

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, CPFPP and PFRS.

CURRENT VERSION OF TEXT

As Introduced.



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

A1438 MORAN, CONNORS

2

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

8

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

11

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

13 43:16-1. a. In all municipalities any active member of a police
14 department or of a paid or part-paid fire department or of a county
15 police department including active members of the paid or part-paid
16 fire department of any fire district located in any township which has
17 adopted the provisions of an act entitled "An act providing for the
18 retirement of policemen and firemen of the police and fire departments
19 in municipalities of this State, including all police officers having
20 supervision or regulation of traffic upon county roads, and providing
21 a pension for such retired policemen and firemen and members of the
22 police and fire departments, and the widows, children and sole
23 dependent parents of deceased members of said department," approved
24 April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the
25 Revised Statutes, who shall have served honorably in the police or fire
26 department for a period of 25 years, or any employee member of any
27 such department who shall have served honorably in such department
28 for a period of 25 years and who has reached the age of 60 years shall,
29 on his own application, be retired on a service retirement pension
30 equal to 60% of his final compensation. Any active member of the
31 police or paid or part-paid fire department including active members
32 of the paid or part-paid fire department of any fire district as aforesaid
33 who shall have served honorably for a period of 25 years and reached
34 the age of 65 years and any employee member of any such department
35 who shall have served honorably in such department for a period of 25
36 years and reached the age of 70 years shall be retired on a service
37 retirement pension equal to 60% of his final compensation.

38 The amount of the service retirement pension of any member of
39 such police or paid or part-paid fire department, who has served for
40 more than 25 years and who retires after [the effective date of this
41 1984 amendatory act] August 8, 1984, shall be increased by an
42 amount equal to 1% of his final compensation for each year of service
43 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.

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

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

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

26

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

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

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

38 (2) A pension in the amount which, when added to the member's
39 annuity, will provide a total retirement allowance of 65% of his final
40 compensation, plus 1% of his final compensation multiplied by the
41 number of years of creditable service over 25 but not over 30;
42 provided, however, that any member who has earned, prior to July 1,
43 1979, more than 30 years of creditable service, shall receive an
44 additional 1% of his final compensation for each year of his creditable
45 service over 30.

46 The board of trustees shall retire him at the time specified or at

1 such other time within one month after the date so specified as the
2 board finds advisable.

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

6 b. The "special retirement" allowance payable under subsection a.
7 of this section to any person who retired under the retirement system
8 prior to December 20, 1989 shall be increased by an amount equal to
9 5% of the person's final compensation or by such lesser amount as
10 would, if added to the allowance payable at the time of retirement,
11 provide a total retirement allowance of 70% of final compensation,
12 except that in the case of such a retirant who retired on or after July
13 1, 1979 and had earned prior to that date more than 30 years of
14 creditable service, the amount of the increase shall be equal to 5% of
15 the person's final compensation irrespective of the total retirement
16 allowance which such an increase would provide. This increase shall
17 be phased in over a three year period in increments of 2%, 2% and 1%
18 of the person's final compensation or a lesser amount if appropriate.
19 The first 2% increase shall commence on the first day of the month
20 following the effective date of this act, P.L. , c. (now pending
21 before the Legislature as this bill); the second 2% increase shall
22 commence one year after that date; and the final 1% increase shall
23 commence two years after that date. The provisions of this subsection
24 shall not be construed either to require a reduction in the retirement
25 allowance payable to any retirant or to provide for the payment of any
26 adjustment in such an allowance with respect to any period of time
27 prior to the first day of the month following that effective date. The
28 State shall be liable for any increased cost to local government
29 employers participating in the Police and Firemen's Retirement System
30 as a result of the increased benefit provided for in this subsection.
31 (cf: P.L.1989, c.204, s.4)

32
33 3. (New section) a. Should a law enforcement officer member
34 retire after having established 25 years of creditable service, the
35 member shall receive, in addition to the service retirement allowance
36 provided in section 4 of P.L.1955, c.257 (C.43:15A-100), a
37 supplementary "special" retirement allowance equal to 5% of the
38 member's final compensation or such lesser amount as will, if added to
39 the member's service retirement allowance, provide a total retirement
40 allowance of 70% of the member's final compensation.

41 b. The supplementary "special" retirement allowance payable under
42 subsection a. of this section shall be phased in over a three year period
43 in increments of 2%, 2% and 1% of the member's final compensation
44 or a lesser amount if appropriate. The first 2% increase shall
45 commence on the first day of the month following the effective date of
46 this act, P.L. , c. (now pending before the Legislature as this

1 bill); the second 2% increase shall commence one year after that date;
2 and the final 1% increase shall commence two years after that date.
3 These increases shall be payable to any former member of the
4 retirement system who, prior to that effective date, retired as a law
5 enforcement officer member of the retirement system after having
6 established 25 years of creditable service. The provisions of this
7 subsection shall not be construed either to require a reduction in the
8 retirement allowance payable to any retirant or to provide for the
9 payment of any adjustment in such an allowance with respect to any
10 period of time prior to the first day of the month following that
11 effective date. The State shall be liable for any increased cost to local
12 government employers participating in the Public Employees'
13 Retirement System as a result of the increased benefit provided for in
14 this subsection.

15

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

25

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

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STATEMENT

30

31 This bill provides for an increase in the pension allowance payable
32 to certain previously retired members of the Consolidated Police and
33 Firemen's Pension Fund (CPFPPF) and the Police and Firemen's
34 Retirement System (PFRS), and to certain past and prospective law
35 enforcement officer (LEO) retirants under the Public Employees'
36 Retirement System (PERS). To be eligible for the increase, a retirant
37 from any of the specified retirement systems must have rendered at
38 least 25 years of creditable service under the system. The amount of
39 the increase would be 5% of the retirant's final compensation, or such
40 lesser amount as would provide the retirant with a total pension of
41 70% of final compensation. This increase would be phased in over a
42 three year period in increments of 2%, 2% and 1% of the person's final
43 compensation. The State will be liable for any increased cost to local
44 government employers participating in the Consolidated Police and
45 Firemen's Pension Fund, the Public Employees' Retirement System,
46 and the Police and Firemen's Retirement System as a result of the

A1438 MORAN, CONNORS

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1 increased benefit provided for in this bill.

2 This legislation is intended to establish pension benefit parity
3 between the individuals to whom it applies and their fellow public
4 safety officers who retired from the PFRS after a 5% increase in the
5 "special retirement" allowance under that system, enacted into law as
6 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 (CPFPPF) 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 CPFPPF, 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 (CPFPPF) 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 CPFPPF 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 CPFPPF 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:

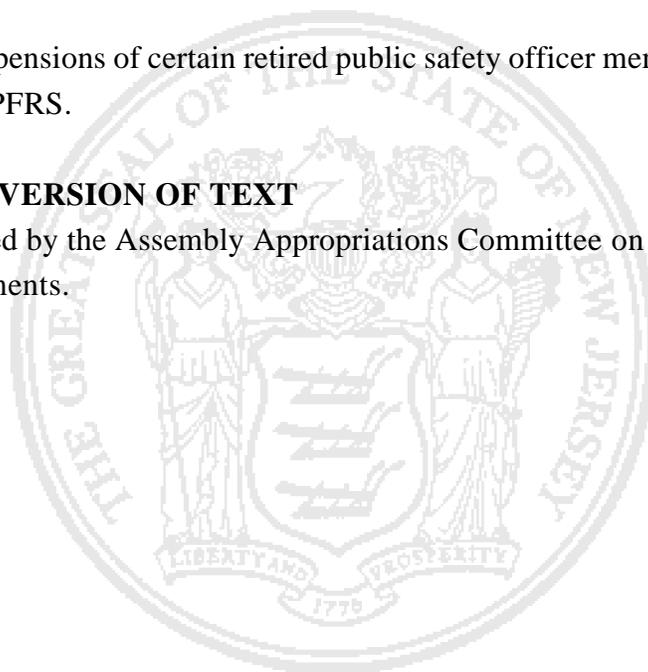
**Assemblymen Thompson, Roberts, Augustine, Bagger, Connors,
Assemblywoman Previte, Senators Connors, Singer, Matheussen, Inverso,
Sinagra, Bucco, Allen and Kosco**

SYNOPSIS

Increases pensions of certain retired public safety officer members of PERS, CPFPP 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)

1 AN ACT concerning pensions payable to certain retirants from the
2 Consolidated Police and Firemen's Pension Fund, the Police and
3 Firemen's Retirement System of New Jersey, and the Public
4 Employees' Retirement System of New Jersey, amending
5 R.S.43:16-1 ¹, P.L.1944, c.255, P.L.1954, c.84¹ and P.L.1964,
6 c.241 and supplementing P.L.1955, c.257 (C.43:15A-97 et seq.)
7 and P.L.1958, c.143 (C.43:3B-1 et seq.).
8

9 **BE IT ENACTED** *by the Senate and General Assembly of the State*
10 *of New Jersey:*
11

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

13 43:16-1. a. In all municipalities any active member of a police
14 department or of a paid or part-paid fire department or of a county
15 police department including active members of the paid or part-paid
16 fire department of any fire district located in any township which has
17 adopted the provisions of an act entitled "An act providing for the
18 retirement of policemen and firemen of the police and fire departments
19 in municipalities of this State, including all police officers having
20 supervision or regulation of traffic upon county roads, and providing
21 a pension for such retired policemen and firemen and members of the
22 police and fire departments, and the widows, children and sole
23 dependent parents of deceased members of said department," approved
24 April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the
25 Revised Statutes, who shall have served honorably in the police or fire
26 department for a period of 25 years, or any employee member of any
27 such department who shall have served honorably in such department
28 for a period of 25 years and who has reached the age of 60 years shall,
29 on his own application, be retired on a service retirement pension
30 equal to 60% of his final compensation. Any active member of the
31 police or paid or part-paid fire department including active members
32 of the paid or part-paid fire department of any fire district as aforesaid
33 who shall have served honorably for a period of 25 years and reached
34 the age of 65 years and any employee member of any such department
35 who shall have served honorably in such department for a period of 25
36 years and reached the age of 70 years shall be retired on a service
37 retirement pension equal to 60% of his final compensation.

38 The amount of the service retirement pension of any member of
39 such police or paid or part-paid fire department, who has served for
40 more than 25 years and who retires after [the effective date of this
41 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.

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

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

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

28

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

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

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

40 (2) A pension in the amount which, when added to the member's
41 annuity, will provide a total retirement allowance of 65% of his final
42 compensation, plus 1% of his final compensation multiplied by the
43 number of years of creditable service over 25 but not over 30;
44 provided, however, that any member who has earned, prior to July 1,
45 1979, more than 30 years of creditable service, shall receive an
46 additional 1% of his final compensation for each year of his creditable

1 service over 30.

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

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

8 b. The "special retirement" allowance payable under subsection a.
9 of this section to any person who retired under the retirement system
10 prior to December 20, 1989 shall be increased by an amount equal to
11 5% of the person's final compensation or by such lesser amount as
12 would, if added to the allowance payable at the time of retirement,
13 provide a total retirement allowance of 70% of final compensation,
14 except that in the case of such a retirant who retired on or after July
15 1, 1979 and had earned prior to that date more than 30 years of
16 creditable service, the amount of the increase shall be equal to 5% of
17 the person's final compensation irrespective of the total retirement
18 allowance which such an increase would provide. ¹[This increase shall
19 be phased in over a three year period in increments of 2%, 2% and 1%
20 of the person's final compensation or a lesser amount if appropriate.
21 The first 2% increase shall commence on the first day of the month
22 following the effective date of this act, P.L. , c. (now pending
23 before the Legislature as this bill); the second 2% increase shall
24 commence one year after that date; and the final 1% increase shall
25 commence two years after that date.]¹ The provisions of this
26 subsection shall not be construed either to require a reduction in the
27 retirement allowance payable to any retirant or to provide for the
28 payment of any adjustment in such an allowance with respect to any
29 period of time prior to the first day of the month following that
30 effective date. ¹[The State shall be liable for any increased cost to
31 local government employers participating in the Police and Firemen's
32 Retirement System as a result of the increased benefit provided for in
33 this subsection.]¹

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

35

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

38 15. (1) The contributions required for the support of the
39 retirement system shall be made by members and their employers.

40 (2) The uniform percentage contribution rate for members shall be
41 8.5% of compensation.

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

43 (4) Upon the basis of the tables recommended by the actuary which
44 the board adopts and regular interest, the actuary shall compute
45 annually, beginning as of June 30, 1991, the amount of contribution
46 which shall be the normal cost as computed under the projected unit

1 credit method attributable to service rendered under the retirement
2 system for the year beginning on July 1 immediately succeeding the
3 date of the computation. This shall be known as the "normal
4 contribution."

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

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

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

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

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

1 subsequent valuation years shall serve to increase or decrease,
2 respectively, the amortization period for the unfunded accrued liability,
3 unless an increase in the amortization period will cause it to exceed 30
4 years. If an increase in the amortization period as a result of actuarial
5 losses for a valuation year would exceed 30 years, the accrued liability
6 contribution shall be computed for the valuation year in the same
7 manner provided for the computation of the initial accrued liability
8 contribution under this section.

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

39 The value of the assets to be used in the computation of the
40 contributions provided for under this section for valuation periods
41 shall be the value of the assets for the preceding valuation period
42 increased by the regular interest rate, plus the net cash flow for the
43 valuation period (the difference between the benefits and expenses
44 paid by the system and the contributions to the system) increased by
45 one half of the regular interest rate, plus 20% of the difference
46 between this expected value and the full market value of the assets as

1 of the end of the valuation period. This shall be known as the
2 "valuation assets." Notwithstanding the first sentence of this
3 paragraph, the valuation assets for the valuation period ending June
4 30, 1995 shall be the full market value of the assets as of that date
5 and, with respect to the valuation assets allocated to the State, shall
6 include the proceeds from the bonds issued pursuant to the "Pension
7 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.),
8 paid to the system by the New Jersey Economic Development
9 Authority to fund the unfunded accrued liability of the system.
10 Notwithstanding the first sentence of this paragraph, the percentage of
11 the difference between the expected value and the full market value of
12 the assets to be added to the expected value of the assets for the
13 valuation period ending June 30, 1998 for the State shall be 100% and
14 for other employers shall be 57%. Notwithstanding the first sentence
15 of this paragraph, the amount of the difference between the expected
16 value and the full market value of the assets to be added to the
17 expected value of the assets for the valuation period ending June 30,
18 1999 shall include an additional amount of the market value of the
19 assets sufficient to fund the unfunded accrued liability for the
20 supplementary "special retirement" allowances provided under
21 subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1).

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

46 If there are excess valuation assets allocated to the State or to the

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

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

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

22 (1) for valuation periods ending June 30, 1996 through June 30,
23 2000, to the extent possible by up to 100% of the excess valuation
24 assets allocated to the State or to the other employers, respectively;

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

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

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

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

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

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

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

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

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

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

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

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

31 (15) If the valuation assets are insufficient to fund the normal and
32 accrued liability costs attributable to P.L.1999, c.428 (C.43:16A-15.8
33 et al.) as provided hereinabove, the normal and unfunded accrued
34 liability contributions required to fund these costs for the State and
35 other employers shall be paid by the State.¹

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

37
38 ¹[3.]4.¹ (New section) a. Should a law enforcement officer
39 member retire after having established 25 years of creditable service,
40 the member shall receive, in addition to the service retirement
41 allowance provided in section 4 of P.L.1955, c.257 (C.43:15A-100),
42 a supplementary "special" retirement allowance equal to 5% of the
43 member's final compensation or such lesser amount as will, if added to
44 the member's service retirement allowance, provide a total retirement
45 allowance of 70% of the member's final compensation.

46 b. The supplementary "special" retirement allowance ¹[payable]

1 provided¹ under subsection a. of this section shall be ¹ [phased in over
2 a three year period in increments of 2%, 2% and 1% of the member's
3 final compensation or a lesser amount if appropriate. The first 2%
4 increase shall commence on the first day of the month following the
5 effective date of this act, P.L. , c. (now pending before the
6 Legislature as this bill); the second 2% increase shall commence one
7 year after that date; and the final 1% increase shall commence two
8 years after that date. These increases shall be]¹ payable to any former
9 member of the retirement system who, prior to ¹[that]the¹ effective
10 date ¹of this act, P.L. , c. (now pending before the Legislature as
11 this bill)¹, retired as a law enforcement officer member of the
12 retirement system after having established 25 years of creditable
13 service. The provisions of this subsection shall not be construed either
14 to require a reduction in the retirement allowance payable to any
15 retirant or to provide for the payment of any adjustment in such an
16 allowance with respect to any period of time prior to the first day of
17 the month following that effective date. ¹[The State shall be liable for
18 any increased cost to local government employers participating in the
19 Public Employees' Retirement System as a result of the increased
20 benefit provided for in this subsection.]¹

21

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

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

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

34 b. With respect to employers other than the State, upon the basis
35 of the tables recommended by the actuary which the board adopts and
36 regular interest, the actuary shall compute the amount of the accrued
37 liability of the retirement system as of March 31, 1992 under the
38 projected unit credit method, excluding the liability for pension
39 adjustment benefits for active employees funded pursuant to section
40 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already covered by
41 the assets of the retirement system, valued in accordance with the asset
42 valuation method established in this section. Using the total amount of
43 this unfunded accrued liability, the actuary shall compute the initial
44 amount of contribution which, if the contribution is increased at a
45 specific rate and paid annually for a specific period of time, will
46 amortize this liability. The State Treasurer shall determine, upon the

1 advice of the Director of the Division of Pensions and Benefits, the
2 board of trustees and the actuary, the rate of increase for the
3 contribution and the time period for full funding of this liability, which
4 shall not exceed 40 years on initial application of this section as
5 amended by this act, P.L.1994, c.62. This shall be known as the
6 "accrued liability contribution." Any increase or decrease in the
7 unfunded accrued liability as a result of actuarial losses or gains for the
8 10 valuation years following valuation year 1992 shall serve to
9 increase or decrease, respectively, the unfunded accrued liability
10 contribution. Thereafter, any increase or decrease in the unfunded
11 accrued liability as a result of actuarial losses or gains for subsequent
12 valuation years shall serve to increase or decrease, respectively, the
13 amortization period for the unfunded accrued liability, unless an
14 increase in the amortization period will cause it to exceed 30 years.
15 If an increase in the amortization period as a result of actuarial losses
16 for a valuation year would exceed 30 years, the accrued liability
17 contribution shall be computed for the valuation year in the same
18 manner provided for the computation of the initial accrued liability
19 contribution under this section.

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

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

5 The value of the assets to be used in the computation of the
6 contributions provided for under this section for valuation periods
7 shall be the value of the assets for the preceding valuation period
8 increased by the regular interest rate, plus the net cash flow for the
9 valuation period (the difference between the benefits and expenses
10 paid by the system and the contributions to the system) increased by
11 one half of the regular interest rate, plus 20% of the difference
12 between this expected value and the full market value of the assets as
13 of the end of the valuation period. This shall be known as the
14 "valuation assets." Notwithstanding the first sentence of this
15 paragraph, the valuation assets for the valuation period ending March
16 31, 1996 shall be the full market value of the assets as of that date and,
17 with respect to the valuation assets allocated to the State, shall include
18 the proceeds from the bonds issued pursuant to the Pension Bond
19 Financing Act of 1997, P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid
20 to the system by the New Jersey Economic Development Authority to
21 fund the unfunded accrued liability of the system. Notwithstanding the
22 first sentence of this paragraph, the amount of the difference between
23 the expected value and the full market value of the assets to be added
24 to the expected value of the assets for the valuation period ending June
25 30, 1999 shall include an additional amount of the market value of the
26 assets sufficient to fund the unfunded accrued liability for the
27 supplementary "special" retirement allowances provided under section
28 4 of P.L. , c. (C.) (now pending before the Legislature as this
29 bill).

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

- 32 (1) the valuation assets allocated to the State; less
- 33 (2) the actuarial accrued liability of the State for basic benefits and
34 pension adjustment benefits under the retirement system; less
- 35 (3) the contributory group insurance premium fund, created by
36 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section 4
37 of P.L.1960, c.79; less
- 38 (4) the post retirement medical premium fund, created pursuant to
39 section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by section 8
40 of P.L.1994, c.62; less
- 41 (5) the present value of the projected total normal cost for pension
42 adjustment benefits in excess of the projected total phased-in normal
43 cost for pension adjustment benefits for the State authorized by
44 section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the full phase-in
45 period, determined in the manner prescribed for the determination and
46 amortization of the unfunded accrued liability of the system, if the sum

1 of the foregoing items is greater than zero.

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

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

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

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

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

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

37 (1) for valuation periods ending March 31, 1997 through March
38 31, 2001, to the extent possible by up to 100% of the excess valuation
39 assets allocated to the State or to the other employers, respectively;

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

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

46 (4) for valuation periods ending on or after March 31, 2004, to the

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

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

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

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

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

33

34 ¹[4.]6.¹ (New section) The provisions of section 7 of P.L.1969,
35 c.169 (C.43:3B-8) shall not apply to R.S.43:16-1 or section 16 of
36 P.L.1964, c.241 (C.43:16A-11.1) as amended by
37 P.L. , c. (C.) (now pending before the Legislature as this
38 bill), or to section ¹[3]4¹ of that P.L. , c. (C.), and the
39 annual cost of living adjustment received by retirants and beneficiaries
40 under P.L.1958, c.143 (C.43:3B-1 et seq.) shall be calculated as of the
41 date of the benefit year of the member of the appropriate pension fund
42 or retirement system.

43

44 ¹[5.] 7.¹ This act shall take effect on the 90th day following
45 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, CPFPPF 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	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
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 (CPFPPF) 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 (CPFPPF) 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 CPFPPF.

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 CPFPPF 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 CPFPPF 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 CPFPPF 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 CPFPPF.

It should be noted that the number of CPFPPF 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 (CPFPPF) 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 CPFPPF 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 CPFPPF 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, CPFPPF and PFRS.

CURRENT VERSION OF TEXT

As introduced.



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

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

8
9 **BE IT ENACTED** *by the Senate and General Assembly of the State*
10 *of New Jersey:*

11
12 1. R.S.43:16-1 is amended to read as follows:

13 43:16-1. a. In all municipalities any active member of a police
14 department or of a paid or part-paid fire department or of a county
15 police department including active members of the paid or part-paid
16 fire department of any fire district located in any township which has
17 adopted the provisions of an act entitled "An act providing for the
18 retirement of policemen and firemen of the police and fire departments
19 in municipalities of this State, including all police officers having
20 supervision or regulation of traffic upon county roads, and providing
21 a pension for such retired policemen and firemen and members of the
22 police and fire departments, and the widows, children and sole
23 dependent parents of deceased members of said department," approved
24 April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the
25 Revised Statutes, who shall have served honorably in the police or fire
26 department for a period of 25 years, or any employee member of any
27 such department who shall have served honorably in such department
28 for a period of 25 years and who has reached the age of 60 years shall,
29 on his own application, be retired on a service retirement pension
30 equal to 60% of his final compensation. Any active member of the
31 police or paid or part-paid fire department including active members
32 of the paid or part-paid fire department of any fire district as aforesaid
33 who shall have served honorably for a period of 25 years and reached
34 the age of 65 years and any employee member of any such department
35 who shall have served honorably in such department for a period of 25
36 years and reached the age of 70 years shall be retired on a service
37 retirement pension equal to 60% of his final compensation.

38 The amount of the service retirement pension of any member of
39 such police or paid or part-paid fire department, who has served for
40 more than 25 years and who retires after [the effective date of this
41 1984 amendatory act] August 8, 1984, shall be increased by an
42 amount equal to 1% of his final compensation for each year of service
43 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.

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

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

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

26

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

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

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

38 (2) A pension in the amount which, when added to the member's
39 annuity, will provide a total retirement allowance of 65% of his final
40 compensation, plus 1% of his final compensation multiplied by the
41 number of years of creditable service over 25 but not over 30;
42 provided, however, that any member who has earned, prior to July 1,
43 1979, more than 30 years of creditable service, shall receive an
44 additional 1% of his final compensation for each year of his creditable
45 service over 30.

46 The board of trustees shall retire him at the time specified or at

1 such other time within one month after the date so specified as the
2 board finds advisable.

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

6 b. The "special retirement" allowance payable under subsection a.
7 of this section to any person who retired under the retirement system
8 prior to December 20, 1989 shall be increased by an amount equal to
9 5% of the person's final compensation or by such lesser amount as
10 would, if added to the allowance payable at the time of retirement,
11 provide a total retirement allowance of 70% of final compensation,
12 except that in the case of such a retirant who retired on or after July
13 1, 1979 and had earned prior to that date more than 30 years of
14 creditable service, the amount of the increase shall be equal to 5% of
15 the person's final compensation irrespective of the total retirement
16 allowance which such an increase would provide. This increase shall
17 be phased in over a three year period in increments of 2%, 2% and 1%
18 of the person's final compensation or a lesser amount if appropriate.
19 The first 2% increase shall commence on the first day of the month
20 following the effective date of this act, P.L. , c. (now pending
21 before the Legislature as this bill); the second 2% increase shall
22 commence one year after that date; and the final 1% increase shall
23 commence two years after that date. The provisions of this subsection
24 shall not be construed either to require a reduction in the retirement
25 allowance payable to any retirant or to provide for the payment of any
26 adjustment in such an allowance with respect to any period of time
27 prior to the first day of the month following that effective date. The
28 State shall be liable for any increased cost to local government
29 employers participating in the Police and Firemen's Retirement System
30 as a result of the increased benefit provided for in this subsection.
31 (cf: P.L.1989, c.204, s.4)

32
33 3. (New section) a. Should a law enforcement officer member
34 retire after having established 25 years of creditable service, the
35 member shall receive, in addition to the service retirement allowance
36 provided in section 4 of P.L.1955, c.257 (C.43:15A-100), a
37 supplementary "special" retirement allowance equal to 5% of the
38 member's final compensation or such lesser amount as will, if added to
39 the member's service retirement allowance, provide a total retirement
40 allowance of 70% of the member's final compensation.

41 b. The supplementary "special" retirement allowance payable under
42 subsection a. of this section shall be phased in over a three year period
43 in increments of 2%, 2% and 1% of the member's final compensation
44 or a lesser amount if appropriate. The first 2% increase shall
45 commence on the first day of the month following the effective date of
46 this act, P.L. , c. (now pending before the Legislature as this

1 bill); the second 2% increase shall commence one year after that date;
2 and the final 1% increase shall commence two years after that date.
3 These increases shall be payable to any former member of the
4 retirement system who, prior to that effective date, retired as a law
5 enforcement officer member of the retirement system after having
6 established 25 years of creditable service. The provisions of this
7 subsection shall not be construed either to require a reduction in the
8 retirement allowance payable to any retirant or to provide for the
9 payment of any adjustment in such an allowance with respect to any
10 period of time prior to the first day of the month following that
11 effective date. The State shall be liable for any increased cost to local
12 government employers participating in the Public Employees'
13 Retirement System as a result of the increased benefit provided for in
14 this subsection.

15

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

25

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

27

28

29

STATEMENT

30

31 This bill provides for an increase in the pension allowance payable
32 to certain previously retired members of the Consolidated Police and
33 Firemen's Pension Fund (CPFPPF) and the Police and Firemen's
34 Retirement System (PFRS), and to certain past and prospective law
35 enforcement officer (LEO) retirants under the Public Employees'
36 Retirement System (PERS). To be eligible for the increase, a retirant
37 from any of the specified retirement systems must have rendered at
38 least 25 years of creditable service under the system. The amount of
39 the increase would be 5% of the retirant's final compensation, or such
40 lesser amount as would provide the retirant with a total pension of
41 70% of final compensation. This increase would be phased in over a
42 three year period in increments of 2%, 2% and 1% of the person's final
43 compensation. The State will be liable for any increased cost to local
44 government employers participating in the Consolidated Police and
45 Firemen's Pension Fund, the Public Employees' Retirement System,
46 and the Police and Firemen's Retirement System as a result of the

S698 CONNORS, SINGER

6

1 increased benefit provided for in this bill.

2 This legislation is intended to establish pension benefit parity
3 between the individuals to whom it applies and their fellow public
4 safety officers who retired from the PFRS after a 5% increase in the
5 "special retirement" allowance under that system, enacted into law as
6 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 (CPFPPF) 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 CPFPPF 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:

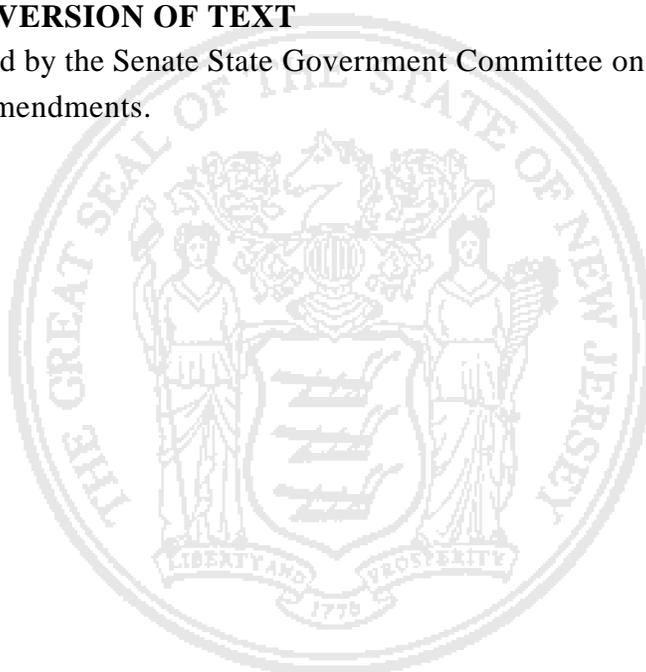
Senators Matheussen, Inverso, Sinagra, Bucco, Allen and Kosco

SYNOPSIS

Increases pensions of certain retired public safety officer members of PERS, CPFPPF 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)

1 AN ACT concerning pensions payable to certain retirants from the
2 Consolidated Police and Firemen's Pension Fund, the Police and
3 Firemen's Retirement System of New Jersey, and the Public
4 Employees' Retirement System of New Jersey, amending
5 R.S.43:16-1 ¹, P.L.1944, c.255, P.L.1954, c.84¹ and P.L.1964,
6 c.241 and supplementing P.L.1955, c.257 (C.43:15A-97 et seq.)
7 and P.L.1958, c.143 (C.43:3B-1 et seq.).
8

9 **BE IT ENACTED** by the Senate and General Assembly of the State
10 of New Jersey:
11

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

13 43:16-1. a. In all municipalities any active member of a police
14 department or of a paid or part-paid fire department or of a county
15 police department including active members of the paid or part-paid
16 fire department of any fire district located in any township which has
17 adopted the provisions of an act entitled "An act providing for the
18 retirement of policemen and firemen of the police and fire departments
19 in municipalities of this State, including all police officers having
20 supervision or regulation of traffic upon county roads, and providing
21 a pension for such retired policemen and firemen and members of the
22 police and fire departments, and the widows, children and sole
23 dependent parents of deceased members of said department," approved
24 April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the
25 Revised Statutes, who shall have served honorably in the police or fire
26 department for a period of 25 years, or any employee member of any
27 such department who shall have served honorably in such department
28 for a period of 25 years and who has reached the age of 60 years shall,
29 on his own application, be retired on a service retirement pension
30 equal to 60% of his final compensation. Any active member of the
31 police or paid or part-paid fire department including active members
32 of the paid or part-paid fire department of any fire district as aforesaid
33 who shall have served honorably for a period of 25 years and reached
34 the age of 65 years and any employee member of any such department
35 who shall have served honorably in such department for a period of 25
36 years and reached the age of 70 years shall be retired on a service
37 retirement pension equal to 60% of his final compensation.

38 The amount of the service retirement pension of any member of
39 such police or paid or part-paid fire department, who has served for
40 more than 25 years and who retires after [the effective date of this
41 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.

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

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

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

28

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

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

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

40 (2) A pension in the amount which, when added to the member's
41 annuity, will provide a total retirement allowance of 65% of his final
42 compensation, plus 1% of his final compensation multiplied by the
43 number of years of creditable service over 25 but not over 30;
44 provided, however, that any member who has earned, prior to July 1,
45 1979, more than 30 years of creditable service, shall receive an
46 additional 1% of his final compensation for each year of his creditable

1 service over 30.

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

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

8 b. The "special retirement" allowance payable under subsection a.
9 of this section to any person who retired under the retirement system
10 prior to December 20, 1989 shall be increased by an amount equal to
11 5% of the person's final compensation or by such lesser amount as
12 would, if added to the allowance payable at the time of retirement,
13 provide a total retirement allowance of 70% of final compensation,
14 except that in the case of such a retirant who retired on or after July
15 1, 1979 and had earned prior to that date more than 30 years of
16 creditable service, the amount of the increase shall be equal to 5% of
17 the person's final compensation irrespective of the total retirement
18 allowance which such an increase would provide. ¹[This increase shall
19 be phased in over a three year period in increments of 2%, 2% and 1%
20 of the person's final compensation or a lesser amount if appropriate.
21 The first 2% increase shall commence on the first day of the month
22 following the effective date of this act, P.L. , c. (now pending
23 before the Legislature as this bill); the second 2% increase shall
24 commence one year after that date; and the final 1% increase shall
25 commence two years after that date.]¹ The provisions of this
26 subsection shall not be construed either to require a reduction in the
27 retirement allowance payable to any retirant or to provide for the
28 payment of any adjustment in such an allowance with respect to any
29 period of time prior to the first day of the month following that
30 effective date. ¹[The State shall be liable for any increased cost to
31 local government employers participating in the Police and Firemen's
32 Retirement System as a result of the increased benefit provided for in
33 this subsection.]¹

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

35

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

38 15. (1) The contributions required for the support of the
39 retirement system shall be made by members and their employers.

40 (2) The uniform percentage contribution rate for members shall be
41 8.5% of compensation.

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

43 (4) Upon the basis of the tables recommended by the actuary which
44 the board adopts and regular interest, the actuary shall compute
45 annually, beginning as of June 30, 1991, the amount of contribution
46 which shall be the normal cost as computed under the projected unit

1 credit method attributable to service rendered under the retirement
2 system for the year beginning on July 1 immediately succeeding the
3 date of the computation. This shall be known as the "normal
4 contribution."

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

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

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

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

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

1 subsequent valuation years shall serve to increase or decrease,
2 respectively, the amortization period for the unfunded accrued liability,
3 unless an increase in the amortization period will cause it to exceed 30
4 years. If an increase in the amortization period as a result of actuarial
5 losses for a valuation year would exceed 30 years, the accrued liability
6 contribution shall be computed for the valuation year in the same
7 manner provided for the computation of the initial accrued liability
8 contribution under this section.

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

39 The value of the assets to be used in the computation of the
40 contributions provided for under this section for valuation periods
41 shall be the value of the assets for the preceding valuation period
42 increased by the regular interest rate, plus the net cash flow for the
43 valuation period (the difference between the benefits and expenses
44 paid by the system and the contributions to the system) increased by
45 one half of the regular interest rate, plus 20% of the difference
46 between this expected value and the full market value of the assets as

1 of the end of the valuation period. This shall be known as the
2 "valuation assets." Notwithstanding the first sentence of this
3 paragraph, the valuation assets for the valuation period ending June
4 30, 1995 shall be the full market value of the assets as of that date
5 and, with respect to the valuation assets allocated to the State, shall
6 include the proceeds from the bonds issued pursuant to the "Pension
7 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.),
8 paid to the system by the New Jersey Economic Development
9 Authority to fund the unfunded accrued liability of the system.
10 Notwithstanding the first sentence of this paragraph, the percentage of
11 the difference between the expected value and the full market value of
12 the assets to be added to the expected value of the assets for the
13 valuation period ending June 30, 1998 for the State shall be 100% and
14 for other employers shall be 57%. Notwithstanding the first sentence
15 of this paragraph, the amount of the difference between the expected
16 value and the full market value of the assets to be added to the
17 expected value of the assets for the valuation period ending June 30,
18 1999 shall include an additional amount of the market value of the
19 assets sufficient to fund the unfunded accrued liability for the
20 supplementary "special retirement" allowances provided under
21 subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1).

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

46 If there are excess valuation assets allocated to the State or to the

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

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

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

22 (1) for valuation periods ending June 30, 1996 through June 30,
23 2000, to the extent possible by up to 100% of the excess valuation
24 assets allocated to the State or to the other employers, respectively;

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

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

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

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

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

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

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

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

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

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

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

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

31 (15) If the valuation assets are insufficient to fund the normal and
32 accrued liability costs attributable to P.L.1999, c.428 (C.43:16A-15.8
33 et al.) as provided hereinabove, the normal and unfunded accrued
34 liability contributions required to fund these costs for the State and
35 other employers shall be paid by the State.¹

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

37
38 ¹[3.]4.¹ (New section) a. Should a law enforcement officer
39 member retire after having established 25 years of creditable service,
40 the member shall receive, in addition to the service retirement
41 allowance provided in section 4 of P.L.1955, c.257 (C.43:15A-100),
42 a supplementary "special" retirement allowance equal to 5% of the
43 member's final compensation or such lesser amount as will, if added to
44 the member's service retirement allowance, provide a total retirement
45 allowance of 70% of the member's final compensation.

46 b. The supplementary "special" retirement allowance ¹[payable]

1 provided¹ under subsection a. of this section shall be ¹[phased in over
2 a three year period in increments of 2%, 2% and 1% of the member's
3 final compensation or a lesser amount if appropriate. The first 2%
4 increase shall commence on the first day of the month following the
5 effective date of this act, P.L. , c. (now pending before the
6 Legislature as this bill); the second 2% increase shall commence one
7 year after that date; and the final 1% increase shall commence two
8 years after that date. These increases shall be]¹ payable to any former
9 member of the retirement system who, prior to ¹[that]the¹ effective
10 date ¹of this act, P.L. , c. (now pending before the Legislature as
11 this bill)¹, retired as a law enforcement officer member of the
12 retirement system after having established 25 years of creditable
13 service. The provisions of this subsection shall not be construed either
14 to require a reduction in the retirement allowance payable to any
15 retirant or to provide for the payment of any adjustment in such an
16 allowance with respect to any period of time prior to the first day of
17 the month following that effective date. ¹[The State shall be liable for
18 any increased cost to local government employers participating in the
19 Public Employees' Retirement System as a result of the increased
20 benefit provided for in this subsection.]¹

21

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

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

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

34 b. With respect to employers other than the State, upon the basis
35 of the tables recommended by the actuary which the board adopts and
36 regular interest, the actuary shall compute the amount of the accrued
37 liability of the retirement system as of March 31, 1992 under the
38 projected unit credit method, excluding the liability for pension
39 adjustment benefits for active employees funded pursuant to section
40 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already covered by
41 the assets of the retirement system, valued in accordance with the asset
42 valuation method established in this section. Using the total amount of
43 this unfunded accrued liability, the actuary shall compute the initial
44 amount of contribution which, if the contribution is increased at a
45 specific rate and paid annually for a specific period of time, will
46 amortize this liability. The State Treasurer shall determine, upon the

1 advice of the Director of the Division of Pensions and Benefits, the
2 board of trustees and the actuary, the rate of increase for the
3 contribution and the time period for full funding of this liability, which
4 shall not exceed 40 years on initial application of this section as
5 amended by this act, P.L.1994, c.62. This shall be known as the
6 "accrued liability contribution." Any increase or decrease in the
7 unfunded accrued liability as a result of actuarial losses or gains for the
8 10 valuation years following valuation year 1992 shall serve to
9 increase or decrease, respectively, the unfunded accrued liability
10 contribution. Thereafter, any increase or decrease in the unfunded
11 accrued liability as a result of actuarial losses or gains for subsequent
12 valuation years shall serve to increase or decrease, respectively, the
13 amortization period for the unfunded accrued liability, unless an
14 increase in the amortization period will cause it to exceed 30 years.
15 If an increase in the amortization period as a result of actuarial losses
16 for a valuation year would exceed 30 years, the accrued liability
17 contribution shall be computed for the valuation year in the same
18 manner provided for the computation of the initial accrued liability
19 contribution under this section.

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

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

5 The value of the assets to be used in the computation of the
6 contributions provided for under this section for valuation periods
7 shall be the value of the assets for the preceding valuation period
8 increased by the regular interest rate, plus the net cash flow for the
9 valuation period (the difference between the benefits and expenses
10 paid by the system and the contributions to the system) increased by
11 one half of the regular interest rate, plus 20% of the difference
12 between this expected value and the full market value of the assets as
13 of the end of the valuation period. This shall be known as the
14 "valuation assets." Notwithstanding the first sentence of this
15 paragraph, the valuation assets for the valuation period ending March
16 31, 1996 shall be the full market value of the assets as of that date and,
17 with respect to the valuation assets allocated to the State, shall include
18 the proceeds from the bonds issued pursuant to the Pension Bond
19 Financing Act of 1997, P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid
20 to the system by the New Jersey Economic Development Authority to
21 fund the unfunded accrued liability of the system. Notwithstanding the
22 first sentence of this paragraph, the amount of the difference between
23 the expected value and the full market value of the assets to be added
24 to the expected value of the assets for the valuation period ending June
25 30, 1999 shall include an additional amount of the market value of the
26 assets sufficient to fund the unfunded accrued liability for the
27 supplementary "special" retirement allowances provided under section
28 4 of P.L. , c. (C.) (now pending before the Legislature as this
29 bill).

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

- 32 (1) the valuation assets allocated to the State; less
- 33 (2) the actuarial accrued liability of the State for basic benefits and
34 pension adjustment benefits under the retirement system; less
- 35 (3) the contributory group insurance premium fund, created by
36 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section 4
37 of P.L.1960, c.79; less
- 38 (4) the post retirement medical premium fund, created pursuant to
39 section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by section 8
40 of P.L.1994, c.62; less
- 41 (5) the present value of the projected total normal cost for pension
42 adjustment benefits in excess of the projected total phased-in normal
43 cost for pension adjustment benefits for the State authorized by
44 section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the full phase-in
45 period, determined in the manner prescribed for the determination and
46 amortization of the unfunded accrued liability of the system, if the sum

1 of the foregoing items is greater than zero.

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

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

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

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

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

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

37 (1) for valuation periods ending March 31, 1997 through March
38 31, 2001, to the extent possible by up to 100% of the excess valuation
39 assets allocated to the State or to the other employers, respectively;

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

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

46 (4) for valuation periods ending on or after March 31, 2004, to the

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

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

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

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

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

33

34 ¹[4.]6.¹ (New section) The provisions of section 7 of P.L.1969,
35 c.169 (C.43:3B-8) shall not apply to R.S.43:16-1 or section 16 of
36 P.L.1964, c.241 (C.43:16A-11.1) as amended by
37 P.L. , c. (C.) (now pending before the Legislature as this
38 bill), or to section ¹[3]4¹ of that P.L. , c. (C.), and the
39 annual cost of living adjustment received by retirants and beneficiaries
40 under P.L.1958, c.143 (C.43:3B-1 et seq.) shall be calculated as of the
41 date of the benefit year of the member of the appropriate pension fund
42 or retirement system.

43

44 ¹[5.] 7.¹ This act shall take effect on the 90th day following
45 enactment.

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

1 **AN ACT** concerning pensions payable to certain retirants from the
2 Consolidated Police and Firemen's Pension Fund, the Police and
3 Firemen's Retirement System of New Jersey, and the Public
4 Employees' Retirement System of New Jersey, amending
5 R.S.43:16-1 ¹, P.L.1944, c.255, P.L.1954, c.84¹ and P.L.1964,
6 c.241 and supplementing P.L.1955, c.257 (C.43:15A-97 et seq.)
7 and P.L.1958, c.143 (C.43:3B-1 et seq.).
8

9 **BE IT ENACTED** by the Senate and General Assembly of the State
10 of New Jersey:
11

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

13 43:16-1. a. In all municipalities any active member of a police
14 department or of a paid or part-paid fire department or of a county
15 police department including active members of the paid or part-paid
16 fire department of any fire district located in any township which has
17 adopted the provisions of an act entitled "An act providing for the
18 retirement of policemen and firemen of the police and fire departments
19 in municipalities of this State, including all police officers having
20 supervision or regulation of traffic upon county roads, and providing
21 a pension for such retired policemen and firemen and members of the
22 police and fire departments, and the widows, children and sole
23 dependent parents of deceased members of said department," approved
24 April 15, 1920 (P.L.1920, c.160) or of chapter 16 of Title 43 of the
25 Revised Statutes, who shall have served honorably in the police or fire
26 department for a period of 25 years, or any employee member of any
27 such department who shall have served honorably in such department
28 for a period of 25 years and who has reached the age of 60 years shall,
29 on his own application, be retired on a service retirement pension
30 equal to 60% of his final compensation. Any active member of the
31 police or paid or part-paid fire department including active members
32 of the paid or part-paid fire department of any fire district as aforesaid
33 who shall have served honorably for a period of 25 years and reached
34 the age of 65 years and any employee member of any such department
35 who shall have served honorably in such department for a period of 25
36 years and reached the age of 70 years shall be retired on a service
37 retirement pension equal to 60% of his final compensation.

38 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.

1 such police or paid or part-paid fire department, who has served for
2 more than 25 years and who retires after [the effective date of this
3 1984 amendatory act] August 8, 1984, shall be increased by an
4 amount equal to 1% of his final compensation for each year of service
5 in excess of 25 years but not more than 30 years and 1% of his final
6 compensation for each year of service in excess of 30 years rendered
7 prior to his reaching age 65.

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

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

31
32 2. Section 16 of P.L.1964, c.241 (C.43:16A-11.1) is amended to
33 read as follows:

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

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

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

1 provided, however, that any member who has earned, prior to July 1,
2 1979, more than 30 years of creditable service, shall receive an
3 additional 1% of his final compensation for each year of his creditable
4 service over 30.

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

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

11 b. The "special retirement" allowance payable under subsection a.
12 of this section to any person who retired under the retirement system
13 prior to December 20, 1989 shall be increased by an amount equal to
14 5% of the person's final compensation or by such lesser amount as
15 would, if added to the allowance payable at the time of retirement,
16 provide a total retirement allowance of 70% of final compensation,
17 except that in the case of such a retirant who retired on or after July
18 1, 1979 and had earned prior to that date more than 30 years of
19 creditable service, the amount of the increase shall be equal to 5% of
20 the person's final compensation irrespective of the total retirement
21 allowance which such an increase would provide. ¹[This increase shall
22 be phased in over a three year period in increments of 2%, 2% and 1%
23 of the person's final compensation or a lesser amount if appropriate.
24 The first 2% increase shall commence on the first day of the month
25 following the effective date of this act, P.L. , c. (now pending
26 before the Legislature as this bill); the second 2% increase shall
27 commence one year after that date; and the final 1% increase shall
28 commence two years after that date.]¹ The provisions of this
29 subsection shall not be construed either to require a reduction in the
30 retirement allowance payable to any retirant or to provide for the
31 payment of any adjustment in such an allowance with respect to any
32 period of time prior to the first day of the month following that
33 effective date. ¹[The State shall be liable for any increased cost to
34 local government employers participating in the Police and Firemen's
35 Retirement System as a result of the increased benefit provided for in
36 this subsection.]¹

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

38

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

41 15. (1) The contributions required for the support of the
42 retirement system shall be made by members and their employers.

43 (2) The uniform percentage contribution rate for members shall be
44 8.5% of compensation.

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

46 (4) Upon the basis of the tables recommended by the actuary which

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

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

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

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

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

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

1 serve to increase or decrease, respectively, the unfunded accrued
2 liability contribution. Thereafter, any increase or decrease in the
3 unfunded accrued liability as a result of actuarial losses or gains for
4 subsequent valuation years shall serve to increase or decrease,
5 respectively, the amortization period for the unfunded accrued liability,
6 unless an increase in the amortization period will cause it to exceed 30
7 years. If an increase in the amortization period as a result of actuarial
8 losses for a valuation year would exceed 30 years, the accrued liability
9 contribution shall be computed for the valuation year in the same
10 manner provided for the computation of the initial accrued liability
11 contribution under this section.

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

42 The value of the assets to be used in the computation of the
43 contributions provided for under this section for valuation periods
44 shall be the value of the assets for the preceding valuation period
45 increased by the regular interest rate, plus the net cash flow for the
46 valuation period (the difference between the benefits and expenses

1 paid by the system and the contributions to the system) increased by
2 one half of the regular interest rate, plus 20% of the difference
3 between this expected value and the full market value of the assets as
4 of the end of the valuation period. This shall be known as the
5 "valuation assets." Notwithstanding the first sentence of this
6 paragraph, the valuation assets for the valuation period ending June
7 30, 1995 shall be the full market value of the assets as of that date
8 and, with respect to the valuation assets allocated to the State, shall
9 include the proceeds from the bonds issued pursuant to the "Pension
10 Bond Financing Act of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.),
11 paid to the system by the New Jersey Economic Development
12 Authority to fund the unfunded accrued liability of the system.
13 Notwithstanding the first sentence of this paragraph, the percentage of
14 the difference between the expected value and the full market value of
15 the assets to be added to the expected value of the assets for the
16 valuation period ending June 30, 1998 for the State shall be 100% and
17 for other employers shall be 57%. Notwithstanding the first sentence
18 of this paragraph, the amount of the difference between the expected
19 value and the full market value of the assets to be added to the
20 expected value of the assets for the valuation period ending June 30,
21 1999 shall include an additional amount of the market value of the
22 assets sufficient to fund the unfunded accrued liability for the
23 supplementary "special retirement" allowances provided under
24 subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1).

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

1 assumptions applicable to the valuation period, if the sum is greater
2 than zero.

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

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

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

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

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

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

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

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

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

1 employer, and the State Treasurer shall credit such amount to the
2 appropriate fund or funds, of the retirement system.

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

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

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

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

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

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

34 (15) If the valuation assets are insufficient to fund the normal and
35 accrued liability costs attributable to P.L.1999, c.428 (C.43:16A-15.8
36 et al.) as provided hereinabove, the normal and unfunded accrued
37 liability contributions required to fund these costs for the State and
38 other employers shall be paid by the State.¹

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

40

41 ¹[3.]4.¹ (New section) a. Should a law enforcement officer
42 member retire after having established 25 years of creditable service,
43 the member shall receive, in addition to the service retirement
44 allowance provided in section 4 of P.L.1955, c.257 (C.43:15A-100),
45 a supplementary "special" retirement allowance equal to 5% of the
46 member's final compensation or such lesser amount as will, if added to

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

3 b. The supplementary "special" retirement allowance ¹[payable]
4 provided¹ under subsection a. of this section shall be ¹[phased in over
5 a three year period in increments of 2%, 2% and 1% of the member's
6 final compensation or a lesser amount if appropriate. The first 2%
7 increase shall commence on the first day of the month following the
8 effective date of this act, P.L. , c. (now pending before the
9 Legislature as this bill); the second 2% increase shall commence one
10 year after that date; and the final 1% increase shall commence two
11 years after that date. These increases shall be]¹ payable to any former
12 member of the retirement system who, prior to ¹[that]the¹ effective
13 date ¹of this act, P.L. , c. (now pending before the Legislature as
14 this bill)¹, retired as a law enforcement officer member of the
15 retirement system after having established 25 years of creditable
16 service. The provisions of this subsection shall not be construed either
17 to require a reduction in the retirement allowance payable to any
18 retirant or to provide for the payment of any adjustment in such an
19 allowance with respect to any period of time prior to the first day of
20 the month following that effective date. ¹[The State shall be liable for
21 any increased cost to local government employers participating in the
22 Public Employees' Retirement System as a result of the increased
23 benefit provided for in this subsection.]¹

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

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

29 a. Upon the basis of the tables recommended by the actuary which
30 the board adopts and regular interest, the actuary shall compute
31 annually, beginning as of March 31, 1992, the amount of contribution
32 which shall be the normal cost as computed under the projected unit
33 credit method attributable to service rendered under the retirement
34 system for the year beginning on July 1 immediately succeeding the
35 date of the computation. This shall be known as the "normal
36 contribution."

37 b. With respect to employers other than the State, upon the basis
38 of the tables recommended by the actuary which the board adopts and
39 regular interest, the actuary shall compute the amount of the accrued
40 liability of the retirement system as of March 31, 1992 under the
41 projected unit credit method, excluding the liability for pension
42 adjustment benefits for active employees funded pursuant to section
43 2 of P.L.1990, c.6 (C.43:15A-24.1), which is not already covered by
44 the assets of the retirement system, valued in accordance with the asset
45 valuation method established in this section. Using the total amount of
46 this unfunded accrued liability, the actuary shall compute the initial

1 amount of contribution which, if the contribution is increased at a
2 specific rate and paid annually for a specific period of time, will
3 amortize this liability. The State Treasurer shall determine, upon the
4 advice of the Director of the Division of Pensions and Benefits, the
5 board of trustees and the actuary, the rate of increase for the
6 contribution and the time period for full funding of this liability, which
7 shall not exceed 40 years on initial application of this section as
8 amended by this act, P.L.1994, c.62. This shall be known as the
9 "accrued liability contribution." Any increase or decrease in the
10 unfunded accrued liability as a result of actuarial losses or gains for the
11 10 valuation years following valuation year 1992 shall serve to
12 increase or decrease, respectively, the unfunded accrued liability
13 contribution. Thereafter, any increase or decrease in the unfunded
14 accrued liability as a result of actuarial losses or gains for subsequent
15 valuation years shall serve to increase or decrease, respectively, the
16 amortization period for the unfunded accrued liability, unless an
17 increase in the amortization period will cause it to exceed 30 years.
18 If an increase in the amortization period as a result of actuarial losses
19 for a valuation year would exceed 30 years, the accrued liability
20 contribution shall be computed for the valuation year in the same
21 manner provided for the computation of the initial accrued liability
22 contribution under this section.

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

1 years, the accrued liability contribution shall be computed for the
2 valuation year in the same manner provided for the computation of the
3 initial accrued liability contribution under this section. The State may
4 pay all or any portion of its unfunded accrued liability under the
5 retirement system from any source of funds legally available for the
6 purpose. including, without limitation, the proceeds of bonds
7 authorized by law for this purpose.

8 The value of the assets to be used in the computation of the
9 contributions provided for under this section for valuation periods
10 shall be the value of the assets for the preceding valuation period
11 increased by the regular interest rate, plus the net cash flow for the
12 valuation period (the difference between the benefits and expenses
13 paid by the system and the contributions to the system) increased by
14 one half of the regular interest rate, plus 20% of the difference
15 between this expected value and the full market value of the assets as
16 of the end of the valuation period. This shall be known as the
17 "valuation assets." Notwithstanding the first sentence of this
18 paragraph, the valuation assets for the valuation period ending March
19 31, 1996 shall be the full market value of the assets as of that date and,
20 with respect to the valuation assets allocated to the State, shall include
21 the proceeds from the bonds issued pursuant to the Pension Bond
22 Financing Act of 1997, P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid
23 to the system by the New Jersey Economic Development Authority to
24 fund the unfunded accrued liability of the system. Notwithstanding the
25 first sentence of this paragraph, the amount of the difference between
26 the expected value and the full market value of the assets to be added
27 to the expected value of the assets for the valuation period ending June
28 30, 1999 shall include an additional amount of the market value of the
29 assets sufficient to fund the unfunded accrued liability for the
30 supplementary "special" retirement allowances provided under section
31 4 of P.L. , c. (C.) (now pending before the Legislature as this
32 bill).

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

- 35 (1) the valuation assets allocated to the State; less
- 36 (2) the actuarial accrued liability of the State for basic benefits and
37 pension adjustment benefits under the retirement system; less
- 38 (3) the contributory group insurance premium fund, created by
39 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section 4
40 of P.L.1960, c.79; less
- 41 (4) the post retirement medical premium fund, created pursuant to
42 section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by section 8
43 of P.L.1994, c.62; less
- 44 (5) the present value of the projected total normal cost for pension
45 adjustment benefits in excess of the projected total phased-in normal
46 cost for pension adjustment benefits for the State authorized by

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

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

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

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

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

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

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

40 (1) for valuation periods ending March 31, 1997 through March
41 31, 2001, to the extent possible by up to 100% of the excess valuation
42 assets allocated to the State or to the other employers, respectively;

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

46 (3) for the valuation period ending March 31, 2003, to the extent

1 possible by up to 68% of the excess valuation assets allocated to the
2 State or to the other employers, respectively; and

3 (4) for valuation periods ending on or after March 31, 2004, to the
4 extent possible by up to 50% of the excess valuation assets allocated
5 to the State or to the other employers, respectively.

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

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

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

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

36

37 ¹[4.]6.¹ (New section) The provisions of section 7 of P.L.1969,
38 c.169 (C.43:3B-8) shall not apply to R.S.43:16-1 or section 16 of
39 P.L.1964, c.241 (C.43:16A-11.1) as amended by
40 P.L. , c. (C.) (now pending before the Legislature as this
41 bill), or to section ¹[3]4¹ of that P.L. , c. (C.), and the
42 annual cost of living adjustment received by retirants and beneficiaries
43 under P.L.1958, c.143 (C.43:3B-1 et seq.) shall be calculated as of the
44 date of the benefit year of the member of the appropriate pension fund
45 or retirement system.

1 ¹[5.] 7.¹ This act shall take effect on the 90th day following
2 enactment.

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6

7 Increases pensions of certain retired public safety officer members of
8 PERS, CPFPP 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 retiree 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.

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TRENTON, NJ 08625

Office of the Governor
NEWS RELEASE

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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.