43:16-1

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2001 **CHAPTER:** 4

NJSA: 43:16-1 (Public safety officers—pensions)

BILL NO: A1438 (Substituted for S698)

SPONSOR(S): Moran and Connors

DATE INTRODUCED: Pre-filed

COMMITTEE: **ASSEMBLY:** State Government; Appropriations

SENATE: State Government

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** October 5, 2000

SENATE: December 4, 2000

DATE OF APPROVAL: January 16, 2001

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (1st reprint enacted)

(Amendments during passage denoted by superscript numbers)

A1438

SPONSORS STATEMENT: (Begins on page 5 of original bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY**: Yes 3/23/00 (State Govt.)

6/22/00 (Approp.)

SENATE: Yes

FLOOR AMENDMENT STATEMENTS: No

LEGISLATIVE FISCAL ESTIMATE: Yes

S698

SPONSORS STATEMENT: (Begins on page 4 of original bill) Yes

Bill and Sponsors Statement identical to A1438

COMMITTEE STATEMENT: **ASSEMBLY**: No

SENATE: Yes

Identical to Senate Statement for 1438

FLOOR AMENDMENT STATEMENTS: No

LEGISLATIVE FISCAL ESTIMATE: No

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

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REPORTS: No

HEARINGS:	No
NEWSPAPER ARTICLES:	No

ASSEMBLY, No. 1438

STATE OF NEW JERSEY

209th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2000 SESSION

Sponsored by:
Assemblyman JEFFREY W. MORAN
District 9 (Atlantic, Burlington and Ocean)
Assemblyman CHRISTOPHER J. CONNORS
District 9 (Atlantic, Burlington and Ocean)

Co-Sponsored by:
Assemblyman Thompson

SYNOPSIS

Increases pensions of certain retired public safety officer members of PERS, CPFPF and PFRS.

CURRENT VERSION OF TEXT

As Introduced.

(Sponsorship Updated As Of: 5/2/2000)

AN ACT concerning pensions payable to certain retirants from the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System of New Jersey, and the Public Employees' Retirement System of New Jersey, amending R.S.43:16-1 and P.L.1964, c.241 and supplementing P.L.1955, c.257 (C.43:15A-97 et seq.) and P.L.1958, c.143 (C.43:3B-1 et seq.).

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

1. R.S.43:16-1 is amended to read as follows:

43:16-1. <u>a.</u> In all municipalities any active member of a police department or of a paid or part-paid fire department or of a county police department including active members of the paid or part-paid fire department of any fire district located in any township which has adopted the provisions of an act entitled "An act providing for the retirement of policemen and firemen of the police and fire departments in municipalities of this State, including all police officers having supervision or regulation of traffic upon county roads, and providing a pension for such retired policemen and firemen and members of the police and fire departments, and the widows, children and sole dependent parents of deceased members of said department," approved April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the Revised Statutes, who shall have served honorably in the police or fire department for a period of 25 years, or any employee member of any such department who shall have served honorably in such department for a period of 25 years and who has reached the age of 60 years shall, on his own application, be retired on a service retirement pension equal to 60% of his final compensation. Any active member of the police or paid or part-paid fire department including active members of the paid or part-paid fire department of any fire district as aforesaid who shall have served honorably for a period of 25 years and reached the age of 65 years and any employee member of any such department who shall have served honorably in such department for a period of 25 years and reached the age of 70 years shall be retired on a service retirement pension equal to 60% of his final compensation.

The amount of the service retirement pension of any member of such police or paid or part-paid fire department, who has served for more than 25 years and who retires after **[**the effective date of this 1984 amendatory act**]** <u>August 8, 1984</u>, shall be increased by an amount equal to 1% of his final compensation for each year of service in excess of 25 years but not more than 30 years and 1% of his final

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 <u>thus</u> is new matter.

compensation for each year of service in excess of 30 years rendered prior to his reaching age 65.

<u>b. The service retirement pension payable under subsection a. of this section to any person who served honorably in a police or fire department for a period of 25 years and retired from the service of the department prior to the effective date of this act, P.L. , c. (now pending before the Legislature as this bill), shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the pension payable at the time of retirement, provide a total service retirement pension of 70% of final compensation. This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act; the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date. The provisions of this subsection shall not be construed either to require a reduction in the pension payable to any retirant or to provide for the payment of any adjustment in such a benefit with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Consolidated Police and Firemen's Pension Fund as a result of the increased benefit provided for in this subsection.</u>

(cf: P.L.1984, c.127, s.1)

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

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

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

(2) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 65% of his final compensation, plus 1% of his final compensation multiplied by the number of years of creditable service over 25 but not over 30; provided, however, that any member who has earned, prior to July 1, 1979, more than 30 years of creditable service, shall receive an additional 1% of his final compensation for each year of his creditable service over 30.

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

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

b. The "special retirement" allowance payable under subsection a. of this section to any person who retired under the retirement system prior to December 20, 1989 shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the allowance payable at the time of retirement, provide a total retirement allowance of 70% of final compensation, except that in the case of such a retirant who retired on or after July 1, 1979 and had earned prior to that date more than 30 years of creditable service, the amount of the increase shall be equal to 5% of the person's final compensation irrespective of the total retirement allowance which such an increase would provide. This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L. , c. (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date. The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Police and Firemen's Retirement System as a result of the increased benefit provided for in this subsection.

(cf: P.L.1989, c.204, s.4)

3. (New section) a. Should a law enforcement officer member retire after having established 25 years of creditable service, the member shall receive, in addition to the service retirement allowance provided in section 4 of P.L.1955, c.257 (C.43:15A-100), a supplementary "special" retirement allowance equal to 5% of the member's final compensation or such lesser amount as will, if added to the member's service retirement allowance, provide a total retirement allowance of 70% of the member's final compensation.

b. The supplementary "special" retirement allowance payable under subsection a. of this section shall be phased in over a three year period in increments of 2%, 2% and 1% of the member's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L. , c. (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date. These increases shall be payable to any former member of the retirement system who, prior to that effective date, retired as a law enforcement officer member of the retirement system after having established 25 years of creditable service. The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Public Employees' Retirement System as a result of the increased benefit provided for in this subsection.

4. (New section) The provisions of section 7 of P.L.1969, c.169 (C.43:3B-8) shall not apply to R.S.43:16-1 or section 16 of P.L.1964, c.241 (C.43:16A-11.1) as amended by P.L. , c. (C.) (now pending before the Legislature as this bill), or to section 3 of that P.L. , c. (C.), and the annual cost of living adjustment received by retirants and beneficiaries under P.L.1958, c.143 (C.43:3B-1 et seq.) shall be calculated as of the date of the benefit year of the member of the appropriate pension fund or retirement system.

5. This act shall take effect on the 90th day following enactment.

STATEMENT

This bill provides for an increase in the pension allowance payable to certain previously retired members of the Consolidated Police and Firemen's Pension Fund (CPFPF) and the Police and Firemen's Retirement System (PFRS), and to certain past and prospective law enforcement officer (LEO) retirants under the Public Employees' Retirement System (PERS). To be eligible for the increase, a retirant from any of the specified retirement systems must have rendered at least 25 years of creditable service under the system. The amount of the increase would be 5% of the retirant's final compensation, or such lesser amount as would provide the retirant with a total pension of 70% of final compensation. This increase would be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation. The State will be liable for any increased cost to local government employers participating in the Consolidated Police and Firemen's Pension Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System as a result of the increased benefit provided for in this bill.

This legislation is intended to establish pension benefit parity between the individuals to whom it applies and their fellow public safety officers who retired from the PFRS after a 5% increase in the "special retirement" allowance under that system, enacted into law as P.L.1989, c.204, became effective on December 20, 1989.

ASSEMBLY STATE GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1438

STATE OF NEW JERSEY

DATED: MARCH 23, 2000

The Assembly State Government Committee reports favorably Assembly, No. 1438.

This bill provides for an increase in the pension allowance payable to certain previously retired members of the Consolidated Police and Firemen's Pension Fund (CPFPF) and the Police and Firemen's Retirement System (PFRS), and to certain past and prospective law enforcement officer (LEO) retirants under the Public Employees' Retirement System (PERS). To be eligible for the increase, a retirant from any of the specified retirement systems must have rendered at least 25 years of creditable service under the system.

The amount of the increase would be 5% of the retirant's final compensation, or such lesser amount as would provide the retirant with a total pension of 70% of final compensation. This increase would be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation, or in lesser amounts if appropriate. The State would be liable for any increased cost to local government employers participating in CPFPF, PFRS and PERS as a result of the increase.

The sponsors' statement indicates that this bill is intended to establish pension benefit parity between the individuals to whom it applies and their fellow public safety officers who retired from the PFRS after a 5% increase in their "special retirement" allowance, effective on December 20, 1989 pursuant to P.L.1989, c.204.

This bill is the same as Senate, No. 698 of 2000.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1438

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 22, 2000

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1438 with committee amendments.

Assembly Bill No. 1438, as amended, provides for an increase in the pension allowance payable to certain previously retired members of the Consolidated Police and Firemen's Pension Fund (CPFPF) and the Police and Firemen's Retirement System (PFRS), and to certain past and prospective law enforcement officer (LEO) retirants under the Public Employees' Retirement System (PERS). To be eligible for the increase, a retirant from any of the specified retirement systems must have rendered at least 25 years of creditable service under the system.

The amount of the increase would be 5% of the retirant's final compensation, or such lesser amount as would provide the retirant with a total pension of 70% of final compensation. The State would be liable for any increased cost to local government employers participating in CPFPF as a result of the increase.

PFRS and PERS would be liable for the cost of the increases for members of PFRS and PERS. For PFRS and PERS, 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 will include an additional amount of the market value of the assets sufficient to fund the unfunded accrued liability for the retirement allowances provided by PFRS and PERS under the bill

The sponsors' statement indicates that this bill is intended to establish pension benefit parity between the individuals to whom it applies and their fellow public safety officers who retired from the PFRS after a 5% increase in their "special retirement" allowance, effective on December 20, 1989 pursuant to P.L.1989, c.204.

FISCAL IMPACT:

The accrued liability of the change is estimated to be $70,700,000 in PFRS. The bill will also impact the CPFPF and PERS systems; however, the additional liabilities are expected to be minimal.

COMMITTEE AMENDMENTS:

The amendments delete provisions phasing-in the increases over three years and make provisions for recognition of additional market value of the assets in the PFRS and PERS systems to fund the liabilities created by the bill.

[First Reprint]

ASSEMBLY, No. 1438

STATE OF NEW JERSEY

209th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2000 SESSION

Sponsored by:
Assemblyman JEFFREY W. MORAN
District 9 (Atlantic, Burlington and Ocean)
Assemblyman CHRISTOPHER J. CONNORS
District 9 (Atlantic, Burlington and Ocean)

Co-Sponsored by:
Assemblymen Thompson, Roberts, Augustine, Bagger, Conners, Assemblywoman Previte, Senators Connors, Singer, Matheussen, Inverso, Sinagra, Bucco, Allen and Kosco

SYNOPSIS

Increases pensions of certain retired public safety officer members of PERS, CPFPF and PFRS.

CURRENT VERSION OF TEXT

As reported by the Assembly Appropriations Committee on June 22, 2000, with amendments.

(Sponsorship Updated As Of: 12/5/2000)

AN ACT concerning pensions payable to certain retirants from the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System of New Jersey, and the Public Employees' Retirement System of New Jersey, amending R.S.43:16-1 [1], P.L.1944, c.255, P.L.1954, c.84[1] and P.L.1964, c.241 and supplementing P.L.1955, c.257 (C.43:15A-97 et seq.) and P.L.1958, c.143 (C.43:3B-1 et seq.).

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

1. R.S.43:16-1 is amended to read as follows:

43:16-1. a. In all municipalities any active member of a police department or of a paid or part-paid fire department or of a county police department including active members of the paid or part-paid fire department of any fire district located in any township which has adopted the provisions of an act entitled "An act providing for the retirement of policemen and firemen of the police and fire departments in municipalities of this State, including all police officers having supervision or regulation of traffic upon county roads, and providing a pension for such retired policemen and firemen and members of the police and fire departments, and the widows, children and sole dependent parents of deceased members of said department," approved April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the Revised Statutes, who shall have served honorably in the police or fire department for a period of 25 years, or any employee member of any such department who shall have served honorably in such department for a period of 25 years and who has reached the age of 60 years shall, on his own application, be retired on a service retirement pension equal to 60% of his final compensation. Any active member of the police or paid or part-paid fire department including active members of the paid or part-paid fire department of any fire district as aforesaid who shall have served honorably for a period of 25 years and reached the age of 65 years and any employee member of any such department who shall have served honorably in such department for a period of 25 years and reached the age of 70 years shall be retired on a service retirement pension equal to 60% of his final compensation.

The amount of the service retirement pension of any member of such police or paid or part-paid fire department, who has served for more than 25 years and who retires after **[**the effective date of this 1984 amendatory act**]** August 8, 1984, shall be increased by an

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] Assembly AAP committee amendments adopted June 22, 2000.

amount equal to 1% of his final compensation for each year of service in excess of 25 years but not more than 30 years and 1% of his final compensation for each year of service in excess of 30 years rendered prior to his reaching age 65.

b. The service retirement pension payable under subsection a. of this section to any person who served honorably in a police or fire department for a period of 25 years and retired from the service of the department prior to the effective date of this act, P.L. , c. (now pending before the Legislature as this bill), shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the pension payable at the time of retirement, provide a total service retirement pension of 70% of final compensation. [1]**[**This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act; the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date.**]**[1] The provisions of this subsection shall not be construed either to require a reduction in the pension payable to any retirant or to provide for the payment of any adjustment in such a benefit with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Consolidated Police and Firemen's Pension Fund as a result of the increased benefit provided for in this subsection.

(cf: P.L.1984, c.127, s.1)

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

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

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

(2) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 65% of his final compensation, plus 1% of his final compensation multiplied by the number of years of creditable service over 25 but not over 30; provided, however, that any member who has earned, prior to July 1, 1979, more than 30 years of creditable service, shall receive an additional 1% of his final compensation for each year of his creditable

service over 30.

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

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

b. The "special retirement" allowance payable under subsection a. of this section to any person who retired under the retirement system prior to December 20, 1989 shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the allowance payable at the time of retirement, provide a total retirement allowance of 70% of final compensation, except that in the case of such a retirant who retired on or after July 1, 1979 and had earned prior to that date more than 30 years of creditable service, the amount of the increase shall be equal to 5% of the person's final compensation irrespective of the total retirement allowance which such an increase would provide. [1]**[**This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L.   , c.   (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date.**]**[1] The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. [1]**[**The State shall be liable for any increased cost to local government employers participating in the Police and Firemen's Retirement System as a result of the increased benefit provided for in this subsection.**]**[1]

(cf: P.L.1989, c.204, s.4)

[1]3. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to read as follows:

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%. 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.

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.[1]

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

[1][3.]4.[1] (New section) a. Should a law enforcement officer member retire after having established 25 years of creditable service, the member shall receive, in addition to the service retirement allowance provided in section 4 of P.L.1955, c.257 (C.43:15A-100), a supplementary "special" retirement allowance equal to 5% of the member's final compensation or such lesser amount as will, if added to the member's service retirement allowance, provide a total retirement allowance of 70% of the member's final compensation.

b. The supplementary "special" retirement allowance [1][payable] provided[1] under subsection a. of this section shall be [1]**[**phased in over a three year period in increments of 2%, 2% and 1% of the member's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L. , c. (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date. These increases shall be**]**[1] payable to any former member of the retirement system who, prior to [1]**[**that**]**the[1] effective date [1]of this act, P.L. , c. (now pending before the Legislature as this bill)[1], retired as a law enforcement officer member of the retirement system after having established 25 years of creditable service. The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. [1]**[**The State shall be liable for any increased cost to local government employers participating in the Public Employees' Retirement System as a result of the increased benefit provided for in this subsection.**]**[1]

[1]5. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to read as follows:

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

a. 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 March 31, 1992, 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."

b. 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 of the retirement system as of March 31, 1992 under the projected unit credit method, excluding the liability for pension adjustment benefits for active employees funded pursuant to section 2 of P.L.1990, c.6 (C.43:15A-24.1), 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 1992 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 commission adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability of the retirement system, 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 commission 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 March 31, 1996 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. <u>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 section 4 of P.L. , c. (C.) (now pending before the Legislature as this bill).</u>

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

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

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

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

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

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

of the foregoing items is greater than zero.

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

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

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

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

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

If there are excess valuation assets allocated to the State or to the other employers for the valuation period ending March 31, 1996, the normal contributions payable by the State or by the other employers for the valuation periods ending March 31, 1996 and March 31, 1997 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 State or to the other employers for a valuation period ending after March 31, 1996, the State Treasurer may reduce the normal contribution payable by the State or by the other employers for the next valuation period as follows:

(1) for valuation periods ending March 31, 1997 through March 31, 2001, 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 March 31, 2002, 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 March 31, 2003, 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 March 31, 2004, to the

extent possible by up to 50% of the excess valuation assets allocated to the State or to the other employers, respectively.

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

c. The retirement system shall certify annually the aggregate amount payable to the contingent reserve fund in the ensuing year, which amount shall be equal to the sum of the amounts described in this section. The State shall pay into the contingent reserve fund during the ensuing year the amount so determined. The death benefits, payable as a result of contribution by the State under the provisions of this chapter upon the death of an active or retired member, shall be paid from the contingent reserve fund.

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

(cf: P.L.1999, c.415, s.1)

[1][4.]6.[1] (New section) The provisions of section 7 of P.L.1969, c.169 (C.43:3B-8) shall not apply to R.S.43:16-1 or section 16 of P.L.1964, c.241 (C.43:16A-11.1) as amended by P.L. , c. (C.) (now pending before the Legislature as this bill), or to section [1][3]4[1] of that P.L. , c. (C.), and the annual cost of living adjustment received by retirants and beneficiaries under P.L.1958, c.143 (C.43:3B-1 et seq.) shall be calculated as of the date of the benefit year of the member of the appropriate pension fund or retirement system.

[1][5.] 7.[1] This act shall take effect on the 90th day following enactment.

FISCAL NOTE

[First Reprint]

ASSEMBLY, No. 1438

STATE OF NEW JERSEY

209th LEGISLATURE

DATED: OCTOBER 19, 2000

SUMMARY

Synopsis: Increases pensions of certain retired public safety officer members of PERS, CPFPF and PFRS

Type of Impact: Potential increase in State General Fund expenditures

Agencies Affected: Department of Treasury, Division of Pensions and Benefits

Office of Legislative Services Estimate

Fiscal Impact	Year 1	Year 2	Year 3
State Cost	Indeterminate	Indeterminate	Indeterminate

- ! This bill provides for an increase in the pension allowance payable to certain previously retired members of the Consolidated Police and Firemen's Pension Fund (CPFPF) and the Police and Firemen's Retirement System (PFRS), and to certain past and prospective law enforcement officer (LEO) retirees under the Public Employees' Retirement System (PERS).
- ! The present value of the unfunded accrued liability in the PFRS for the retirement allowance increase is approximately $70 million, as calculated in 1999 by an actuarial consulting firm commissioned by the New Jersey State Retired Policemen and Firemen's Association.
- ! Also, minimal unfunded accrued liabilities will be created in the Consolidated Police and Firemen's Pension Fund (CPFPF) and the Public Employees' Retirement System (PERS) by the retirement allowance increase, according to the consulting firm.
- ! The Office of Legislative Services (OLS) and the Division of Pensions and Benefits concurred with the 1999 estimate.
- ! The bill provides for the recognition of additional market value of the assets in PFRS and PERS for the valuation period ending June 30, 1999 (applicable to Fiscal Year 2001), sufficient to pay for the accrued liabilities created. The State will be responsible for the additional cost to local government employers participating in the CPFPF.

BILL DESCRIPTION

Assembly Bill No. 1438 (1R) of 2000 provides for an increase in the pension allowance payable to certain previously retired members of the CPFPF and the PFRS, and to certain past and prospective law enforcement officer (LEO) retirees under the PERS. To be eligible for the increase, a retiree from any of the specified retirement systems must have rendered at least 25 years of creditable service under the system. The amount of the increase will be 5 percent of the retiree's final compensation, or such lesser amount as would provide the retiree with a total pension of 70 percent of final compensation. The State will be responsible for the increased cost to local government employers participating in the CPFPF that result from this bill.

The increased liabilities in the PFRS and PERS will be funded through the recognition, for the valuation period ending June 30, 1999, of an additional amount of the market value of the assets sufficient to cover this cost.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Division of Pensions and Benefits in the Department of Treasury concurred in the estimate of the cost of this bill as set forth below.

OFFICE OF LEGISLATIVE SERVICES

An actuarial consulting firm, Actuarial Sciences Associates, Inc. (ASA), was commissioned by the New Jersey State Retired Policemen and Firemen's Association, Inc. to calculate the cost of providing increased pension benefits to certain retired public safety officers under substantially similar legislation in the 1998-99 Legislative Session. According to the report prepared by ASA dated November 1999, the present value of the accrued liability for the benefits provided is $70.8 million for the retired members of PFRS. ASA estimated the cost to finance the additional liability as part of the unfunded accrued liability of PFRS at $3.4 million annually. ASA also noted there would be small additional liabilities created in the CPFPF and PERS by the bill.

This bill provides for a recognition of additional market value of the assets in the PFRS and PERS for the valuation period ending June 30, 1999 (applicable to Fiscal Year 2001), sufficient to pay for the accrued liabilities created by the bill. The State will be responsible for the additional costs to local government employers participating in the CPFPF.

It should be noted that the number of CPFPF retirees eligible for the increased retirement allowance is decreasing over time due to mortality; the retired membership is now slightly over 300. The number of LEO's in the PERS is less than 100.

Section: *State Government*

Analyst: *Aggie Szilagyi*
Section Chief

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

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

SENATE STATE GOVERNMENT COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 1438

STATE OF NEW JERSEY

DATED: NOVEMBER 9, 2000

The Senate State Government Committee reports favorably Assembly, No. 1438 (1R).

This bill provides for an increase in the retirement allowance payable to certain previously retired members of the Consolidated Police and Firemen's Pension Fund (CPFPF) and the Police and Firemen's Retirement System (PFRS), and to certain past and prospective law enforcement officer (LEO) retirants under the Public Employees' Retirement System (PERS). To be eligible for the increase, a retirant from any of the specified retirement systems must have rendered at least 25 years of creditable service under the system. The amount of the increase would be 5% of the retirant's final compensation, or such lesser amount as would provide the retirant with a total pension of 70% of final compensation.

The State will pay for any increased cost to local government employers participating in CPFPF as a result of the increased benefit provided for in this bill. PFRS and PERS will pay for the increased cost for their retirants by recognizing, for the valuation period ending June 30, 1999, an additional amount of the market value of their assets sufficient to fund the unfunded accrued liability for the increased benefits provided for in this bill.

This legislation is intended to give these retirants pension benefit parity with the police officers and firefighters who retired from PFRS after a 5% increase in the "special retirement" allowance under that system went into effect on December 20, 1989 pursuant to P.L.1989, c.204. The additional accrued liability as a result of the bill is estimated to be $70.8 million in PFRS; the additional accrued liabilities in PERS and CPFPF are expected to be minimal.

The Pension and Health Benefits Review Commission recommended passage of the amended version of this bill at its April 7, 2000 meeting.

Assembly, No. 1438 (1R) is the same as Senate, No. 698 (1R).

SENATE, No. 698

STATE OF NEW JERSEY

209th LEGISLATURE

INTRODUCED JANUARY 24, 2000

Sponsored by:
Senator LEONARD T. CONNORS, JR.
District 9 (Atlantic, Burlington and Ocean)
Senator ROBERT W. SINGER
District 30 (Burlington, Monmouth and Ocean)

Co-Sponsored by:
Senator Matheussen

SYNOPSIS

Increases pensions of certain retired public safety officer members of PERS, CPFPF and PFRS.

CURRENT VERSION OF TEXT

As introduced.

(Sponsorship Updated As Of: 6/23/2000)

AN ACT concerning pensions payable to certain retirants from the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System of New Jersey, and the Public Employees' Retirement System of New Jersey, amending R.S.43:16-1 and P.L.1964, c.241 and supplementing P.L.1955, c.257 (C.43:15A-97 et seq.) and P.L.1958, c.143 (C.43:3B-1 et seq.).

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

1. R.S.43:16-1 is amended to read as follows:

43:16-1. a. In all municipalities any active member of a police department or of a paid or part-paid fire department or of a county police department including active members of the paid or part-paid fire department of any fire district located in any township which has adopted the provisions of an act entitled "An act providing for the retirement of policemen and firemen of the police and fire departments in municipalities of this State, including all police officers having supervision or regulation of traffic upon county roads, and providing a pension for such retired policemen and firemen and members of the police and fire departments, and the widows, children and sole dependent parents of deceased members of said department," approved April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the Revised Statutes, who shall have served honorably in the police or fire department for a period of 25 years, or any employee member of any such department who shall have served honorably in such department for a period of 25 years and who has reached the age of 60 years shall, on his own application, be retired on a service retirement pension equal to 60% of his final compensation. Any active member of the police or paid or part-paid fire department including active members of the paid or part-paid fire department of any fire district as aforesaid who shall have served honorably for a period of 25 years and reached the age of 65 years and any employee member of any such department who shall have served honorably in such department for a period of 25 years and reached the age of 70 years shall be retired on a service retirement pension equal to 60% of his final compensation.

The amount of the service retirement pension of any member of such police or paid or part-paid fire department, who has served for more than 25 years and who retires after **[**the effective date of this 1984 amendatory act**]** August 8, 1984, shall be increased by an amount equal to 1% of his final compensation for each year of service in excess of 25 years but not more than 30 years and 1% of his final

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.

compensation for each year of service in excess of 30 years rendered prior to his reaching age 65.

<u>b. The service retirement pension payable under subsection a. of this section to any person who served honorably in a police or fire department for a period of 25 years and retired from the service of the department prior to the effective date of this act, P.L. , c. (now pending before the Legislature as this bill), shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the pension payable at the time of retirement, provide a total service retirement pension of 70% of final compensation. This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act; the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date. The provisions of this subsection shall not be construed either to require a reduction in the pension payable to any retirant or to provide for the payment of any adjustment in such a benefit with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Consolidated Police and Firemen's Pension Fund as a result of the increased benefit provided for in this subsection.</u>

(cf: P.L.1984, c.127, s.1)

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

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

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

(2) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 65% of his final compensation, plus 1% of his final compensation multiplied by the number of years of creditable service over 25 but not over 30; provided, however, that any member who has earned, prior to July 1, 1979, more than 30 years of creditable service, shall receive an additional 1% of his final compensation for each year of his creditable service over 30.

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

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

b. The "special retirement" allowance payable under subsection a. of this section to any person who retired under the retirement system prior to December 20, 1989 shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the allowance payable at the time of retirement, provide a total retirement allowance of 70% of final compensation, except that in the case of such a retirant who retired on or after July 1, 1979 and had earned prior to that date more than 30 years of creditable service, the amount of the increase shall be equal to 5% of the person's final compensation irrespective of the total retirement allowance which such an increase would provide. This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L. , c. (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date. The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Police and Firemen's Retirement System as a result of the increased benefit provided for in this subsection.

(cf: P.L.1989, c.204, s.4)

3. (New section) a. Should a law enforcement officer member retire after having established 25 years of creditable service, the member shall receive, in addition to the service retirement allowance provided in section 4 of P.L.1955, c.257 (C.43:15A-100), a supplementary "special" retirement allowance equal to 5% of the member's final compensation or such lesser amount as will, if added to the member's service retirement allowance, provide a total retirement allowance of 70% of the member's final compensation.

b. The supplementary "special" retirement allowance payable under subsection a. of this section shall be phased in over a three year period in increments of 2%, 2% and 1% of the member's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L. , c. (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date. These increases shall be payable to any former member of the retirement system who, prior to that effective date, retired as a law enforcement officer member of the retirement system after having established 25 years of creditable service. The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Public Employees' Retirement System as a result of the increased benefit provided for in this subsection.

4. (New section) The provisions of section 7 of P.L.1969, c.169 (C.43:3B-8) shall not apply to R.S.43:16-1 or section 16 of P.L.1964, c.241 (C.43:16A-11.1) as amended by P.L. , c. (C.) (now pending before the Legislature as this bill), or to section 3 of that P.L. , c. (C.), and the annual cost of living adjustment received by retirants and beneficiaries under P.L.1958, c.143 (C.43:3B-1 et seq.) shall be calculated as of the date of the benefit year of the member of the appropriate pension fund or retirement system.

5. This act shall take effect on the 90th day following enactment.

STATEMENT

This bill provides for an increase in the pension allowance payable to certain previously retired members of the Consolidated Police and Firemen's Pension Fund (CPFPF) and the Police and Firemen's Retirement System (PFRS), and to certain past and prospective law enforcement officer (LEO) retirants under the Public Employees' Retirement System (PERS). To be eligible for the increase, a retirant from any of the specified retirement systems must have rendered at least 25 years of creditable service under the system. The amount of the increase would be 5% of the retirant's final compensation, or such lesser amount as would provide the retirant with a total pension of 70% of final compensation. This increase would be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation. The State will be liable for any increased cost to local government employers participating in the Consolidated Police and Firemen's Pension Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System as a result of the increased benefit provided for in this bill.

This legislation is intended to establish pension benefit parity between the individuals to whom it applies and their fellow public safety officers who retired from the PFRS after a 5% increase in the "special retirement" allowance under that system, enacted into law as P.L.1989, c.204, became effective on December 20, 1989.

SENATE STATE GOVERNMENT COMMITTEE

STATEMENT TO

SENATE, No. 698

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 25, 2000

The Senate State Government Committee reports favorably and with committee amendments Senate, No. 698.

This bill provides for an increase in the retirement allowance payable to certain previously retired members of the Consolidated Police and Firemen's Pension Fund (CPFPF) and the Police and Firemen's Retirement System (PFRS), and to certain past and prospective law enforcement officer (LEO) retirants under the Public Employees' Retirement System (PERS). To be eligible for the increase, a retirant from any of the specified retirement systems must have rendered at least 25 years of creditable service under the system. The amount of the increase would be 5% of the retirant's final compensation, or such lesser amount as would provide the retirant with a total pension of 70% of final compensation.

The State will pay for the increased cost to local government employers participating in the Consolidated Police and Firemen's Pension Fund as a result of the increased benefit provided for in this bill. PFRS and PERS will pay for the increased cost for their retirants by recognizing, for the valuation period ending June 30, 1999, an additional amount of the market value of their assets sufficient to fund the unfunded accrued liability for the increased benefits provided for under the bill.

This legislation is intended to give these retirants pension benefit parity with the police officers and firefighters who retired from PFRS after a 5% increase in the "special retirement" allowance under that system went into effect on December 20, 1989 pursuant to P.L.1989, c.204. The additional accrued liability as a result of the bill is estimated to be $70,700,000 in PFRS; the additional accrued liabilities in PERS and CPFPF are expected to be minimal.

The committee amended the bill to delete provisions phasing-in the increases over three years and to recognize the additional market value of assets in PFRS and PERS to fund the liabilities created by the bill.

The Pension and Health Benefits Review Commission recommended passage of the amended version of this bill at its April 7, 2000 meeting.

Senate, No. 698 (1R) is the same as Assembly, No. 1438 (1R).

[First Reprint]

SENATE, No. 698

STATE OF NEW JERSEY

209th LEGISLATURE

INTRODUCED JANUARY 24, 2000

Sponsored by:
Senator LEONARD T. CONNORS, JR.
District 9 (Atlantic, Burlington and Ocean)
Senator ROBERT W. SINGER
District 30 (Burlington, Monmouth and Ocean)

Co-Sponsored by:
Senators Matheussen, Inverso, Sinagra, Bucco, Allen and Kosco

SYNOPSIS

Increases pensions of certain retired public safety officer members of PERS, CPFPF and PFRS.

CURRENT VERSION OF TEXT

As reported by the Senate State Government Committee on September 25, 2000, with amendments.

(Sponsorship Updated As Of: 12/5/2000)

AN ACT concerning pensions payable to certain retirants from the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System of New Jersey, and the Public Employees' Retirement System of New Jersey, amending R.S.43:16-1 [1], P.L.1944, c.255, P.L.1954, c.84[1] and P.L.1964, c.241 and supplementing P.L.1955, c.257 (C.43:15A-97 et seq.) and P.L.1958, c.143 (C.43:3B-1 et seq.).

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

1. R.S.43:16-1 is amended to read as follows:

43:16-1. a. In all municipalities any active member of a police department or of a paid or part-paid fire department or of a county police department including active members of the paid or part-paid fire department of any fire district located in any township which has adopted the provisions of an act entitled "An act providing for the retirement of policemen and firemen of the police and fire departments in municipalities of this State, including all police officers having supervision or regulation of traffic upon county roads, and providing a pension for such retired policemen and firemen and members of the police and fire departments, and the widows, children and sole dependent parents of deceased members of said department," approved April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the Revised Statutes, who shall have served honorably in the police or fire department for a period of 25 years, or any employee member of any such department who shall have served honorably in such department for a period of 25 years and who has reached the age of 60 years shall, on his own application, be retired on a service retirement pension equal to 60% of his final compensation. Any active member of the police or paid or part-paid fire department including active members of the paid or part-paid fire department of any fire district as aforesaid who shall have served honorably for a period of 25 years and reached the age of 65 years and any employee member of any such department who shall have served honorably in such department for a period of 25 years and reached the age of 70 years shall be retired on a service retirement pension equal to 60% of his final compensation.

The amount of the service retirement pension of any member of such police or paid or part-paid fire department, who has served for more than 25 years and who retires after **[**the effective date of this 1984 amendatory act**]** August 8, 1984, shall be increased by an

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 SSG committee amendments adopted September 25, 2000.

amount equal to 1% of his final compensation for each year of service in excess of 25 years but not more than 30 years and 1% of his final compensation for each year of service in excess of 30 years rendered prior to his reaching age 65.

b. The service retirement pension payable under subsection a. of this section to any person who served honorably in a police or fire department for a period of 25 years and retired from the service of the department prior to the effective date of this act, P.L.   , c.   (now pending before the Legislature as this bill), shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the pension payable at the time of retirement, provide a total service retirement pension of 70% of final compensation. [1]**[**This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act; the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date.**]**[1] The provisions of this subsection shall not be construed either to require a reduction in the pension payable to any retirant or to provide for the payment of any adjustment in such a benefit with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Consolidated Police and Firemen's Pension Fund as a result of the increased benefit provided for in this subsection.

(cf: P.L.1984, c.127, s.1)

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

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

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

(2) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 65% of his final compensation, plus 1% of his final compensation multiplied by the number of years of creditable service over 25 but not over 30; provided, however, that any member who has earned, prior to July 1, 1979, more than 30 years of creditable service, shall receive an additional 1% of his final compensation for each year of his creditable

service over 30.

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

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

b. The "special retirement" allowance payable under subsection a. of this section to any person who retired under the retirement system prior to December 20, 1989 shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the allowance payable at the time of retirement, provide a total retirement allowance of 70% of final compensation, except that in the case of such a retirant who retired on or after July 1, 1979 and had earned prior to that date more than 30 years of creditable service, the amount of the increase shall be equal to 5% of the person's final compensation irrespective of the total retirement allowance which such an increase would provide. [1][This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L. , c. (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date.][1] The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. [1][The State shall be liable for any increased cost to local government employers participating in the Police and Firemen's Retirement System as a result of the increased benefit provided for in this subsection.][1]

(cf: P.L.1989, c.204, s.4)

[1]3. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to read as follows:

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%. 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.

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.[1]

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

[1][3.]4.[1] (New section) a. Should a law enforcement officer member retire after having established 25 years of creditable service, the member shall receive, in addition to the service retirement allowance provided in section 4 of P.L.1955, c.257 (C.43:15A-100), a supplementary "special" retirement allowance equal to 5% of the member's final compensation or such lesser amount as will, if added to the member's service retirement allowance, provide a total retirement allowance of 70% of the member's final compensation.

b. The supplementary "special" retirement allowance [1][payable] provided[1] under subsection a. of this section shall be [1]**[**phased in over a three year period in increments of 2%, 2% and 1% of the member's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L. , c. (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date. These increases shall be**]**[1] payable to any former member of the retirement system who, prior to [1]**[**that**]**the[1] effective date [1]of this act, P.L. , c. (now pending before the Legislature as this bill)[1], retired as a law enforcement officer member of the retirement system after having established 25 years of creditable service. The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. [1]**[**The State shall be liable for any increased cost to local government employers participating in the Public Employees' Retirement System as a result of the increased benefit provided for in this subsection.**]**[1]

[1]5. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to read as follows:

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

a. 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 March 31, 1992, 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."

b. 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 of the retirement system as of March 31, 1992 under the projected unit credit method, excluding the liability for pension adjustment benefits for active employees funded pursuant to section 2 of P.L.1990, c.6 (C.43:15A-24.1), 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 1992 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 commission adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability of the retirement system, 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 commission 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 March 31, 1996 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. <u>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 section 4 of P.L. , c. (C.) (now pending before the Legislature as this bill).</u>

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

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

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

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

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

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

of the foregoing items is greater than zero.

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

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

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

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

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

If there are excess valuation assets allocated to the State or to the other employers for the valuation period ending March 31, 1996, the normal contributions payable by the State or by the other employers for the valuation periods ending March 31, 1996 and March 31, 1997 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 State or to the other employers for a valuation period ending after March 31, 1996, the State Treasurer may reduce the normal contribution payable by the State or by the other employers for the next valuation period as follows:

(1) for valuation periods ending March 31, 1997 through March 31, 2001, 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 March 31, 2002, 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 March 31, 2003, 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 March 31, 2004, to the

extent possible by up to 50% of the excess valuation assets allocated to the State or to the other employers, respectively.

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

c. The retirement system shall certify annually the aggregate amount payable to the contingent reserve fund in the ensuing year, which amount shall be equal to the sum of the amounts described in this section. The State shall pay into the contingent reserve fund during the ensuing year the amount so determined. The death benefits, payable as a result of contribution by the State under the provisions of this chapter upon the death of an active or retired member, shall be paid from the contingent reserve fund.

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

(cf: P.L.1999, c.415, s.1)

[1]**[**4.**]**<u>6.</u>[1] (New section) The provisions of section 7 of P.L.1969, c.169 (C.43:3B-8) shall not apply to R.S.43:16-1 or section 16 of P.L.1964, c.241 (C.43:16A-11.1) as amended by P.L. , c. (C.) (now pending before the Legislature as this bill), or to section [1]**[**3**]**<u>4</u>[1] of that P.L. , c. (C.), and the annual cost of living adjustment received by retirants and beneficiaries under P.L.1958, c.143 (C.43:3B-1 et seq.) shall be calculated as of the date of the benefit year of the member of the appropriate pension fund or retirement system.

[1]**[**5.**]** <u>7.</u>[1] This act shall take effect on the 90th day following enactment.

§4 - C.43:15A-100.1
§6 - C.43:3B-8.6
§7 - Note to §§1-6

P.L. 2001, CHAPTER 4, ***approved January 16, 2001***
Assembly, No. 1438 ***(First Reprint)***

AN ACT concerning pensions payable to certain retirants from the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System of New Jersey, and the Public Employees' Retirement System of New Jersey, amending R.S.43:16-1 [1], P.L.1944, c.255, P.L.1954, c.84[1] and P.L.1964, c.241 and supplementing P.L.1955, c.257 (C.43:15A-97 et seq.) and P.L.1958, c.143 (C.43:3B-1 et seq.).

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

1. R.S.43:16-1 is amended to read as follows:

43:16-1. a. In all municipalities any active member of a police department or of a paid or part-paid fire department or of a county police department including active members of the paid or part-paid fire department of any fire district located in any township which has adopted the provisions of an act entitled "An act providing for the retirement of policemen and firemen of the police and fire departments in municipalities of this State, including all police officers having supervision or regulation of traffic upon county roads, and providing a pension for such retired policemen and firemen and members of the police and fire departments, and the widows, children and sole dependent parents of deceased members of said department," approved April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the Revised Statutes, who shall have served honorably in the police or fire department for a period of 25 years, or any employee member of any such department who shall have served honorably in such department for a period of 25 years and who has reached the age of 60 years shall, on his own application, be retired on a service retirement pension equal to 60% of his final compensation. Any active member of the police or paid or part-paid fire department including active members of the paid or part-paid fire department of any fire district as aforesaid who shall have served honorably for a period of 25 years and reached the age of 65 years and any employee member of any such department who shall have served honorably in such department for a period of 25 years and reached the age of 70 years shall be retired on a service retirement pension equal to 60% of his final compensation.

The amount of the service retirement pension of any member of

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] Assembly AAP committee amendments adopted June 22, 2000.

such police or paid or part-paid fire department, who has served for more than 25 years and who retires after [the effective date of this 1984 amendatory act] August 8, 1984, shall be increased by an amount equal to 1% of his final compensation for each year of service in excess of 25 years but not more than 30 years and 1% of his final compensation for each year of service in excess of 30 years rendered prior to his reaching age 65.

b. The service retirement pension payable under subsection a. of this section to any person who served honorably in a police or fire department for a period of 25 years and retired from the service of the department prior to the effective date of this act, P.L. , c. (now pending before the Legislature as this bill), shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the pension payable at the time of retirement, provide a total service retirement pension of 70% of final compensation. [1][This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act; the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date.][1] The provisions of this subsection shall not be construed either to require a reduction in the pension payable to any retirant or to provide for the payment of any adjustment in such a benefit with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Consolidated Police and Firemen's Pension Fund as a result of the increased benefit provided for in this subsection.

(cf: P.L.1984, c.127, s.1)

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

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

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

(2) A pension in the amount which, when added to the member's annuity, will provide a total retirement allowance of 65% of his final compensation, plus 1% of his final compensation multiplied by the number of years of creditable service over 25 but not over 30;

provided, however, that any member who has earned, prior to July 1, 1979, more than 30 years of creditable service, shall receive an additional 1% of his final compensation for each year of his creditable service over 30.

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

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

b. The "special retirement" allowance payable under subsection a. of this section to any person who retired under the retirement system prior to December 20, 1989 shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the allowance payable at the time of retirement, provide a total retirement allowance of 70% of final compensation, except that in the case of such a retirant who retired on or after July 1, 1979 and had earned prior to that date more than 30 years of creditable service, the amount of the increase shall be equal to 5% of the person's final compensation irrespective of the total retirement allowance which such an increase would provide. [1]**[**This increase shall be phased in over a three year period in increments of 2%, 2% and 1% of the person's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L.   , c.   (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date.**]**[1] The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. [1]**[**The State shall be liable for any increased cost to local government employers participating in the Police and Firemen's Retirement System as a result of the increased benefit provided for in this subsection.**]**[1]

(cf: P.L.1989, c.204, s.4)

[1]3. Section 15 of P.L.1944, c.255 (C.43:16A-15) is amended to read as follows:

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%. <u>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).</u>

"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.

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.[1]

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

[1][3.]4.[1] (New section) a. Should a law enforcement officer member retire after having established 25 years of creditable service, the member shall receive, in addition to the service retirement allowance provided in section 4 of P.L.1955, c.257 (C.43:15A-100), a supplementary "special" retirement allowance equal to 5% of the member's final compensation or such lesser amount as will, if added to

the member's service retirement allowance, provide a total retirement allowance of 70% of the member's final compensation.

b. The supplementary "special" retirement allowance [1][payable] provided[1] under subsection a. of this section shall be [1][phased in over a three year period in increments of 2%, 2% and 1% of the member's final compensation or a lesser amount if appropriate. The first 2% increase shall commence on the first day of the month following the effective date of this act, P.L. , c. (now pending before the Legislature as this bill); the second 2% increase shall commence one year after that date; and the final 1% increase shall commence two years after that date. These increases shall be][1] payable to any former member of the retirement system who, prior to [1][that]the[1] effective date [1]of this act, P.L. , c. (now pending before the Legislature as this bill)[1], retired as a law enforcement officer member of the retirement system after having established 25 years of creditable service. The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date. [1][The State shall be liable for any increased cost to local government employers participating in the Public Employees' Retirement System as a result of the increased benefit provided for in this subsection.][1]

[1]5. Section 24 of P.L.1954, c.84 (C.43:15A-24) is amended to read as follows:

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

a. 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 March 31, 1992, 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."

b. 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 of the retirement system as of March 31, 1992 under the projected unit credit method, excluding the liability for pension adjustment benefits for active employees funded pursuant to section 2 of P.L.1990, c.6 (C.43:15A-24.1), 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 1992 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 commission adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability of the retirement system, 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 commission 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 March 31, 1996 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. <u>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 section 4 of P.L. , c. (C.) (now pending before the Legislature as this bill).</u>

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

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

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

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

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

(5) the present value of the projected total normal cost for pension adjustment benefits in excess of the projected total phased-in normal cost for pension adjustment benefits for the State authorized by

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

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

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

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

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

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

If there are excess valuation assets allocated to the State or to the other employers for the valuation period ending March 31, 1996, the normal contributions payable by the State or by the other employers for the valuation periods ending March 31, 1996 and March 31, 1997 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 State or to the other employers for a valuation period ending after March 31, 1996, the State Treasurer may reduce the normal contribution payable by the State or by the other employers for the next valuation period as follows:

(1) for valuation periods ending March 31, 1997 through March 31, 2001, 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 March 31, 2002, 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 March 31, 2003, 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 March 31, 2004, to the extent possible by up to 50% of the excess valuation assets allocated to the State or to the other employers, respectively.

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

c. The retirement system shall certify annually the aggregate amount payable to the contingent reserve fund in the ensuing year, which amount shall be equal to the sum of the amounts described in this section. The State shall pay into the contingent reserve fund during the ensuing year the amount so determined. The death benefits, payable as a result of contribution by the State under the provisions of this chapter upon the death of an active or retired member, shall be paid from the contingent reserve fund.

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

(cf: P.L.1999, c.415, s.1)

[1]**[**4.**]**6.[1] (New section) The provisions of section 7 of P.L.1969, c.169 (C.43:3B-8) shall not apply to R.S.43:16-1 or section 16 of P.L.1964, c.241 (C.43:16A-11.1) as amended by P.L. , c. (C.) (now pending before the Legislature as this bill), or to section [1]**[**3**]**4[1] of that P.L. , c. (C.), and the annual cost of living adjustment received by retirants and beneficiaries under P.L.1958, c.143 (C.43:3B-1 et seq.) shall be calculated as of the date of the benefit year of the member of the appropriate pension fund or retirement system.

[1] **[**5.**]** 7.[1] This act shall take effect on the 90th day following enactment.

Increases pensions of certain retired public safety officer members of PERS, CPFPF and PFRS.

CHAPTER 4

AN ACT concerning pensions payable to certain retirants from the Consolidated Police and Firemen's Pension Fund, the Police and Firemen's Retirement System of New Jersey, and the Public Employees' Retirement System of New Jersey, amending R.S.43:16-1, P.L.1944, c.255, P.L.1954, c.84 and P.L.1964, c.241 and supplementing P.L.1955, c.257 (C.43:15A-97 et seq.) and P.L.1958, c.143 (C.43:3B-1 et seq.).

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

1. R.S.43:16-1 is amended to read as follows:

Retirement for age and service.

43:16-1. a. In all municipalities any active member of a police department or of a paid or part-paid fire department or of a county police department including active members of the paid or part-paid fire department of any fire district located in any township which has adopted the provisions of an act entitled "An act providing for the retirement of policemen and firemen of the police and fire departments in municipalities of this State, including all police officers having supervision or regulation of traffic upon county roads, and providing a pension for such retired policemen and firemen and members of the police and fire departments, and the widows, children and sole dependent parents of deceased members of said department," approved April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the Revised Statutes, who shall have served honorably in the police or fire department for a period of 25 years, or any employee member of any such department who shall have served honorably in such department for a period of 25 years and who has reached the age of 60 years shall, on his own application, be retired on a service retirement pension equal to 60% of his final compensation. Any active member of the police or paid or part-paid fire department including active members of the paid or part-paid fire department of any fire district as aforesaid who shall have served honorably for a period of 25 years and reached the age of 65 years and any employee member of any such department who shall have served honorably in such department for a period of 25 years and reached the age of 70 years shall be retired on a service retirement pension equal to 60% of his final compensation.

The amount of the service retirement pension of any member of such police or paid or part-paid fire department, who has served for more than 25 years and who retires after August 8, 1984, shall be increased by an amount equal to 1% of his final compensation for each year of service in excess of 25 years but not more than 30 years and 1% of his final compensation for each year of service in excess of 30 years rendered prior to his reaching age 65.

b. The service retirement pension payable under subsection a. of this section to any person who served honorably in a police or fire department for a period of 25 years and retired from the service of the department prior to the effective date of this act, P.L.2001, c.4, shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the pension payable at the time of retirement, provide a total service retirement pension of 70% of final compensation. The provisions of this subsection shall not be construed either to require a reduction in the pension payable to any retirant or to provide for the payment of any adjustment in such a benefit with respect to any period of time prior to the first day of the month following that effective date. The State shall be liable for any increased cost to local government employers participating in the Consolidated Police and Firemen's Pension Fund as a result of the increased benefit provided for in this subsection.

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

C.43:16A-11.1 Special retirement; resignation with 25 years of creditable service; allowance; death benefit.

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

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

(2) A pension in the amount which, when added to the member's annuity, will provide a total

retirement allowance of 65% of his final compensation, plus 1% of his final compensation multiplied by the number of years of creditable service over 25 but not over 30; provided, however, that any member who has earned, prior to July 1, 1979, more than 30 years of creditable service, shall receive an additional 1% of his final compensation for each year of his creditable service over 30.

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

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

b. The "special retirement" allowance payable under subsection a. of this section to any person who retired under the retirement system prior to December 20, 1989 shall be increased by an amount equal to 5% of the person's final compensation or by such lesser amount as would, if added to the allowance payable at the time of retirement, provide a total retirement allowance of 70% of final compensation, except that in the case of such a retirant who retired on or after July 1, 1979 and had earned prior to that date more than 30 years of creditable service, the amount of the increase shall be equal to 5% of the person's final compensation irrespective of the total retirement allowance which such an increase would provide. The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date.

3. 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%. 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.

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.

C.43:15A-100.1. Supplementary "special" retirement allowance to certain retired law enforcement officers.

4. a. Should a law enforcement officer member retire after having established 25 years of creditable service, the member shall receive, in addition to the service retirement allowance provided in section 4 of P.L.1955, c.257 (C.43:15A-100), a supplementary "special" retirement allowance equal to 5% of the member's final compensation or such lesser amount as will, if added to the member's service retirement allowance, provide a total retirement allowance of 70% of the member's final compensation.

b. The supplementary "special" retirement allowance provided under subsection a. of this section shall be payable to any former member of the retirement system who, prior to the effective date of this act, P.L.2001, c.4, retired as a law enforcement officer member of the retirement system after having established 25 years of creditable service. The provisions of this subsection shall not be construed either to require a reduction in the retirement allowance payable to any retirant or to provide for the payment of any adjustment in such an allowance with respect to any period of time prior to the first day of the month following that effective date.

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

C.43:15A-24 Contingent reserve fund.

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

a. 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 March 31, 1992, 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."

b. 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 of the retirement system as of March 31, 1992 under the projected unit credit method, excluding the liability for pension adjustment benefits for active employees funded pursuant to section 2 of P.L.1990, c.6 (C.43:15A-24.1), 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 1992 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 commission adopts and regular interest, the actuary shall annually determine if there is an amount of the accrued liability of the retirement system, 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 commission 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 March 31, 1996 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 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 section 4 of P.L.2001, c.4 (C.43:15A-100.1).

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

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

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

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

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

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

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

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

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

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

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

If there are excess valuation assets allocated to the State or to the other employers for the valuation period ending March 31, 1996, the normal contributions payable by the State or by the other employers for the valuation periods ending March 31, 1996 and March 31, 1997 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 State or to the other employers for a valuation period ending after March 31, 1996, the State Treasurer may reduce the normal contribution payable by the State or by the other employers for the next valuation period as follows:

(1) for valuation periods ending March 31, 1997 through March 31, 2001, 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 March 31, 2002, 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 March 31, 2003, 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 March 31, 2004, to the extent possible by up to 50% of the excess valuation assets allocated to the State or to the other employers, respectively.

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

c. The retirement system shall certify annually the aggregate amount payable to the contingent reserve fund in the ensuing year, which amount shall be equal to the sum of the amounts described in this section. The State shall pay into the contingent reserve fund during the ensuing year the amount so determined. The death benefits, payable as a result of contribution by the State under the provisions of this chapter upon the death of an active or retired member, shall be paid from the contingent reserve fund.

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

C.43:3B-8.6 Inapplicability of C.43:3B-8 to P.L.2001, c.4.

6. The provisions of section 7 of P.L.1969, c.169 (C.43:3B-8) shall not apply to R.S.43:16-1 or section 16 of P.L.1964, c.241 (C.43:16A-11.1) as amended by P.L.2001, c.4 (C. 43:15A-100.1 et al.), or to section 4 of that P.L.2001, c.4 (C.43:15A-100.1), and the annual cost of living adjustment received by retirants and beneficiaries under P.L.1958, c.143 (C.43:3B-1 et seq.) shall be calculated as of the date of the benefit year of the member of the appropriate pension fund or retirement system.

7. This act shall take effect on the 90th day following enactment.

Approved January 16, 2001.

PO BOX 004
TRENTON, NJ 08625

Office of the Governor
NEWS RELEASE

CONTACT: Jayne O'Connor
Steffanie Bell
609-777-2600

RELEASE: January 16, 2001

Gov. Christie Whitman today signed the following legislation:

A-1438, sponsored by Assemblymen Moran (R-Atlantic/Burlington/Ocean) and Connors (R-Atlantic/Burlington/Ocean) and Senators DiGaetano (R-Bergen/Essex/Passaic) and Crecco (R-Essex/Passaic), increases by 5 percent the pension allowance payable to certain previously retired members of the Consolidated Police and Fireman's Pension Fund (CPFPF),the Police and Fireman's Retirement System (PFRS), and to certain past and prospective law enforcement officer (LEO) retirants under the Public Employee's Retirement System (PERS). To be eligible for the increase a retiree must have rendered at least 25 years of creditable service under the system.

A-1484, sponsored by Assembly Members Heck (R-Bergen) and O'Toole (R-Essex/Union) and Senators Bark (R-Atlantic/Burlington/Camden) and Adler (D-Camden), revises the administrative rule-making process.

A-2274, sponsored by Assembly Member Collins (R-Salem/Cumberland/Gloucester), allows the transfer of certain service credit between the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund.

A-733, sponsored by Assembly Members Talarico (R-Bergen) and Chatzidakis (R-Atlantic/Burlington/Camden) and Senators Sinagra (R-Middlesex) and Matheussen (R-Camden/Gloucester), subjects health maintenance organizations to the law regulating insurance holding company systems and revises the calculation of health insurance policy reserves.

A-764, sponsored by Assembly Members Previte (D-Camden) and Holzapfel (R-Monmouth/Ocean) and Senators Allen (R-Burlington/Camden) and Bennett (R-Monmouth), disqualifies a person adjudicated delinquent as a juvenile from obtaining either a handgun purchase permit or a firearms purchaser identification card in certain cases.