

43:16A-15

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2001 **CHAPTER:** 44
NJSA: 43:16A-15 ("Pension Cost Stabilization Act")
BILL NO: S1961 (Substituted for A2/3123 (ACS))

SPONSOR(S): Littell and James

DATE INTRODUCED: December 4, 2000

COMMITTEE: **ASSEMBLY:** Appropriations
SENATE: Budget

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** March 8, 2001
SENATE: December 18, 2000

DATE OF APPROVAL: March 29, 2001

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (1st reprint enacted)

(Amendments during passage denoted by superscript numbers)

S1961

SPONSORS STATEMENT: (Begins on page 8 of original bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes

SENATE: Yes

FLOOR AMENDMENT STATEMENTS: No

LEGISLATIVE FISCAL ESTIMATE: Yes

A2/3123

SPONSORS STATEMENT (A2): (Begins on page 7 of original bill) Yes

SPONSORS STATEMENT (A3123): (begins on page 7 of original bill) Yes

Bill and sponsors statement identical to A2

COMMITTEE STATEMENT: **ASSEMBLY:** Yes

SENATE: No

FLOOR AMENDMENT STATEMENTS: No

LEGISLATIVE FISCAL ESTIMATE: No

FINAL VERSION: (Assembly Committee Substitute) Yes

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: No

SENATE, No. 1961

STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED DECEMBER 4, 2000

Sponsored by:

Senator ROBERT E. LITTELL

District 24 (Sussex, Hunterdon and Morris)

Senator SHARPE JAMES

District 29 (Essex and Union)

Co-Sponsored by:

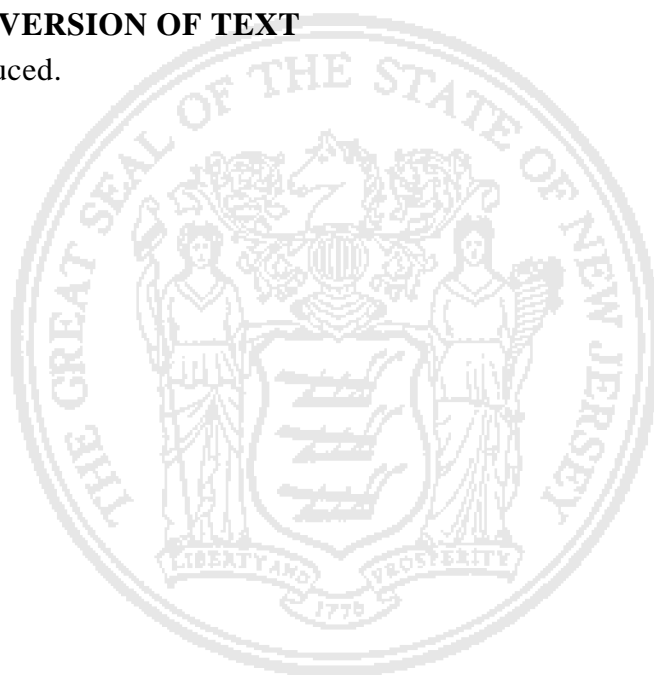
**Senators Bucco, Kyrillos, Sinagra, Allen, Bark, Kosco, Martin, Robertson,
DiFrancesco, Connors, Singer, Matheussen, Cardinale, Bennett,
Kavanaugh and Cafiero**

SYNOPSIS

Revises PFRS funding to reduce local employers' contributions by \$150 million for FY 2001; limits annual increases in local employer contributions.

CURRENT VERSION OF TEXT

As introduced.



S1961 LITTELL, JAMES

2

1 AN ACT concerning the funding of the Police and Firemen's
2 Retirement System of New Jersey and the contributions to the
3 system by employers other than the State and amending P.L.1944,
4 c.255.

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

8
9 1. This act shall be known and may be cited as the "Pension Cost
10 Stabilization Act."

11
12 2. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
13 read as follows:

14 15. (1) The contributions required for the support of the
15 retirement system shall be made by members and their employers.

16 (2) The uniform percentage contribution rate for members shall be
17 8.5% of compensation.

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

19 (4) Upon the basis of the tables recommended by the actuary which
20 the board adopts and regular interest, the actuary shall compute
21 annually, beginning as of June 30, 1991, the amount of contribution
22 which shall be the normal cost as computed under the projected unit
23 credit method attributable to service rendered under the retirement
24 system for the year beginning on July 1 immediately succeeding the
25 date of the computation. This shall be known as the "normal
26 contribution." Beginning with the valuation period ending on June 30,
27 1999 and for each valuation period thereafter, the amount of the
28 normal contribution as computed by the actuary annually for
29 employers other than the State shall not increase or decrease in the
30 aggregate by more than \$75,000,000 from the normal contribution
31 computed in the previous year.

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

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

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

40 (8) The deductions provided for herein shall be made
41 notwithstanding that the minimum salary provided for by law for any
42 member shall be reduced thereby. Every member shall be deemed to
43 consent and agree to the deductions made and provided for herein, and

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 payment of salary or compensation less said deduction shall be a full
2 and complete discharge and acquittance of all claims and demands
3 whatsoever for the service rendered by such person during the period
4 covered by such payment, except as to the benefits provided under this
5 act. The chief fiscal officer of each employer shall certify to the
6 retirement system in such manner as the retirement system may
7 prescribe, the amounts deducted; and when deducted shall be paid into
8 said annuity savings fund, and shall be credited to the individual
9 account of the member from whose salary said deduction was made.

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

39 With respect to the State, upon the basis of the tables recommended
40 by the actuary which the board adopts and regular interest, the actuary
41 shall annually determine if there is an amount of the accrued liability,
42 computed under the projected unit credit method, which is not already
43 covered by the assets of the retirement system, valued in accordance
44 with the asset valuation method established in this section. This shall
45 be known as the "unfunded accrued liability." If there was no
46 unfunded accrued liability for the valuation period immediately

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

23 The value of the assets to be used in the computation of the
24 contributions provided for under this section for valuation periods
25 shall be the value of the assets for the preceding valuation period
26 increased by the regular interest rate, plus the net cash flow for the
27 valuation period (the difference between the benefits and expenses
28 paid by the system and the contributions to the system) increased by
29 one half of the regular interest rate, plus 20% of the difference
30 between this expected value and the full market value of the assets as
31 of the end of the valuation period and such additional percentage as
32 may be required to ensure that the amount of the normal contribution
33 computed by the actuary for the valuation period ending June 30, 1999
34 and for each valuation period thereafter, for employers other than the
35 State shall not increase in the aggregate by more than \$75,000,000
36 from the amount of the normal contribution computed by the actuary
37 in the previous valuation period. This shall be known as the "valuation
38 assets." Notwithstanding the first sentence of this paragraph, the
39 valuation assets for the valuation period ending June 30, 1995 shall be
40 the full market value of the assets as of that date and, with respect to
41 the valuation assets allocated to the State, shall include the proceeds
42 from the bonds issued pursuant to the "Pension Bond Financing Act
43 of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system
44 by the New Jersey Economic Development Authority to fund the
45 unfunded accrued liability of the system. Notwithstanding the first
46 sentence of this paragraph, the percentage of the difference between

1 the expected value and the full market value of the assets to be added
2 to the expected value of the assets for the valuation period ending June
3 30, 1998 for the State shall be 100%, and for other employers shall be
4 57% plus such additional percentage as is equivalent to \$150,000,000.

5 "Excess valuation assets" means, with respect to the valuation
6 assets allocated to the State, the valuation assets allocated to the State
7 for a valuation period less the actuarial accrued liability of the State
8 for the valuation period, and beginning with the valuation period
9 ending June 30, 1998, less the present value of the expected additional
10 normal cost contributions attributable to the provisions of P.L.1999,
11 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members
12 employed by the State as of the valuation period over the expected
13 working lives of the active members in accordance with the tables of
14 actuarial assumptions applicable to the valuation period, if the sum is
15 greater than zero. "Excess valuation assets" means, with respect to
16 the valuation assets allocated to other employers, the valuation assets
17 allocated to the other employers for a valuation period (a) less the
18 actuarial accrued liability of the other employers for the valuation
19 period, excluding the unfunded accrued liability for early retirement
20 incentive benefits pursuant to P.L.1993, c.99 for the other employers,
21 and (b) beginning with the valuation period ending June 30, 1998, less
22 the present value of the expected additional normal cost contributions
23 attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et
24 al.) payable on behalf of the active members employed by other
25 employers as of the valuation period over the expected working lives
26 of the active members in accordance with the tables of actuarial
27 assumptions applicable to the valuation period, and (c) less such
28 amount as may be necessary to ensure that any increase in the amount
29 of the normal contribution payable by employers other than the State
30 in any valuation period beginning with the valuation period ending on
31 June 30, 1999 shall not be more than \$75,000,000 in the aggregate
32 from the previous valuation period, if the sum is greater than zero.

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

46 If there are excess valuation assets allocated to the other employers

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

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

9 (1) for valuation periods ending June 30, 1996 through June 30,
10 2000, to the extent possible by up to 100% of the excess valuation
11 assets allocated to the State or to the other employers, respectively;

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

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

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

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

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

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

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

46 If payment in full, representing the monthly transmittal and report

1 of salary deductions, is not made within 15 days of the due date
2 established by the retirement system, interest at the rate of 10% per
3 annum shall commence to run against the total transmittal of salary
4 deductions for the period on the first day after such 15th day.

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

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

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

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

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

32 (16) The savings realized as a result of the amendments to this
33 section by P.L. , c. (now pending before the Legislature as this
34 bill) in the payment of normal contributions computed by the actuary
35 for the valuation periods ending June 30, 1998 and June 30, 1999 for
36 employers other than the State shall be used solely and exclusively by
37 a county or municipality for the purpose of reducing the amount that
38 is required to be raised by the local property tax levy by the county for
39 county purposes or by the municipality for municipal purposes, as
40 appropriate. The Director of the Division of Local Government
41 Services in the Department of Community Affairs shall certify for each
42 year that each county or municipality has complied with the
43 requirements set forth herein. If the director finds that a county or
44 municipality has not used the savings solely and exclusively for the
45 purpose of reducing the amount that is required to be raised by the
46 local property tax levy by the county for county purposes or by the

1 municipality for municipal purposes, as appropriate, the director shall
2 direct the county or municipal governing body, as appropriate, to
3 make corrections to its budget.

4 (cf: P.L.2000, c.8, s.1)

5
6 3. This act shall take effect immediately.

7
8
9 STATEMENT

10
11 The purpose of this bill is to reduce by \$150 million the Police and
12 Firemen's Retirement System (PFRS) normal costs due to be paid by
13 local government employers in April of 2001 and to cap future annual
14 PFRS normal contribution increases or decreases at \$75 million.

15 The current law and method for establishing local government
16 employer payments to the PFRS cause unnecessary instability in local
17 government costs. In April of 2001, local government employers will
18 be required to pay a normal contribution of approximately \$225
19 million into the PRFS and were required to pay approximately \$213
20 million in April of 2000. However, local government employers will
21 be required to pay substantially less, and possibly nothing at all, in
22 April of 2002. Payments after 2002 could potentially increase as high
23 or even higher than previous payment levels.

24 This bill will establish more reasonable and stable payments for
25 local governments. It will provide an immediate reduction in the
26 normal contribution payment for 2001 that would not otherwise be
27 available until 2002, and it will eliminate the potential for dramatic
28 increases or decreases in future payments that destabilize property
29 taxes. The bill will reduce the April 2001 local government employer
30 cost of approximately \$225 million by \$150 million and provide that
31 payments thereafter will not increase or decrease by more than \$75
32 million annually. Savings realized by counties and municipalities for
33 years 2001 and 2002 will be required to be used for property tax relief.

34 Specifically, this bill directs that assets of the PFRS be revalued as
35 of the valuation period ending June 30, 1998 to recognize an
36 additional \$150 million in investment performance on system assets
37 invested on behalf of system members who are employed by
38 governmental entities other than the State. These additional assets
39 would offset the amount of the normal contribution required to be
40 made by employers other than the State in 2001. For valuation
41 periods ending on June 30, 1999 and thereafter (applicable to
42 payments in 2002 and thereafter), the bill limits the increase or
43 decrease in the PFRS normal contribution payable by employers other
44 than the State to no more \$75 million in the aggregate annually.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1961

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 14, 2000

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 1961.

This bill would reduce by \$150 million the Police and Firemen's Retirement System (PFRS) normal contribution due to be paid by local government employers in April of 2001.

Under current law, the 2001 PFRS normal contribution for these employers will be approximately \$225 million. The contribution due from those employers in 2002, however, is expected to be substantially less, and possibly nothing at all. This bill will establish for the immediate future a more reasonable and stable payment pattern for local governments, providing an immediate reduction in the normal contribution payment for 2001 that would not otherwise be available until 2002. The bill will reduce the April 2001 local government employer cost of approximately \$225 million by \$150 million. Savings realized by counties and municipalities as a result of the reduction will be required to be used for property tax relief.

To effectuate this stabilization program, the bill directs that assets of the PFRS be revalued as of the valuation period ending June 30, 1998 to recognize an additional \$150 million in investment performance on system assets invested on behalf of system members who are employed by governmental entities other than the State. These additional assets would offset the amount of the normal contribution required to be made by employers other than the State in 2001.

COMMITTEE AMENDMENTS

Committee amendments to this bill delete provisions that, for the years 2002 and thereafter, would have limited to \$75,000,000 the annual year-to-year increase or decrease in local employers' aggregate contributions to PFRS.

FISCAL IMPACT

This bill will reduce the liability in 2001 of local employers of PFRS members for normal contributions to the retirement system on behalf of those members by \$150 million in the aggregate.

[First Reprint]

SENATE, No. 1961

STATE OF NEW JERSEY
209th LEGISLATURE

INTRODUCED DECEMBER 4, 2000

Sponsored by:

Senator ROBERT E. LITTELL

District 24 (Sussex, Hunterdon and Morris)

Senator SHARPE JAMES

District 29 (Essex and Union)

Co-Sponsored by:

Senators Bucco, Kyrillos, Sinagra, Allen, Bark, Kosco, Martin, Robertson, DiFrancesco, Connors, Singer, Matheussen, Cardinale, Bennett, Kavanaugh, Cafiero, Turner, Palaia, Assemblymen DiGaetano, Thompson, Assemblywoman Gill, Assemblymen T. Smith, Corodemus, Blee, LeFevre, Talarico, Geist, Asselta, Gibson, Felice, Biondi, Bateman, Assemblywoman Heck, Assemblymen Kelly, Malone, Assemblywoman Crecco, Assemblymen O'Toole, Weingarten, Bagger, Rooney, Zecker, Charles, Assemblywoman Farragher, Assemblyman Merkt, Assemblywoman Myers, Assemblymen Suliga, Caraballo, Conaway, Assemblywoman Friscia, Assemblymen Impreveduto, Jones, Payne, Assemblywoman Pou, Assemblymen Stanley, Steele, Assemblywoman Watson Coleman, Assemblymen Arnone, Azzolina, Greenwald, Gusciora, Assemblywoman Previte and Assemblyman Sires

SYNOPSIS

Revises PFRS funding to reduce local employers' contributions by \$150 million for FY 2001.

CURRENT VERSION OF TEXT

As reported by the Senate Budget and Appropriations Committee on December 14, 2000, with amendments.

(Sponsorship Updated As Of: 3/9/2001)

1 AN ACT concerning the funding of the Police and Firemen's
2 Retirement System of New Jersey and the contributions to the
3 system by employers other than the State and amending P.L.1944,
4 c.255.

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

8
9 1. This act shall be known and may be cited as the "Pension Cost
10 Stabilization Act."

11
12 2. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
13 read as follows:

14 15. (1) The contributions required for the support of the
15 retirement system shall be made by members and their employers.

16 (2) The uniform percentage contribution rate for members shall be
17 8.5% of compensation.

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

19 (4) Upon the basis of the tables recommended by the actuary which
20 the board adopts and regular interest, the actuary shall compute
21 annually, beginning as of June 30, 1991, the amount of contribution
22 which shall be the normal cost as computed under the projected unit
23 credit method attributable to service rendered under the retirement
24 system for the year beginning on July 1 immediately succeeding the
25 date of the computation. This shall be known as the "normal
26 contribution." ¹[Beginning with the valuation period ending on June
27 30, 1999 and for each valuation period thereafter, the amount of the
28 normal contribution as computed by the actuary annually for
29 employers other than the State shall not increase or decrease in the
30 aggregate by more than \$75,000,000 from the normal contribution
31 computed in the previous year.]¹

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

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

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

40 (8) The deductions provided for herein shall be made
41 notwithstanding that the minimum salary provided for by law for any

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SBA committee amendments adopted December 14, 2000.

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

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

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

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

25 The value of the assets to be used in the computation of the
26 contributions provided for under this section for valuation periods
27 shall be the value of the assets for the preceding valuation period
28 increased by the regular interest rate, plus the net cash flow for the
29 valuation period (the difference between the benefits and expenses
30 paid by the system and the contributions to the system) increased by
31 one half of the regular interest rate, plus 20% of the difference
32 between this expected value and the full market value of the assets as
33 of the end of the valuation period ¹[and such additional percentage as
34 may be required to ensure that the amount of the normal contribution
35 computed by the actuary for the valuation period ending June 30, 1999
36 and for each valuation period thereafter, for employers other than the
37 State shall not increase in the aggregate by more than \$75,000,000
38 from the amount of the normal contribution computed by the actuary
39 in the previous valuation period]¹. This shall be known as the
40 "valuation assets." Notwithstanding the first sentence of this
41 paragraph, the valuation assets for the valuation period ending June
42 30, 1995 shall be the full market value of the assets as of that date
43 and, with respect to the valuation assets allocated to the State, shall
44 include the proceeds from the bonds issued pursuant to the "Pension
45 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.),
46 paid to the system by the New Jersey Economic Development

1 Authority to fund the unfunded accrued liability of the system.
2 Notwithstanding the first sentence of this paragraph, the percentage of
3 the difference between the expected value and the full market value of
4 the assets to be added to the expected value of the assets for the
5 valuation period ending June 30, 1998 for the State shall be 100%, and
6 for other employers shall be 57% plus such additional percentage as
7 is equivalent to \$150,000,000.

8 "Excess valuation assets" means, with respect to the valuation
9 assets allocated to the State, the valuation assets allocated to the State
10 for a valuation period less the actuarial accrued liability of the State
11 for the valuation period, and beginning with the valuation period
12 ending June 30, 1998, less the present value of the expected additional
13 normal cost contributions attributable to the provisions of P.L.1999,
14 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members
15 employed by the State as of the valuation period over the expected
16 working lives of the active members in accordance with the tables of
17 actuarial assumptions applicable to the valuation period, if the sum is
18 greater than zero. "Excess valuation assets" means, with respect to
19 the valuation assets allocated to other employers, the valuation assets
20 allocated to the other employers for a valuation period ¹[(a)]¹ less the
21 actuarial accrued liability of the other employers for the valuation
22 period, excluding the unfunded accrued liability for early retirement
23 incentive benefits pursuant to P.L.1993, c.99 for the other employers,
24 and ¹[(b)]¹ beginning with the valuation period ending June 30, 1998,
25 less the present value of the expected additional normal cost
26 contributions attributable to the provisions of P.L.1999, c.428
27 (C.43:16A-15.8 et al.) payable on behalf of the active members
28 employed by other employers as of the valuation period over the
29 expected working lives of the active members in accordance with the
30 tables of actuarial assumptions applicable to the valuation period,
31 ¹[and (c) less such amount as may be necessary to ensure that any
32 increase in the amount of the normal contribution payable by
33 employers other than the State in any valuation period beginning with
34 the valuation period ending on June 30, 1999 shall not be more than
35 \$75,000,000 in the aggregate from the previous valuation period.]¹ if
36 the sum is greater than zero.

37 If there are excess valuation assets allocated to the State or to the
38 other employers for the valuation period ending June 30, 1995, the
39 normal contributions payable by the State or by the other employers
40 for the valuation periods ending June 30, 1995, and June 30, 1996
41 which have not yet been paid to the retirement system shall be reduced
42 to the extent possible by the excess valuation assets allocated to the
43 State or to the other employers, respectively, provided that with
44 respect to the excess valuation assets allocated to the State, the
45 General Fund balances that would have been paid to the retirement
46 system 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.

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

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

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

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

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

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

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

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

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

46 If payment of the full amount of the employer's obligation is not

1 made within 30 days of the due date established by this act, interest at
2 the rate of 10% per annum shall commence to run against the unpaid
3 balance thereof on the first day after such 30th day.

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

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

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

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

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

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

36 (16) The savings realized as a result of the amendments to this
37 section by P.L. , c. (now pending before the Legislature as this
38 bill) in the payment of normal contributions computed by the actuary
39 for the valuation periods ending June 30, 1998 ¹[and June 30, 1999]¹
40 for employers other than the State shall be used solely and exclusively
41 by a county or municipality for the purpose of reducing the amount
42 that is required to be raised by the local property tax levy by the
43 county for county purposes or by the municipality for municipal
44 purposes, as appropriate. The Director of the Division of Local
45 Government Services in the Department of Community Affairs shall
46 certify for each year that each county or municipality has complied

1 with the requirements set forth herein. If the director finds that a
2 county or municipality has not used the savings solely and exclusively
3 for the purpose of reducing the amount that is required to be raised by
4 the local property tax levy by the county for county purposes or by the
5 municipality for municipal purposes, as appropriate, the director shall
6 direct the county or municipal governing body, as appropriate, to
7 make corrections to its budget.
8 (cf: P.L.2000, c.8, s.1)
9
10 3. This act shall take effect immediately.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1961

STATE OF NEW JERSEY

209th LEGISLATURE

DATED: JANUARY 10, 2001

SUMMARY

Synopsis: Revises PFRS funding to reduce local employers' contributions by \$150 million for FY 2001.

Type of Impact: Savings by Municipalities and Counties

Agencies Affected: Department of Treasury, Division of Pensions and Benefits; County and Municipal Governing Bodies.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 2001</u>	<u>Year 2002</u>	<u>Year 2003</u>
Local Savings	\$150,000,000	\$0	\$0

- ! Reduces by \$150 million the Police and Firemen's Retirement System (PFRS) normal contributions due to be paid by local government employers in 2001.
- ! Reduction in the PFRS local government employers normal contributions is to be achieved by recognizing additional investment performance on the PFRS assets invested on behalf of system members who are employed by governmental entities other than the State.
- ! Savings realized by counties and municipalities for 2001 must be used for property tax relief.

BILL DESCRIPTION

Senate Bill No. 1961 (1R) of 2000 reduces by \$150 million the Police and Firemen's Retirement System (PFRS) normal contributions of \$225 million due to be paid by local government employers in April of 2001. Savings realized by counties and municipalities for 2001 must be used for property tax relief.

Specifically, this bill directs that assets of the PFRS be revalued as of the valuation period ending June 30, 1998 to recognize an additional \$150 million in investment performance on system assets invested on behalf of system members who are employed by governmental entities other than the State. These additional assets would be offset against the amount of the normal contribution required to be made by employers other than the State in 2001.

FISCAL ANALYSIS***EXECUTIVE BRANCH***

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) notes that the bill will reduce by \$150 million the \$225 million PFRS normal contribution due to be paid by local government employers in April of 2001, so that the total normal contribution to be paid by these employers in April of 2001 will be \$75 million. The total local government employer normal contribution in April of 2000 was \$213 million.

The reduction in the total PFRS local government employers normal contributions for 2001 is to be achieved by recognizing such additional percentage of the difference between the PFRS market value of assets and the actuarial value of assets, allocated to system members who are employed by governmental entities other than the State, as is necessary to achieve the mandated result; current law permits the recognition of only 20 percent of this difference annually. As of June 30, 1998 (applicable to the payment for 2001), the PFRS actuarial report for the valuation period ending June 30, 1998 (revised May 31, 2000 and the last report available to the OLS) shows the market value of the assets (local employers portion) to be \$14 billion and the actuarial value of assets (local employers portion) to be \$13 billion, for a difference of \$1 billion. There are no excess valuation assets for the local employers portion of the PFRS reported for this period.

Section: *State Government*

Analyst: *Aggie Szilagyi*
Section Chief

Approved: *Alan R. Kooney*
Legislative Budget and Finance Officer

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1961

STATE OF NEW JERSEY

DATED: MARCH 1, 2001

The Assembly Appropriations Committee reports favorably Senate Bill No. 1961 (1R).

Senate Bill No. 1961 (1R) reduces by \$150 million the Police and Firemen's Retirement System (PFRS) normal contribution due to be paid by local government employers in April of 2001.

Under current law, the 2001 PFRS normal contribution for these employers will be approximately \$225 million. The contribution due from those employers in 2002, however, is expected to be substantially less, and possibly nothing at all. This bill will establish for the immediate future a more reasonable and stable payment pattern for local governments, providing an immediate reduction in the normal contribution payment for 2001 that would not otherwise be available until 2002. The bill will reduce the April 2001 local government employer cost of approximately \$225 million by \$150 million. Savings realized by counties and municipalities as a result of the reduction will be required to be used for property tax relief.

To effectuate this stabilization program, the bill directs that assets of the PFRS be revalued as of the valuation period ending June 30, 1998 to recognize an additional \$150 million in investment performance on system assets invested on behalf of system members who are employed by governmental entities other than the State. These additional assets offset the amount of the normal contribution required to be made by employers other than the State in 2001.

As reported by the committee, this bill is identical to the Assembly Committee Substitute for Assembly Bill Nos. 2 and 3123, as also reported by the committee.

FISCAL IMPACT:

This bill will reduce the liability in 2001 of local employers of PFRS members for normal contributions to the retirement system on behalf of those members by \$150 million in the aggregate.

The Assembly Appropriations Committee reports favorably Senate Bill No. 1961 (1R).

ASSEMBLY, No. 2

STATE OF NEW JERSEY

209th LEGISLATURE

INTRODUCED FEBRUARY 5, 2001

Sponsored by:

Assemblyman PAUL DIGAETANO
District 36 (Bergen, Essex and Passaic)
Assemblyman SAMUEL D. THOMPSON
District 13 (Middlesex and Monmouth)

Co-Sponsored by:

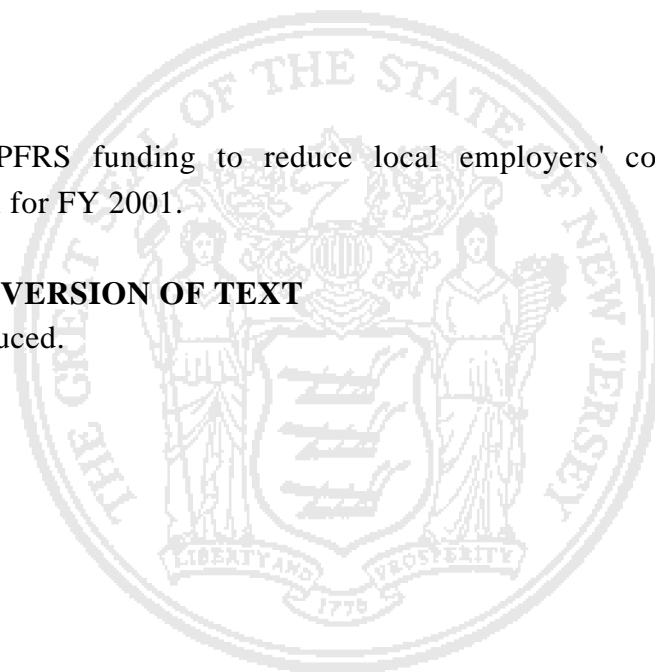
Assemblymen T.Smith, Corodemus, Blee, LeFevre, Talarico, Geist, Asselta, Gibson, Felice, Bateman, Biondi, Assemblywoman Heck, Assemblymen Kelly, Malone, Assemblywoman Crecco, Assemblymen O'Toole, Weingarten, Bagger, Rooney, Zecker, Charles, Assemblywoman Farragher, Assemblymen Merkt, Assemblywoman Myers, Assemblymen Suliga, Arnone, Azzolina, Greenwald, Gusciora, Assemblywoman Previte and Assemblyman Sires

SYNOPSIS

Revises PFRS funding to reduce local employers' contributions by \$150 million for FY 2001.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/9/2001)

1 AN ACT concerning the funding of the Police and Firemen's
2 Retirement System of New Jersey and the contributions to the
3 system by employers other than the State and amending P.L.1944,
4 c.255.

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

8
9 1. This act shall be known and may be cited as the "Pension Cost
10 Stabilization Act."

11
12 2. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to
13 read as follows:

14 15. (1) The contributions required for the support of the
15 retirement system shall be made by members and their employers.

16 (2) The uniform percentage contribution rate for members shall be
17 8.5% of compensation.

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

19 (4) Upon the basis of the tables recommended by the actuary which
20 the board adopts and regular interest, the actuary shall compute
21 annually, beginning as of June 30, 1991, the amount of contribution
22 which shall be the normal cost as computed under the projected unit
23 credit method attributable to service rendered under the retirement
24 system for the year beginning on July 1 immediately succeeding the
25 date of the computation. This shall be known as the "normal
26 contribution."

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

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

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

35 (8) The deductions provided for herein shall be made
36 notwithstanding that the minimum salary provided for by law for any
37 member shall be reduced thereby. Every member shall be deemed to
38 consent and agree to the deductions made and provided for herein, and
39 payment of salary or compensation less said deduction shall be a full
40 and complete discharge and acquittance of all claims and demands
41 whatsoever for the service rendered by such person during the period
42 covered by such payment, except as to the benefits provided under this
43 act. The chief fiscal officer of each employer shall certify to the

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

Matter underlined thus is new matter.

1 retirement system in such manner as the retirement system may
2 prescribe, the amounts deducted; and when deducted shall be paid into
3 said annuity savings fund, and shall be credited to the individual
4 account of the member from whose salary said deduction was made.

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

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

1 advice of the Director of the Division of Pensions and Benefits, the
2 board of trustees and the actuary, the rate of increase for the
3 contribution and the time period for full funding of this liability, which
4 shall not exceed 30 years. This shall be known as the "accrued liability
5 contribution." Thereafter, any increase or decrease in the unfunded
6 accrued liability as a result of actuarial losses or gains for subsequent
7 valuation years shall serve to increase or decrease, respectively, the
8 amortization period for the unfunded accrued liability, unless an
9 increase in the amortization period will cause it to exceed 30 years.
10 If an increase in the amortization period as a result of actuarial losses
11 for a valuation year would exceed 30 years, the accrued liability
12 contribution shall be computed for the valuation year in the same
13 manner provided for the computation of the initial accrued liability
14 contribution under this section. The State may pay all or any portion
15 of its unfunded accrued liability under the retirement system from any
16 source of funds legally available for the purpose, including, without
17 limitation, the proceeds of bonds authorized by law for this purpose.

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

41 "Excess valuation assets" means, with respect to the valuation
42 assets allocated to the State, the valuation assets allocated to the State
43 for a valuation period less the actuarial accrued liability of the State
44 for the valuation period, and beginning with the valuation period
45 ending June 30, 1998, less the present value of the expected additional
46 normal cost contributions attributable to the provisions of P.L.1999,

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

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

32 If there are excess valuation assets allocated to the other employers
33 for the valuation period ending June 30, 1998, the accrued liability
34 contributions payable by the other employers for the valuation period
35 ending June 30, 1997 shall be reduced to the extent possible by the
36 excess valuation assets allocated to the other employers.

37 If there are excess valuation assets allocated to the State or to the
38 other employers for a valuation period ending after June 30, 1998, the
39 State Treasurer may reduce the normal contribution payable by the
40 State or by other employers for the next valuation period as follows:

41 (1) for valuation periods ending June 30, 1996 through June 30,
42 2000, to the extent possible by up to 100% of the excess valuation
43 assets allocated to the State or to the other employers, respectively;

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

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

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

7 Notwithstanding the discretion provided to the State Treasurer in
8 the previous paragraph to reduce the amount of the normal
9 contribution payable by employers other than the State, the State
10 Treasurer shall reduce the amount of the normal contribution payable
11 by employers other than the State by \$150,000,000 in the aggregate
12 for the valuation period ending June 30, 1998, and then the State
13 Treasurer may reduce further pursuant to the provisions of the
14 previous paragraph the normal contribution payable by such employers
15 for that valuation period.

16 The normal and accrued liability contributions shall be certified
17 annually by the retirement system and shall be included in the budget
18 of the employer and levied and collected in the same manner as any
19 other taxes are levied and collected for the payment of the salaries of
20 members.

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

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

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

37 (11) The expenses of administration of the retirement system shall
38 be paid by the State of New Jersey. Each employer shall reimburse the
39 State for a proportionate share of the amount paid by the State for
40 administrative expense. This proportion shall be computed as the
41 number of members under the jurisdiction of such employer bears to
42 the total number of members in the system. The pro rata share of the
43 cost of administrative expense shall be included with the certification
44 by the retirement system of the employer's contribution to the system.

45 (12) Notwithstanding anything to the contrary, the retirement
46 system shall not be liable for the payment of any pension or other

1 benefits on account of the employees or beneficiaries of any employer
2 participating in the retirement system, for which reserves have not
3 been previously created from funds, contributed by such employer or
4 its employees for such benefits.

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

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

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

18 (16) The savings realized as a result of the amendments to this
19 section by P.L. , c. (now pending before the Legislature as this
20 bill) in the payment of normal contributions computed by the actuary
21 for the valuation periods ending June 30, 1998 for employers other
22 than the State shall be used solely and exclusively by a county or
23 municipality for the purpose of reducing the amount that is required
24 to be raised by the local property tax levy by the county for county
25 purposes or by the municipality for municipal purposes, as appropriate.
26 The Director of the Division of Local Government Services in the
27 Department of Community Affairs shall certify for each year that each
28 county or municipality has complied with the requirements set forth
29 herein. If the director finds that a county or municipality has not used
30 the savings solely and exclusively for the purpose of reducing the
31 amount that is required to be raised by the local property tax levy by
32 the county for county purposes or by the municipality for municipal
33 purposes, as appropriate, the director shall direct the county or
34 municipal governing body, as appropriate, to make corrections to its
35 budget.

36 (cf: P.L.2000, c.8, s.1)

37
38 3. This act shall take effect immediately.
39
40

41 STATEMENT
42

43 This bill would reduce by \$150 million the Police and Firemen's
44 Retirement System (PFRS) normal contribution due to be paid by local
45 government employers in April of 2001.

46 Under current law, the 2001 PFRS normal contribution for these

1 employers will be approximately \$225 million. The contribution due
2 from those employers in 2002, however, is expected to be substantially
3 less, and possibly nothing at all. This bill will establish for the
4 immediate future a more reasonable and stable payment pattern for
5 local governments, providing an immediate reduction in the normal
6 contribution payment for 2001 that would not otherwise be available
7 until 2002. The bill will reduce the April 2001 local government
8 employer cost of approximately \$225 million by \$150 million. Savings
9 realized by counties and municipalities as a result of the reduction will
10 be required to be used for property tax relief.

11 To effectuate this stabilization program, the bill directs that assets
12 of the PFRS be revalued as of the valuation period ending June 30,
13 1998 to recognize an additional \$150 million in investment
14 performance on system assets invested on behalf of system members
15 who are employed by governmental entities other than the State.
16 These additional assets would offset the amount of the normal
17 contribution required to be made by employers other than the State in
18 2001.

ASSEMBLY, No. 3123

STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED JANUARY 18, 2001

Sponsored by:

Assemblywoman NIA H. GILL

District 27 (Essex)

Co-Sponsored by:

**Assemblymen Caraballo, Conaway, Assemblywoman Friscia,
Assemblymen Impoveduto, Jones, Payne, Assemblywoman Pou,
Assemblymen Stanley, Steele and Assemblywoman Watson Coleman**

SYNOPSIS

Revises PFRS funding to reduce local employers' contributions by \$150 million for FY 2001.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/24/2001)

1 AN ACT concerning the funding of the Police and Firemen's
2 Retirement System of New Jersey and the contributions to the
3 system by employers other than the State and amending P.L.1944,
4 c.255.

5

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

8

9 1. This act shall be known and may be cited as the "Pension Cost
10 Stabilization Act."

11

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

14 15. (1) The contributions required for the support of the
15 retirement system shall be made by members and their employers.

16 (2) The uniform percentage contribution rate for members shall be
17 8.5% of compensation.

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

19 (4) Upon the basis of the tables recommended by the actuary which
20 the board adopts and regular interest, the actuary shall compute
21 annually, beginning as of June 30, 1991, the amount of contribution
22 which shall be the normal cost as computed under the projected unit
23 credit method attributable to service rendered under the retirement
24 system for the year beginning on July 1 immediately succeeding the
25 date of the computation. This shall be known as the "normal
26 contribution."

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

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

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

35 (8) The deductions provided for herein shall be made
36 notwithstanding that the minimum salary provided for by law for any
37 member shall be reduced thereby. Every member shall be deemed to
38 consent and agree to the deductions made and provided for herein, and
39 payment of salary or compensation less said deduction shall be a full
40 and complete discharge and acquittance of all claims and demands
41 whatsoever for the service rendered by such person during the period
42 covered by such payment, except as to the benefits provided under this
43 in the above bill is not enacted and is intended to be omitted in the

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

Matter underlined thus is new matter.

1 law.act. The chief fiscal officer of each employer shall certify to the
2 retirement system in such manner as the retirement system may
3 prescribe, the amounts deducted; and when deducted shall be paid into
4 said annuity savings fund, and shall be credited to the individual
5 account of the member from whose salary said deduction was made.
6 (9) With respect to employers other than the State, upon the basis of
7 the tables recommended by the actuary which the board adopts and
8 regular interest, the actuary shall compute the amount of the accrued
9 liability as of June 30, 1991 under the projected unit credit method,
10 which is not already covered by the assets of the retirement system,
11 valued in accordance with the asset valuation method established in
12 this section. Using the total amount of this unfunded accrued liability,
13 the actuary shall compute the initial amount of contribution which, if
14 the contribution is increased at a specific rate and paid annually for a
15 specific period of time, will amortize this liability. The State Treasurer
16 shall determine, upon the advice of the Director of the Division of
17 Pensions and Benefits, the board of trustees and the actuary, the rate
18 of increase for the contribution and the time period for full funding of
19 this liability, which shall not exceed 40 years on initial application of
20 this section as amended by this act, P.L.1994, c.62. This shall be
21 known as the "accrued liability contribution." Any increase or
22 decrease in the unfunded accrued liability as a result of actuarial losses
23 or gains for the 10 valuation years following valuation year 1991 shall
24 serve to increase or decrease, respectively, the unfunded accrued
25 liability contribution. Thereafter, any increase or decrease in the
26 unfunded accrued liability as a result of actuarial losses or gains for
27 subsequent valuation years shall serve to increase or decrease,
28 respectively, the amortization period for the unfunded accrued liability,
29 unless an increase in the amortization period will cause it to exceed 30
30 years. If an increase in the amortization period as a result of actuarial
31 losses for a valuation year would exceed 30 years, the accrued liability
32 contribution shall be computed for the valuation year in the same
33 manner provided for the computation of the initial accrued liability
34 contribution under this section.

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

1 amortize this liability. The State Treasurer shall determine, upon the
2 advice of the Director of the Division of Pensions and Benefits, the
3 board of trustees and the actuary, the rate of increase for the
4 contribution and the time period for full funding of this liability, which
5 shall not exceed 30 years. This shall be known as the "accrued liability
6 contribution." Thereafter, any increase or decrease in the unfunded
7 accrued liability as a result of actuarial losses or gains for subsequent
8 valuation years shall serve to increase or decrease, respectively, the
9 amortization period for the unfunded accrued liability, unless an
10 increase in the amortization period will cause it to exceed 30 years.
11 If an increase in the amortization period as a result of actuarial losses
12 for a valuation year would exceed 30 years, the accrued liability
13 contribution shall be computed for the valuation year in the same
14 manner provided for the computation of the initial accrued liability
15 contribution under this section. The State may pay all or any portion
16 of its unfunded accrued liability under the retirement system from any
17 source of funds legally available for the purpose, including, without
18 limitation, the proceeds of bonds authorized by law for this purpose.

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

42 "Excess valuation assets" means, with respect to the valuation
43 assets allocated to the State, the valuation assets allocated to the State
44 for a valuation period less the actuarial accrued liability of the State
45 for the valuation period, and beginning with the valuation period
46 ending June 30, 1998, less the present value of the expected additional

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

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

33 If there are excess valuation assets allocated to the other employers
34 for the valuation period ending June 30, 1998, the accrued liability
35 contributions payable by the other employers for the valuation period
36 ending June 30, 1997 shall be reduced to the extent possible by the
37 excess valuation assets allocated to the other employers.

38 If there are excess valuation assets allocated to the State or to the
39 other employers for a valuation period ending after June 30, 1998, the
40 State Treasurer may reduce the normal contribution payable by the
41 State or by other employers for the next valuation period as follows:

42 (1) for valuation periods ending June 30, 1996 through June 30,
43 2000, to the extent possible by up to 100% of the excess valuation
44 assets allocated to the State or to the other employers, respectively;

45 (2) for the valuation period ending June 30, 2001, to the extent
46 possible by up to 84% of the excess valuation assets allocated to the

1 State or to the other employers, respectively;

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

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

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

17 The normal and accrued liability contributions shall be certified
18 annually by the retirement system and shall be included in the budget
19 of the employer and levied and collected in the same manner as any
20 other taxes are levied and collected for the payment of the salaries of
21 members.

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

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

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

38 (11) The expenses of administration of the retirement system shall
39 be paid by the State of New Jersey. Each employer shall reimburse the
40 State for a proportionate share of the amount paid by the State for
41 administrative expense. This proportion shall be computed as the
42 number of members under the jurisdiction of such employer bears to
43 the total number of members in the system. The pro rata share of the
44 cost of administrative expense shall be included with the certification
45 by the retirement system of the employer's contribution to the system.

46 (12) Notwithstanding anything to the contrary, the retirement

1 system shall not be liable for the payment of any pension or other
2 benefits on account of the employees or beneficiaries of any employer
3 participating in the retirement system, for which reserves have not
4 been previously created from funds, contributed by such employer or
5 its employees for such benefits.

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

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

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

19 (16) The savings realized as a result of the amendments to this
20 section by P.L. , c. (now pending before the Legislature as this
21 bill) in the payment of normal contributions computed by the actuary
22 for the valuation periods ending June 30, 1998 for employers other
23 than the State shall be used solely and exclusively by a county or
24 municipality for the purpose of reducing the amount that is required
25 to be raised by the local property tax levy by the county for county
26 purposes or by the municipality for municipal purposes, as appropriate.
27 The Director of the Division of Local Government Services in the
28 Department of Community Affairs shall certify for each year that each
29 county or municipality has complied with the requirements set forth
30 herein. If the director finds that a county or municipality has not used
31 the savings solely and exclusively for the purpose of reducing the
32 amount that is required to be raised by the local property tax levy by
33 the county for county purposes or by the municipality for municipal
34 purposes, as appropriate, the director shall direct the county or
35 municipal governing body, as appropriate, to make corrections to its
36 budget.

37 (cf: P.L.2000, c.8, s.1)

38

39 3. This act shall take effect immediately.

40

41

42

STATEMENT

43

44 This bill would reduce by \$150 million the Police and Firemen's
45 Retirement System (PFRS) normal contribution due to be paid by local
46 government employers in April of 2001.

A3123 GILL

1 Under current law, the 2001 PFRS normal contribution for these
2 employers will be approximately \$225 million. The contribution due
3 from those employers in 2002, however, is expected to be substantially
4 less, and possibly nothing at all. This bill will establish for the
5 immediate future a more reasonable and stable payment pattern for
6 local governments, providing an immediate reduction in the normal
7 contribution payment for 2001 that would not otherwise be available
8 until 2002. The bill will reduce the April 2001 local government
9 employer cost of approximately \$225 million by \$150 million. Savings
10 realized by counties and municipalities as a result of the reduction will
11 be required to be used for property tax relief.

12 To effectuate this stabilization program, the bill directs that assets
13 of the PFRS be revalued as of the valuation period ending June 30,
14 1998 to recognize an additional \$150 million in investment
15 performance on system assets invested on behalf of system members
16 who are employed by governmental entities other than the State.
17 These additional assets would offset the amount of the normal
18 contribution required to be made by employers other than the State in
19 2001.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, Nos. 2 and 3123

STATE OF NEW JERSEY

DATED: MARCH 1, 2001

The Assembly Appropriations Committee reports favorably an Assembly Committee Substitute for Assembly Bill Nos. 2 and 3123.

This Assembly Committee Substitute for Assembly Bill Nos. 2 and 3123 reduces by \$150 million the Police and Firemen's Retirement System (PFRS) normal contribution due to be paid by local government employers in April of 2001.

Under current law, the 2001 PFRS normal contributions for these employers will be approximately \$225 million. The contribution due from those employers in 2002, however, is expected to be substantially less, and possibly nothing at all. This substitute will establish for the immediate future a more reasonable and stable payment pattern for local governments, providing an immediate reduction in the normal contribution payment for 2001 that would not otherwise be available until 2002. The substitute will reduce the April 2001 local government employer cost of approximately \$225 million by \$150 million. The substitute requires that savings realized by counties and municipalities as a result of the reduction be used for property tax relief.

To effectuate this stabilization program, the substitute directs that assets of the PFRS be revalued as of the valuation period ending June 30, 1998 to recognize an additional \$150 million in investment performance on system assets invested on behalf of system members who are employed by governmental entities other than the State. These additional assets offset the amount of the normal contribution required to be made by employers other than the State in 2001.

As reported by the committee, this substitute is identical to Senate Bill No. 1961 (1R), as also reported by the committee.

FISCAL IMPACT:

This substitute will reduce the liability in 2001 of local employers of PFRS members for normal contributions to the retirement system on behalf of those members by \$150 million in the aggregate.

ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, Nos. 2 and 3123

STATE OF NEW JERSEY
209th LEGISLATURE

ADOPTED MARCH 1, 2001

Sponsored by:

Assemblyman PAUL DIGAETANO
District 36 (Bergen, Essex and Passaic)
Assemblyman SAMUEL D. THOMPSON
District 13 (Middlesex and Monmouth)
Assemblywoman NIA H. GILL
District 27 (Essex)

Co-Sponsored by:

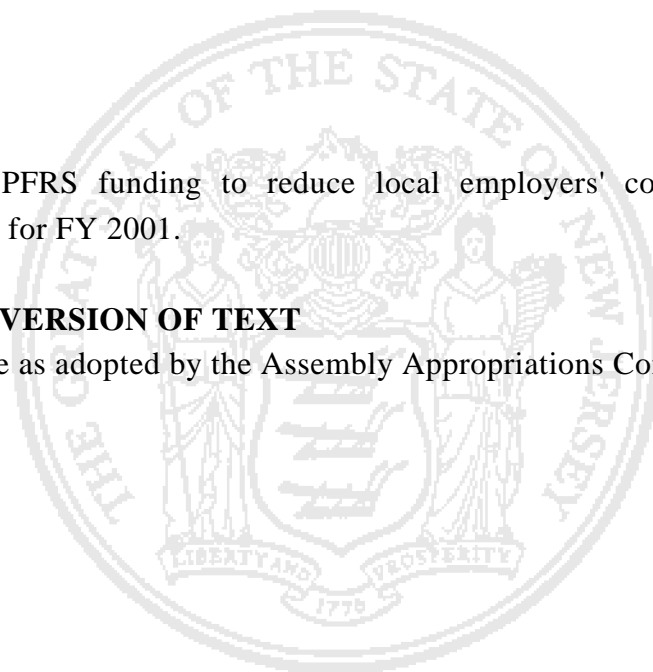
Assemblymen T. Smith, Corodemus, Blee, LeFevre, Talarico, Geist, Asselta, Gibson, Felice, Bateman, Biondi, Assemblywoman Heck, Assemblymen Kelly, Malone, Assemblywoman Crecco, Assemblymen O'Toole, Weingarten, Bagger, Rooney, Zecker, Charles, Assemblywoman Farragher, Assemblyman Merkt, Assemblywoman Myers, Assemblymen Suliga, Caraballo, Conaway, Assemblywoman Friscia, Assemblymen Imprevuduto, Jones, Payne, Assemblywoman Pou, Assemblymen Stanley, Steele and Assemblywoman Watson Coleman

SYNOPSIS

Revises PFRS funding to reduce local employers' contributions by \$150 million for FY 2001.

CURRENT VERSION OF TEXT

Substitute as adopted by the Assembly Appropriations Committee.



1 AN ACT concerning the funding of the Police and Firemen's
2 Retirement System of New Jersey and the contributions to the
3 system by employers other than the State and amending P.L.1944,
4 c.255.

5

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

8

9 1. This act shall be known and may be cited as the "Pension Cost
10 Stabilization Act."

11

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

14 15. (1) The contributions required for the support of the
15 retirement system shall be made by members and their employers.

16 (2) The uniform percentage contribution rate for members shall be
17 8.5% of compensation.

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

19 (4) Upon the basis of the tables recommended by the actuary
20 which the board adopts and regular interest, the actuary shall compute
21 annually, beginning as of June 30, 1991, the amount of contribution
22 which shall be the normal cost as computed under the projected unit
23 credit method attributable to service rendered under the retirement
24 system for the year beginning on July 1 immediately succeeding the
25 date of the computation. This shall be known as the "normal
26 contribution."

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

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

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

36 (8) The deductions provided for herein shall be made
37 notwithstanding that the minimum salary provided for by law for any
38 member shall be reduced thereby. Every member shall be deemed to
39 consent and agree to the deductions made and provided for herein, and
40 payment of salary or compensation less said deduction shall be a full
41 and complete discharge and acquittance of all claims and demands
42 whatsoever for the service rendered by such person during the period
43 covered by such payment, except as to the benefits provided under this

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 act. The chief fiscal officer of each employer shall certify to the
2 retirement system in such manner as the retirement system may
3 prescribe, the amounts deducted; and when deducted shall be paid into
4 said annuity savings fund, and shall be credited to the individual
5 account of the member from whose salary said deduction was made.

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

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

1 amortize this liability. The State Treasurer shall determine, upon the
2 advice of the Director of the Division of Pensions and Benefits, the
3 board of trustees and the actuary, the rate of increase for the
4 contribution and the time period for full funding of this liability, which
5 shall not exceed 30 years. This shall be known as the "accrued liability
6 contribution." Thereafter, any increase or decrease in the unfunded
7 accrued liability as a result of actuarial losses or gains for subsequent
8 valuation years shall serve to increase or decrease, respectively, the
9 amortization period for the unfunded accrued liability, unless an
10 increase in the amortization period will cause it to exceed 30 years.
11 If an increase in the amortization period as a result of actuarial losses
12 for a valuation year would exceed 30 years, the accrued liability
13 contribution shall be computed for the valuation year in the same
14 manner provided for the computation of the initial accrued liability
15 contribution under this section. The State may pay all or any portion
16 of its unfunded accrued liability under the retirement system from any
17 source of funds legally available for the purpose, including, without
18 limitation, the proceeds of bonds authorized by law for this purpose.

19 The value of the assets to be used in the computation of the
20 contributions provided for under this section for valuation periods
21 shall be the value of the assets for the preceding valuation period
22 increased by the regular interest rate, plus the net cash flow for the
23 valuation period (the difference between the benefits and expenses
24 paid by the system and the contributions to the system) increased by
25 one half of the regular interest rate, plus 20% of the difference
26 between this expected value and the full market value of the assets as
27 of the end of the valuation period. This shall be known as the
28 "valuation assets." Notwithstanding the first sentence of this
29 paragraph, the valuation assets for the valuation period ending
30 June 30, 1995 shall be the full market value of the assets as of that
31 date and, with respect to the valuation assets allocated to the State,
32 shall include the proceeds from the bonds issued pursuant to the
33 "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 percentage of the difference between the expected
38 value and the full market value of the assets to be added to the
39 expected value of the assets for the valuation period ending June 30,
40 1998 for the State shall be 100%, and for other employers shall be
41 57% plus such additional percentage as is equivalent to \$150,000,000.

42 "Excess valuation assets" means, with respect to the valuation
43 assets allocated to the State, the valuation assets allocated to the State
44 for a valuation period less the actuarial accrued liability of the State
45 for the valuation period, and beginning with the valuation period
46 ending June 30, 1998, less the present value of the expected additional

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

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

33 If there are excess valuation assets allocated to the other employers
34 for the valuation period ending June 30, 1998, the accrued liability
35 contributions payable by the other employers for the valuation period
36 ending June 30, 1997 shall be reduced to the extent possible by the
37 excess valuation assets allocated to the other employers.

38 If there are excess valuation assets allocated to the State or to the
39 other employers for a valuation period ending after June 30, 1998, the
40 State Treasurer may reduce the normal contribution payable by the
41 State or by other employers for the next valuation period as follows:

42 (1) for valuation periods ending June 30, 1996 through June 30,
43 2000, to the extent possible by up to 100% of the excess valuation
44 assets allocated to the State or to the other employers, respectively;

45 (2) for the valuation period ending June 30, 2001, to the extent
46 possible by up to 84% of the excess valuation assets allocated to the

1 State or to the other employers, respectively;

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

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

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

17 The normal and accrued liability contributions shall be certified
18 annually by the retirement system and shall be included in the budget
19 of the employer and levied and collected in the same manner as any
20 other taxes are levied and collected for the payment of the salaries of
21 members.

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

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

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

38 (11) The expenses of administration of the retirement system shall
39 be paid by the State of New Jersey. Each employer shall reimburse the
40 State for a proportionate share of the amount paid by the State for
41 administrative expense. This proportion shall be computed as the
42 number of members under the jurisdiction of such employer bears to
43 the total number of members in the system. The pro rata share of the
44 cost of administrative expense shall be included with the certification
45 by the retirement system of the employer's contribution to the system.

46 (12) Notwithstanding anything to the contrary, the retirement

1 system shall not be liable for the payment of any pension or other
2 benefits on account of the employees or beneficiaries of any employer
3 participating in the retirement system, for which reserves have not
4 been previously created from funds, contributed by such employer or
5 its employees for such benefits.

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

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

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

19 (16) The savings realized as a result of the amendments to this
20 section by P.L. , c. (now pending before the Legislature as this
21 bill) in the payment of normal contributions computed by the actuary
22 for the valuation periods ending June 30, 1998 for employers other
23 than the State shall be used solely and exclusively by a county or
24 municipality for the purpose of reducing the amount that is required
25 to be raised by the local property tax levy by the county for county
26 purposes or by the municipality for municipal purposes, as appropriate.
27 The Director of the Division of Local Government Services in the
28 Department of Community Affairs shall certify for each year that each
29 county or municipality has complied with the requirements set forth
30 herein. If the director finds that a county or municipality has not used
31 the savings solely and exclusively for the purpose of reducing the
32 amount that is required to be raised by the local property tax levy by
33 the county for county purposes or by the municipality for municipal
34 purposes, as appropriate, the director shall direct the county or
35 municipal governing body, as appropriate, to make corrections to its
36 budget.

37 (cf: P.L.2000, c.8, s.1)

38

39 3. This act shall take effect immediately.

P.L. 2001, CHAPTER 44, *approved March 29, 2001*
Senate, No. 1961 (*First Reprint*)

1 **AN ACT** concerning the funding of the Police and Firemen's
2 Retirement System of New Jersey and the contributions to the
3 system by employers other than the State and amending P.L.1944,
4 c.255.

5

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

8

9 1. This act shall be known and may be cited as the "Pension Cost
10 Stabilization Act."

11

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

14 15. (1) The contributions required for the support of the
15 retirement system shall be made by members and their employers.

16 (2) The uniform percentage contribution rate for members shall be
17 8.5% of compensation.

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

19 (4) Upon the basis of the tables recommended by the actuary which
20 the board adopts and regular interest, the actuary shall compute
21 annually, beginning as of June 30, 1991, the amount of contribution
22 which shall be the normal cost as computed under the projected unit
23 credit method attributable to service rendered under the retirement
24 system for the year beginning on July 1 immediately succeeding the
25 date of the computation. This shall be known as the "normal
26 contribution." ¹[Beginning with the valuation period ending on June
27 30, 1999 and for each valuation period thereafter, the amount of the
28 normal contribution as computed by the actuary annually for
29 employers other than the State shall not increase or decrease in the
30 aggregate by more than \$75,000,000 from the normal contribution
31 computed in the previous year.]¹

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

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

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

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SBA committee amendments adopted December 14, 2000.

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

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

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

1 covered by the assets of the retirement system, valued in accordance
2 with the asset valuation method established in this section. This shall
3 be known as the "unfunded accrued liability." If there was no
4 unfunded accrued liability for the valuation period immediately
5 preceding the current valuation period, the actuary, using the total
6 amount of this unfunded accrued liability, shall compute the initial
7 amount of contribution which, if the contribution is increased at a
8 specific rate and paid annually for a specific period of time, will
9 amortize this liability. The State Treasurer shall determine, upon the
10 advice of the Director of the Division of Pensions and Benefits, the
11 board of trustees and the actuary, the rate of increase for the
12 contribution and the time period for full funding of this liability, which
13 shall not exceed 30 years. This shall be known as the "accrued liability
14 contribution." Thereafter, any increase or decrease in the unfunded
15 accrued liability as a result of actuarial losses or gains for subsequent
16 valuation years shall serve to increase or decrease, respectively, the
17 amortization period for the unfunded accrued liability, unless an
18 increase in the amortization period will cause it to exceed 30 years.
19 If an increase in the amortization period as a result of actuarial losses
20 for a valuation year would exceed 30 years, the accrued liability
21 contribution shall be computed for the valuation year in the same
22 manner provided for the computation of the initial accrued liability
23 contribution under this section. The State may pay all or any portion
24 of its unfunded accrued liability under the retirement system from any
25 source of funds legally available for the purpose, including, without
26 limitation, the 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 as
35 of the end of the valuation period ¹[and such additional percentage as
36 may be required to ensure that the amount of the normal contribution
37 computed by the actuary for the valuation period ending June 30, 1999
38 and for each valuation period thereafter, for employers other than the
39 State shall not increase in the aggregate by more than \$75,000,000
40 from the amount of the normal contribution computed by the actuary
41 in the previous valuation period]¹. This shall be known as the
42 "valuation assets." Notwithstanding the first sentence of this
43 paragraph, the valuation assets for the valuation period ending June
44 30, 1995 shall be the full market value of the assets as of that date
45 and, with respect to the valuation assets allocated to the State, shall
46 include the proceeds from the bonds issued pursuant to the "Pension

1 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.),
2 paid to the system by the New Jersey Economic Development
3 Authority to fund the unfunded accrued liability of the system.
4 Notwithstanding the first sentence of this paragraph, the percentage of
5 the difference between the expected value and the full market value of
6 the assets to be added to the expected value of the assets for the
7 valuation period ending June 30, 1998 for the State shall be 100%, and
8 for other employers shall be 57% plus such additional percentage as
9 is equivalent to \$150,000,000.

10 "Excess valuation assets" means, with respect to the valuation
11 assets allocated to the State, the valuation assets allocated to the State
12 for a valuation period less the actuarial accrued liability of the State
13 for the valuation period, and beginning with the valuation period
14 ending June 30, 1998, less the present value of the expected additional
15 normal cost contributions attributable to the provisions of P.L.1999,
16 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members
17 employed by the State as of the valuation period over the expected
18 working lives of the active members in accordance with the tables of
19 actuarial assumptions applicable to the valuation period, if the sum is
20 greater than zero. "Excess valuation assets" means, with respect to
21 the valuation assets allocated to other employers, the valuation assets
22 allocated to the other employers for a valuation period ¹[(a)]¹ less the
23 actuarial accrued liability of the other employers for the valuation
24 period, excluding the unfunded accrued liability for early retirement
25 incentive benefits pursuant to P.L.1993, c.99 for the other employers,
26 and ¹[(b)]¹ beginning with the valuation period ending June 30, 1998,
27 less the present value of the expected additional normal cost
28 contributions attributable to the provisions of P.L.1999, c.428
29 (C.43:16A-15.8 et al.) payable on behalf of the active members
30 employed by other employers as of the valuation period over the
31 expected working lives of the active members in accordance with the
32 tables of actuarial assumptions applicable to the valuation period,
33 ¹[and (c) less such amount as may be necessary to ensure that any
34 increase in the amount of the normal contribution payable by
35 employers other than the State in any valuation period beginning with
36 the valuation period ending on June 30, 1999 shall not be more than
37 \$75,000,000 in the aggregate from the previous valuation period.]¹ if
38 the sum is greater than zero.

39 If there are excess valuation assets allocated to the State or to the
40 other employers for the valuation period ending June 30, 1995, the
41 normal contributions payable by the State or by the other employers
42 for the valuation periods ending June 30, 1995, and June 30, 1996
43 which have not yet been paid to the retirement system shall be reduced
44 to the extent possible by the excess valuation assets allocated to the
45 State or to the other employers, respectively, provided that with
46 respect to the excess valuation assets allocated to the State, the

1 General Fund balances that would have been paid to the retirement
2 system except for this provision shall first be allocated as State aid to
3 public schools to the extent that additional sums are required to
4 comply with the May 14, 1997 decision of the New Jersey Supreme
5 Court in Abbott v. Burke.

6 If there are excess valuation assets allocated to the other employers
7 for the valuation period ending June 30, 1998, the accrued liability
8 contributions payable by the other employers for the valuation period
9 ending June 30, 1997 shall be reduced to the extent possible by the
10 excess valuation assets allocated to the other employers.

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

15 (1) for valuation periods ending June 30, 1996 through June 30,
16 2000, to the extent possible by up to 100% of the excess valuation
17 assets allocated to the State or to the other employers, respectively;

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

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

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

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

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

41 (10) The treasurer or corresponding officer of the employer shall
42 pay to the State Treasurer no later than April 1 of the State's fiscal
43 year in which payment is due the amount so certified as payable by the
44 employer, and shall pay monthly to the State Treasurer the amount of
45 the deductions from the salary of the members in the employ of the
46 employer, and the State Treasurer shall credit such amount to the

1 appropriate fund or funds, of the retirement system.

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

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

11 (11) The expenses of administration of the retirement system shall
12 be paid by the State of New Jersey. Each employer shall reimburse the
13 State for a proportionate share of the amount paid by the State for
14 administrative expense. This proportion shall be computed as the
15 number of members under the jurisdiction of such employer bears to
16 the total number of members in the system. The pro rata share of the
17 cost of administrative expense shall be included with the certification
18 by the retirement system of the employer's contribution to the system.

19 (12) Notwithstanding anything to the contrary, the retirement
20 system shall not be liable for the payment of any pension or other
21 benefits on account of the employees or beneficiaries of any employer
22 participating in the retirement system, for which reserves have not
23 been previously created from funds, contributed by such employer or
24 its employees for such benefits.

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

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

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

38 (16) The savings realized as a result of the amendments to this
39 section by P.L. , c. (now pending before the Legislature as this
40 bill) in the payment of normal contributions computed by the actuary
41 for the valuation periods ending June 30, 1998 ¹[and June 30, 1999]¹
42 for employers other than the State shall be used solely and exclusively
43 by a county or municipality for the purpose of reducing the amount
44 that is required to be raised by the local property tax levy by the
45 county for county purposes or by the municipality for municipal
46 purposes, as appropriate. The Director of the Division of Local

1 Government Services in the Department of Community Affairs shall
2 certify for each year that each county or municipality has complied
3 with the requirements set forth herein. If the director finds that a
4 county or municipality has not used the savings solely and exclusively
5 for the purpose of reducing the amount that is required to be raised by
6 the local property tax levy by the county for county purposes or by the
7 municipality for municipal purposes, as appropriate, the director shall
8 direct the county or municipal governing body, as appropriate, to
9 make corrections to its budget.

10 (cf: P.L.2000, c.8, s.1)

11

12 3. This act shall take effect immediately.

13

14

15

16

17 Revises PFRS funding to reduce local employers' contributions by
18 \$150 million for FY 2001.

CHAPTER 44

AN ACT concerning the funding of the Police and Firemen's Retirement System of New Jersey and the contributions to the system by employers other than the State and amending P.L.1944, c.255.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. This act shall be known and may be cited as the "Pension Cost Stabilization Act."
2. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to read as follows:

C.43:16A-15 Contributions, expenses of administration.

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

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

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

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

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

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

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

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

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

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

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

The value of the assets to be used in the computation of the contributions provided for under this section for valuation periods shall be the value of the assets for the preceding valuation period increased by the regular interest rate, plus the net cash flow for the valuation period (the difference between the benefits and expenses paid by the system and the contributions to the system) increased by one half of the regular interest rate, plus 20% of the difference between this expected value and the full market value of the assets as of the end of the valuation period. This shall be known as the "valuation assets." Notwithstanding the first sentence of this paragraph, the valuation assets for the valuation period ending June 30, 1995 shall be the full market value of the assets as of that date and, with respect to the valuation assets allocated to the State, shall include the proceeds from the bonds issued pursuant to the "Pension Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the New Jersey Economic Development Authority to fund the unfunded accrued liability of the system. Notwithstanding the first sentence of this paragraph, the percentage of the difference between the expected value and the full market value of the assets to be added to the expected value of the assets for the valuation period ending June 30, 1998 for the State shall be 100%, and for other employers shall be 57% plus such additional percentage as is equivalent to \$150,000,000. Notwithstanding the first sentence of this paragraph, the amount of the difference between the expected value and the full market value of the assets to be added to the expected value of the assets for the valuation period ending June 30, 1999 shall include an additional amount of the market value of the assets sufficient to fund the unfunded accrued liability for the supplementary "special retirement" allowances provided under subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1).

"Excess valuation assets" means, with respect to the valuation assets allocated to the State, the valuation assets allocated to the State for a valuation period less the actuarial accrued liability of the State for the valuation period, and beginning with the valuation period ending June 30, 1998, less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members employed by the State as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, if the sum is greater than zero. "Excess valuation assets" means, with respect to the valuation assets allocated to other employers, the valuation assets allocated to the other employers for a valuation period less the actuarial accrued liability of the other employers for

the valuation period, excluding the unfunded accrued liability for early retirement incentive benefits pursuant to P.L.1993, c.99 for the other employers, and beginning with the valuation period ending June 30, 1998, less the present value of the expected additional normal cost contributions attributable to the provisions of P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the active members employed by other employers as of the valuation period over the expected working lives of the active members in accordance with the tables of actuarial assumptions applicable to the valuation period, if the sum is greater than zero.

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

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

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

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

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

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

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

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

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

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

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

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

(11) The expenses of administration of the retirement system shall be paid by the State of New Jersey. Each employer shall reimburse the State for a proportionate share of the amount

paid by the State for administrative expense. This proportion shall be computed as the number of members under the jurisdiction of such employer bears to the total number of members in the system. The pro rata share of the cost of administrative expense shall be included with the certification by the retirement system of the employer's contribution to the system.

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

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

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

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

(16) The savings realized as a result of the amendments to this section by P.L. , c. (now pending before the Legislature as this bill) in the payment of normal contributions computed by the actuary for the valuation periods ending June 30, 1998 for employers other than the State shall be used solely and exclusively by a county or municipality for the purpose of reducing the amount that is required to be raised by the local property tax levy by the county for county purposes or by the municipality for municipal purposes, as appropriate. The Director of the Division of Local Government Services in the Department of Community Affairs shall certify for each year that each county or municipality has complied with the requirements set forth herein. If the director finds that a county or municipality has not used the savings solely and exclusively for the purpose of reducing the amount that is required to be raised by the local property tax levy by the county for county purposes or by the municipality for municipal purposes, as appropriate, the director shall direct the county or municipal governing body, as appropriate, to make corrections to its budget.

3. This act shall take effect immediately.

Approved March 29, 2001.

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Office of the Governor
NEWS RELEASE

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RELEASE: March 29 , 2001

**DIFRANCESCO ANNOUNCES \$150 MILLION IN ADDITIONAL PROPERTY TAX
RELIEF**

Signs Bill Stabilizing Local Payments to Police and Firemen's Retirement Accounts

Acting Governor Donald T. DiFrancesco today signed legislation that increases the money used for local property tax relief by \$150 million this fiscal year by reducing local contributions to the Police and Firemen's Retirement System (PFRS). The bill establishes a stable payment pattern for local governments paying into PFRS.

"Tax time is a vivid reminder that New Jersey families need more tax relief. Today I am helping by providing an additional \$150 million in property tax relief right now. This bill mandates that the \$150 million saved by the PFRS reduction in each municipality and county **MUST** be spent on property tax relief," said DiFrancesco.

Under the current system, municipalities would have been charged approximately \$225 million in 2001 and substantially less - or nothing at all - during 2002. By providing an immediate reduction in the normal contribution that would not otherwise be available until 2002, the new law provides stability for local taxpayers and their communities while also giving local governments the ability to better plan their yearly budgets.

"Reducing property taxes is a top priority for my administration. Some would say it is my crusade. I am single-minded about this issue because we have seen what reducing taxes can do," said DiFrancesco.

In addition to providing local communities with this \$150 million in property tax relief, the Acting Governor also highlighted his Property Tax Relief Now! proposal, which passed the Senate on March 26. This program would double the NJSAVER rebate to an average of \$500, raise the Homestead Rebate to \$750 and increase municipal aid for property tax relief by \$100 million.

"We saw what happened when we cut the sales tax and the income tax, when we lowered energy and business taxes, and created the NJ SAVER program. Those tax cuts saved families and businesses billions of dollars, helped create more than a half of a million jobs in the past seven years alone, and sparked real economic growth, which has given us an even larger state surplus. I want to use this surplus to give money back to our families in property tax relief."

The bill signed today, S-1961, was sponsored by Senators Bob Littell (R-Sussex/Hunterdon/Morris) and Sharpe James (D-Essex/Union), and Assemblymembers Paul DiGaetano (R-Bergen/Essex/Passaic), Samuel Thompson (R-Middlesex/Monmouth) and Nia Gill (D-Essex).