 be provided to the committee promptly and made available to the
48 public within 10 days thereafter.

1 The super conciliator, while functioning in a mediatory capacity,
2 shall not be required to disclose any files, records, reports,
3 documents, or other papers classified as confidential which are
4 received or prepared by him or to testify with regard to mediation
5 conducted by him under this section. Nothing contained herein
6 shall exempt an individual from disclosing information relating to
7 the commission of a crime.

8
9 34. Section 27 of P.L.1966, c.217 (C.43:15A-57.2) is amended
10 to read as follows:

11 27. a. Except as provided in subsections b. ~~[and]~~, c., and d. of
12 this section, if a former member of the State Employees' Retirement
13 System or the retirement system, who has been granted a retirement
14 allowance for any cause other than disability, becomes employed
15 again in a position which makes him eligible to be a member of the
16 retirement system, his retirement allowance and the right to any
17 death benefit as a result of his former membership, shall be
18 canceled until he again retires.

19 Such person shall be re-enrolled in the retirement system and
20 shall contribute thereto at a rate based on his age at the time of re-
21 enrollment. Such person shall be treated as an active member for
22 determining disability or death benefits while in service and no
23 benefits pursuant to an optional selection with respect to his former
24 membership shall be paid if his death shall occur during the period
25 of such re-enrollment.

26 Upon subsequent retirement of such member, his former
27 retirement allowance shall be reinstated together with any optional
28 selection, based on his former membership. In addition, he shall
29 receive an additional retirement allowance based on his subsequent
30 service as a member computed in accordance with applicable
31 provisions of chapter 84 of the laws of 1954; provided, however,
32 that his total retirement allowance upon such subsequent retirement
33 shall not be a greater proportion of his final compensation than the
34 proportion to which he would have been entitled had he remained in
35 service during the period of his prior retirement. Any death benefit
36 to which such member shall be eligible shall be based on his latest
37 retirement, but shall not be less than the death benefit that was
38 applicable to his former retirement.

39 b. The cancellation, re-enrollment, and additional retirement
40 allowance provisions of subsection a. of this section shall not apply
41 to a former member of the retirement system who, after having been
42 granted a retirement allowance, becomes employed again by: (1) an
43 employer or employers in a position or positions for which the
44 aggregate compensation does not exceed \$15,000 per year; or (2) if
45 the compensation exceeds \$10,000 per year, by an employer that is
46 a public institution of higher education as defined in N.J.S.18A:62-
47 1 in a teaching staff position. The Director of the Division of
48 Pensions and Benefits may from time to time adjust the amount in

1 paragraph (1) of this subsection. This adjustment shall be 3/5 of the
2 percentage of change in the index, as defined in section 1 of
3 P.L.1958, c.143 (C.43:3B-1), over a period of time as determined
4 by the director.

5 c. The cancellation, reenrollment, and additional retirement
6 allowance provisions of subsection a. and the compensation
7 limitations of subsection b. of this section shall not apply to a
8 former member of the retirement system who, after having been
9 granted a retirement allowance, becomes employed by the State
10 Department of Education in a position of critical need as
11 determined by the State Commissioner of Education, or becomes
12 employed by a board of education in a position of critical need as
13 determined by the superintendent of the district on a contractual
14 basis for a term of not more than one year; except that the
15 cancellation, reenrollment, and additional retirement allowance
16 provisions and the compensation limitations shall apply if the
17 former member becomes employed within 120 days of retirement in
18 a position with the employer from which the member retired.
19 Nothing herein shall preclude a former member so reemployed by a
20 board of education from renewing a contract for one additional
21 year, provided that the total period of employment with any
22 individual board of education does not exceed a two-year period.

23 d. The cancellation, reenrollment, and additional retirement
24 allowance provisions of subsections a., b., and c. of this section
25 shall not apply to a former member of the retirement system who
26 was granted a retirement allowance pursuant to section 1 of
27 P.L.1985, c.414 (C.43:15A-47.2) prior to the effective date of
28 P.L. , c. (pending before the Legislature as this bill).
29 (cf: P.L.2001, c.355, s.2)

30

31 35. Section 20 of P.L.1971, c.175 (C.43:16A-15.3) is amended
32 to read as follows:

33 20. **[If]** a. Except as provided in subsection b. of this section, if
34 a former member of the retirement system who has been granted a
35 retirement allowance for any cause other than disability, becomes
36 employed again in a position which makes him eligible to be a
37 member of the retirement system, his retirement allowance and the
38 right to any death benefit as a result of his former membership,
39 shall be canceled until he again retires.

40 Such person shall be reenrolled in the retirement system and
41 shall contribute thereto at a rate based on his age at the time of
42 reenrollment. Such person shall be treated as an active member for
43 determining disability or death benefits while in service. Upon
44 subsequent retirement of such member, his former retirement
45 allowance shall be reinstated based on his former membership. In
46 addition, he shall receive an additional retirement allowance based
47 on his subsequent service as a member computed in accordance
48 with applicable provisions of this chapter; provided, however, that

1 his total retirement allowance upon such subsequent retirement
2 shall not be a greater proportion of his average final compensation
3 or final compensation, whichever is applicable, than the proportion
4 to which he would have been entitled had he remained in service
5 during the period of his prior retirement. Any death benefit to
6 which such member shall be eligible shall be based on his latest
7 retirement, but shall not be less than the death benefit that was
8 applicable to his former retirement.

9 b. The cancellation, reenrollment, and additional retirement
10 allowance provisions of subsection a. of this section shall not apply
11 to a former member of the retirement system who was granted a
12 retirement allowance pursuant to section 1 of P.L.1999, c.96
13 (C.43:16A-5.1) prior to the effective date of P.L. , c. (pending
14 before the Legislature as this bill).
15 (cf: P.L.1999, c.428, s.8)

16
17 36. Section 34 of P.L.2007, c.103 (C.52:14-17.46.4) is amended
18 to read as follows:

19 34. The School Employees' Health Benefits Program, authorized
20 by sections 31 through 41 of P.L.2007, c.103 (C.52:14-17.46.1
21 through C.52:14-17.46.11), shall be administered in the Department
22 of the Treasury. Administrative services required by the
23 commission shall be provided through the Division of Pensions and
24 Benefits, and the Director of the Division of Pensions and Benefits
25 shall be the secretary of the commission. The commission and the
26 committee shall establish a health benefits program for the school
27 employees of the State, the cost of which shall be paid as specified
28 in this act. The commission shall, by a majority vote of its full
29 authorized membership, establish and change rules and regulations
30 as may be deemed reasonable and necessary for the administration
31 of this act by the commission and committee. Until such rules and
32 regulations are established, the rules and regulations of the State
33 Health Benefits Commission shall be deemed to apply to the School
34 Employees' Health Benefits Program.

35 The Attorney General shall be the legal advisor of the
36 commission and committee.

37 The members of the commission and committee shall serve
38 without compensation but shall be reimbursed for any necessary
39 expenditure.

40 The commission shall ensure that audits and reviews are
41 performed as required by section 40 of P.L.2007, c.103 (C.52:14-
42 17.46.10). Actions of the commission related to such audits and
43 reviews shall require a majority vote of the full authorized
44 membership of the commission to be approved.

45 Except as otherwise specified in this act, actions of the
46 commission shall require the affirmative vote of a majority of the
47 members present at a meeting at which a majority of the full

1 authorized membership is present.

2 (cf: P.L.2007, c.103, s.34)

3

4 37. N.J.S.18A:66-43 is amended to read as follows:

5 18A:66-43. Retirement for service shall be as follows: (a) A
6 person who was a member before the effective date of P.L.2008,
7 c.89 and has attained 60 years of age may retire on a service
8 retirement allowance by filing with the retirement system a written
9 application, duly attested, stating at which time subsequent to the
10 execution and filing thereof he desires to be retired. The board of
11 trustees shall retire him at the time specified or at such other time
12 within 1 month after the date so specified as the board finds
13 advisable.

14 (b) A person who becomes a member on or after the effective
15 date of P.L.2008, c.89 and has attained 62 years of age may retire
16 on a service retirement allowance by filing with the retirement
17 system a written application, duly attested, stating at which time
18 subsequent to the execution and filing thereof the member desires to
19 be retired. The board of trustees shall retire the member at the time
20 specified or at such other time within 1 month after the date so
21 specified as the board finds advisable.

22 (c) A person who becomes a member on or after the effective
23 date of P.L. , c. (pending before the Legislature as this bill) and
24 has attained 65 years of age may retire on a service retirement
25 allowance by filing with the retirement system a written application,
26 duly attested, stating at which time subsequent to the execution and
27 filing thereof the member desires to be retired. The board of trustees
28 shall retire the member at the time specified or at such other time
29 within 1 month after the date so specified as the board finds
30 advisable.

31 (cf: P.L.2008. c.89, s.21)

32

33 38. Section 47 of P.L.1954, c.84 (C.43:15A-47) is amended to
34 read as follows:

35 47. a. A person who was a member before the effective date of
36 P.L.2008, c.89 and has attained 60 years of age may retire on a
37 service retirement allowance by filing with the retirement system a
38 written application, duly attested, stating at which time subsequent
39 to the execution and filing thereof the member desires to be retired.
40 The board of trustees shall retire him at the time specified or at such
41 other time within one month after the date so specified as the board
42 finds advisable.

43 b. A person who becomes a member on or after the effective
44 date of P.L.2008, c.89 and has attained 62 years of age may retire
45 on a service retirement allowance by filing with the retirement
46 system a written application, duly attested, stating at which time
47 subsequent to the execution and filing thereof the member desires to
48 be retired. The board of trustees shall retire the member at the time

1 specified or at such other time within one month after the date so
2 specified as the board finds advisable.

3 c. A person who becomes a member on or after the effective
4 date of P.L. , c. (pending before the Legislature as this bill)
5 and has attained 65 years of age may retire on a service retirement
6 allowance by filing with the retirement system a written application,
7 duly attested, stating at which time subsequent to the execution and
8 filing thereof the member desires to be retired. The board of
9 trustees shall retire the member at the time specified or at such
10 other time within one month after the date so specified as the board
11 finds advisable.

12 (cf: P.L.2008, c.89, s.24)

13

14 39. (New section) a. The amount of contribution to be paid
15 pursuant to the provisions of sections 40, 41, and 42 of P.L. ,
16 c. (C.) (pending before the Legislature as this bill) by public
17 employees of the State or of employers other than the State for
18 health care benefits coverage for the employee and any dependent
19 shall be as follows:

20

21 for family coverage or its equivalent -

22 an employee who earns less than \$25,000 shall pay 3 percent of
23 the cost of coverage;

24 an employee who earns \$25,000 or more but less than \$30,000
25 shall pay 4 percent of the cost of coverage;

26 an employee who earns \$30,000 or more but less than \$35,000
27 shall pay 5 percent of the cost of coverage;

28 an employee who earns \$35,000 or more but less than \$40,000
29 shall pay 6 percent of the cost of coverage;

30 an employee who earns \$40,000 or more but less than \$45,000
31 shall pay 7 percent of the cost of coverage;

32 an employee who earns \$45,000 or more but less than \$50,000
33 shall pay 9 percent of the cost of coverage;

34 an employee who earns \$50,000 or more but less than \$55,000
35 shall pay 12 percent of the cost of coverage;

36 an employee who earns \$55,000 or more but less than \$60,000
37 shall pay 14 percent of the cost of coverage;

38 an employee who earns \$60,000 or more but less than \$65,000
39 shall pay 17 percent of the cost of coverage;

40 an employee who earns \$65,000 or more but less than \$70,000
41 shall pay 19 percent of the cost of coverage;

42 an employee who earns \$70,000 or more but less than \$75,000
43 shall pay 22 percent of the cost of coverage;

44 an employee who earns \$75,000 or more but less than \$80,000
45 shall pay 23 percent of the cost of coverage;

46 an employee who earns \$80,000 or more but less than \$85,000
47 shall pay 24 percent of the cost of coverage;

1 an employee who earns \$85,000 or more but less than \$90,000
2 shall pay 26 percent of the cost of coverage;
3 an employee who earns \$90,000 or more but less than \$95,000
4 shall pay 28 percent of the cost of coverage;
5 an employee who earns \$95,000 or more or but less than
6 \$100,000 shall pay 29 percent of the cost of coverage;
7 an employee who earns \$100,000 or more or but less than
8 \$110,000 shall pay 32 percent of the cost of coverage;
9 an employee who earns \$110,000 or more shall pay 35 percent of
10 the cost of coverage
11
12 for individual coverage or its equivalent -
13 an employee who earns less than \$20,000 shall pay 4.5 percent
14 of the cost of coverage;
15 an employee who earns \$20,000 or more but less than \$25,000
16 shall pay 5.5 percent of the cost of coverage;
17 an employee who earns \$25,000 or more but less than \$30,000
18 shall pay 7.5 percent of the cost of coverage;
19 an employee who earns \$30,000 or more but less than \$35,000
20 shall pay 10 percent of the cost of coverage;
21 an employee who earns \$35,000 or more but less than \$40,000
22 shall pay 11 percent of the cost of coverage;
23 an employee who earns \$40,000 or more but less than \$45,000
24 shall pay 12 percent of the cost of coverage;
25 an employee who earns \$45,000 or more but less than \$50,000
26 shall pay 14 percent of the cost of coverage;
27 an employee who earns \$50,000 or more but less than \$55,000
28 shall pay 20 percent of the cost of coverage;
29 an employee who earns \$55,000 or more but less than \$60,000
30 shall pay 23 percent of the cost of coverage;
31 an employee who earns \$60,000 or more but less than \$65,000
32 shall pay 27 percent of the cost of coverage;
33 an employee who earns \$65,000 or more but less than \$70,000
34 shall pay 29 percent of the cost of coverage;
35 an employee who earns \$70,000 or more but less than \$75,000
36 shall pay 32 percent of the cost of coverage;
37 an employee who earns \$75,000 or more but less than \$80,000
38 shall pay 33 percent of the cost of coverage;
39 an employee who earns \$80,000 or more but less than \$95,000
40 shall pay 34 percent of the cost of coverage;
41 an employee who earns \$95,000 or more shall pay 35 percent of
42 the cost of coverage;
43
44 for member with child or spouse coverage or its equivalent -
45 an employee who earns less than \$25,000 shall pay 3.5 percent
46 of the cost of coverage;
47 an employee who earns \$25,000 or more but less than \$30,000
48 shall pay 4.5 percent of the cost of coverage;

1 an employee who earns \$30,000 or more but less than \$35,000
2 shall pay 6 percent of the cost of coverage;
3 an employee who earns \$35,000 or more but less than \$40,000
4 shall pay 7 percent of the cost of coverage;
5 an employee who earns \$40,000 or more but less than \$45,000
6 shall pay 8 percent of the cost of coverage;
7 an employee who earns \$45,000 or more but less than \$50,000
8 shall pay 10 percent of the cost of coverage;
9 an employee who earns \$50,000 or more but less than \$55,000
10 shall pay 15 percent of the cost of coverage;
11 an employee who earns \$55,000 or more but less than \$60,000
12 shall pay 17 percent of the cost of coverage;
13 an employee who earns \$60,000 or more but less than \$65,000
14 shall pay 21 percent of the cost of coverage;
15 an employee who earns \$65,000 or more but less than \$70,000
16 shall pay 23 percent of the cost of coverage;
17 an employee who earns \$70,000 or more but less than \$75,000
18 shall pay 26 percent of the cost of coverage;
19 an employee who earns \$75,000 or more but less than \$80,000
20 shall pay 27 percent of the cost of coverage;
21 an employee who earns \$80,000 or more but less than \$85,000
22 shall pay 28 percent of the cost of coverage;
23 an employee who earns \$85,000 or more but less than \$100,000
24 shall pay 30 percent of the cost of coverage.
25 an employee who earns \$100,000 or more shall pay 35 percent of
26 the cost of coverage.

27
28 Base salary shall be used to determine what an employee earns
29 for the purposes of this provision.

30 As used in this section, "cost of coverage" means the premium or
31 periodic charges for medical and prescription drug plan coverage,
32 but not for dental, vision, or other health care, provided under the
33 State Health Benefits Program or the School Employees' Health
34 Benefits Program; or the premium or periodic charges for health
35 care, prescription drug, dental, and vision benefits, and for any
36 other health care benefit, provided pursuant to P.L.1979, c.391
37 (C.18A:16-12 et seq.), N.J.S.40A:10-16 et seq., or any other law by
38 a local board of education, local unit or agency thereof, and
39 including a county college, an independent State authority as
40 defined in section 43 of P.L. , c. (C.) (pending before the
41 Legislature as this bill), and a local authority as defined in section
42 44 of P.L. , c. (C.) (pending before the Legislature as this
43 bill), when the employer is not a participant in the State Health
44 Benefits Program or the School Employees' Health Benefits
45 Program.

46
47 40. (New section) a. Notwithstanding the provisions of any other
48 law to the contrary, public employees of the State and employers

1 other than the State shall contribute, through the withholding of the
2 contribution from the pay, salary, or other compensation, toward the
3 cost of health care benefits coverage for the employee and any
4 dependent provided under the State Health Benefits Program or the
5 School Employees' Health Benefits Program in an amount that shall
6 be determined in accordance with section 39 of P.L. , c. (C.)
7 (pending before the Legislature as this bill), except that, an
8 employee employed on the date on which the contribution
9 commences, as specified in subsection c. of this section, shall pay:

10 during the first year in which the contribution is effective, one-
11 fourth of the amount of contribution;

12 during the second year in which the contribution is effective,
13 one-half of the amount of contribution; and

14 during the third year in which the contribution is effective, three-
15 fourths of the amount of contribution,

16 as that amount is calculated in accordance with section 39 of
17 P.L. , c. (C.) (pending before the Legislature as this bill).

18 The amount payable by any employee under this subsection shall
19 not under any circumstance be less than the 1.5 percent of base
20 salary that is provided for in subsection c. of section 6 of P.L.1996,
21 c.8 (C.52:14-17.28b), subsection a. of section 7 of P.L.1964, c.125
22 (C.52:14-17.38), or subsection b. of section 39 of P.L.2007, c.103
23 (C.52:14-17.46.9). An employee who pays the contribution
24 required under this subsection shall not also be required to pay the
25 contribution of 1.5 percent of base salary under those subsections
26 listed above.

27 This section shall apply to employees for whom the employer
28 has assumed a health care benefits payment obligation, to require
29 that such employees pay at a minimum the amount of contribution
30 specified in this section for health care benefits coverage.

31 b. (1) Notwithstanding the provisions of any other law to the
32 contrary, public employees of the State and employers other than
33 the State, as those employees are specified in paragraph (2) of this
34 subsection, shall contribute, through the withholding of the
35 contribution from the monthly retirement allowance, toward the
36 cost of health care benefits coverage for the employee in retirement
37 and any dependent provided under the State Health Benefits
38 Program or the School Employees' Health Benefits Program in an
39 amount that shall be determined in accordance with section 39 of
40 P.L. , c. (C.) (pending before the Legislature as this bill) by
41 using the percentage applicable to the range within which the
42 annual retirement allowance, and any future cost of living
43 adjustments thereto, falls. The retirement allowance, and any future
44 cost of living adjustments thereto, shall be used to identify the
45 percentage of the cost of coverage.

46 (2) The contribution specified in paragraph (1) of this subsection
47 shall apply to:

1 (a) State employees and employees of an independent State
2 authority, board, commission, corporation, agency, or organization
3 for whom there is a majority representative for collective
4 negotiations purposes who accrue 25 years of nonconcurrent service
5 credit in one or more State or locally-administered retirement
6 systems on or after the effective date of P.L. , c. (pending before
7 the Legislature as this bill), or on or after the expiration of an
8 applicable binding collective negotiations agreement in force on
9 that effective date, and who retire on or after that effective date or
10 expiration date, excepting employees who elect deferred retirement;

11 (b) State employees and employees of an independent State
12 authority, board, commission, corporation, agency, or organization
13 for whom there is no majority representative for collective
14 negotiations purposes who accrue 25 years of nonconcurrent service
15 credit in one or more State or locally-administered retirement
16 systems on or after that effective date, or on or after the expiration
17 of an applicable binding collective negotiations agreement in force
18 on that effective date if the terms of that agreement concerning
19 health care benefits coverage in retirement have been deemed
20 applicable by the commission or the employer to those employees,
21 and who retire on or after that effective date or expiration date,
22 excepting employees who elect deferred retirement;

23 (c) employees covered by section 3 of P.L.1987, c.384 (C.52:14-
24 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section
25 1 of P.L.1995, c.357 (C.52:14-17.32f2) who accrue 25 years of
26 service credit on or after that effective date and retire on or after
27 that effective date, including employees who elect deferred
28 retirement;

29 (d) employees of an employer other than the State for whom
30 there is a majority representative for collective negotiations
31 purposes who accrue the number of years of service credit, and age
32 if required, as specified in subsection b. of section 7 of P.L.1964,
33 c.125 (C.52:14-17.38), on or after that effective date, or on or after
34 the expiration of an applicable binding collective negotiations
35 agreement in force on that effective date, and who retire on or after
36 that effective date or expiration date, excepting employees who
37 elect deferred retirement, when the employer has assumed payment
38 obligations for health care benefits in retirement for such an
39 employee; and

40 (e) employees of an employer other than the State for whom
41 there is no majority representative for collective negotiations
42 purposes who accrue the number of years of service credit, and age
43 if required, as specified in subsection b. of section 7 of P.L.1964,
44 c.125 (C.52:14-17.38), on or after that effective date, or on or after
45 the expiration of an applicable binding collective negotiations
46 agreement in force on that effective date if the terms of that
47 agreement concerning health care benefits payment obligations in
48 retirement have been deemed applicable by the employer to those

1 employees, and who retire on or after that effective date or
2 expiration date, excepting employees who elect deferred retirement,
3 when the employer has assumed payment obligations for health care
4 benefits in retirement for such an employee.

5 (3) Employees described in paragraph (2) of this subsection who
6 have 20 or more years of creditable service in one or more State or
7 locally-administered retirement systems on the effective date of
8 P.L. , c. (pending before the Legislature of this bill) shall not be
9 subject to the provisions of this subsection.

10 (4) The amount payable by a retiree under this subsection shall
11 not under any circumstance be less than the 1.5 percent of the
12 monthly retirement allowance, including any future cost of living
13 adjustments thereto, that is provided for such a retiree, if applicable
14 to that retiree, under subsection d. of section 6 of P.L.1996, c.8
15 (C.52:14-17.28b), subsection b. of section 7 of P.L.1964, c.125
16 (C.52:14-17.38), section 3 of P.L.1987, c.384 (C.52:14-17.32f),
17 section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section 1 of
18 P.L.1995, c.357 (C.52:14-17.32f2), or less than a comparable
19 contribution with regard to the retirees who are members of the
20 alternate benefit program. A retiree who pays the contribution
21 required under this subsection shall not also be required to pay the
22 contribution of 1.5 percent of the monthly retirement allowance
23 under those sections or subsections listed above.

24 c. The contribution required under subsection a. of this section
25 shall commence: (1) upon the effective date of P.L. , c. (pending
26 before the Legislature as this bill) for employees who do not have a
27 majority representative for collective negotiations purposes,
28 notwithstanding that the terms of a collective negotiations
29 agreement binding on the employer have been applied or have been
30 deemed applicable to those employees by the commission or the
31 employer, or have been used to modify the respective payment
32 obligations of the employer and those employees in a manner
33 consistent with those terms, as permitted by law, before that
34 effective date; and (2) upon the expiration of any applicable binding
35 collective negotiations agreement in force on that effective date for
36 employees covered by that agreement with the contribution required
37 for the first year under subsection a. of this section commencing in
38 the first year after that expiration, or upon the effective date of
39 P.L. , c. (pending before the Legislature as this bill) if such an
40 agreement has expired before that effective date with the
41 contribution required for the first year under subsection a. of this
42 section commencing in the first year after that effective date.

43 Once those employees are subjected to the contribution
44 requirements set forth in subsection a. of this section, the public
45 employers and public employees shall be bound by this act, P.L. ,
46 c. (C.) (pending before the Legislature as this bill), to apply the
47 contribution levels set forth in section 39 of this act until all
48 affected employees are contributing the full amount of the

1 contribution, as determined by the implementation schedule set
2 forth in subsection a. of this section. Notwithstanding the
3 expiration date set forth in section 83 of this act, P.L. , c. (C.)
4 (pending before the Legislature as this bill), or the expiration date
5 of any successor agreements, the parties shall be bound to apply the
6 requirements of this paragraph until they have reached the full
7 implementation of the schedule set forth in subsection a. of this
8 section.

9 The provisions of law permitting the determination of an amount
10 of contribution at the discretion of the employer or by means of a
11 binding collective negotiations agreement, and by means of the
12 application of the terms of such an agreement to employees who do
13 not have a majority representative for collective negotiations
14 purposes, or the modification of the respective payment obligations
15 of the employer and those employees in a manner consistent with
16 the terms of such an agreement, shall remain in effect with regard to
17 contributions, whether as a share of the cost, or percentage of the
18 premium or periodic charge, or otherwise, in addition to the
19 contributions required under subsections a. and b. of this section.

20 Paragraphs (5) and (6) of subsection c. of section 6 of P.L.1996,
21 c.8 (C.52:14-17.28b) shall not be deemed to apply with regard to
22 contributions specified and made under this section. Paragraph (7)
23 of subsection c. of P.L.1996, c.8 (C.52:14-17.28b) shall apply with
24 regard to contributions specified and made under this section.

25 A qualified retiree under section 1 of P.L.1997, c.330 (C.52:14-
26 17.32i) who meets the eligibility requirements on or after the
27 effective date of P.L. , c. (pending before the Legislature as this
28 bill) shall not pay less than the contribution required under
29 subsection b. of this section, including as specified in paragraph (3)
30 of subsection b. of this section. Part-time State employees and part-
31 time faculty members participating under section 1 of P.L.2003,
32 c.172 (C.52:14-17.33a) shall not pay less than the contribution
33 specified in subsection a. of this section. Subsection b. of this
34 section shall apply under subsection b. of section 7 of P.L.1964,
35 c.125 (C.52:14-17.38) to a surviving spouse of a retired employee
36 of an employer other than the State and the employee's dependents
37 in the same manner as to the retiree at the time of death.

38 The minimum contribution based on the retirement allowance of
39 members of the alternate benefit program in retirement shall be
40 determined, as may be necessary, pursuant to the formula specified
41 in paragraph (4) of subsection c. of section 6 of P.L.1996, c.8
42 (C.52:14-17.28b).

43 All other provisions of law shall remain applicable to the extent
44 not inconsistent with this section.

45 d. Any extension, alteration, re-opening, amendment or other
46 adjustment to a collective negotiations agreement in force on the
47 effective date of P.L. , c. (pending before the Legislature as this
48 bill), or to an agreement that is expired on that effective date, shall

1 be considered a new collective negotiations agreement entered into
2 after that effective date for the purposes of this section.

3
4 41. (New section) a. Notwithstanding the provisions of any
5 other law to the contrary, public employees, as specified herein, of a
6 local board of education shall contribute, through the withholding
7 of the contribution from the pay, salary, or other compensation,
8 toward the cost of health care benefits coverage for the employee
9 and any dependent provided pursuant to P.L.1979, c.391
10 (C.18A:16-12 et seq.), unless the provisions of subsection b. of this
11 section apply, in an amount that shall be determined in accordance
12 with section 39 of P.L. , c. (C.) (pending before the
13 Legislature as this bill), except that, employees employed on the
14 date on which the contribution commences, as specified in
15 subsection c. of this section, shall pay:

16 during the first year in which the contribution is effective, one-
17 fourth of the amount of contribution;

18 during the second year in which the contribution is effective,
19 one-half of the amount of contribution; and

20 during the third year in which the contribution is effective, three-
21 fourths of the amount of contribution,

22 as that amount is calculated in accordance with section 39 of
23 P.L. , c. (C.) (pending before the Legislature as this bill).

24 The amount payable by any employee under this subsection shall
25 not under any circumstance be less than the 1.5 percent of base
26 salary that is provided for in subsection b. of section 6 of P.L.1979,
27 c.391 (C.18A:16-17). An employee who pays the contribution
28 required under this subsection shall not also be required to pay the
29 contribution of 1.5 percent of base salary under subsection b. of
30 section 6 of P.L.1979, c.391 (C.18A:16-17).

31 This section shall apply to employees for whom the employer
32 has assumed a health care benefits payment obligation pursuant to
33 section 6 of P.L.1979, c.391 (C.18A:16-17), to require that such
34 employees pay at a minimum the amount of contribution specified
35 in this section for health care benefits coverage.

36 b. A board of education may enter into a contract or contracts
37 to provide health care benefits including prescription drug benefits
38 and other health care benefits, as may be required to implement a
39 duly executed collective negotiations agreement, and may provide
40 through such agreement for an amount of employee contribution as
41 a cost share or premium share that is other than the percentage
42 required under subsection a. of this section, if the total aggregate
43 savings during the term of the agreement from employee
44 contributions or plan design, or both, from that agreement as
45 applied to employees covered by that agreement, and to employees
46 not covered by that agreement but to whom the agreement has been
47 applied by the employer, if any, equals or exceeds the annual
48 savings that would have resulted had those employees made the

1 contributions required under subsection a. of this section plus the
2 annual savings resulting to the plans within the School Employees'
3 Health Benefits Program as a result of plan design changes made
4 pursuant to P.L. , c. (C.) (pending before the Legislature as
5 this bill).

6 A board of education shall certify the savings in writing to the
7 Department of Education and the Division of Pensions and Benefits
8 in the Department of the Treasury. The Department of Education
9 shall review and approve or reject the certification within 30 days
10 of receipt. The certification is deemed approved if not rejected
11 within that time. The agreement shall not be executed until that
12 approval is received or the 30 day period has lapsed, whichever
13 occurs first.

14 c. The contribution under subsection a. of this section shall
15 commence: (1) upon the effective date of P.L. , c. (pending
16 before the Legislature as this bill) for employees who do not have a
17 majority representative for collective negotiations purposes,
18 notwithstanding that the terms of a collective negotiations
19 agreement binding on the employer have been applied or have been
20 deemed applicable to those employees by the employer, or have
21 been used to modify the respective payment obligations of the
22 employer and those employees in a manner consistent with those
23 terms, before that effective date; and (2) upon the expiration of any
24 applicable binding collective negotiations agreement in force on
25 that effective date for employees covered by that agreement with
26 the contribution required for the first year under subsection a. of
27 this section commencing in the first year after that expiration, or
28 upon the effective date of P.L. , c. (pending before the
29 Legislature as this bill) if such an agreement has expired before that
30 effective date with the contribution required for the first year under
31 subsection a. of this section commencing in the first year after that
32 effective date.

33 Once those employees are subjected to the contribution
34 requirements set forth in subsection a. of this section, the public
35 employers and public employees shall be bound by this act, P.L. ,
36 c. (C.) (pending before the Legislature as this bill), to apply
37 the contribution levels set forth in section 39 of this act until all
38 affected employees are contributing the full amount of the
39 contribution, as determined by the implementation schedule set
40 forth in subsection a. of this section. Notwithstanding the
41 expiration date set forth in section 83 of this act, P.L. , c. (C.)
42 (pending before the Legislature as this bill), or the expiration date
43 of any successor agreements, the parties shall be bound to apply the
44 requirements of this paragraph until they have reached the full
45 implementation of the schedule set forth in subsection a. of this
46 section.

47 As may be permitted by law or otherwise, the authority to
48 determine an amount of contribution at the discretion of the

1 employer or by means of a binding collective negotiations
2 agreement, and by means of the application of the terms of such an
3 agreement to employees who do not have a majority representative
4 for collective negotiations purposes, or the modification of the
5 respective payment obligations of the employer and those
6 employees in a manner consistent with the terms of such
7 agreements, shall remain in effect with regard to contributions,
8 whether as a share of the cost, or percentage of the premium or
9 periodic charge, or otherwise, in addition to the contributions
10 required under subsection a. of this section.

11 This section shall apply when the health care benefits are
12 provided through self insurance, the purchase of commercial
13 insurance or reinsurance, an insurance fund or joint insurance fund,
14 or in any other manner, or any combination thereof.

15 All other provisions of law shall remain applicable to the extent
16 not inconsistent with this section.

17 d. Any extension, alteration, re-opening, amendment or other
18 adjustment to a collective negotiations agreement in force on the
19 effective date of P.L. , c. (pending before the Legislature as this
20 bill), or to an agreement that is expired on that effective date, shall
21 be considered a new collective negotiations agreement entered into
22 after that effective date for the purposes of this section.

23

24 42. (New section) a. Notwithstanding the provisions of any
25 other law to the contrary, public employees, as specified herein, of a
26 local unit or agency thereof, herein referred to as an employer, shall
27 contribute, through the withholding of the contribution from the
28 pay, salary, or other compensation, toward the cost of health care
29 benefits coverage for the employee and any dependent provided
30 pursuant to N.J.S.40A:10-16 et seq., unless the provisions of
31 subsection c. of this section apply, in an amount that shall be
32 determined in accordance with section 39 of P.L. , c. (C.)
33 (pending before the Legislature as this bill), except that, employees
34 employed on the date on which the contribution commences, as
35 specified in subsection d. of this section, shall pay:

36 during the first year in which the contribution is effective, one-
37 fourth of the amount of contribution;

38 during the second year in which the contribution is effective,
39 one-half of the amount of contribution; and

40 during the third year in which the contribution is effective, three-
41 fourths of the amount of contribution,

42 as that amount is calculated in accordance with section 39 of
43 P.L. , c. (C.) (pending before the Legislature as this bill).

44 The amount payable by any employee under this subsection shall
45 not under any circumstance be less than the 1.5 percent of base
46 salary that is provided for in subsection b. of N.J.S.40A:10-21 or
47 section 16 of P.L.2010, c.2 (C.18A:64A-13.1a). An employee who
48 pays the contribution required under this subsection shall not also

1 be required to pay the contribution of 1.5 percent of base salary
2 under subsection b. of N.J.S.40A:10-21 or section 16 of P.L.2010,
3 c.2 (C.18A:64A-13.1a).

4 This subsection shall apply to employees for whom the employer
5 has assumed a health care benefits payment obligation pursuant to
6 N.J.S.40A:10-21, to require that such employees pay at a minimum
7 the amount of contribution specified in this section for health care
8 benefits coverage, with employer including a county college.

9 b. (1) Notwithstanding the provisions of any other law to the
10 contrary, public employees of an employer, as those employees are
11 specified in paragraph (2) of this subsection, shall contribute,
12 through the withholding of the contribution from the monthly
13 retirement allowance, toward the cost of health care benefits
14 coverage for the employee in retirement and any dependent
15 provided pursuant to N.J.S.40A:10-16 et seq., unless the provisions
16 of subsection c. of this section apply, in an amount that shall be
17 determined in accordance with section 39 of P.L. , c. (C.)
18 (pending before the Legislature as this bill) by using the percentage
19 applicable to the range within which the annual retirement
20 allowance, and any future cost of living adjustments thereto, falls.
21 The retirement allowance, and any future cost of living adjustments
22 thereto, shall be used to identify the percentage of the cost of
23 coverage.

24 (2) The contribution specified in paragraph (1) of this
25 subsection shall apply to:

26 (a) employees of employers for whom there is a majority
27 representative for collective negotiations purposes who accrue the
28 number of years of service credit, and age if required, as specified
29 in N.J.S.40A:10-23, or on or after the expiration of an applicable
30 binding collective negotiations agreement in force on that effective
31 date, and who retire on or after that effective date or expiration
32 date, excepting employees who elect deferred retirement, when the
33 employer has assumed payment obligations for health care benefits
34 in retirement for such an employee; and

35 (b) employees of employers for whom there is no majority
36 representative for collective negotiations purposes who accrue the
37 number of years of service credit, and age if required, as specified
38 in N.J.S.40A:10-23, on or after that effective date or on or after the
39 expiration of a binding collective negotiations agreement in force
40 on that effective date if the terms of that agreement concerning
41 health care benefits payment obligations in retirement have been
42 deemed applicable by the employer to those employees, and who
43 retire on or after that effective date or expiration date, excepting
44 employees who elect deferred retirement, when the employer has
45 assumed payment obligations for health care benefits in retirement
46 for such an employee.

47 (3) Employees described in paragraph (2) of this subsection who
48 have 20 or more years of creditable service in one or more State or

1 locally-administered retirement systems on the effective date of
2 P.L. , c. (pending before the Legislature of this bill) shall not be
3 subject to the provisions of this subsection.

4 The amount payable by a retiree under this subsection shall not
5 under any circumstance be less than the 1.5 percent of the monthly
6 retirement allowance, including any future cost of living
7 adjustments thereto, that is provided for such a retiree, if applicable
8 to that retiree, under subsection b. of section N.J.S.40A:10-23. A
9 retiree who pays the contribution required under this subsection
10 shall not also be required to pay the contribution of 1.5 percent of
11 the monthly retirement allowance under subsection b. of section
12 N.J.S.40A:10-23.

13 c. A local unit may enter into a contract or contracts to provide
14 health care benefits, including prescription drug benefits and other
15 health care benefits, as may be required to implement a duly
16 executed collective negotiations agreement, and may provide
17 through such agreement for an amount of employee or retiree
18 contribution as a cost share or premium share that is other than the
19 percentage required under subsections a. or b., or both, of this
20 section, if the total aggregate savings during the term of that
21 agreement from such contributions or plan design, or both, from
22 that agreement as applied to employees and retirees covered by that
23 agreement, and to employees and retirees not covered by that
24 agreement but to whom the agreement has been applied by the
25 employer, if any, equals or exceeds the annual savings that would
26 have resulted had those employees or retirees made the
27 contributions required under subsections a. or b., or both, of this
28 section plus the annual savings resulting to the plans within the
29 State Health Benefits Program as a result of plan design changes
30 made pursuant to P.L. , c. (C.) (pending before the
31 Legislature as this bill).

32 A local unit shall certify the savings in writing to the Division of
33 Local Government Services in the Department of Community
34 Affairs and the Division of Pensions and Benefits in the Department
35 of the Treasury. The Department of Community Affairs shall
36 review and approve or reject the certification within 30 days of
37 receipt. The certification shall be deemed approved if not rejected
38 within that time. The agreement shall not be executed until that
39 approval is received or the 30 day period has lapsed, whichever
40 occurs first.

41 d. The contribution under subsection a. of this section shall
42 commence: (1) upon the effective date of P.L. , c. (pending
43 before the Legislature as this bill) for employees who do not have a
44 majority representative for collective negotiations purposes,
45 notwithstanding that the terms of an applicable collective
46 negotiations agreement binding on the employer have been applied
47 or have been deemed applicable to those employees by the
48 employer, or have been used to modify the respective payment

1 obligations of the employer and those employees in a manner
2 consistent with those terms, before that effective date; and (2) upon
3 the expiration of any applicable binding collective negotiations
4 agreement in force on that effective date for employees covered by
5 that agreement with the contribution required for the first year
6 under subsection a. of this section commencing in the first year
7 after that expiration, or upon the effective date of P.L. ,
8 c. (pending before the Legislature as this bill) if such an agreement
9 has expired before that effective date with the contribution required
10 for the first year under subsection a. of this section commencing in
11 the first year after that effective date.

12 Once those employees are subjected to the contribution
13 requirements set forth in subsection a. of this section, the public
14 employers and public employees shall be bound by this act, P.L. ,
15 c. (C.) (pending before the Legislature as this bill), to apply
16 the contribution levels set forth in section 39 of this act until all
17 affected employees are contributing the full amount of the
18 contribution, as determined by the implementation schedule set
19 forth in subsection a. of this section. Notwithstanding the
20 expiration date set forth in section 83 of this act, P.L. , c.
21 (C.) (pending before the Legislature as this bill), or the
22 expiration date of any successor agreements, the parties shall be
23 bound to apply the requirements of this paragraph until they have
24 reached the full implementation of the schedule set forth in
25 subsection a. of this section.

26 As may be permitted by law or otherwise, the authority to
27 determine an amount of contribution at the discretion of the
28 employer or by means of a binding collective negotiations
29 agreement, and by means of the application of the terms of such an
30 agreement to employees who do not have a majority representative
31 for collective negotiations purposes, or the modification of the
32 respective payment obligations of the employer and those
33 employees in a manner consistent with the terms of such an
34 agreement, shall remain in effect with regard to contributions,
35 whether as a share of the cost, or percentage of the premium or
36 periodic charge, or otherwise, in addition to the contributions
37 required under subsections a. and b. of this section.

38 This section shall apply when the health care benefits are
39 provided through self insurance, the purchase of commercial
40 insurance or reinsurance, an insurance fund or joint insurance fund,
41 or in any other manner, or any combination thereof.

42 This section shall apply to counties and municipalities, and any
43 agency, board, commission, authority, or instrumentality of a local
44 unit, fire districts, or other entities created by a county or
45 municipality, and to county colleges.

46 Amounts deducted from a retiree's benefit pursuant to subsection
47 b. of this section shall be paid to the retiree's former employer, as
48 appropriate

1 All other provisions of law shall remain applicable to the extent
2 not inconsistent with this section.

3 e. Any extension, alteration, re-opening, amendment or other
4 adjustment to a collective negotiations agreement in force on the
5 effective date of P.L. , c. (pending before the Legislature as this
6 bill), or to an agreement that is expired on that effective date, shall
7 be considered a new collective negotiations agreement entered into
8 after that effective date for the purposes of this section.

9
10 43. (New section) As used in this section, "independent State
11 authority" means a public authority, board, commission,
12 corporation, or other agency or instrumentality of the State
13 allocated, in but not of, a principal department of State government
14 pursuant to Article V, Section IV, paragraph 1 of the New Jersey
15 Constitution, or which is not subject to supervision or control by the
16 department in which it is allocated, and a regional authority, but
17 shall not include a college or university.

18 Notwithstanding the provisions of any other law to the contrary,
19 public employees of an independent State authority who are not
20 subject to the provisions of section 40 of P.L. , c. (C.)
21 (pending before the Legislature as this bill) shall contribute,
22 through the withholding of the contribution from the pay, salary, or
23 other compensation or from the monthly retirement allowance,
24 toward the cost of health care benefits coverage for the employee
25 and any dependent provided by the authority during active service
26 and in retirement in an amount that shall be determined as closely
27 as possible in accordance with sections 39 and 40 of P.L. ,
28 c. (C.) (pending before the Legislature as this bill).

29 Once those employees are subjected to the contribution
30 requirements set forth in this section, the public employers and
31 public employees shall be bound by this act, P.L. , c. (C.)
32 (pending before the Legislature as this bill), to apply the
33 contribution levels set forth in section 39 of this act until all
34 affected employees are contributing the full amount of the
35 contribution, as determined by the implementation schedule set
36 forth in subsection a. of section 40 of this act. Notwithstanding the
37 expiration date set forth in section 83 of this act, P.L. ,
38 c. (C.) (pending before the Legislature as this bill), or the
39 expiration date of any successor agreements, the parties shall be
40 bound to apply the requirements of this paragraph until they have
41 reached the full implementation of the schedule set forth in
42 subsection a. of section 40 of this act.

43
44 44. (New section) As used in this section, "local authority"
45 means an "authority" as defined under the "Local Authorities Fiscal
46 Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.).

47 Notwithstanding the provisions of any other law to the contrary,
48 public employees of a local authority who are not subject to the

1 provisions of sections 40 and 42 of P.L. , c. (C.) (pending
2 before the Legislature as this bill) shall contribute, through the
3 withholding of the contribution from the pay, salary, or other
4 compensation or from the monthly retirement allowance, toward the
5 cost of health care benefits coverage for the employee and any
6 dependent provided by the local authority during active service and
7 in retirement in an amount that shall be determined as closely as
8 possible in accordance with sections 39 and 42 of P.L. ,
9 c. (C.) (pending before the Legislature as this bill).

10 Once those employees are subjected to the contribution
11 requirements set forth in this section, the public employers and
12 public employees shall be bound by this act, P.L. , c. (C.)
13 (pending before the Legislature as this bill), to apply the
14 contribution levels set forth in section 39 of this act until all
15 affected employees are contributing the full amount of the
16 contribution, as determined by the implementation schedule set
17 forth in subsection a. of section 42 of this act. Notwithstanding the
18 expiration date set forth in section 83 of this act, P.L. , c. (C.)
19 (pending before the Legislature as this bill), or the expiration date
20 of any successor agreements, the parties shall be bound to apply the
21 requirements of this paragraph until they have reached the full
22 implementation of the schedule set forth in subsection a. of section
23 40 of this act.

24

25 45. Section 3 of P.L.1961, c.49 (C.52:14-17.27) is amended to
26 read as follows:

27 3. a. There is hereby created a State Health Benefits
28 Commission, consisting of five members: the State Treasurer; the
29 Commissioner of Banking and Insurance; the Chairperson of the
30 Civil Service Commission; a State employees' representative chosen
31 by the Public Employees' Committee of the AFL-CIO; and [,
32 through June 30, 2008, when employers of employees, as defined in
33 section 32 of P.L.2007, c.103 (C.52:14-17.46.2), will no longer be
34 eligible to participate in the State Health Benefits Program
35 authorized by P.L.1961, c.49, a representative chosen by the New
36 Jersey Education Association, which represents the largest number
37 of employees of employers other than the State participating in the
38 State Health Benefits Program. Beginning July 1, 2008,] the fifth
39 member of the commission shall be a local employees'
40 representative chosen by the Public Employees' Committee of the
41 AFL-CIO.

42 The treasurer shall be chairman of the commission and the health
43 benefits program authorized by P.L.1961, c.49 shall be administered
44 in the Treasury Department. The Director of the Division of
45 Pensions and Benefits shall be the secretary of the commission. The
46 commission and committee shall establish a health benefits program
47 for the employees of the State, the cost of which shall be paid as
48 specified in section 6 of P.L.1961, c.49 (C.52:14-17.30). The

1 commission, in consultation with the committee, shall establish
2 rules and regulations as may be deemed reasonable and necessary
3 for the administration of P.L.1961, c.49.

4 The Attorney General shall be the legal advisor of the
5 commission and committee.

6 The members of the commission and committee shall serve
7 without compensation but shall be reimbursed for any necessary
8 expenditures. The public employee members shall not suffer loss of
9 salary or wages during service on the commission or committee.

10 The commission shall publish annually a report showing the
11 fiscal transactions of the program for the preceding year and stating
12 other facts pertaining to the plan. The commission shall submit the
13 report to the Governor and furnish a copy to every employer for use
14 of the participants and the public.

15 b. There is established a State Health Benefits Plan Design
16 Committee, composed of 12 members as follows:

17 six members who shall be appointed by the Governor as
18 representatives of public employers whose employees are enrolled
19 in the program;

20 three members who shall be appointed by the Public Employee
21 Committee of the AFL-CIO;

22 one member who shall be appointed by the head of the union,
23 that is not affiliated with the AFL-CIO, that represents the greatest
24 number of police officers in this State;

25 one member who shall be appointed by the head of the union,
26 that is not affiliated with the AFL-CIO, that represents the greatest
27 number of firefighters in this State; and

28 one member who shall be appointed by the head of the State
29 Troopers Fraternal Association.

30 The members of the committee shall serve for a term of three
31 years and until a successor is appointed and qualified. Of the initial
32 appointments by the Governor, three members shall serve for two
33 years and until a successor is appointed and qualified, and two shall
34 serve for one year and until a successor is appointed and qualified.
35 Of the initial appointment by the head of the union representing the
36 greatest number of police officers in the State, the member shall
37 serve for two years and until a successor is appointed and qualified.
38 Of the initial appointment by the head the union representing the
39 greatest number of firefighters in the State, the member shall serve
40 for one year and until a successor is appointed and qualified.

41 The members of the committee shall select a chairperson from
42 among the members, who shall serve for a term of one year, with no
43 member serving more than one term as chairperson until all the
44 members of the committee have served a term in a manner
45 alternating among the employer representatives and employee
46 representatives, unless the committee determines otherwise with
47 regard to this process.

1 The committee shall have the responsibility for and authority
2 over the various plans and components of those plans, including for
3 medical benefits, prescription benefits, dental, vision, and any other
4 health care benefits, offered and administered by the program. The
5 committee shall have the authority to create, modify, or terminate
6 any plan or component, at its sole discretion. Any reference in law
7 to the State Health Benefits Commission in the context of the
8 creation, modification, or termination of a plan or plan component
9 shall be deemed to apply to the committee.

10 The members of the committee shall have the same duty and
11 responsibility to the program as do the members of the commission.

12 If any matter before the committee receives at least seven votes
13 in the affirmative, the commission shall approve and implement the
14 committee's decision.

15 If any matter before the committee receives six votes in the
16 affirmative and six votes in the negative or the committee otherwise
17 reaches an impasse on a decision, the provisions of section 55 of
18 P.L. , c. (C.) (pending before the Legislature as this bill) shall
19 be followed.

20 (cf: P.L.2008, c.29, s.108)

21

22 46. Section 33 of P.L.2007, c.103 (C.52:14-17.46.3) is amended
23 to read as follows:

24 33. a. There is hereby created a School Employees' Health
25 Benefits Commission, consisting of nine members:

26 (1) the State Treasurer and the Commissioner of the Department
27 of Banking and Insurance serving ex officio;

28 (2) a member appointed by the Governor who is a New Jersey
29 resident and is qualified by experience, education, or training in the
30 review, administration, or design of health insurance plans for self-
31 insured employers;

32 (3) a member appointed by the Governor from among three
33 persons nominated by the New Jersey School Boards' Association,
34 which member shall be qualified by experience, education, or
35 training in the review, administration, or design of health insurance
36 plans for self-insured employers;

37 (4) three members appointed by the Governor from among five
38 persons nominated by the New Jersey Education Association, of
39 whom two shall be qualified by experience, education, or training in
40 the review, administration, or design of health insurance plans for
41 self-insured employers;

42 (5) a member appointed by the Governor from among three
43 persons nominated by the education section of the New Jersey State
44 AFL-CIO, which member shall be qualified by experience,
45 education, or training in the review, administration, or design of
46 health insurance plans for self-insured employers; and

47 (6) a member appointed pursuant to subsection b. of this section
48 who shall be the chairperson.

1 b. The Governor shall appoint the chairperson from among
2 three persons nominated jointly by at least six of the eight members
3 appointed pursuant to subsection a. of this section.

4 c. If the Governor declines to make an appointment from
5 among the persons nominated for membership, the Governor shall
6 request that a new list of nominees be provided in compliance with
7 subsection a. of this section. If the Governor declines to make an
8 appointment from the new list, the process set forth in this
9 subsection shall be repeated until the Governor makes an
10 appointment from a list of nominees. Except with respect to the
11 appointment of the chairperson, if a new list of nominees is not
12 submitted within 45 days of the Governor's request, the Governor
13 shall make the appointment without the need to select from any list
14 of nominees.

15 d. The initial terms of the members of the commission shall be
16 as follows:

17 (1) the member appointed pursuant to paragraph (3) of
18 subsection a. of this section and the two members appointed
19 pursuant to paragraph (4) of subsection a. of this section who are
20 required to be qualified by experience, education, or training shall
21 serve for a term of three years;

22 (2) the member appointed pursuant to paragraph (2) of
23 subsection a. of this section, the member appointed pursuant to
24 paragraph (4) of subsection a. of this section who is not required to
25 be qualified by experience, education, or training, and the member
26 appointed pursuant to paragraph (5) of subsection a. of this section
27 shall serve for a term of two years; and

28 (3) the chairperson shall serve for a term of six years.

29 All subsequent terms shall be for three years, except that the
30 term of the chairperson shall be five years. A member of the
31 commission may be reappointed to succeeding terms without limit
32 in the same manner as the original appointment. A vacancy
33 occurring on the commission shall be filled in the same manner as
34 the original appointment and only for the unexpired term.

35 e. There is established a School Employees' Health Benefits
36 Plan Design Committee, composed of six members as follows:

37 three members who shall be appointed by the Governor as
38 representatives of public employers whose employees are enrolled
39 in the program;

40 two members who shall be appointed by the New Jersey
41 Education Association; and

42 one member who shall be appointed by the education section of
43 the New Jersey State AFL-CIO.

44 The members of the committee shall serve for a term of three
45 years and until a successor is appointed and qualified. Of the initial
46 appointments by the Governor, two members shall serve for two
47 years and until a successor is appointed and qualified, and one shall
48 serve for one year and until a successor is appointed and qualified.

1 Of the initial appointments by the New Jersey Education
2 Association, one member shall serve for one year and until a
3 successor is appointed and qualified.

4 The members of the committee shall select a chairperson from
5 among the members, who shall serve for a term of one year, with no
6 member serving more than one term as chairperson until all the
7 members of the committee have served a term in a manner
8 alternating among the employer representatives and employee
9 representatives, unless the committee determines otherwise with
10 regard to this process.

11 The committee shall have the responsibility for and authority
12 over the various plans and components of those plans, including for
13 medical benefits, prescription benefits, dental, vision, and any other
14 health care benefits, offered and administered by the program. The
15 committee shall have the authority to create, modify, or terminate
16 any plan or component, at its sole discretion. Any reference in law
17 to the School Employees' Health Benefits Commission in the
18 context of the creation, modification, or termination of a plan or
19 plan component shall be deemed to apply to the committee.

20 The members of the committee shall have the same duty and
21 responsibility to the program as do the members of the commission.

22 If any matter before the committee receives at least four votes in
23 the affirmative, the commission shall approve and implement the
24 committee's decision.

25 If any matter before the committee receives three votes in the
26 affirmative and three votes in the negative or the committee
27 otherwise reaches an impasse on a decision, the provisions of
28 section 55 of P.L. , c. (C.) (pending before the Legislature as
29 this bill) shall be followed.

30 (cf: P.L.2007, c.103, s.33)

31

32 47. Section 5 of P.L.1961, c.49 (C.52:14-17.29) is amended to
33 read as follows:

34 5. (A) The contract or contracts purchased by the commission
35 pursuant to subsection b. of section 4 of P.L.1961, c.49 (C.52:14-
36 17.28) shall provide separate coverages or policies as follows:

37 (1) Basic benefits which shall include:

38 (a) Hospital benefits, including outpatient;

39 (b) Surgical benefits;

40 (c) Inpatient medical benefits;

41 (d) Obstetrical benefits; and

42 (e) Services rendered by an extended care facility or by a home
43 health agency and for specified medical care visits by a physician
44 during an eligible period of such services, without regard to
45 whether the patient has been hospitalized, to the extent and subject
46 to the conditions and limitations agreed to by the commission and
47 the carrier or carriers.

1 Basic benefits shall be substantially equivalent to those available
2 on a group remittance basis to employees of the State and their
3 dependents under the subscription contracts of the New Jersey
4 "Blue Cross" and "Blue Shield" Plans. Such basic benefits shall
5 include benefits for:

- 6 (i) Additional days of inpatient medical service;
- 7 (ii) Surgery elsewhere than in a hospital;
- 8 (iii) X-ray, radioactive isotope therapy and pathology services;
- 9 (iv) Physical therapy services;
- 10 (v) Radium or radon therapy services;

11 and the extended basic benefits shall be subject to the same
12 conditions and limitations, applicable to such benefits, as are set
13 forth in "Extended Outpatient Hospital Benefits Rider," Form 1500,
14 71(9-66), and in "Extended Benefit Rider" (as amended), Form MS
15 7050J(9-66) issued by the New Jersey "Blue Cross" and "Blue
16 Shield" Plans, respectively, and as the same may be amended or
17 superseded, subject to filing by the Commissioner of Banking and
18 Insurance; and

19 (2) Major medical expense benefits which shall provide benefit
20 payments for reasonable and necessary eligible medical expenses
21 for hospitalization, surgery, medical treatment and other related
22 services and supplies to the extent they are not covered by basic
23 benefits. The commission may, by regulation, determine what types
24 of services and supplies shall be included as "eligible medical
25 services" under the major medical expense benefits coverage as
26 well as those which shall be excluded from or limited under such
27 coverage. Benefit payments for major medical expense benefits
28 shall be equal to a percentage of the reasonable charges for eligible
29 medical services incurred by a covered employee or an employee's
30 covered dependent, during a calendar year as exceed a deductible
31 for such calendar year of \$100.00 subject to the maximums
32 hereinafter provided and to the other terms and conditions
33 authorized by this act. The percentage shall be 80% of the first
34 \$2,000.00 of charges for eligible medical services incurred
35 subsequent to satisfaction of the deductible and 100% thereafter.
36 There shall be a separate deductible for each calendar year for (a)
37 each enrolled employee and (b) all enrolled dependents of such
38 employee. Not more than \$1,000,000.00 shall be paid for major
39 medical expense benefits with respect to any one person for the
40 entire period of such person's coverage under the plan, whether
41 continuous or interrupted except that this maximum may be
42 reapplied to a covered person in amounts not to exceed \$2,000.00 a
43 year. Maximums of \$10,000.00 per calendar year and \$20,000.00
44 for the entire period of the person's coverage under the plan shall
45 apply to eligible expenses incurred because of mental illness or
46 functional nervous disorders, and such may be reapplied to a
47 covered person, except as provided in P.L.1999, c.441 (C.52:14-
48 17.29d et al.). The same provisions shall apply for retired

1 employees and their dependents. Under the conditions agreed upon
2 by the commission and the carriers as set forth in the contract, the
3 deductible for a calendar year may be satisfied in whole or in part
4 by eligible charges incurred during the last three months of the prior
5 calendar year.

6 Any service determined by regulation of the commission to be an
7 "eligible medical service" under the major medical expense benefits
8 coverage which is performed by a duly licensed practicing
9 psychologist within the lawful scope of his practice shall be
10 recognized for reimbursement under the same conditions as would
11 apply were such service performed by a physician.

12 (B) The contract or contracts purchased by the commission
13 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-
14 17.28) shall include coverage for services and benefits that are at a
15 level that is equal to or exceeds the level of services and benefits set
16 forth in this subsection, provided that such services and benefits
17 shall include only those that are eligible medical services and not
18 those deemed experimental, investigative or otherwise not eligible
19 medical services. The determination of whether services or benefits
20 are eligible medical services shall be made by the commission
21 consistent with the best interests of the State and participating
22 employers, employees, and dependents. The following list of
23 services is not intended to be exclusive or to require that any limits
24 or exclusions be exceeded.

25 Covered services shall include:

26 (1) Physician services, including:

27 (a) Inpatient services, including:

28 (i) medical care including consultations;

29 (ii) surgical services and services related thereto; and

30 (iii) obstetrical services including normal delivery, cesarean
31 section, and abortion.

32 (b) Outpatient/out-of-hospital services, including:

33 (i) office visits for covered services and care;

34 (ii) allergy testing and related diagnostic/therapy services;

35 (iii) dialysis center care;

36 (iv) maternity care;

37 (v) well child care;

38 (vi) child immunizations/lead screening;

39 (vii) routine adult physicals including pap, mammography, and
40 prostate examinations; and

41 (viii) annual routine obstetrical/gynecological exam.

42 (2) Hospital services, both inpatient and outpatient, including:

43 (a) room and board;

44 (b) intensive care and other required levels of care;

45 (c) semi-private room;

46 (d) therapy and diagnostic services;

47 (e) surgical services or facilities and treatment related thereto;

48 (f) nursing care;

- 1 (g) necessary supplies, medicines, and equipment for care; and
- 2 (h) maternity care and related services.
- 3 (3) Other facility and services, including:
- 4 (a) approved treatment centers for medical
- 5 emergency/accidental injury;
- 6 (b) approved surgical center;
- 7 (c) hospice;
- 8 (d) chemotherapy;
- 9 (e) diagnostic x-ray and lab tests;
- 10 (f) ambulance;
- 11 (g) durable medical equipment;
- 12 (h) prosthetic devices;
- 13 (i) foot orthotics;
- 14 (j) diabetic supplies and education; and
- 15 (k) oxygen and oxygen administration.

16 (4) All services for which coverage is required pursuant to
17 P.L.1961, c.49 (C.52:14-17.25 et seq.), as amended and
18 supplemented. Benefits under the contract or contracts purchased as
19 authorized by the State Health Benefits Program shall include those
20 for mental health services subject to limits and exclusions
21 consistent with the provisions of the New Jersey State Health
22 Benefits Program Act.

23 (C) The contract or contracts purchased by the commission
24 pursuant to subsection c. of section 4 of P.L.1961, c.49 (C.52:14-
25 17.28) shall include the following provisions regarding
26 reimbursements and payments:

27 (1) In the successor plan, the co-payment for doctor's office
28 visits shall be \$10 per visit with a maximum out-of-pocket of \$400
29 per individual and \$1,000 per family for in-network services for
30 each calendar year. The out-of-network deductible shall be \$100 per
31 individual and \$250 per family for each calendar year, and the
32 participant shall receive reimbursement for out-of-network charges
33 at the rate of 80% of reasonable and customary charges, provided
34 that the out-of-pocket maximum shall not exceed \$2,000 per
35 individual and \$5,000 per family for each calendar year.

36 (2) In the State managed care plan that is required to be included
37 in a contract entered into pursuant to subsection c. of section 4 of
38 P.L.1961, c.49 (C.52:14-17.28), the co-payment for doctor's office
39 visits shall be \$15 per visit. The participant shall receive
40 reimbursement for out-of-network charges at the rate of 70% of
41 reasonable and customary charges. The in-network and out-of-
42 network limits, exclusions, maximums, and deductibles shall be
43 substantially equivalent to those in the NJ PLUS plan in effect on
44 June 30, 2007, with adjustments to that plan pursuant to a binding
45 collective negotiations agreement or pursuant to action by the
46 commission, in its sole discretion, to apply such adjustments to
47 State employees for whom there is no majority representative for
48 collective negotiations purposes.

1 (3) "Reasonable and customary charges" means charges based
2 upon the 90th percentile of the usual, customary, and reasonable
3 (UCR) fee schedule determined by the Health Insurance
4 Association of America or a similar nationally recognized database
5 of prevailing health care charges.

6 (D) Benefits under the contract or contracts purchased as
7 authorized by this act may be subject to such limitations,
8 exclusions, or waiting periods as the commission finds to be
9 necessary or desirable to avoid inequity, unnecessary utilization,
10 duplication of services or benefits otherwise available, including
11 coverage afforded under the laws of the United States, such as the
12 federal Medicare program, or for other reasons.

13 Benefits under the contract or contracts purchased as authorized
14 by this act shall include those for the treatment of alcoholism where
15 such treatment is prescribed by a physician and shall also include
16 treatment while confined in or as an outpatient of a licensed
17 hospital or residential treatment program which meets minimum
18 standards of care equivalent to those prescribed by the Joint
19 Commission on Hospital Accreditation. No benefits shall be
20 provided beyond those stipulated in the contracts held by the State
21 Health Benefits Commission.

22 (E) The rates charged for any contract purchased under the
23 authority of this act shall reasonably and equitably reflect the cost
24 of the benefits provided based on principles which in the judgment
25 of the commission are actuarially sound. The rates charged shall be
26 determined by the carrier on accepted group rating principles with
27 due regard to the experience, both past and contemplated, under the
28 contract. The commission shall have the right to particularize
29 subgroups for experience purposes and rates. No increase in rates
30 shall be retroactive.

31 (F) The initial term of any contract purchased by the
32 commission under the authority of this act shall be for such period
33 to which the commission and the carrier may agree, but permission
34 may be made for automatic renewal in the absence of notice of
35 termination by the commission. Subsequent terms for which any
36 contract may be renewed as herein provided shall each be limited to
37 a period not to exceed one year.

38 (G) A contract purchased by the commission pursuant to
39 subsection b. of section 4 of P.L.1961, c.49 (C.52:14-17.28) shall
40 contain a provision that if basic benefits or major medical expense
41 benefits of an employee or of an eligible dependent under the
42 contract, after having been in effect for at least one month in the
43 case of basic benefits or at least three months in the case of major
44 medical expense benefits, is terminated, other than by voluntary
45 cancellation of enrollment, there shall be a 31-day period following
46 the effective date of termination during which such employee or
47 dependent may exercise the option to convert, without evidence of
48 good health, to converted coverage issued by the carriers on a direct

1 payment basis. Such converted coverage shall include benefits of
2 the type classified as "basic benefits" or "major medical expense
3 benefits" in subsection (A) hereof and shall be equivalent to the
4 benefits which had been provided when the person was covered as
5 an employee. The provision shall further stipulate that the employee
6 or dependent exercising the option to convert shall pay the full
7 periodic charges for the converted coverage which shall be subject
8 to such terms and conditions as are normally prescribed by the
9 carrier for this type of coverage.

10 (H) The commission may purchase a contract or contracts to
11 provide drug prescription and other health care benefits or authorize
12 the purchase of a contract or contracts to provide drug prescription
13 and other health care benefits as may be required to implement a
14 duly executed collective negotiations agreement or as may be
15 required to implement a determination by a public employer to
16 provide such benefit or benefits to employees not included in
17 collective negotiations units.

18 (I) The commission shall take action as necessary, in
19 cooperation with the School Employees' Health Benefits
20 Commission established pursuant to section 33 of P.L.2007, c.103
21 (C.52:14-17.46.3), to effectuate the purposes of the School
22 Employees' Health Benefits Program Act as provided in sections 31
23 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
24 17.46.11) and to enable the School Employees' Health Benefits
25 Commission to begin providing coverage to participants pursuant to
26 the School Employees' Health Benefits Program Act as of July 1,
27 2008.

28 (J) Beginning January 1, 2012, the State Health Benefits Plan
29 Design Committee shall provide to employees the option to select
30 one of at least three levels of coverage each for family, individual,
31 individual and spouse, and individual and dependent, or equivalent
32 categories, for each plan offered by the program differentiated by
33 out of pocket costs to employees including co-payments and
34 deductibles. Notwithstanding any other provision of law to the
35 contrary, the committee shall have the sole discretion to set the
36 amounts for maximums, co-pays, deductibles, and other such
37 participant costs for all plans in the program. The committee shall
38 also provide for a high deductible health plan that conforms with
39 the Internal Revenue Code Section 223.

40 There shall be appropriated annually for each State fiscal year,
41 through the annual appropriations act, such amounts as shall be
42 necessary as funding by the State as an employer, or as otherwise
43 required, with regard to employees or retirees who have enrolled in
44 a high deductible health plan that conforms with Internal Revenue
45 Code Section 223.

46 (cf: P.L.2007, c.103, s.23)

1 48. Section 36 of P.L.2007, c.103 (C.52:14-17.46.6) is amended
2 to read as follows:

3 36. a. Notwithstanding the provisions of any other law to the
4 contrary, the commission shall not enter into a contract under the
5 School Employees' Health Benefits Program Act, sections 31
6 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
7 17.46.11), for the benefits provided pursuant to the act, unless the
8 level of benefits provided under the contract entered into is equal to
9 or exceeds the level of benefits provided in this section, or as
10 modified pursuant to section 40 of that act (C.52:14-17.46.10). Only
11 benefits for medically necessary services that are not deemed
12 experimental, investigative or otherwise not eligible medical
13 services shall be provided. The determination that services are not
14 "eligible medical services" shall be made by the commission
15 consistent with the best interests of the State, participating
16 employers and those persons covered hereunder. Benefits for
17 services provided pursuant to the School Employees' Health
18 Benefits Act shall be subject to limits or exclusions consistent with
19 those that apply to benefits provided pursuant to the New Jersey
20 State Health Benefits Program Act. The services provided pursuant
21 to this section shall include all services, subject to applicable limits
22 and exclusions, provided through the State Health Benefits Program
23 as of July 1, 2007. The list of services in subsection b. of this
24 section is not intended to be exclusive or to require that any limits
25 or exclusions be exceeded.

26 b. The services covered hereunder by the School Employees'
27 Health Benefits Program shall include:

28 (1) Physician services, including:

29 (a) Inpatient services, including:

30 (i) medical care including consultations;

31 (ii) surgical services and services related thereto; and

32 (iii) obstetrical services including normal delivery, cesarean
33 section, and abortion.

34 (b) Outpatient/out-of-hospital services, including:

35 (i) office visits for covered services and care;

36 (ii) allergy testing and related diagnostic/therapy services;

37 (iii) dialysis center care;

38 (iv) maternity care;

39 (v) well child care;

40 (vi) child immunizations/lead screening;

41 (vii) routine adult physicals including pap, mammography, and
42 prostate examinations; and

43 (viii) annual routine obstetrical/gynecological exam.

44 (2) Hospital services, both inpatient and outpatient, including:

45 (a) room and board;

46 (b) intensive care and other required levels of care;

47 (c) semi-private room;

48 (d) therapy and diagnostic services;

- 1 (e) surgical services or facilities and treatment related thereto;
- 2 (f) nursing care;
- 3 (g) necessary supplies, medicines, and equipment for care; and
- 4 (h) maternity care and related services.
- 5 (3) Other facility and services, including:
- 6 (a) approved treatment centers for medical
- 7 emergency/accidental injury;
- 8 (b) approved surgical center;
- 9 (c) hospice;
- 10 (d) chemotherapy;
- 11 (e) diagnostic x-ray and lab tests;
- 12 (f) ambulance;
- 13 (g) durable medical equipment;
- 14 (h) prosthetic devices;
- 15 (i) foot orthotics;
- 16 (j) diabetic supplies and education; and
- 17 (k) oxygen and oxygen administration.
- 18 c. Benefits under the contract or contracts purchased as
- 19 authorized by the School Employees' Health Benefits Program Act
- 20 shall include those for the treatment of alcoholism where such
- 21 treatment is prescribed by a physician and shall also include
- 22 treatment while confined in or as an outpatient of a licensed
- 23 hospital or residential treatment program which meets minimum
- 24 standards of care equivalent to those prescribed by the Joint
- 25 Commission on Hospital Accreditation. No benefits shall be
- 26 provided beyond those stipulated in the contracts held by the School
- 27 Employees' Health Benefits Commission.
- 28 d. Benefits under the contract or contracts purchased as
- 29 authorized by the School Employees' Health Benefits Program Act
- 30 shall include those for mental health services subject to limits and
- 31 exclusions consistent with those that apply to benefits for such
- 32 services pursuant to the New Jersey State Health Benefits Program
- 33 Act. Coverage for biologically-based mental illness, as defined in
- 34 section 1 of P.L.1999, c.441 (C.52:14-17.29d), shall be provided in
- 35 accordance with section 2 of P.L.1999, c.441 (C.52:14-17.29e).
- 36 e. Coverage provided under the School Employees' Health
- 37 Benefits Program Act shall include coverage for all services for
- 38 which coverage is mandated in the State Health Benefits Program
- 39 pursuant to P.L.1961, c.49 (C.52:14-17.25 et seq.).
- 40 f. (1) As used in this subsection:
- 41 (a) "brand name" means the proprietary or trade name assigned
- 42 to a drug product by the manufacturer or distributor of the drug
- 43 product.
- 44 (b) "carrier" means an insurance company, hospital, medical, or
- 45 health service corporation, preferred provider organization, or
- 46 health maintenance organization under agreement or contract with
- 47 the commission to administer the School Employee Prescription
- 48 Drug Plan.

1 (c) "School Employee Prescription Drug Plan" means the plan
2 for providing payment for eligible prescription drug expenses of
3 members of the School Employees' Health Benefits Program and
4 their eligible dependents.

5 (d) "generic drug products" means prescription drug products
6 and insulin approved and designated by the United States Food and
7 Drug Administration as therapeutic equivalents for reference listed
8 drug products. The term includes drug products listed in the New
9 Jersey Generic Formulary by the Drug Utilization Review Council
10 pursuant to P.L.1977, c.240 (C.24:6E-1 et al.).

11 (e) "mail-order pharmacy" means the mail order program
12 available through the carrier.

13 (f) "preferred brands" means brand name prescription drug
14 products and insulin determined by the carrier to be more cost
15 effective alternative for prescription drug products and insulin with
16 comparable therapeutic efficacy within a therapeutic class, as
17 defined or recognized in the United States Pharmacopeia or the
18 American Hospital Formulary Service Drug Information, or by the
19 American Society of Health Systems Pharmacists. A drug product
20 for which there is no other therapeutically equivalent drug product
21 shall be a preferred brand. Determinations of preferred brands by
22 the carrier shall be subject to review and modification by the
23 commission.

24 (g) "retail pharmacy" means a pharmacy, drug store or other
25 retail establishment in this State at which prescription drugs are
26 dispensed by a registered pharmacist under the laws of this State, or
27 a pharmacy, drug store or other retail establishment in another state
28 at which prescription drug products are dispensed by a registered
29 pharmacist under the laws of that state if expenses for prescription
30 drug products dispensed at the pharmacy, drug store, or other retail
31 establishment are eligible for payment under the School Employee
32 Prescription Drug Plan.

33 (h) "other brands" means prescription drug products which are
34 not preferred brands or generic drug products. A new drug product
35 approved by the United States Food and Drug Administration which
36 is not a generic drug product shall be included in this category until
37 the carrier makes a determination concerning inclusion of the drug
38 product in the list of preferred brands.

39 (2) (a) Employers that participate in the School Employees'
40 Health Benefits Program may offer to their employees and eligible
41 dependents:

42 (i) enrollment in the School Employee Prescription Drug Plan,
43 or

44 (ii) enrollment in another free-standing prescription drug plan,
45 or

46 (iii) election of prescription drug coverage under their health
47 care coverage through the School Employees' Health Benefits
48 Program plan or as otherwise determined by the commission.

1 (b) A co-payment shall be required for each prescription drug
2 expense if the employer chooses to participate in the School
3 Employee Prescription Drug Plan. The initial amounts of the co-
4 payments shall be the same as those in effect on July 1, 2007 for the
5 employee prescription drug plan offered through the State Health
6 Benefits Program.

7 (c) If the employer elects to offer a free-standing prescription
8 drug plan, the employee's share of the cost for this prescription drug
9 plan may be determined by means of a binding collective
10 negotiations agreement, including any agreements in force at the
11 time the employer commences participation in the School
12 Employees' Health Benefits Program.

13 (d) If an employee declines the employer's offering of a free-
14 standing prescription drug plan, no reimbursement for prescription
15 drugs shall be provided under the health care coverage through the
16 School Employees' Health Benefits Program plan in which the
17 employee is enrolled.

18 (e) Prescription drug classifications that are not eligible for
19 coverage under the employer's prescription drug plan shall also not
20 be eligible for coverage under the health care coverage through the
21 School Employees' Health Benefits Program plan except as
22 federally or State mandated.

23 (f) If the employer elects to not offer a free-standing
24 prescription drug plan, then the employer shall offer prescription
25 drug coverage under the health care coverage through the School
26 Employees' Health Benefits Program plan or as determined by the
27 commission. Any plan that has in-network and out-of-network
28 coverage shall cover prescription drugs at 90% in-network and at
29 the out-of-network rate applicable to health care coverage in the
30 plan. The out-of-pocket amounts paid towards prescription drugs
31 shall be combined with out-of-pocket medical payments to reach all
32 out-of-pocket maximums.

33 (g) Health care coverages through the School Employees' Health
34 Benefits Program that only have in-network benefits shall include a
35 prescription card with co-payment amounts the same as those in
36 effect on July 1, 2007 for such coverages offered through the State
37 Health Benefits Program.

38 (h) In the fifth year following the initial appointment of all of its
39 members, the commission shall, as part of the fifth year audit and
40 review undertaken pursuant to section 40 of that act, review the
41 prescription drug program established in this subsection and may
42 make changes in the program pursuant to the terms of section 40 by
43 majority vote of the full authorized membership of the commission.

44 g. Beginning January 1, 2012, the School Employees' Health
45 Benefits Plan Design Committee shall provide to employees the
46 option to select one of at least three levels of coverage each for
47 family, individual, individual and spouse, and individual and
48 dependent, or equivalent categories, for each plan offered by the

1 program differentiated by out of pocket costs to employees
2 including co-payments and deductibles. Notwithstanding any other
3 provision of law to the contrary, the committee shall have the sole
4 discretion to set the amounts for maximums, co-pays, deductibles,
5 and other such participant costs for all plans in the program. The
6 committee shall also provide for a high deductible health plan that
7 conforms with the Internal Revenue Code Section 223.

8 There shall be appropriated annually for each State fiscal year,
9 through the annual appropriations act, such amounts as shall be
10 necessary as funding by the State with regard to retirees who have
11 enrolled in a high deductible health plan that conforms with Internal
12 Revenue Code Section 223.

13 (cf: P.L.2007, c.103, s.36)

14
15 49. Section 37 of P.L.2007, c.103 (C.52:14-17.46.7) is amended
16 to read as follows:

17 37. Beginning with the initial year of the School Employees'
18 Health Benefits Program, the commission shall offer to
19 participating employers and to qualified employees, retirees and
20 dependents a managed care plan in which the office co-payment
21 amount shall be \$10 per visit with a maximum out-of-pocket of
22 \$400 per individual and \$1,000 per family for in-network services
23 for each calendar year. The out-of-network deductible shall be \$100
24 per individual and \$250 per family for each calendar year with the
25 plan paying for 80% of reasonable and customary charges as
26 defined herein up to an out-of-pocket maximum that shall not
27 exceed \$2,000 per individual and \$5,000 per family for each
28 calendar year.

29 In the successor plan, the in-network out-of-pocket payments
30 shall count toward the out-of-network out-of-pocket maximums.
31 Any lifetime maximum for out-of-network services shall not be less
32 than any maximums in effect under the State Health Benefits
33 Program as of July 1, 2007. There shall be no lifetime maximum for
34 in-network services.

35 The carrier that administers the successor plan shall make
36 available to the plan participants through in-network and out-of-
37 network providers access to physicians and hospitals sufficient in
38 geographic scope and number to provide access to health care
39 services that is substantially equivalent to the access to health care
40 services available through the State Health Benefits Program as of
41 July 1, 2007.

42 Beginning with the initial year of the School Employees' Health
43 Benefits Program, the commission shall be authorized to offer to
44 participating employers and qualified employees, retirees and
45 dependents managed care plans in which the in-network per visit
46 charge shall not exceed \$15 per visit and the out of network
47 reimbursement shall be 70% of reasonable and customary charges

1 as defined herein, provided the in-network and out-of-network
2 maximums and deductibles do not exceed the limits set forth above.

3 The amounts of maximums, co-pays, deductibles, and other
4 participant costs shall be reviewed, as part of the fifth year audit
5 undertaken pursuant to section 40 of P.L.2007, c.103 (C.52:14-
6 17.46.10). The commission shall make changes in such amounts
7 pursuant to section 40 by majority vote of the full authorized
8 membership of the commission.

9 Beginning January 1, 2012, the School Employees' Health
10 Benefits Plan Design Committee shall have the sole discretion to set
11 the amounts for maximums, co-pays, deductibles, and other such
12 participant costs for all plans offered in the program,
13 notwithstanding any other provision of law to the contrary.

14 "Reasonable and customary charges" means, for any out-of-
15 network payment made by a carrier, charges based upon the 90th
16 percentile of the usual, customary, and reasonable (UCR) fee
17 schedule determined by the Health Insurance Association of
18 America or a similar nationally recognized database of prevailing
19 health care charges.

20 Beginning with the initial year of the School Employees' Health
21 Benefits Program, the commission shall offer to participating
22 employers and qualified employees, retirees and dependents one or
23 more health maintenance organization plans.

24 (cf: P.L.2007, c.103, s.37)

25

26 50. The Division of Pensions and Benefits in the Department of
27 the Treasury shall conduct a study of: the risk impact of permitting
28 employers to commence and to terminate participation in the State
29 Health Benefits Program and the School Employees' Health
30 Benefits Program; the long term sustainability of the programs;
31 employee wellness programs; options for out-of-network cost
32 containment; and the impact on the programs of the provisions of
33 P.L. , c. (C.) (pending before the Legislature as this bill).
34 The division shall conclude its study within one year following the
35 effective date of P.L. , c. (pending before the Legislature as this
36 bill) and submit a written report of its conclusions and
37 recommendations to the Governor and the Legislature.

38

39 51. Section 44 of P.L.2007, c.62 (C.18A:16-19.1) is amended to
40 read as follows:

41 44. Notwithstanding the provisions of any other law to the
42 contrary, a board of education, or an agency or instrumentality
43 thereof, may establish as an employer a cafeteria plan for its
44 employees pursuant to section 125 of the federal Internal Revenue
45 Code, 26 U.S.C. s.125, and shall establish such a plan for medical
46 or dental expenses not covered by a health benefits plan. The plan
47 **【may】** shall provide for a reduction in an employee's salary,
48 through payroll deductions or otherwise, in exchange for payment

1 by the employer of medical or dental expenses not covered by a
2 health benefits plan, and may provide for a reduction in an
3 employee's salary, through payroll deductions or otherwise, in
4 exchange for payment by the employer of dependent care expenses
5 as provided in section 129 of the code, 26 U.S.C. s.129, and such
6 other benefits as are consistent with section 125 which are included
7 under the plan. The amount of any reduction in an employee's
8 salary for the purpose of contributing to the plan shall continue to
9 be treated as regular compensation for all other purposes, including
10 the calculation of pension contributions and the amount of any
11 retirement allowance, but, to the extent permitted by the federal
12 Internal Revenue Code, shall not be included in the computation of
13 federal taxes withheld from the employee's salary.

14 (cf: P.L.2007, c.62, s.44)

15

16 52. Section 45 of P.L.2007, c.62 (C.40A:10-23.5) is amended to
17 read as follows:

18 45. Notwithstanding the provisions of any other law to the
19 contrary, a local unit of government, or an agency, board,
20 commission, authority or instrumentality thereof, may establish as
21 an employer a cafeteria plan for its employees pursuant to section
22 125 of the federal Internal Revenue Code, 26 U.S.C. s.125, and
23 shall establish such a plan for medical or dental expenses not
24 covered by a health benefits plan. The plan **【may】** shall provide for
25 a reduction in an employee's salary, through payroll deductions or
26 otherwise, in exchange for payment by the employer of medical or
27 dental expenses not covered by a health benefits plan, and may
28 provide for a reduction in an employee's salary, through payroll
29 deductions or otherwise, in exchange for payment by the employer
30 of dependent care expenses as provided in section 129 of the code,
31 26 U.S.C. s.129, and such other benefits as are consistent with
32 section 125 which are included under the plan. The amount of any
33 reduction in an employee's salary for the purpose of contributing to
34 the plan shall continue to be treated as regular compensation for all
35 other purposes, including the calculation of pension contributions
36 and the amount of any retirement allowance, but, to the extent
37 permitted by the federal Internal Revenue Code, shall not be
38 included in the computation of federal taxes withheld from the
39 employee's salary.

40 (cf: P.L.2007, c.62, s.45)

41

42 53. Section 7 of P.L.1996, c.8 (C.52:14-15.1a) is amended to
43 read as follows:

44 7. Notwithstanding the provisions of any other law to the
45 contrary, the State Treasurer on behalf of the State, and the
46 governing body of an independent State authority, board,
47 commission, corporation, agency or organization may establish as
48 an employer a cafeteria plan for its employees pursuant to section

1 125 of the federal Internal Revenue Code, 26 U.S.C.125, and shall
2 establish such a plan for medical or dental expenses not covered by
3 a health benefits plan. The plan **【may】** shall provide for a
4 reduction in an employee's salary, through payroll deductions or
5 otherwise, in exchange for payment by the employer of medical or
6 dental expenses not covered by a health benefits plan, and may
7 provide for a reduction in an employee's salary, through payroll
8 deductions or otherwise, in exchange for payment by the employer
9 of dependent care expenses as provided in section 129 of the code,
10 26 U.S.C.129, and such other benefits as are consistent with section
11 125 which are included under the plan. The amount of any
12 reduction in an employee's salary for the purpose of contributing to
13 the plan shall continue to be treated as regular compensation for all
14 other purposes, including the calculation of pension contributions
15 and the amount of any retirement allowance, but, to the extent
16 permitted by the federal Internal Revenue Code, shall not be
17 included in the computation of federal taxes withheld from the
18 employee's salary.

19 (cf: P.L.1996, c.8, s.7)

20

21 54. Section 39 of P.L.2007, c.103 (C.52:14-17.46.9) is amended
22 to read as follows:

23 39. a. For each active covered employee and for the eligible
24 dependents the employee may have enrolled at the employee's
25 option, from funds appropriated therefor, the employer shall pay to
26 the commission the premium or periodic charges for the benefits
27 provided under the contract in amounts equal to the premium or
28 periodic charges for the benefits provided under such a contract
29 covering the employee and the employee's enrolled dependents.

30 b. The obligations of any employer to pay the premium or
31 periodic charges for health benefits coverage provided under the
32 School Employees' Health Benefits Program Act, sections 31
33 through 41 of P.L.2007, c.103 (C.52:14-17.46.1 through C.52:14-
34 17.46.11), may be determined by means of a binding collective
35 negotiations agreement, including any agreement in force at the
36 time the employer commences participation in the School
37 Employees' Health Benefits Program. With respect to employees for
38 whom there is no majority representative for collective negotiations
39 purposes, the employer may, in its sole discretion, modify the
40 respective payment obligations set forth in law for the employer and
41 such employees in a manner consistent with the terms of any
42 collective negotiations agreement binding on the employer.

43 Commencing on the effective date of P.L.2010, c.2 and upon the
44 expiration of any applicable binding collective negotiations
45 agreement in force on that effective date, employees shall pay 1.5
46 percent of base salary, through the withholding of the contribution,
47 for health benefits coverage provided under P.L.2007, c.103
48 (C.52:14-17.46.1 et seq.), notwithstanding any other amount that

1 may be required additionally pursuant to this subsection by means
2 of a binding collective negotiations agreement or the modification
3 of payment obligations.

4 c. There is hereby established a School Employee Health
5 Benefits Program fund consisting of all contributions to premiums
6 and periodic charges remitted to the State treasury by participating
7 employers for employee coverage. All such contributions shall be
8 deposited in the fund and the fund shall be used to pay the portion
9 of the premium and periodic charges attributable to employee and
10 dependent coverage.

11 d. Notwithstanding any law to the contrary and except as
12 provided by amendment by P.L.2010, c.2, and by P.L. _____,
13 c. (pending before the Legislature as this bill), the payment in
14 full of premium or periodic charges for eligible retirees and their
15 dependents pursuant to section 3 of P.L.1987, c.384 (C.52:14-
16 17.32f), section 2 of P.L.1992, c.126 (C.52:14-17.32f1), or section
17 1 of P.L.1995, c.357 (C.52:14-17.32f2) shall be continued without
18 alteration or interruption and there shall be no premium sharing or
19 periodic charges for certain school employees in retirement once
20 they have met the criteria for vesting for pension benefits, which
21 criteria for purposes of this subsection only shall mean the criteria
22 for vesting in the Teachers' Pension and Annuity Fund. For
23 purposes of this subsection, "premium sharing or periodic charges"
24 shall mean payments by eligible retirees based upon a proportion of
25 the premiums for health care benefits.

26 (cf: P.L.2010, c.2, s.6)

27

28 55. (New section) Whenever the State Health Benefits Plan
29 Design Committee of the State Health Benefits Program or the
30 School Employees' Health Benefits Plan Design Committee of the
31 School Employees' Health Benefits Program fails to render a
32 decision on a matter before the committee because it has not
33 received a vote of the majority of the committee members after 60
34 days have passed following the initial consideration of the matter,
35 the committee shall utilize a super conciliator, randomly selected
36 from a list developed by the New Jersey Public Employment
37 Relations Commission. The super conciliator shall assist the
38 committee based upon procedures and subject to qualifications
39 established by the commission pursuant to regulation.

40 The super conciliator shall promptly schedule investigatory
41 proceedings. The purpose of the proceedings shall be to:

42 Investigate and acquire all relevant information regarding the
43 committee's failure to render a decision;

44 Discuss with the members of the committee their differences,
45 and utilize means and mechanisms, including but not limited to
46 requiring 24-hour per day negotiations, until a voluntary settlement
47 is reached, and provide recommendations to resolve the members'
48 differences; and

1 Institute any other non-binding procedures deemed appropriate
2 by the super conciliator.

3 If the actions taken by the super conciliator fail to resolve the
4 dispute, the super conciliator shall issue a final report, which shall
5 be provided to the committee promptly and made available to the
6 public within 10 days thereafter.

7 The super conciliator, while functioning in a mediatory capacity,
8 shall not be required to disclose any files, records, reports,
9 documents, or other papers classified as confidential which are
10 received or prepared by him or to testify with regard to mediation
11 conducted by him under this section. Nothing contained herein
12 shall exempt an individual from disclosing information relating to
13 the commission of a crime.

14

15 56. Section 1 of P.L.1997, c.113 (C.43:3C-9.1) is amended to
16 read as follows:

17 1. In accordance with the provisions of section 401 (a) (2) of
18 the federal Internal Revenue Code, and subject to such exceptions
19 as may be permitted for governmental plans under section 401 (a)
20 (2) of the federal Internal Revenue Code, at no time prior to the
21 satisfaction of all liabilities with respect to members and their
22 beneficiaries under the Teachers' Pension and Annuity Fund,
23 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
24 Retirement System, established pursuant to P.L.1973, c.140
25 (C.43:6A-1 et seq.), the Prison Officers' Pension Fund, established
26 pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the Public
27 Employees' Retirement System, established pursuant to P.L.1954,
28 c.84 (C.43:15A-1 et seq.), the Consolidated Police and Firemen's
29 Pension Fund, established pursuant to R.S.43:16-1 et seq., the
30 Police and Firemen's Retirement System, established pursuant to
31 P.L.1944, c.255 (C.43:16A-1 et seq.), the State Police Retirement
32 System, established pursuant to P.L.1965, c.89 (C.53:5A-1 et seq.),
33 **[and]** the Alternate Benefit Program, established pursuant to
34 P.L.1969, c.242 (C.18A:66-167 et seq.), and the Defined
35 Contribution Retirement Program, established pursuant to P.L.2007,
36 c.92 (C.43:15C-1 et seq.), shall any part of the corpus or income of
37 the respective retirement systems, within the taxable year or
38 thereafter, be used for or diverted to purposes other than for the
39 exclusive benefit of the members or their beneficiaries.

40 (cf: P.L.1997, c.113, s.1)

41

42 57. Section 2 of P.L.1997, c.113 (C.43:3C-9.2) is amended to
43 read as follows:

44 2. Notwithstanding any law, rule or regulation to the contrary,
45 the contributions to and benefits payable under the Teachers'
46 Pension and Annuity Fund, the Judicial Retirement System, the
47 Prison Officers' Pension Fund, the Public Employees' Retirement
48 System, the Consolidated Police and Firemen's Pension Fund, the

1 Police and Firemen's Retirement System, the State Police
2 Retirement System **[and]**, the Alternate Benefit Program, and the
3 Defined Contribution Retirement Program shall not exceed the
4 limitations provided under section 415 of the federal Internal
5 Revenue Code. The Division of Pensions and Benefits in the
6 Department of the Treasury shall be responsible for implementation
7 and enforcement of these limitations.

8 (cf: P.L.1997, c.113, s.2)

9

10 58. Section 4 of P.L.1997, c.113 (C.43:3C-9.4) is amended to
11 read as follows:

12 4. a. Notwithstanding any law, rule or regulation to the
13 contrary, for members of the Alternate Benefit Program, the amount
14 of compensation which may be used for employer and member
15 contributions and benefits under the program after June 30, 1996
16 shall not exceed the compensation limitation of section 401 (a) (17)
17 of the federal Internal Revenue Code of 1986, (26 U.S.C. s.401 (a)
18 (17)), as amended pursuant to section 13212 of the Omnibus Budget
19 Reconciliation Act of 1993, Pub. L.103-66, 107 Stat. 312, or as
20 hereafter amended or supplemented, to the extent applicable to
21 governmental plans. The provisions of this section shall not be
22 applicable to members enrolled prior to July 1, 1996 if the employer
23 of the members certifies to the Director of the Division of Pensions
24 and Benefits, in the form and manner prescribed by the director,
25 prior to July 1, 1997, that the employer will pay the additional cost
26 for not applying the limit to the members.

27 b. Notwithstanding any law, rule or regulation to the contrary, for
28 members of the Defined Contribution Retirement Program, the amount
29 of compensation which may be used for employer and member
30 contributions shall not exceed the compensation limitation of section
31 401(a)(17) of the federal Internal Revenue Code of 1986 (26 U.S.C.
32 s.401(a)(17)), as amended from time to time.

33 (cf: P.L.1997, c.113, s.4)

34

35 59. Section 41 of P.L.2007, c.92 (C.43:3C-9.6) is amended to
36 read as follows:

37 41. a. Upon the termination of the Teachers' Pension and
38 Annuity Fund, the Public Employees' Retirement System, the
39 Judicial Retirement System, the Police and Firemen's Retirement
40 System, the State Police Retirement System, the Prison Officers'
41 Pension Fund, **[or]** the Consolidated Police and Firemen's Fund,
42 the Alternate Benefit Program, or the Defined Contribution
43 Retirement Program, or upon complete discontinuance of
44 contributions to any of the retirement systems, the rights of all
45 members of such retirement system to benefits accrued to the date
46 of such termination or discontinuance, to the extent then funded, are
47 non-forfeitable.

1 b. Notwithstanding any law, rule or regulation to the contrary,
2 the form and timing of all distributions from the Teachers' Pension
3 and Annuity Fund, the Public Employees' Retirement System, the
4 Judicial Retirement System, the Police and Firemen's Retirement
5 System, the State Police Retirement System, the Prison Officers'
6 Pension Fund, [or] the Consolidated Police and Firemen's Fund,
7 the Alternate Benefit Program, or the Defined Contribution
8 Retirement Program, to a member, or to the beneficiary of a
9 member if the member dies before the member's entire interest has
10 been distributed, shall conform to the required distribution
11 provisions of section 401(a)(9) of the federal Internal Revenue
12 Code and the regulations issued by the United States Department of
13 the Treasury under that Code section, including the incidental death
14 benefit requirements of section 401(a)(9)(G) of the federal Internal
15 Revenue Code. In addition, in no event shall payments under any
16 of the retirement systems commence to be paid to a member later
17 than the member's required beginning date, without regard to
18 whether the member has filed application therefor. For this
19 purpose, a member's required beginning date is the April 1 of the
20 calendar year following the later of (1) the calendar year in which
21 the member attains age 70 1/2 or (2) the calendar year in which the
22 member retires. The actuarial adjustment described in section
23 401(a)(9)(C)(iii) of the federal Internal Revenue Code shall not
24 apply.

25 (cf: P.L.2007, c.92, s.41)

26

27 60. (New section) a. Notwithstanding any law, rule or regulation
28 to the contrary, the Teachers' Pension and Annuity Fund,
29 established pursuant to N.J.S.18A:66-1 et seq., the Judicial
30 Retirement System, established pursuant to P.L.1973, c.140
31 (C.43:6A-1 et seq.), the Prison Officers' Pension Fund, established
32 pursuant to P.L.1941, c.220 (C.43:7-7 et seq.), the Public
33 Employees' Retirement System, established pursuant to P.L.1954,
34 c.84 (C.43:15A-1 et seq.), the Consolidated Police and Firemen's
35 Pension Fund, established pursuant to R.S.43:16-1 et seq., the
36 Police and Firemen's Retirement System, established pursuant to
37 P.L.1944, c.255 (C.43:16A-1 et seq.), and the State Police
38 Retirement System, established pursuant to P.L.1965, c.89
39 (C.53:5A-1 et seq.), are established as qualified governmental
40 defined benefit plans pursuant to sections 401(a) and 414(d) of the
41 federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
42 414(d)), as amended, or such other provision of the federal Internal
43 Revenue Code, as applicable, regulations of the U.S. Treasury
44 Department, and other guidance of the federal Internal Revenue
45 Service.

46 b. Notwithstanding any law, rule or regulation to the contrary, the
47 Alternate Benefit Program, established pursuant to P.L.1969, c.242
48 (C.18A:66-167 et seq.), and the Defined Contribution Retirement

1 Program, established pursuant to P.L.2007, c.92 (C.43:15C-1 et seq.)
2 are established as qualified governmental defined contribution plans
3 pursuant to sections 401(a) and 414(d) of the federal Internal Revenue
4 Code of 1986 (26 U.S.C. ss.401(a) and 414(d)), as amended, or such
5 other provision of the federal Internal Revenue Code, as applicable,
6 regulations of the U.S. Treasury Department, and other guidance of the
7 federal Internal Revenue Service.

8 c. Notwithstanding the provisions of any law, rule or regulation
9 to the contrary, the Director of the Division of Pensions and
10 Benefits in the Department of the Treasury shall be authorized to
11 modify the provisions of the foregoing retirement plans, when a
12 modification is required to maintain the qualified status of the
13 retirement plans under the Internal Revenue Code of 1986,
14 applicable regulations of the U.S. Treasury Department or other
15 guidance of the federal Internal Revenue Service. Notwithstanding
16 the provisions of the Administrative Procedure Act, P.L.1968, c.410
17 (C.52:14B-1 et seq.), the director may modify the provisions of the
18 foregoing retirement plans, when a modification is required to
19 maintain the qualified status of the retirement plans by
20 promulgating a rule or regulation which shall be effective upon
21 filing with the Office of Administrative Law.

22

23 61. (New section) a. A member shall be fully vested in his or her
24 accumulated contributions at all times.

25 b. A member shall be fully vested in his or her service
26 retirement benefit upon the attainment of normal retirement age
27 under the retirement system and the completion of any required
28 years of service. Normal retirement age means the age established
29 by regulation consistent with statute.

30 c. In conformity with section 401(a)(8) of the federal Internal
31 Revenue Code (26 U.S.C. s.401(c)(8)), any forfeitures of benefits
32 by members or former members of the plan shall not be applied to
33 increase the benefits any member would otherwise receive under
34 the plan.

35

36 62. (New section) Notwithstanding any law, rule or regulation
37 to the contrary, the Teachers' Pension and Annuity Fund, the
38 Judicial Retirement System, the Prison Officers' Pension Fund, the
39 Public Employees' Retirement System, the Consolidated Police and
40 Firemen's Pension Fund, the Police and Firemen's Retirement
41 System, the State Police Retirement System, the Alternate Benefit
42 Program, and the Defined Contribution Retirement Program shall be
43 administered in accordance with the rollover requirements of
44 section 401(a)(31) of the federal Internal Revenue Code (26 U.S.C.
45 s.401(a)(31)).

46

47 63. (New section) Effective December 12, 1994,
48 notwithstanding any other provision of the retirement system law,

1 contributions, benefits and service credit with respect to qualified
2 military service are governed by section 414(u) of the federal
3 Internal Revenue Code (26 U.S.C. s.414(u)) and the Uniformed
4 Services Employment and Reemployment Rights Act of 1994 (38
5 U.S.C. s.4301 et seq.).

6
7 64. (New section) Effective as of July 1, 1989, a retirement
8 board, or a member of such board, shall not engage in a transaction
9 prohibited by section 503(b) of the federal Internal Revenue Code
10 (26 U.S.C. s.503(b)).

11
12 65. (New section) Each retirement system may participate under
13 Section 401(a)(24) of the federal Internal Revenue Code in a
14 qualified group trust that meets the requirements of Section 401(a)
15 of the federal Internal Revenue Code (26 U.S.C. s.401(a)(24)) in
16 accordance with Revenue Ruling 81-100, as amended by Revenue
17 Ruling 2004-67 and Revenue Ruling 2011-1.

18
19 66. (New section) a. Post-employment benefits other than pensions
20 under the State Health Benefits Program, P.L.1961, c.49 (C.52:14-
21 17.25 et seq.), for retired employees, and their dependents, of
22 employers other than the State that are participating in the State Health
23 Benefits Program pursuant to section 3 of P.L.1964, c.125 (C.52:14-
24 17.34), as non-State participating employers, shall be funded and paid
25 by means of contributions to a separate trust fund. For the purposes of
26 this section, the term "post-employment benefits other than pensions"
27 means post-employment benefits including, but not limited to, health,
28 dental and vision care, which give rise to a liability under Statement
29 No. 43 of the Governmental Accounting Standards Board, Reporting
30 for Postemployment Benefit Plans Other Than Pension Plans, and
31 Statement No. 45 of the Governmental Accounting Standards Board,
32 Accounting and Financial Reporting by Employers for
33 Postemployment Benefits Other Than Pensions, together, GASB
34 43/45, as amended from time to time, or any successor publication.
35 For purposes of this section, and notwithstanding anything to the
36 contrary, the term "non-State participating employers" is limited only
37 to entities that are a political subdivision of the State, as defined in
38 federal Treas. Reg. s. 1.103-1(b), or entities the income of which is
39 excluded from gross income under section 115 of the Internal Revenue
40 Code of 1986 (26 U.S.C. s.115), as amended. For purposes of this
41 section, the term "dependent" or "dependents" means a dependent as
42 defined under section 152 of the Internal Revenue Code of 1986 (26
43 U.S.C. s.152), as amended, without regard to subsections (b)(1),
44 (b)(2), or (d)(1)(B) thereof, of a retired employee.

45 b. There is hereby established the State of New Jersey Other Post-
46 Employment Benefits (OPEB) Fund, which is intended to qualify as an
47 instrumentality of the State or a political subdivision of the State under
48 section 115 of the Internal Revenue Code of 1986 (26 U.S.C. s.115),

1 as amended. The assets of the OPEB Fund shall be used only to fund
2 and pay post-employment benefits other than pensions, and the
3 reasonable cost of administering such benefits, with respect to eligible
4 retired employees, and their dependents, of non-State participating
5 employers, and deposits and contributions to the OPEB Fund shall be
6 irrevocable except as specifically provided in subsection i. of this
7 section. The OPEB Fund shall be a trust, trust account or custodial
8 account, the assets of which shall be deemed an arrangement
9 equivalent to a trust for all legal purposes, and shall be established by
10 means of appropriate documentation so as to be exempt from taxation
11 under the provisions of applicable federal and State tax law, which
12 shall contain such terms and conditions as are required to comply with
13 all State and federal law including but not limited to the following:

14 (1) The OPEB Fund shall provide no guaranty that payments or
15 reimbursements to employees, former employees, retirees, spouses or
16 beneficiaries will be tax-free.

17 (2) In the event that the OPEB Fund has obtained a ruling from the
18 Internal Revenue Service concerning only the federal tax treatment of
19 the OPEB Fund's income, that ruling may not be cited or relied upon
20 by any non-State participating employer as precedent concerning any
21 matter relating to the non-State participating employer's health plans,
22 including post-retirement health plans. In particular, that ruling shall
23 have no effect on whether contributions to the non-State participating
24 employer's health plans or payments from the non-State participating
25 employer's health plans, including reimbursements of medical
26 expenses, are excludable from the gross income of employees, former
27 employees or retirees, under the Internal Revenue Code of 1986, as
28 amended.

29 (3) The federal income tax consequences to employees, former
30 employees and retirees shall depend on the terms and operation of the
31 non-State participating employer's health plans.

32 c. The assets of the OPEB Fund shall be segregated from all other
33 funds of the State and the non-State participating employers,
34 including without limitation the fund described in section 48 of
35 P.L.2007, c.103 (C.52:14-17.32a1), and shall be invested and
36 administered solely in the interest of retired employees, and their
37 dependents, of non-State participating employers entitled to post-
38 employment benefits other than pensions provided by the State Health
39 Benefits Program. However, the OPEB Fund may be invested in a
40 group trust established pursuant to section 401(a)(24) of the Internal
41 Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended. Neither
42 the State, the State Legislature, the State Health Benefits Commission,
43 the Treasurer of the State of New Jersey, the Division of Pensions and
44 Benefits in the Department of the Treasury, nor any public officer,
45 employee or agency, nor service provider to the OPEB Fund, shall use
46 or authorize the use of assets contributed to the OPEB Fund, or the
47 investment earnings thereon, for any purpose other than the provision
48 of post-employment benefits other than pensions in accordance with

1 the terms of the State Health Benefits Program applicable to retired
2 employees, and their dependents, of non-State participating employers,
3 and the defraying of the reasonable costs of administering the OPEB
4 Fund and the benefits provided by means of the OPEB Fund. The
5 assets constituting the OPEB Fund shall under no circumstances be
6 subject to assignment or alienation in favor of the creditors of the State
7 or any non-State participating employer, or of the individuals or
8 entities that administer the State Health Benefits Program or the OPEB
9 Fund. Private parties' interests shall neither materially participate in
10 the OPEB Fund nor benefit more than incidentally from the operation
11 or earnings of the OPEB Fund.

12 d. The Director of the Division of Pensions and Benefits shall
13 serve as the administrator of the OPEB Fund. The Director of the
14 Division of Investment as trustee shall have the authority to adopt a
15 trust agreement, to receive and hold all moneys in the OPEB Fund, and
16 to disburse the same in accordance with instructions from the fund
17 administrator. The Director of the Division of Investment shall have
18 the authority to invest and reinvest the moneys in the OPEB Fund and
19 to acquire for or on behalf of the OPEB Fund such investments in
20 accordance with the standards governing the investment of other funds
21 managed by the Director of the Division of Investment under the rules
22 and regulations of the State Investment Council. The State, the
23 Division of Pensions and Benefits, the State Treasurer, the Division of
24 Investment, and the State Investment Council, and their respective
25 officers and employees, shall not be liable for any loss incurred by the
26 OPEB Fund.

27 e. The fund administrator or the trustee may select and contract
28 with custodians, record keepers, actuaries and other consultants, and
29 other service providers with respect to the administration of the OPEB
30 Fund, and may delegate to such persons or entities, or to any person
31 within the Department of the Treasury, any of their duties and
32 responsibilities. The Director of the Division of Investment may select
33 and contract with investment managers, investment advisors and other
34 service providers with respect to the investment of the OPEB Fund,
35 and may delegate to such persons or entities, or to any person within
36 the Division of Investment, any of its duties and responsibilities.

37 f. The fund administrator shall, with the assistance of a qualified
38 actuary, determine a funding policy for the OPEB Fund and may
39 promulgate rules and procedures with respect to the administration and
40 funding of the OPEB Fund. The fund administrator, with the
41 assistance of a qualified actuary, shall annually measure and determine
42 an amount for the annual "other post-employment benefits" cost of
43 providing benefits for the retirees and their dependents of each non-
44 State participating employer in the State Health Benefits Program
45 based on the "annual required cost" (ARC) for providing such benefits
46 determined in accordance with applicable standards under GASB
47 43/45. The fund administrator shall report the OPEB cost for each
48 non-State participating employer to such employer on an annual basis.

1 g. The fund administrator, with the assistance of a qualified
2 actuary, shall annually determine, and the fund administrator shall
3 approve, the aggregate contribution to the OPEB Fund to fund post-
4 employment benefits other than pensions under the terms of the State
5 Health Benefit Program, which shall be the amount necessary to pay
6 the anticipated premiums or periodic charges for the benefits for the
7 following annual valuation period, with respect to all non-State
8 employers participating in the OPEB Fund. The fund administrator
9 shall determine and approve the rate or rates to be charged to non-State
10 participating employers as contributions by such employers to the
11 OPEB Fund, based on such allocable amounts of the above-described
12 aggregate contribution and such other factors as the fund administrator
13 shall determine with respect to the setting of such rates.

14 h. Deposits to the OPEB Fund shall be made by each non-State
15 participating employer in the amounts specified by the fund
16 administrator. Deposits to the OPEB Fund by each non-State
17 participating employer shall be segregated in a separate account for
18 recordkeeping purposes from the deposits from all other non-State
19 participating employers in the OPEB Fund. Such deposits may be
20 commingled for purposes of investment, but the fund administrator
21 shall provide record keeping to establish the deposits allocable to each
22 non-State participating employer and shall periodically report the
23 value of the separate accounts to the applicable non-State participating
24 employers. Investment earnings attributable to the OPEB Fund shall
25 be determined on an aggregate basis for all non-State participating
26 employers. A non-State participating employer shall not make a
27 deposit to the OPEB Fund if the total amount invested with respect to
28 that employer would exceed such employer's actuarially determined
29 liability for post-employment benefits other than pensions due to its
30 employees, as determined under the applicable standards of GASB
31 43/45.

32 i. In the event that, following the satisfaction in full of all
33 liabilities for post-employment benefits other than pensions to
34 retired employees, and their dependents, of non-State participating
35 employers, there remain undistributed assets of the OPEB Fund,
36 such assets shall be distributed in the manner determined by the
37 fund administrator, provided that in no event shall such assets be
38 distributed to, or used for the purpose of paying benefits for, the
39 active or retired employees of an entity that is not a State, a political
40 subdivision of the State or an entity the income of which is
41 excluded from gross income under section 115 of the Internal
42 Revenue Code of 1986 (26 U.S.C. s.115), as amended.

43
44 67. (New section) With respect to the portion of the alternate
45 benefit program, P.L.1969, c.242 (C.18A:66-167 et seq.), that is
46 subject to section 403(b) of the federal Internal Revenue Code (26
47 U.S.C. s.403(b)), the State may terminate the 403(b) portion of

1 alternate benefit program only as permitted by the applicable
2 regulations of the United States Department of the Treasury.

3

4 68. Section 2 of P.L.1963, c.123 (C.52:18A-108) is amended to
5 read as follows:

6 2. As used in this act:

7 a. "Fiscal year" means any year commencing on July 1 and
8 ending on June 30 next following.

9 b. "Participant" means (1) for the purposes of the Supplemental
10 Annuity Collective Trust under section 4 of P.L.1965, c.90 (C.52:18A-
11 113.1), any member of a State administered retirement system, who
12 has elected to make voluntary additional contributions to the
13 Supplemental Annuity Collective Trust, or for whom an employer
14 has agreed to purchase an annuity from the Supplemental Annuity
15 Collective Trust as hereinafter provided; or (2) for the purposes of
16 the Additional Contributions Tax-Sheltered Program under section 1
17 of P.L.1995, c.92 (C.52:18A-113.2), means any employee of the
18 Department of Education, the Commission on Higher Education, the
19 governing body of any public institution of education, or any public
20 school, as defined in N.J.S.18A:1-1, regularly scheduled to work 20
21 or more hours per week who has elected to make voluntary
22 additional contributions to the Supplemental Annuity Collective
23 Trust, or for whom an employer has agreed to purchase an annuity
24 from the Supplemental Annuity Collective Trust as hereinafter
25 provided. An employee regularly works less than 20 hours per
26 week if, for the 12-month period beginning on the date the
27 employee's employment commenced, the employee's employer
28 reasonably expects the employee to work fewer than 1,000 hours of
29 service, as defined under section 410(a)(3)(C) of the Internal
30 Revenue Code of 1986 (26 U.S.C. s.410(a)(3)(C)), as amended, and,
31 for each plan year ending after the close of that 12-month period,
32 the employee has worked fewer than 1,000 hours of service.

33 c. "State administered retirement system" means any of the
34 following retirement plans: Public Employees' Retirement System
35 of New Jersey established pursuant to chapter 84, P.L.1954;
36 Teachers' Pension and Annuity Fund established pursuant to chapter
37 37, P.L.1955; Police and Firemen's Retirement System of New
38 Jersey established pursuant to chapter 255, P.L.1944; Consolidated
39 Police and Firemen's Pension Fund established pursuant to chapter
40 358, P.L.1952; Prison Officers' Pension Fund established pursuant
41 to chapter 220, P.L.1941; and State Police Retirement and
42 Benevolent Fund established pursuant to chapter 188, P.L.1925.
43 (cf: P.L.1965, c.90, s.1)

44

45 69. Section 6 of P.L.1963, c.123 (C.52:18A-112) is amended to
46 read as follows:

47 6. A member of a State administered retirement system or an
48 employee of a board of education, as defined in N.J.S.18A:1-1,

1 regularly scheduled to work 20 or more hours per week may
2 become a participant by filing an application for enrollment in
3 either the Variable Division or the Fixed Division, or both, in
4 accordance with rules and regulations established by the council.
5 An employee regularly works less than 20 hours per week if, for the
6 12-month period beginning on the date the employee's employment
7 commenced, the employee's employer reasonably expects the
8 employee to work fewer than 1,000 hours of service, as defined under
9 section 410(a)(3)(C) of the Internal Revenue Code of 1986 (26 U.S.C.
10 s.410(a)(3)(C)), and, for each plan year ending after the close of that
11 12-month period, the employee has worked fewer than 1,000 hours of
12 service.

13 (cf: P.L.1963, c.123, s.6)

14

15 70. Section 1 of P.L.1995, c.92 (C.52:18A-113.2) is amended to
16 read as follows:

17 1. a. The Department of Education, the Commission on Higher
18 Education, and the governing body of any public institution of
19 **[higher]** education may enter into a written agreement with any of
20 its employees to reduce the employee's annual salary for the
21 purpose of investing in a tax-deferred annuity for the employee
22 pursuant to section 403(b) of the federal Internal Revenue Code of
23 **[1954]** 1986 (26 U.S.C. s.403(b)), as amended. Investments shall
24 be (1) with an insurer or mutual fund company authorized to
25 provide investment contracts under the alternate benefit program;
26 (2) in investment contracts authorized under the program for
27 supplemental retirement benefits which meet the requirements of
28 section 403(b) of the federal Internal Revenue Code (26 U.S.C.
29 s.403(b)), as amended; and (3) on the same terms and conditions
30 provided for participants in the alternate benefit program.

31 b. An agreement (1) shall specify the amount and the effective
32 date of the reduction; (2) shall be subject to filing with and approval
33 by the State Treasurer or filing with and approval by the governing
34 body of the institution of public higher education, as appropriate;
35 and (3) shall be legally binding and irrevocable with respect to the
36 amounts earned while the agreement is in effect. The total amount
37 of the reduction in an employee's salary pursuant hereto, for any
38 calendar year, shall not exceed the lesser of (a) the applicable dollar
39 amount or (b) the participant's Includible Compensation for the
40 calendar year. Includible Compensation is an employee's actual wages
41 in box 1 of Form W-2 for a year for services to the employer, but
42 subject to a maximum of \$200,000, or such higher maximum as may
43 apply under section 401(a)(17) of the federal Internal Revenue Code
44 (26 U.S.C. s.401(a)(17), and increased up to the dollar maximum by
45 any compensation reduction election under section 125, 132(f), 401(k),
46 403(b), or 457(b) of the federal Internal Revenue Code (26 U.S.C.
47 s.125, 132(f), 401(k), 403(b), or 457(b)). The amount of Includible
48 Compensation is determined without regard to any community

1 property laws. The applicable dollar amount is the amount established
2 under section 402(g)(1)(B) of the federal Internal Revenue Code (26
3 U.S.C. s.402(g)(1)(B)), which is \$16,500 for 2011, and is adjusted for
4 cost-of-living after 2011 to the extent provided under section 415(d) of
5 the federal Internal Revenue Code (26 U.S.C. s.415(d)). The total
6 amount of the reduction in an employee's salary pursuant hereto, for
7 any calendar year, when added to the contributions made in the year
8 on behalf of the employee in accordance with section 7 of P.L.1963,
9 c.123 (C.52:18A-113), exceed the limitations set forth in
10 [Pub.L.93-406 (Employment Retirement Income Security Act of
11 1974) and] section 415 (c) of the federal Internal Revenue Code (26
12 U.S.C.s.415 (c)). For the purposes of this section, if the participant is
13 or has been a participant in one or more other plans under section
14 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), and
15 any other plan that permits elective deferrals under section 402(g) of
16 the federal Internal Revenue Code (26 U.S.C. s.402(g)), then this plan
17 and all such other plans shall be considered as one plan for purposes of
18 applying the foregoing limitations.

19 c. An agreement may be terminated at any time upon written
20 notice by either the employee or the employer. Termination shall
21 take effect at the beginning of the payroll period whose first day is
22 nearest to the 30th day following the day on which notification of
23 termination was (1) received by the employer, in the event
24 termination is initiated by the employee, or (2) sent to the
25 employee, in the event termination is initiated by the employer.

26 d. Amounts payable pursuant to this section by an employer on
27 behalf of an employee for a payroll period shall be transmitted and
28 credited not later than the fifth business day after the date on which
29 the employee is paid for that pay period.

30 e. The plan described in subsection a. of this section shall be
31 known as the New Jersey Additional Contributions Tax-Sheltered
32 Program.

33 (cf: P.L.1999, c.247, s.4)

34

35 71. Section 2 of P.L.1995, c.92 (C.52:18A-113.3) is amended to
36 read as follows:

37 2. Upon approval and filing, the State Treasurer or the
38 applicable governing body of a public institution of **[higher]**
39 education shall reduce an employee's salary pursuant to the
40 agreement and shall pay an amount equal to the amount agreed
41 upon for the salary reduction as an employer contribution to the
42 issuer of the employee's annuity. Participation in a reduction of
43 salary pursuant to this act shall not cause the employee to lose any
44 benefits under a State-administered retirement system to which the
45 employee would otherwise be entitled had the employee not agreed
46 to a reduction in salary for the purpose of purchasing a tax-deferred
47 annuity. Employee contributions and any survivor's benefit shall be

1 paid on the basis of the employee's salary without regard to the
2 reduction authorized by this act.

3 (cf: P.L.1995, c.92, s.2)

4

5 72. Section 3 of P.L.1995, c.92 (C.52:18A-113.4) is amended to
6 read as follows:

7 3. Payments for tax-deferred annuities shall be made by the
8 State Treasurer or the applicable governing body of a public
9 institution of **[higher]** education to the issuers of the annuities out
10 of moneys available for the salaries of employees who have entered
11 into agreements pursuant to this act.

12 (cf: P.L.1995, c.92, s.3)

13

14 73. Section 1 of P.L.1996, c.77 (C.52:18A-113.6) is amended to
15 read as follows:

16 1. Employees of the Department of Education, the Commission
17 on Higher Education, or the governing body of any public
18 institution of **[higher]** education who are participants in the
19 Supplemental Annuity Collective Trust pursuant to section 403(b)
20 of the federal Internal Revenue Code of **[1954]** 1986 (26 U.S.C.
21 s.403(b)), as amended, **[may :**

22 **a.] shall** transfer all **[or a portion of any]** funds that they may
23 have invested as participants in the Supplemental Annuity
24 Collective Trust to a tax-deferred annuity with an insurer or mutual
25 fund company authorized to provide investment contracts under the
26 alternate benefit program pursuant to the provisions of P.L.1995,
27 c.92 (C.52:18A-113.2 et seq.) **]; or**

28 **b. transfer** all or a portion of any funds that they may have
29 invested in a tax-deferred annuity with any authorized provider to
30 the Supplemental Annuity Collective Trust**].**

31 (cf: P.L.1996, c.77, s.1)

32

33 74. Section 9 of P.L.1963, c.123 (C.52:18A-115) is amended to
34 read as follows:

35 9. The assets of the Variable Division shall be invested and
36 reinvested principally in common stocks and securities which are
37 convertible into common stocks. Such common stocks and
38 securities shall be **[restricted to those listed]** traded on a securities
39 exchange in the United States or over-the-counter market.

40 (cf: P.L.1963, c.123, s.9)

41

42 75. (New section) With respect to the portion of the
43 Supplemental Annuity Collective Trust that is subject to section
44 403(b) of the federal Internal Revenue Code (26 U.S.C. s.403(b)), the
45 State may terminate the Supplemental Annuity Collective Trust as
46 provided in this section.

1 a. The State enacted P.L.1963, c.123 (C.52:18A-107 et seq.)
2 with the intention and expectation that contributions would be
3 continued to the Supplemental Annuity Collective Trust program
4 indefinitely. The State, however, has no obligation or liability
5 whatsoever to maintain the program for any length of time and may
6 discontinue contributions under the program at any time without
7 any liability hereunder for any discontinuance.

8 b. The State reserves the authority to amend or terminate the
9 Supplemental Annuity Collective Trust program at any time and for
10 any reason.

11 c. The State may provide that, in connection with a termination
12 of the program, all accounts will be distributed, provided that the
13 State and any related employer on the date of termination do not
14 make contributions to an alternative plan or program subject to the
15 rules under section 403(b) of the Internal Revenue Code of 1986
16 (26 U.S.C. s.403(b)), as amended, that is not part of the program
17 during the period beginning on the date of termination and ending
18 12 months after the distribution of all assets from the Supplemental
19 Annuity Collective Trust program, except as permitted by the
20 applicable regulations of the United States Department of the
21 Treasury.

22

23 76. (New section) a. As used in this section:

24 "emergency care" means immediate treatment provided in
25 response to a sudden, acute and unanticipated medical crisis in
26 order to avoid injury, impairment, or death.

27 "in-State health care provider" means an individual or entity,
28 including, but not limited to, a physician or other health care
29 professional licensed pursuant to Title 45 of the Revised Statutes,
30 and a hospital or other health care facility licensed pursuant to Title
31 26 of the Revised Statutes that is not an out-of-State health care
32 provider.

33 "out-of-State health care provider" means an individual or entity
34 providing health care services at a location outside the geographic
35 boundaries of this State.

36 "primary care" means the provision of preventive, diagnostic,
37 treatment, management, and reassessment services to individuals in
38 facilities providing family practice, general internal medicine,
39 general pediatrics, and routine obstetrics/gynecology.

40 "reasonably proximate" means a geographic distance from the
41 covered person's place of residence that does not exceed 25 miles.

42 "tertiary care" means specialized care performed by specialists
43 working in an inpatient or outpatient facility for special
44 investigation and treatment of complex diseases or conditions.

45 b. Notwithstanding the provisions of any other law to the
46 contrary, a carrier which offers health benefits coverage under the
47 State Health Benefits Program, School Employees' Health Benefits
48 Program, or any self-insured plan or plan offered to public

1 employees or retirees outside the State Health Benefits Program or
2 the School Employees' Health Benefits Program, to an employee or
3 retiree and any dependent eligible for such health care benefits
4 coverage, shall only provide coverage for medically necessary
5 health care services provided by an out-of-State health care provider
6 as specified in subsection c. of this subsection, except for coverage
7 authorized pursuant to subsection f. or g. of this section.

8 c. Medically necessary tertiary health care services may be
9 performed by an out-of-State specialty or subspecialty health care
10 provider when there is no in-State health care provider reasonably
11 available to treat the particular condition based on an expedited
12 determination by the carrier and the State Health Benefits
13 Commission, the School Employees' Health Benefits Commission
14 or the plan administrator, as the case may be, in consultation with
15 the Department of Health and Senior Services, that such service is
16 not otherwise available through an in-State health care provider or
17 where there is no in-network provider who is reasonably proximate
18 to the covered person's place of residence.

19 d. (1) The out-of-State health care provider shall receive
20 reimbursement for out-of-network charges at the lesser of the
21 contractual rate or a rate equal to 150% of the Medicare fee
22 schedule for those same services.

23 (2) The employee or retiree shall be responsible for the entire
24 balance of the out-of-State health provider's charges that exceed the
25 applicable out-of-network reimbursement.

26 e. The carrier shall establish preauthorization or review
27 requirements of the health benefits plan regarding the determination
28 of medical necessity for the employee, retiree, or covered dependent
29 to access out-of-State benefits, as set forth in writing pursuant to
30 section 5 of P.L.1997, c.192 (C.26:2S-5), with which the covered
31 person shall comply as a condition of receiving benefits pursuant to
32 this section.

33 f. This section shall not apply to: (1) emergency care; (2)
34 primary care; (3) an employee, retiree, or covered dependent who
35 has his or her principal residence outside of this State or is enrolled
36 as a full-time student at a school located outside this State and
37 resides outside this State while attending that school, or (4) such
38 other unusual and compelling circumstance determined by the State
39 Health Benefits Commission, School Employees' Health Benefits
40 Commission or the plan administrator, as the case may be, in
41 consultation with the Department of Health and Senior Services,
42 that warrants an individualized exception from the requirements of
43 this section. For the purposes of this subsection, a person will be
44 deemed to have his principal residence outside this State if all of the
45 following conditions are met: the person spends the majority of his
46 or her nonworking time outside the State, and resides at a location
47 outside the State which is clearly the center of his or her domestic

1 life, and has designated the out-of-State residence as his or her legal
2 address and legal residence for voting.

3 g. This section shall not apply to cases when it is medically
4 necessary for the employee, retiree, or covered dependent to
5 continue current treatment with the out-of-State health care provider
6 or under the following circumstances: (1) in cases of the pregnancy
7 through the postpartum evaluation, up to six weeks after delivery;
8 (2) in the case of post-operative care, up to six months following
9 the surgical procedure; (3) in the case of oncological treatment, up
10 to one year following the first date of treatment; and (4) in the case
11 of psychiatric treatment, up to one year following the first date of
12 treatment.

13 h. Notwithstanding the provisions of another law to the
14 contrary, the State Health Benefits Plan Design Committee, the
15 School Employees' Health Benefits Plan Design Committee, and
16 any public employer shall provide to employees the option to select
17 a single plan that shall not limit coverage for medically necessary
18 health care services provided by an out-of-State health care provider
19 pursuant to this section. Each employee or retiree who selects
20 coverage under the plan shall pay the additional portion of the
21 premium or periodic charge associated with selecting a plan that
22 does not limit coverage for medically necessary health care services
23 provided by an out-of-State health care provider for health care
24 benefits provided to the employee, retiree, and dependents covered
25 under the plan.

26 i. This section shall be operative January 1, 2012.

27
28 77. (New section) A public employer and employees who are in
29 negotiations for the next collective negotiations agreement to be
30 executed after the employees in that unit have reached full
31 implementation of the premium share set forth in section 39 of
32 P.L. , c. (C.) (pending before the Legislature as this bill)
33 shall conduct negotiations concerning contributions for health care
34 benefits as if the full premium share was included in the prior
35 contract. The public employers and public employees shall remain
36 bound by the provisions of sections 39, 40, and 43 of P.L. , c.
37 (C.) (pending before the Legislature as this bill), notwithstanding
38 the expiration of those sections, until the full amount of the
39 contribution required by section 39 has been implemented in
40 accordance with the schedule set forth in section 40.

41 Employees subject to any collective negotiations agreement in
42 effect on the effective date of P.L. , c. (pending before the
43 Legislature as this bill), that has an expiration date on or after the
44 expiration of sections 39 through 44, inclusive, of P.L. , c. (C.)
45 (pending before the Legislature as this bill), shall be subject, upon
46 expiration of that collective negotiations agreement, to sections 39, 40,
47 and 43 until the health care contribution schedule set forth in section
48 40 is fully implemented.

1 After full implementation, those contribution levels shall become
2 part of the parties' collective negotiations and shall then be subject to
3 collective negotiations in a manner similar to other negotiable items
4 between the parties.

5 A public employee whose amount of contribution in retirement
6 was determined in accordance with section 40 or 43 shall be
7 required to contribute in retirement the amount so determined
8 pursuant to section 40 or 43 notwithstanding that section 40 or 43
9 has expired, with the retirement allowance, and any future cost of
10 living adjustment thereto, used to identify the percentage of the cost
11 of coverage.

12

13 78. (New section) A public employer and employees who are in
14 negotiations for the next collective negotiations agreement to be
15 executed after the employees in that unit have reached full
16 implementation of the premium share set forth in section 39 of
17 P.L. , c. (C.)(pending before the legislature as this bill) shall
18 conduct negotiations concerning contributions for health care
19 benefits as if the full premium share was included in the prior
20 contract. The public employers and public employees shall remain
21 bound by the provisions of sections 39 and 41 of P.L. , c. (C.)
22 (pending before the Legislature as this bill), notwithstanding the
23 expiration of those sections, until the full amount of the
24 contribution required by section 39 has been implemented in
25 accordance with the schedule set forth in section 41.

26 Employees subject to any collective negotiations agreement in
27 effect on the effective date of P.L. , c. (pending before the
28 Legislature as this bill), that has an expiration date on or after the
29 expiration of sections 39 through 44, inclusive, of P.L. , c. (C.)
30 (pending before the Legislature as this bill), shall be subject, upon
31 expiration of that collective negotiations agreement, to sections 39 and
32 41 until the health care contribution schedule set forth in section 41 is
33 fully implemented.

34 After full implementation, those contribution levels shall become
35 part of the parties' collective negotiations and shall then be subject to
36 collective negotiations in a manner similar to other negotiable items
37 between the parties.

38

39 79. (New section) A public employer and employees who are in
40 negotiations for the next collective negotiation agreement to be
41 executed after the employees in that unit have reached full
42 implementation of the premium share set forth in section 39 of
43 P.L. , c. (C.) (pending before the Legislature as this bill) shall
44 conduct negotiations concerning contributions for health care
45 benefits as if the full premium share was included in the prior
46 contract. The public employers and public employees shall remain
47 bound by the provisions of sections 39, 42, and 44 of P.L. ,
48 c. (C.) (pending before the Legislature as this bill),

1 notwithstanding the expiration of those sections, until the full
2 amount of the contribution required by section 39 has been
3 implemented in accordance with the schedule set forth in section
4 42.

5 Employees subject to any collective negotiations agreement in
6 effect on the effective date of P.L. , c. (pending before the
7 Legislature as this bill), that has an expiration date on or after the
8 expiration of sections 39 through 44, inclusive, of P.L. , c. (C.)
9 (pending before the Legislature as this bill), shall be subject, upon
10 expiration of that collective negotiations agreement, to sections 39, 42,
11 and 44 until the health care contribution schedule set forth in section
12 42 is fully implemented.

13 After full implementation, those contribution levels shall become
14 part of the parties' collective negotiations and shall then be subject to
15 collective negotiations in a manner similar to other negotiable items
16 between the parties.

17 A public employee whose amount of contribution in retirement
18 was determined in accordance with section 42 or 44 shall be
19 required to contribute in retirement the amount so determined
20 pursuant to section 42 or 44 notwithstanding that section 42 or 44
21 has expired, with the retirement allowance, and any future cost of
22 living adjustment thereto, used to identify the percentage of the cost
23 of coverage.

24
25 80. Notwithstanding any other provision of this amendatory and
26 supplementary act, P.L. , c. (C.) (pending before the
27 Legislature as this bill) to the contrary, the increases in the
28 employee contributions under the amendatory sections 8 through
29 16, inclusive, and the contributions required under sections 39
30 through 44, inclusive, shall begin upon the implementation of
31 necessary administrative actions for collection and shall not be
32 applied retroactively to this act's effective date. Nothing contained
33 in this section shall affect the implementation of any other provision
34 of this act.

35
36 81. If any provision of P.L. , c. (C.) (pending before the
37 Legislature as this bill) or its application to any particular person or
38 circumstance is held invalid, that provision or its application shall
39 be severable and shall not affect the validity of other provisions or
40 applications of this act.

41

42 82. The following are repealed:

43 Section 2 of P.L.1989, c.6 (C.52:14-17.28a);

44 Section 1 of P.L.1985, c.414 (C.43:15A-47.2); and

45 Section 1 of P.L.1999, c.96 (C.43:16A-5.1).

1 83. This act shall take effect immediately, and sections 39
2 through 44, inclusive, shall expire four years after the effective
3 date.

4
5
6 STATEMENT

7
8 This bill makes various changes to the manner in which the
9 Teachers' Pension and Annuity Fund (TPAF), the Judicial
10 Retirement System (JRS), the Public Employees' Retirement
11 System (PERS), the Police and Firemen's Retirement System
12 (PFRS), and the State Police Retirement System (SPRS) operate
13 and to the benefit provisions of those systems.

14 The bill establishes new pension committees as follows:

15 one 8-member committee for the TPAF and one for the SPRS;

16 two 8-member committees in the PERS, one for the State part of
17 the PERS and one for the local part of the PERS; and

18 two 10-member committees in the PFRS, one for the State part
19 of the PFRS and one for the local part of the PFRS.

20 Half of the members of each committee will be appointed by the
21 Governor to represent public employers and half appointed by
22 certain unions whose members are in the retirement system. When
23 a target funded ratio for the system or part of the system is
24 achieved, each committee will have the discretionary authority to
25 modify the: member contribution rate; formula for calculation of
26 final compensation or final salary; fraction used to calculate a
27 retirement allowance; age at which a member may be eligible and
28 the benefits for service or early retirement; and benefits provided
29 for disability retirement. A committee will not have authority to
30 change the number of years required for vesting.

31 The term "target funded ratio" means a ratio of the actuarial
32 value of assets against the actuarially determined accrued liabilities
33 expressed as a percentage that will be 75 percent in State fiscal year
34 2012, and increased annually by equal increments in each of the
35 subsequent seven fiscal years, until the ratio reaches 80 percent at
36 which it is to remain for all subsequent fiscal years.

37 The committees of these systems will have the authority to
38 reactivate the cost of living adjustment on pensions and modify the
39 basis for the calculation of the cost of living adjustment and set the
40 duration and extent of the activation. A committee must give
41 priority consideration to the reactivation of the cost of living
42 adjustment.

43 The State House Commission will have the same authority with
44 regard to JRS.

45 Each committee may also hire actuaries and consultants.

46 The bill establishes a process using a super conciliator to resolve
47 an impasse on a decision or matter regarding benefits before any of

1 the newly established committees in the TPAF, PERS, PFRS, and
2 SPRS.

3 With regard to employee benefits, the bill provides for increases
4 in the employee contribution rates: from 5.5% to 6.5% plus an
5 additional 1% phased-in over 7 years beginning in the first year,
6 meaning after 12 months, after the bill's effective date for TPAF
7 and PERS (including legislators, Law Enforcement Officer (LEO)
8 members, and workers compensation judges); from 3% to 12% for
9 JRS phased-in over seven years; from 8.5% to 10% for PFRS
10 members and members of PERS Prosecutors Part; and from 7.5% to
11 9% for SPRS members. New members of TPAF and PERS will
12 need 30 years of creditable service and age 65 for receipt of the
13 early retirement benefit without a reduction of 1/4 of 1% for each
14 month that the member is under age 65. TPAF and PERS members
15 enrolled before November 1, 2008 are eligible for a service
16 retirement benefit at age 60 and members enrolled on or after that
17 date are eligible at age 62. New members will be eligible for a
18 service retirement benefit at age 65. A new PFRS member's special
19 retirement benefit will be 60% of final compensation, plus 1% of
20 final compensation multiplied by the number of years of creditable
21 service over 25 but not over 30, instead of the current benefit of
22 65% of final compensation plus 1% for each year of service over 25
23 but not over 30.

24 The bill repeals N.J.S.A.43:15A-47.2 and 43:16A-5.1 which
25 provide that a member of PERS or PFRS may retire while holding
26 an elective public office covered by PERS or PFRS and continue to
27 receive the full salary for that office, if the member's PERS or
28 PFRS retirement allowance is not based solely on service in the
29 elected public office. It also provides that the PFRS or PERS
30 retirees who were granted a retirement allowance under those
31 sections prior to the bill's effective date and are currently in an
32 elective office covered by either of those systems may continue to
33 receive their pension benefit and salary for the elective office.

34 Under the bill, the automatic cost-of-living adjustment will no
35 longer be provided to current and future retirees and beneficiaries,
36 unless it is reactivated as permitted by the bill.

37 For the PERS, TPAF, SPRS, PFRS, and JRS, the bill changes the
38 method for the amortization of the system's unfunded liability.

39 One section of the bill provides that each member of the TPAF,
40 JRS, Prison Officers' Pension Fund, PERS, Consolidated Police and
41 Firemen's Pension Fund, PFRS, and SPRS will have a contractual
42 right to the annual required contribution made by the employer or
43 by any other public entity. The contractual right to the annual
44 required contribution means that the employer or other public entity
45 must make the annual required contribution on a timely basis to
46 help ensure that the retirement system is securely funded and that
47 the retirement benefits to which the members are entitled by statute
48 and in consideration for their public service and in compensation

1 for their work will be paid upon retirement. The failure of the State
2 or any other public employer to make the annually required
3 contribution will be deemed to be an impairment of the contractual
4 right of each employee. The Superior Court, Law Division will
5 have jurisdiction over any action brought by a member of any
6 system or fund or any board of trustees to enforce the contractual
7 right set forth in this bill. The State and other public employers will
8 submit to the jurisdiction of the Superior Court, Law Division and
9 will not assert sovereign immunity in such an action. If a member
10 or board prevails in litigation to enforce the contractual right set
11 forth in this bill, the court may award that party their reasonable
12 attorney's fees.

13 That section also provides that the rights reserved to the State in
14 current law to alter, modify, or amend such retirement systems and
15 funds, or to create in any member a right in the corpus or
16 management of a retirement system or pension fund, cannot
17 diminish the contractual right of employees established by this bill.

18 In addition, the bill increases the membership of the State
19 Investment Council from 13 to 16 members. It eliminates one
20 representative from the SPRS, but adds one member from the State
21 Troopers Fraternal Association. Two additional members are
22 appointed by the Governor with the advice and consent of the
23 Senate, and one additional appointment is added to the current one
24 by the Governor from persons nominated by Public Employee
25 Committee of the New Jersey State AFL-CIO, specifying that one
26 of the two will be a representative of a police officers' or
27 firefighters' union. The bill also provides that an elected member,
28 as opposed to any member, of the boards of trustees for TPAF,
29 PERS and PFRS will be eligible for designation to serve on the
30 State Investment Council.

31 This bill requires all public employees and certain public retirees
32 to contribute toward the cost of health care benefits coverage based
33 upon a percentage of the cost of coverage.

34 Under the bill, all active public employees will pay a percentage
35 of the cost of health care benefits coverage for themselves and any
36 dependents. However, lower compensated employees will pay a
37 smaller percentage and more highly compensated employees will
38 pay a higher percentage. In addition, the applicable percentage will
39 vary based upon whether the employee has family, individual, or
40 member with child or spouse coverage. The rates gradually
41 increase based on an employee's compensation, at intervals of
42 \$5,000. These rates will be phased in over several years for
43 employees employed on the contribution's effective date who will
44 pay $\frac{1}{4}$, $\frac{1}{2}$, and $\frac{3}{4}$ of the amount of the contribution rate during the
45 first, second and third years, respectively, meaning during the three
46 12-month periods after the contribution rates become effective. The
47 bill establishes a "floor" for employee contributions so that no
48 employee will pay an amount that is less than 1.5% of the

1 employee's compensation. Employees who pay for health care
2 benefits coverage based upon a percentage of the cost of coverage
3 will not also be required to pay the minimum contribution of 1.5%
4 of compensation, as provided by other laws. The contribution will
5 commence on the bill's effective date for certain public employees
6 and upon the expiration of a collective negotiation agreement for
7 others.

8 Similar provisions in the bill apply to retirees of the State,
9 employers other than the State, and units of local government who
10 accrue 25 years of service after the bill's effective date, or on or
11 after the expiration of an applicable collective bargaining agreement
12 in effect on that date, and retire after that, who will be required to
13 contribute a percentage of the cost of health care benefits coverage
14 in retirement, but as based on their retirement benefit. These
15 provisions will not apply to public employees who have 20 or more
16 year of service in one or more State or locally-administered
17 retirement systems. A 1.5% "floor", for those retirees to whom the
18 1.5% contribution in current law applies, will also be applicable to
19 these retirees.

20 The bill allows boards of education and units of local
21 government, that do not participate in the SHBP or SEHBP, to enter
22 into contracts for health care benefits coverage, as may be required
23 to implement a collective negotiations agreement, and agree to
24 different employee contribution rates if certain cost savings in the
25 aggregate over the period of the agreement can be demonstrated.
26 The savings must be certified to the Department of Education or the
27 Department of Community Affairs, as appropriate. The
28 departments are to approve or reject the certification, within 30
29 days of receipt. The certification is deemed approved if not rejected
30 within that time. The agreement cannot be executed until that
31 approval is received or the 30 day period has lapsed, whichever
32 occurs first.

33 The provisions concerning contributions for health care benefits
34 will expire four years after the effective date.

35 A public employer and employees who are in negotiations for the
36 next collective negotiations agreement to be executed after the
37 employees in that unit have reached full implementation of the
38 premium share set forth in the bill must conduct negotiations
39 concerning contributions for health care benefits as if the full
40 premium share was included in the prior contract. The public
41 employers and public employees will remain bound by the health
42 care contribution provisions of the bill, notwithstanding the
43 expiration of those sections, until the full amount of the
44 contribution has been implemented in accordance with the schedule
45 set forth in the bill.

46 Employees subject to any collective negotiations agreement in
47 effect on the effective date of the bill, that has an expiration date on or
48 after the expiration of the health care contribution provisions of the

1 bill, will be subject to those provisions, upon expiration of that
2 collective negotiations agreement, until the health care contribution
3 schedule set forth in the bill is fully implemented.

4 After full implementation, those contribution levels will become
5 part of the parties' collective negotiations and will then be subject to
6 collective negotiations in a manner similar to other negotiable items
7 between the parties.

8 A public employee whose amount of contribution in retirement
9 was determined in accordance with the expired sections of law will
10 be required to contribute the amount so determined in retirement,
11 notwithstanding that the law has expired, with the retirement
12 allowance, and any future cost of living adjustment thereto, used to
13 identify the percentage of the cost of coverage.

14 The increased employee contributions under the bill for pension
15 benefits and the contributions for health care benefits will begin
16 upon the implementation of necessary administrative actions for
17 collection and will not be applied retroactively to this bill's
18 effective date.

19 The bill also creates two new committees, one for the State
20 Health Benefits Program and one for the School Employees' Health
21 Benefits Program and confers on the committees the responsibility
22 for plan design. Half of the committee members will be appointed
23 by the Governor to represent public employers and half by certain
24 unions who represent public employees in the State.

25 The bill requires the committees for both programs to set the
26 amounts for maximums, co-pays, deductibles, and other such
27 participant costs; provide employees with the option to select one
28 level of at least three levels of coverage each for family, individual,
29 individual and spouse, and individual and dependent, or equivalent
30 categories, for each plan offered by the program differentiated by
31 out of pocket costs to employees including with regard to co-
32 payments and deductibles; and provide for a high deductible health
33 plan that conforms to the Internal Revenue Code Section 223.

34 The bill contains a section, to begin January 1, 2012, to limit
35 coverage for certain medically necessary tertiary health care
36 services performed by certain out of State health care providers.

37 The bill repeals a provision of law that provides that the State
38 Health Benefits Commission must not enter into a contract for the
39 benefits provided pursuant to the contract in effect on October 1,
40 1988, including, but not limited to, basic benefits, extended basic
41 benefits, and major medical benefits unless the level of benefits
42 provided under the contract entered into is equal to or exceeds the
43 level of benefits provided for in the contract in effect on October 1,
44 1988, or unless the benefits in effect on October 1, 1988 are
45 modified by an authorized collective bargaining agreement made on
46 behalf of the State.

47 Various provisions of the bill contain a number of changes to the
48 law that are necessary to maintain the qualified plan status of the

1 retirement systems under the federal Internal Revenue Code; for
2 compliance with Statements Nos. 43 and 45 of the Governmental
3 Accounting Standards Board, Accounting and Financial Reporting
4 by Employers for Postemployment Benefits Other Than Pensions
5 (GASB 43/45); and to bring the defined contribution plans into
6 compliance with U.S. Department of Treasury regulations affecting
7 administration of plans administered under section 403(b) of the
8 Internal Revenue Code. Modifications pertaining to the
9 Supplemental Annuity Collective Trust are also being made by the
10 bill.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4133

STATE OF NEW JERSEY

DATED: JUNE 20, 2011

The Assembly Budget Committee reports favorably Assembly Bill No. 4133.

Assembly Bill No. 4133 makes various changes to the manner in which the Teachers' Pension and Annuity Fund (TPAF), the Judicial Retirement System (JRS), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), and the State Police Retirement System (SPRS) operate and to the benefit provisions of those systems.

The bill establishes new pension committees as follows:

one 8-member committee for the TPAF and one for the SPRS;

two 8-member committees in the PERS, one for the State part of the PERS and one for the local part of the PERS; and

two 10-member committees in the PFRS, one for the State part of the PFRS and one for the local part of the PFRS.

Half of the members of each committee will be appointed by the Governor to represent public employers and half appointed by certain unions whose members are in the retirement system. When a target funded ratio for the system or part of the system is achieved, each committee will have the discretionary authority to modify the: member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. A committee will not have authority to change the number of years required for vesting.

The term "target funded ratio" means a ratio of the actuarial value of assets against the actuarially determined accrued liabilities expressed as a percentage that will be 75 percent in State fiscal year 2012, and increased annually by equal increments in each of the subsequent seven fiscal years, until the ratio reaches 80 percent at which it is to remain for all subsequent fiscal years.

The committees of these systems will have the authority to reactivate the cost of living adjustment on pensions and modify the basis for the calculation of the cost of living adjustment and set the duration and extent of the activation. A committee must give priority consideration to the reactivation of the cost of living adjustment.

The State House Commission will have the same authority with regard to JRS.

Each committee may also hire actuaries and consultants.

The bill establishes a process using a super conciliator to resolve an impasse on a decision or matter regarding benefits before any of the newly established committees in the TPAF, PERS, PFRS, and SPRS.

With regard to employee benefits, the bill provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the bill's effective date for TPAF and PERS (including legislators, Law Enforcement Officer (LEO) members, and workers compensation judges); from 3% to 12% for JRS phased-in over seven years; from 8.5% to 10% for PFRS members and members of PERS Prosecutors Part; and from 7.5% to 9% for SPRS members. New members of TPAF and PERS will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. TPAF and PERS members enrolled before November 1, 2008 are eligible for a service retirement benefit at age 60 and members enrolled on or after that date are eligible at age 62. New members will be eligible for a service retirement benefit at age 65. A new PFRS member's special retirement benefit will be 60% of final compensation, plus 1% of final compensation multiplied by the number of years of creditable service over 25 but not over 30, instead of the current benefit of 65% of final compensation plus 1% for each year of service over 25 but not over 30.

The bill repeals N.J.S.A.43:15A-47.2 and 43:16A-5.1 which provide that a member of PERS or PFRS may retire while holding an elective public office covered by PERS or PFRS and continue to receive the full salary for that office, if the member's PERS or PFRS retirement allowance is not based solely on service in the elected public office. It also provides that the PFRS or PERS retirees who were granted a retirement allowance under those sections prior to the bill's effective date and are currently in an elective office covered by either of those systems may continue to receive their pension benefit and salary for the elective office.

Under the bill, the automatic cost-of-living adjustment will no longer be provided to current and future retirees and beneficiaries, unless it is reactivated as permitted by the bill.

For the PERS, TPAF, SPRS, PFRS, and JRS, the bill changes the method for the amortization of the system's unfunded liability.

One section of the bill provides that each member of the TPAF, JRS, Prison Officers' Pension Fund, PERS, Consolidated Police and Firemen's Pension Fund, PFRS, and SPRS will have a contractual right to the annual required contribution made by the employer or by any other public entity. The contractual right to the annual required contribution means that the employer or other public entity must make

the annual required contribution on a timely basis to help ensure that the retirement system is securely funded and that the retirement benefits to which the members are entitled by statute and in consideration for their public service and in compensation for their work will be paid upon retirement. The failure of the State or any other public employer to make the annually required contribution will be deemed to be an impairment of the contractual right of each employee. The Superior Court, Law Division will have jurisdiction over any action brought by a member of any system or fund or any board of trustees to enforce the contractual right set forth in this bill. The State and other public employers will submit to the jurisdiction of the Superior Court, Law Division and will not assert sovereign immunity in such an action. If a member or board prevails in litigation to enforce the contractual right set forth in this bill, the court may award that party their reasonable attorney's fees.

That section also provides that the rights reserved to the State in current law to alter, modify, or amend such retirement systems and funds, or to create in any member a right in the corpus or management of a retirement system or pension fund, cannot diminish the contractual right of employees established by this bill.

In addition, the bill increases the membership of the State Investment Council from 13 to 16 members. It eliminates one representative from the SPRS, but adds one member from the State Troopers Fraternal Association. Two additional members are appointed by the Governor with the advice and consent of the Senate, and one additional appointment is added to the current one by the Governor from persons nominated by Public Employee Committee of the New Jersey State AFL-CIO, specifying that one of the two will be a representative of a police officers' or firefighters' union. The bill also provides that an elected member, as opposed to any member, of the boards of trustees for TPAF, PERS and PFRS will be eligible for designation to serve on the State Investment Council.

This bill requires all public employees and certain public retirees to contribute toward the cost of health care benefits coverage based upon a percentage of the cost of coverage.

Under the bill, all active public employees will pay a percentage of the cost of health care benefits coverage for themselves and any dependents. However, lower compensated employees will pay a smaller percentage and more highly compensated employees will pay a higher percentage. In addition, the applicable percentage will vary based upon whether the employee has family, individual, or member with child or spouse coverage. The rates gradually increase based on an employee's compensation, at intervals of \$5,000. These rates will be phased in over several years for employees employed on the contribution's effective date who will pay $\frac{1}{4}$, $\frac{1}{2}$, and $\frac{3}{4}$ of the amount of the contribution rate during the first, second and third years, respectively, meaning during the three 12-month periods after the

contribution rates become effective. The bill establishes a “floor” for employee contributions so that no employee will pay an amount that is less than 1.5% of the employee’s compensation. Employees who pay for health care benefits coverage based upon a percentage of the cost of coverage will not also be required to pay the minimum contribution of 1.5% of compensation, as provided by other laws. The contribution will commence on the bill’s effective date for certain public employees and upon the expiration of a collective negotiation agreement for others.

Similar provisions in the bill apply to retirees of the State, employers other than the State, and units of local government who accrue 25 years of service after the bill’s effective date, or on or after the expiration of an applicable collective bargaining agreement in effect on that date, and retire after that, who will be required to contribute a percentage of the cost of health care benefits coverage in retirement, but as based on their retirement benefit. These provisions will not apply to public employees who, on the effective date of the bill, have 20 or more years of service in one or more State or locally-administered retirement systems. A 1.5% “floor”, for those retirees to whom the 1.5% contribution in current law applies, will also be applicable to these retirees.

The bill allows boards of education and units of local government, that do not participate in the SHBP or SEHBP, to enter into contracts for health care benefits coverage, as may be required to implement a collective negotiations agreement, and agree to different employee contribution rates if certain cost savings in the aggregate over the period of the agreement can be demonstrated. The savings must be certified to the Department of Education or the Department of Community Affairs, as appropriate. The departments are to approve or reject the certification, within 30 days of receipt. The certification is deemed approved if not rejected within that time. The agreement cannot be executed until that approval is received or the 30 day period has lapsed, whichever occurs first.

The provisions concerning contributions for health care benefits will expire four years after the effective date.

A public employer and employees who are in negotiations for the next collective negotiations agreement to be executed after the employees in that unit have reached full implementation of the premium share set forth in the bill must conduct negotiations concerning contributions for health care benefits as if the full premium share was included in the prior contract. The public employers and public employees will remain bound by the health care contribution provisions of the bill, notwithstanding the expiration of those sections, until the full amount of the contribution has been implemented in accordance with the schedule set forth in the bill.

Employees subject to any collective negotiations agreement in effect on the effective date of the bill, that has an expiration date on or

after the expiration of the health care contribution provisions of the bill, will be subject to those provisions, upon expiration of that collective negotiations agreement, until the health care contribution schedule set forth in the bill is fully implemented.

After full implementation, those contribution levels will become part of the parties' collective negotiations and will then be subject to collective negotiations in a manner similar to other negotiable items between the parties.

A public employee whose amount of contribution in retirement was determined in accordance with the expired sections of law will be required to contribute the amount so determined in retirement, notwithstanding that the law has expired, with the retirement allowance, and any future cost of living adjustment thereto, used to identify the percentage of the cost of coverage.

The increased employee contributions under the bill for pension benefits and the contributions for health care benefits will begin upon the implementation of necessary administrative actions for collection and will not be applied retroactively to this bill's effective date.

The bill also creates two new committees, one for the State Health Benefits Program and one for the School Employees' Health Benefits Program and confers on the committees the responsibility for plan design. Half of the committee members will be appointed by the Governor to represent public employers and half by certain unions who represent public employees in the State. The bill establishes a process using a super conciliator to resolve an impasse on a matter before a committee.

The bill requires the committees for both programs to set the amounts for maximums, co-pays, deductibles, and other such participant costs; provide employees with the option to select one level of at least three levels of coverage each for family, individual, individual and spouse, and individual and dependent, or equivalent categories, for each plan offered by the program differentiated by out of pocket costs to employees including with regard to co-payments and deductibles; and provide for a high deductible health plan that conforms to the Internal Revenue Code Section 223.

The bill contains a section, to begin January 1, 2012, to limit coverage for certain medically necessary tertiary health care services performed by certain out of State health care providers.

The bill repeals a provision of law that provides that the State Health Benefits Commission must not enter into a contract for the benefits provided pursuant to the contract in effect on October 1, 1988, including, but not limited to, basic benefits, extended basic benefits, and major medical benefits unless the level of benefits provided under the contract entered into is equal to or exceeds the level of benefits provided for in the contract in effect on October 1, 1988, or unless the benefits in effect on October 1, 1988 are modified by an authorized collective bargaining agreement made on behalf of the State.

Various provisions of the bill contain a number of changes to the law that are necessary to maintain the qualified plan status of the retirement systems under the federal Internal Revenue Code; for compliance with Statements Nos. 43 and 45 of the Governmental Accounting Standards Board, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 43/45); and to bring the defined contribution plans into compliance with U.S. Department of Treasury regulations affecting administration of plans administered under section 403(b) of the Internal Revenue Code. Modifications pertaining to the Supplemental Annuity Collective Trust are also being made by the bill.

FISCAL IMPACT:

According to testimony provided by the Department of the Treasury to the Senate Budget and Appropriations Committee, increases in State and local employee contributions to the various State and local pension funds, in accordance with the provisions of the bill, will be \$3.9 billion in the first ten years and \$120 billion over 30 years. In addition, the Department of the Treasury testified that increases in employee contributions for health care benefits and plan changes will provide savings, in the first year, of \$10 million to the State and \$5 million to boards of education and units of local government. Those savings will increase to \$1.4 billion and \$1.6 billion to the State, and boards of education and units of local government, respectively, by the 10th year. The Administration did not provide the committee with any information about the underlying assumptions for its fiscal estimate.

Governor Christie Signs Into Law Bold, Bipartisan Pension and Health Benefits Reform

Tuesday, June 28, 2011 Tags: [Bill Action](#)



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Trenton, NJ – Today, Governor Chris Christie signed into law landmark pension and health benefit reform, marking months of hard work, negotiation, compromise and ultimately bipartisan support. The fundamental reforms shake up New Jersey’s out-of-date, antiquated and increasingly expensive pension and health benefit systems and bring to an end years of broken promises and fiscal mismanagement by securing the long-term solvency of the pension and benefit systems. At the same time, critical savings for state and local governments are achieved – pension reform alone will provide savings to New Jersey taxpayers of over \$120 billion over the next 30 years, and an additional \$3.1 billion over the next 10 years from health benefits reform.

"This is a defining moment in New Jersey's history. At a time when our state, along with dozens of others around the country are facing unprecedented fiscal challenges, a rarity happened. We stopped just talking about doing the big things and actually delivered. By working together, Republicans and Democrats have shown that when we put action before demagoguery and results before partisanship, we can accomplish great things for the people of New Jersey.

"By daring to be bold and take on the risks of addressing the big issues, we are doing what was once unimaginable – saving billions of dollars for taxpayers, fixing these systems in order to save them, and providing real, long-term fiscal stability for future generations of New Jerseyans.

"I want to once again thank Senate President Sweeney, Speaker Oliver, Senate Minority Leader Kean and Assembly Minority Leader DeCroce for their commitment and leadership in tackling these challenges. Every New Jerseyan can share in this victory that came through cooperation, bipartisanship and compromise," concluded Governor Christie.

The historic bipartisan legislation was sponsored by Senators Stephen M. Sweeney (D-Salem, Cumberland and Gloucester) and Joseph Pennacchio (R-Morris, Passaic) as well as Assemblypersons Louis D. Greenwald (D-Camden), Declan J. O'Scanlon, Jr. (R-Mercer, Monmouth) and cosponsored by Senator Jennifer Beck (R-Mercer, Monmouth).

The Pension Reform Plan: Protecting Retirees and Providing New Jerseyans Over \$120 Billion in Taxpayer Savings By 2041

The reforms will ensure long-term solvency, while slowing the rapid growth of government costs, spending and taxes that have overwhelmed taxpayers.

With reform, future retirees are protected and New Jerseyans provided with over \$120 billion in taxpayer savings through 2041.

Increasing the Funding Ratio of the Pension System to 88%. These reforms protect the pension system for retirees, increasing the funded ratio of the combined state and local systems from the current 62% to more than 88% over the next thirty years. By 2041, this will reduce total pension underfunding to \$37 billion. Without these critical reforms, the unfunded liability across the pension systems would have skyrocketed to \$183 billion, resulting in a massive impact on state and local budgets.

Providing New Jerseyans Over \$120 Billion in Taxpayer Savings by 2041. This comprehensive set of reforms means critical savings for state and local governments and real property tax relief for New Jerseyans.

\$79 Billion in State Contribution Savings: Over the next 30 years, the state pension contribution will be \$148 billion, a projected savings of nearly \$80 billion. Without reform, the state is projected to contribute \$227 billion over the same period.

\$43 Billion in Local Government Contribution Savings: Over the next 30 years, local government pension contributions will be \$70 billion, a projected savings of nearly \$43 billion. Without reform, local governments are projected to contribute \$113 billion over the same period.

Changes for All New Public Employee Retirement System (PERS) and Teachers Pension and Annuity Fund (TPAF) Employees:

Updating the Formula for Retirement Eligibility:

- Establishing the normal and early retirement age at 65 years.
- Adjusting the early retirement penalty to 3 percent for each year.
- Increasing eligibility for early retirement to 30 years of service.

Changes for All New Police and Fire Retirement System (PFRS) Employees:

Updating the Formula for "Special Retirement" Eligibility:

- Changes eligibility for special retirement from 65% with 25 years of service to 65% with 30 years and 60% with 25 years.

Changes for All Active Employees (Judicial Retirement System (JRS), PERS, TPAF, PFRS and SPRS):

Employee Contribution Rate:

Current

- PERS/TPAF 5.5%
- PFRS 8.5%
- SPRS 7.5%
- JRS 3.0%

Reform Legislation

- PERS/TPAF 6.5% (+1 additional point phased-in over 7 years to a 7.5% total)
- PFRS 10.0%
- SPRS 9.0%
- JRS 12.0% (increase phased-in over 7 years)

Changes for All Current and Future Retirees:

Eliminating Automatic Annual Payment Increases: Eliminates all statutory Cost of Living Adjustments (COLAs).

A New Paradigm for Pension Plan Design:

The legislation creates a new Plan Design Committee for each pension plan. The Committees will have new authority to change important plan design features --- such as retirement ages, employee contribution levels, and future cost-of-living adjustments (COLA) --- within a financially prudent framework that mandates an ongoing, stable level of funding for each system.

A "Target Fund Ratio" (TFR) will define the boards' ability to make plan design changes. The TFR is a target ratio of a fund's actuarial value of assets (AVA) to that fund's actuarially determined liabilities. In general, only funds that are at or above the TFR will have flexibility to make plan design changes.

A "Target Fund Ratio" (TFR) of 75% is established as of the legislation's effective date, increasing to 80% over seven years.

Only funds meeting or exceeding TFR will be eligible to make plan design changes. Funds below TFR may not make changes.

Funds above the TFR but below 80% (during the seven-year phase-in period) may make only those changes that do not reduce their funded ratio upon implementation or below the TFR at any time within the succeeding thirty years.

Plans above 80% may not make changes that bring their funded ratio below 80% upon implementation or at any time within the succeeding thirty years.

In general, pension funds are considered to be adequately funded if their AVA funded ratio is at or above 80% (the federal standard for "at-risk" funds).

At the end of fiscal 2010, the State's plans' combined AVA funded level was just 56 percent.

The State Investment Council will expand from 13 to 16 members and include more direct public employee stakeholder input.

Changes to Reflect More Realistic and Financially Sound Principles:

Amortization methodology is changed from a percentage of pay schedule (which defers the retirement of any unfunded liability) to a level dollar amount each year in order to retire part of the system's unfunded liability each year and earlier than the previous methodology.

Amortization methodology is changed from a 30 year open period (which retires less of the unfunded liability each year and results in a lower funded ratio) to a maximum open period of 20 years (phased-in over 19 years).

The Health Benefit Reform Plan: Transforming the System to Create Choice and Lower Costs for New Jersey Taxpayers

The reforms will modernize the State employee health benefits plans by bringing the system more in line with the private sector and federal government. Today, New Jersey's unfunded other post-employment Benefits (OPEB) liability for providing health benefits is \$71.4 billion. These reforms will substantially lower health benefits costs for local governments, including those at the county, school and municipal levels, representing another major step forward in providing real, long-term property tax relief. New Jersey spends \$4.4 billion annually on public employees and retiree health care costs, with the cost of health benefits making up 9% of the State's budget today.

The reforms will result in \$3.1 billion savings for taxpayers over the next 10 years alone, while increasing choice for employees and ensuring affordability.

Cost Sharing Reforms for Active Employees:

All public employees will pay a statutorily-established percent of premium ("premium share"), instead of a percentage of salary, for all State Health Benefits Plan (SHBP)/School Employee Health Benefits Plan (SEHBP) and non-SHBP/SEHBP participating plans.

The employee's share will phase in over four years.

The premium share requirement will not affect employees until their current contract expires.

Premium shares will vary by salary level and coverage, but may not be less than 1.5% of salary (the current standard).

Current employees (excepting those with 20 or more years of service as of the effective date) will pay a premium share in retirement based on the date they reach 25 years of service. If they reach 25 years after the effective date, the employee will pay the premium share in effect based on the date s/he reaches 25 years (i.e., if the employee reaches 25 years in year two of the four year phase-in, then the employee, in retirement, will pay the premium share in effect in year two of the phase-in.)

Changes for Current Retirees:

There will be no change with respect to premium cost sharing for current retirees.

Changes for Local and Education Employees Outside SHBP/SEHBP:

If the employer is not participating in the SHBP/SEHBP, then the employer and employee could agree to a different premium share and out-of-pocket cost arrangement that results in the same level of savings as the statutory premium share formula and plan design changes in the SHBP/SEHBP.

Savings would have to be certified by Division of Local Government Services and Division of Pensions and Benefits and the local Financial Officer in each local entity.

All local employers are required to offer a Section 125 "cafeteria plan" to employees.

Health Plan Design Reforms

Joint Employer and Employee Plan Design Committees:

For both SHBP and SEHBP, a state-level joint employee-employer Plan Design Committee is established. The employer and employees are equally represented.

Committee Role in Plan Design:

The Committees are responsible for providing plans with at least three levels of coverage, featuring varying levels out-of-pocket costs. The Committees have sole discretion to set the amounts for maximums, co-pays, deductibles, and other such participant costs for each plan.

The Committees must also provide for a high deductible health plan.

All current statutory requirements with respect to plan design will be repealed.

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