

5:9-22.5 - 5:9-22.12 et al LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2017 **CHAPTER:** 98

NJSA: 5:9-22.5 - 5:9-22.12 et al (Transfer State Lottery Enterprise to TPAF, PERS, and PFRS.)

BILL NO: S3312 (Substituted for A5003)

SPONSOR(S) Sarlo and others

DATE INTRODUCED: 6/15/2017

COMMITTEE: **ASSEMBLY:** ---
 SENATE: Budget & Appropriations

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** 6/29/2017
 SENATE: 6/29/2017

DATE OF APPROVAL: 7/4/2017

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (First Reprint enacted)	Yes
 S3312	
SPONSOR'S STATEMENT: (Begins on page 44 of introduced bill)	Yes
COMMITTEE STATEMENT:	No
	ASSEMBLY:
	SENATE:
	Yes

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

FLOOR AMENDMENT STATEMENT:	No
LEGISLATIVE FISCAL ESTIMATE:	Yes

A5003

SPONSOR'S STATEMENT: (Begins on page 45 of introduced bill)	Yes
COMMITTEE STATEMENT:	Yes
	ASSEMBLY:
	SENATE:
	No

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

FLOOR AMENDMENT STATEMENT:	No
LEGISLATIVE FISCAL ESTIMATE:	Yes

(continued)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: No

RWH/JA

P.L.2017, CHAPTER 98, *approved July 4, 2017*
Senate, No. 3312 (*First Reprint*)

1 AN ACT concerning the contribution of the Lottery Enterprise to
2 certain State-administered retirement systems to benefit State
3 institutions and provide State aid to education, amending various
4 parts of the statutory law, and supplementing P.L.1970, c.13
5 (C.5:9-1 et seq.).
6

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

10 1. (New section) This act shall be known and may be cited as
11 the "Lottery Enterprise Contribution Act."
12

13 2. (New section) The Legislature finds and declares that:

14 a. The State Lottery, as established by and operated pursuant to
15 Article IV, Section VII, paragraph 2 of the Constitution of the State
16 of New Jersey and the "State Lottery Law," P.L.1970, c.13 (C.5:9-1
17 et seq.), is a valuable asset of the State of New Jersey.

18 b. The Lottery Enterprise has been and is a business-like entity,
19 consisting of all of the assets, properties, interests, and rights of
20 every nature and kind, tangible and intangible, of the State useful or
21 necessary to operate the State Lottery.

22 c. The Division of the State Lottery in the Department of the
23 Treasury is constantly evolving the brand, marketing, and game
24 offerings of the Lottery Enterprise in order to retain existing players
25 and attract new ones.

26 d. The Lottery Enterprise, as operated by the Division of the
27 State Lottery, is recognized as one of the most profitable and well-
28 operated lotteries in the United States and the world. The division
29 operates the Lottery Enterprise in a manner that is consonant with
30 the dignity of the State and general welfare of its people, as
31 demonstrated by the division having earned the highest level of
32 achievement in responsible gaming, and having received the Best
33 Innovation in Responsible Gambling Award from the World Lottery
34 Association in November 2016.

35 e. The continued operation, management, conduct, and control
36 of the Lottery Enterprise by the Division of the State Lottery is
37 necessary for the Lottery Enterprise to remain operating at these
38 high standards, consistent with the "State Lottery Law," P.L.1970,
39 c.13 (C.5:9-1 et seq.), and with applicable federal law.

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:

¹Senate SBA committee amendments adopted June 26, 2017.

1 f. The Teachers' Pension and Annuity Fund, the Public
2 Employees' Retirement System, and the Police and Firemen's
3 Retirement System are established as qualified governmental
4 defined benefit plans pursuant to sections 401(a) and 414(d) of the
5 federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
6 414(d)), as amended, and exempt under section 501(a) of the federal
7 Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as amended,
8 and such other provision of the federal Internal Revenue Code, as
9 applicable, regulations of the United States Department of the
10 Treasury, and other guidance of the federal Internal Revenue
11 Service, and this act, P.L. , c. (C.) (pending before the
12 Legislature as this bill). The contribution of the Lottery Enterprise
13 to these retirement systems is intended to comply with all
14 requirements of the federal Internal Revenue Code governing the
15 tax qualified status of the retirement systems, and this act shall at
16 all times be applied and construed in a manner consistent with all
17 such requirements.

18 g. The members of the Teachers' Pension and Annuity Fund are
19 serving or have served as teachers, educators, and administrators in
20 the schools of this State and are eligible members of the retirement
21 system, and contributing the Lottery Enterprise for their benefit
22 pursuant to this act constitutes State aid for education within the
23 meaning of Article IV, Section VII, paragraph 2 of the State
24 Constitution.

25 h. Some of the members of the Public Employees' Retirement
26 System are serving or have served as employees of State institutions
27 defined in R.S.30:1-7, but excluding adult or juvenile correctional
28 facilities or institutions, or are serving or have served as employees
29 of public institutions of higher education, and are eligible members
30 of the retirement system, and contributing the Lottery Enterprise for
31 their benefit pursuant to this act constitutes support for State
32 institutions and State aid for education within the meaning of
33 Article IV, Section VII, paragraph 2 of the State Constitution.

34 i. Some of the members of the Police and Firemen's
35 Retirement System are serving or have served as employees of State
36 institutions defined in R.S.30:1-7, but excluding adult or juvenile
37 correctional facilities or institutions, or are serving or have served
38 as employees of public institutions of higher education, and are
39 eligible members of the retirement system, and contributing the
40 Lottery Enterprise for their benefit pursuant to this act constitutes
41 support for State institutions and State aid for education within the
42 meaning of Article IV, Section VII, paragraph 2 of the State
43 Constitution.

44 j. The New Jersey Supreme Court has recognized the
45 compelling need for action to solve the tenuous state of New
46 Jersey's pension funding, observing that "the State must get its
47 financial house in order."

48 k. The New Jersey Pension and Health Benefit Study
49 Commission emphasized the dire condition of the public employee

1 pension systems, which continues to be a matter of grave concern
2 for public employees, retirees, their families, and all of the residents
3 of this State. The commission found that "by any measure, the
4 amount of the unfunded liability is grievous."

5 l. The contribution of the Lottery Enterprise to the retirement
6 systems pursuant to and in the manner contemplated by this act is in
7 the public interest in alleviating the underfunded status of such
8 retirement systems.

9 m. The State, pursuant to a competitive process, engaged an
10 independent valuation service provider to conduct a review and due
11 diligence of the Lottery Enterprise, including its cash flows,
12 operating history, legal structure, and projections, and the
13 independent valuation service provider issued a report which
14 represents its opinion as to the valuation of the Lottery Enterprise.

15 n. The allocable percentages established in section 5 of this act
16 were determined based on: (1) the relative percentages of the total
17 actuarial accrued liabilities of the retirement systems; (2) the
18 relative percentages of the total actuarial accrued liabilities of the
19 eligible member portions of such retirement systems; (3) the
20 relative percentages of the total unfunded actuarially accrued
21 liabilities of the retirement systems; (4) the relative percentages of
22 the total unfunded actuarially accrued liabilities of the eligible
23 member portions of such retirement systems; (5) the relative
24 percentages of the total number of members in each retirement
25 system; and (6) the relative percentages of eligible members
26 participating in each such retirement system.

27 o. Following the lottery contribution, the Division of the State
28 Lottery will operate, manage, conduct, and control the Lottery
29 Enterprise with a goal of maximizing net proceeds for the benefit of
30 the retirement systems, consonant with the dignity of the State and
31 general welfare of its people.

32

33 3. (New section) As used in this act, P.L. , c. (C.)
34 (pending before the Legislature as this bill):

35 "Adult or juvenile correctional facilities or institutions" means
36 adult or juvenile correctional facilities or institutions as defined
37 pursuant to section 8 of P.L.1976, c.98 (C.30:1B-8).

38 "Eligible members" means:

39 (1) individuals who are serving or who have served in positions
40 eligible for participation in the Teachers' Pension and Annuity
41 Fund;

42 (2) individuals who are serving or who have served in positions
43 eligible for participation in the Public Employees' Retirement
44 System and who are serving or have served as employees of State
45 institutions ¹**【defined】** described or listed¹ in R.S.30:1-7 ¹, State
46 institutions no longer in operation as identified by the State
47 Treasurer,¹ or any facilities, institutions, or veterans homes
48 established for any similar purpose, but excluding adult or juvenile

1 correctional facilities or institutions, or who are serving or have
2 served as employees of public institutions of higher education; and
3 (3) individuals who are serving or who have served in positions
4 eligible for participation in the Police and Firemen's Retirement
5 System and who are serving or have served as employees of State
6 institutions ¹**[defined]** described or listed¹ in R.S.30:1-7 ¹, State
7 institutions no longer in operation as identified by the State
8 Treasurer,¹ or any facilities, institutions, or veterans homes
9 established for any similar purpose, but excluding adult or juvenile
10 correctional facilities or institutions, or who are serving or have
11 served as employees of public institutions of higher education.

12 "Lottery Enterprise" means the lottery established pursuant to the
13 "State Lottery Law," P.L.1970, c.13 (C.5:9-1 et seq.), and all of the
14 assets, properties, interests, and rights of every nature and kind,
15 tangible and intangible, presently existing or acquired in the future,
16 useful or necessary to operate the State Lottery, including, without
17 limitation: inventory; supplies; equipment; furnishings; fixtures;
18 computers and other electronic equipment; other personal property;
19 real property and rights therein; trademarks and trademark
20 applications; logos; trade names; patents and patent applications;
21 other intellectual property rights; customer lists; going concern
22 value; goodwill; sales records; copies of business books and
23 records; monetary management systems; accounting systems;
24 licenses; permits; contracts and contract rights; rights to take
25 assignment of contracts and related receipts and revenues; accounts
26 receivable; designs; technical data and information; sales materials;
27 the right to merchandising in the State and to sell lottery products in
28 the State; all accounts payable and liabilities related to the
29 foregoing; and all ancillary or necessary appurtenances to the
30 foregoing; provided, however, that Lottery Enterprise excludes all
31 retained assets and retained liabilities.

32 "Retained assets" means those assets and rights of or related to
33 the Lottery Enterprise that relate to the operation of the Lottery
34 Enterprise necessary to satisfy liabilities arising on or prior to the
35 lottery contribution effective date as specified in the Memorandum
36 of Lottery Contribution under section 4 of this act, and cash,
37 annuities, and other similar assets specified in the Memorandum of
38 Lottery Contribution.

39 "Retained liabilities" means those liabilities, encumbrances, and
40 obligations of or related to the Lottery Enterprise that relate to the
41 operation of the Lottery Enterprise on or prior to the lottery
42 contribution effective date as specified in the Memorandum of
43 Lottery Contribution under section 4 of this act.

44 "Retirement systems" means one or more of the following
45 governmental organizations within the meaning of 18 U.S.C.
46 s.1307(a)(2)(A), as amended, and other applicable law:

47 (1) the Teachers' Pension and Annuity Fund, established
48 pursuant to N.J.S.18A:66-1 et seq.;

1 (2) the Public Employees' Retirement System, established
2 pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and

3 (3) the Police and Firemen's Retirement System, established
4 pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.).

5 "Special asset" means the Lottery Enterprise, including the
6 operations account but excluding the investment account.

7 "State institutions" means long-term care facilities, institutions,
8 and psychiatric facilities of this State, as 'described or' listed in
9 R.S.30:1-7 'and long-term care facilities, institutions, and
10 psychiatric facilities of this State no longer in operation as
11 identified by the State Treasurer'.
12

13 4. (New section) a. The State Treasurer shall make a
14 contribution of the Lottery Enterprise for a period of 30 years for
15 the benefit of the retirement systems, which shall be deposited in
16 Common Pension Fund L in accordance with this act,
17 P.L. , c. (C.) (pending before the Legislature as this bill),
18 and the Memorandum of Lottery Contribution required under this
19 section.

20 b. The Division of the State Lottery shall operate, manage,
21 conduct, and control the Lottery Enterprise with a goal of
22 maximizing net proceeds for the benefit of the retirement systems,
23 consonant with the dignity of the State and the general welfare of
24 the people.

25 c. The lottery contribution shall be subject to (1) a royalty-free,
26 exclusive license with all substantial rights including the right to
27 sublicense, from Common Pension Fund L, established pursuant to
28 section 6 of this act, to the Division of the State Lottery during the
29 lottery contribution for all trademarks and trademark applications,
30 logos, tradenames, and other intellectual property rights owned or
31 used by or in connection with the Lottery Enterprise, whether
32 existing on the effective date of this act or subsequently acquired or
33 created; and (2) any existing licenses or sublicenses granted prior to
34 the effective date of this act by the Division of the State Lottery to
35 third parties for any and all trademarks and trademark applications,
36 logos, tradenames, and other intellectual property rights owned or
37 used by, or in connection with, the Lottery Enterprise.

38 d. The State Treasurer shall prepare, execute, and deliver the
39 Memorandum of Lottery Contribution, and such certificates and
40 other documents as the State Treasurer determines are consistent
41 with this act and are reasonably necessary to evidence or effectuate
42 the lottery contribution. The State Treasurer may amend or
43 supplement the Memorandum of Lottery Contribution, including to
44 correct deficiencies or errors therein.

45 e. The Memorandum of Lottery Contribution shall contain:

46 (1) the lottery contribution effective date;

47 (2) a transition period of up to 180 days and transition
48 procedures reasonably necessary to ensure that operations of the

- 1 Lottery Enterprise are not materially disrupted as a result of the
2 lottery contribution;
- 3 (3) a detailed description or list of all of the assets and liabilities
4 of the Lottery Enterprise;
- 5 (4) a description of the retained assets and retained liabilities;
6 and
- 7 (5) such other provisions as the State Treasurer determines in
8 the Treasurer's sole discretion are useful and necessary to make the
9 lottery contribution in a manner consistent with this act.
- 10 f. Notwithstanding the provisions of the "Administrative
11 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), the State
12 Treasurer shall provide the Memorandum of Lottery Contribution to
13 the Office of Administrative Law, and the Office of Administrative
14 Law shall publish the Memorandum of Lottery Contribution in the
15 New Jersey Register.
- 16 g. The retirement systems shall not be required or permitted to
17 pay any expenses incurred by the State Treasurer, the Division of
18 the State Lottery, or the Division of Investment in the Department
19 of the Treasury in connection with the making of the lottery
20 contribution pursuant to this act.
- 21 h. During the lottery contribution, all new assets acquired by or
22 for the Lottery Enterprise shall be owned by Common Pension Fund
23 L for the benefit of the retirement systems, except those assets,
24 including licenses or similar rights in or to multistate lottery games,
25 which may only be held, licensed, acquired, or procured by the
26 Division of the State Lottery and which relate to the Lottery
27 Enterprise, in which case such assets shall be held, licensed,
28 acquired, or procured by the Division of the State Lottery on behalf
29 of and for the benefit of Common Pension Fund L.
- 30 i. The Director of the Division of Investment shall
31 acknowledge receipt of the lottery contribution to the retirement
32 systems and of the Memorandum of Lottery Contribution, and shall
33 deposit the lottery contribution into Common Pension Fund L.
- 34 j. Following the lottery contribution, the Division of the State
35 Lottery shall operate, manage, conduct, and control the Lottery
36 Enterprise in accordance with the "State Lottery Law," P.L.1970,
37 c.13 (C.5:9-1 et seq.), and with applicable federal law, including the
38 applicable requirements of the federal Internal Revenue Code.
- 39 k. At the expiration of the lottery contribution, the Lottery
40 Enterprise, exclusive of all proceeds attributable to the operation of
41 the Lottery Enterprise prior to the expiration of the lottery
42 contribution, shall be returned to the Division of the State Lottery.
43 Prior to that time, the State Treasurer shall, in coordination with the
44 Division of Investment and the Division of the State Lottery,
45 provide for and enter into any agreements or arrangements
46 necessary or advisable for the orderly return of the Lottery
47 Enterprise, exclusive of such proceeds, as provided in the
48 Memorandum of Lottery Contribution. Such arrangements shall
49 include a transition period of up to 180 days following the

1 expiration of the lottery contribution, during which the proceeds of
2 the Lottery Enterprise may continue to be deposited into the
3 operations account established in section 6 of this act, and other
4 transition arrangements reasonably necessary to ensure that
5 operations of the Lottery Enterprise are not materially disrupted as a
6 result of the expiration of the lottery contribution.

7 1. The State Treasurer shall execute the Memorandum of
8 Lottery Contribution, and the Director of the Division of Investment
9 shall acknowledge receipt of the lottery contribution, on or before
10 December 31, 2017.

11
12 5. (New section) a. For the purposes of this act,
13 P.L. , c. (C.) (pending before the Legislature as this bill),
14 the Lottery Enterprise shall be valued at \$13,535,000,000, as that
15 value was determined by the independent valuation service provider
16 engaged by the State.

17 b. The lottery contribution and all proceeds of the Lottery
18 Enterprise shall be allocated among the retirement systems in the
19 allocable percentages as follows: 77.78 percent for the Teachers'
20 Pension and Annuity Fund, established pursuant to N.J.S.18A:66-1
21 et seq.; 21.02 percent for the Public Employees' Retirement System,
22 established pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and
23 1.20 percent for the Police and Firemen's Retirement System,
24 established pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.), which
25 have been determined based on (1) the relative percentages of the
26 total actuarial accrued liabilities of the retirement systems; (2) the
27 relative percentages of the total actuarial accrued liabilities of the
28 eligible member portions of such retirement systems; (3) the
29 relative percentages of the total unfunded actuarially accrued
30 liabilities of the retirement systems; (4) the relative percentages of
31 the total unfunded actuarially accrued liabilities of the eligible
32 member portions of such retirement systems; (5) the relative
33 percentages of the total number of members in each retirement
34 system; and (6) the relative percentages of eligible members
35 participating in each such retirement system. Each retirement
36 system shall have an initial equitable interest in Common Pension
37 Fund L, established pursuant to section 6 of this act, equal to its
38 allocable percentage of the entire lottery contribution made on its
39 behalf.

40
41 6. (New section) a. In order to receive the lottery contribution
42 on behalf of the retirement systems, a Common Pension Fund L is
43 hereby established within the Division of Investment in the
44 Department of the Treasury. Common Pension Fund L shall
45 constitute part of each retirement system and the participating trust
46 through which each retirement system is funded. Only the
47 retirement systems and the trusts through which they are funded
48 shall have an interest in Common Pension Fund L. Common
49 Pension Fund L shall satisfy the requirements of section 401(a)(24)

1 of the federal Internal Revenue Code of 1986 (26 U.S.C.
2 s.401(a)(24)), as amended, in accordance with Revenue Ruling 81-
3 100, as amended by Revenue Ruling 2004-67 and Revenue Ruling
4 2011-1, and the requirements for exemption under section 501(a) of
5 the federal Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as
6 amended. Consistent with section 401(a)(24) of the federal Internal
7 Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended,
8 regulations of the United States Department of the Treasury, and
9 other guidance of the federal Internal Revenue Service, each
10 retirement system shall participate in Common Pension Fund L.
11 No part of the corpus or income of Common Pension Fund L that
12 equitably belongs to a retirement system or a trust of the retirement
13 system may be used for or diverted to any purpose other than for the
14 exclusive benefit of the members or beneficiaries entitled to
15 benefits under such retirement system or trust of the retirement
16 system. No retirement system or trust of a retirement system may
17 assign any part of its equity or interest in Common Pension Fund L.

18 b. Upon receipt of the lottery contribution, the Director of the
19 Division of Investment shall:

20 (1) invest and manage all assets in the investment account;

21 (2) make distributions of proceeds and investment earnings
22 thereon from the investment account into investment vehicles
23 managed by the Division of Investment for the sole benefit of the
24 retirement systems; and

25 (3) make distributions of proceeds and investment earnings
26 thereon from the investment account to the retirement systems from
27 Common Pension Fund L to be used by each retirement system for
28 any legitimate purpose of such retirement system, provided that any
29 distribution under this part (3) shall be made on a simultaneous and
30 pro rata basis to the retirement systems, which pro rata basis shall
31 be based on each retirement system's relative equitable interest in
32 the lottery contribution.

33 c. Upon the establishment of Common Pension Fund L, there
34 shall be established two subaccounts therein as the operations
35 account and investment account for the following purposes.

36 (1) The gross proceeds of the Lottery Enterprise shall be
37 deposited into an operations account. The Division of the State
38 Lottery solely shall manage the operations account and shall make
39 deposits therein, invest amounts therein, make requisition and
40 payment for costs incurred in the operation and administration of
41 the Lottery Enterprise, including reimbursements of funds used to
42 pay such expenses, and payment for lottery sales agent
43 commissions, certain prizes paid by lottery sales agents, costs
44 resulting from any contract or contracts entered into for
45 promotional, advertising, or operational services, or for the
46 purchase or lease of lottery equipment and materials for the Lottery
47 Enterprise therefrom, hold reserves for payment of prizes and other
48 purposes related to the operation of the Lottery Enterprise, and
49 otherwise manage the operations account. All proceeds of the

1 Lottery Enterprise deposited in the operations account shall be
2 qualified plan assets subject to the requirements of sections 401(a)
3 and 501(a) of the federal Internal Revenue Code of 1986 (26 U.S.C.
4 ss.401(a) and 501(a)), as amended, but shall not be assets managed
5 by the Division of Investment for the benefit of the retirement
6 systems under N.J.S.18A:66-61, section 14 of P.L.1944, c.255
7 (C.43:16A-14), or section 32 of P.L.1954, c.84 (C.43:15A-32) until
8 any such assets have been transferred from the operations account
9 to the investment account.

10 (2) Proceeds in amounts determined by the Division of the State
11 Lottery shall be transferred from the operations account to the
12 investment account on a periodic basis and such proceeds shall
13 constitute the net proceeds of the Lottery Enterprise. Such proceeds
14 transferred together with all investments thereof and investment
15 earnings thereon shall be available solely to and for the benefit of
16 the retirement systems in the allocable percentages specified in
17 section 5 of this act, P.L. , c. (C.)(pending before the
18 Legislature as this bill). The investment account shall be managed
19 and invested by the Director of the Division of Investment pursuant
20 to the authority, responsibilities, and duties set forth in P.L.1950,
21 c.271 (C.52:18A-79 et seq.), subject to the oversight of the State
22 Investment Council, pursuant to the authority of P.L.1950, c.270
23 (C.52:18A-79 et seq.). The Director of the Division of Investment
24 shall have full discretion to distribute proceeds and all investments
25 thereof and investment earnings thereon from the investment
26 account into investment vehicles managed by the Division of
27 Investment on behalf of the retirement systems. The investment
28 account may be further subdivided into subaccounts in the
29 discretion of the Director of the Division of Investment for purposes
30 of investing in different types of investments.

31 (3) Notwithstanding any provision of this act or any other
32 provision of law to the contrary, the Director of the Division of
33 Investment and the State Investment Council shall not have any
34 responsibility for the operations account of Common Pension Fund
35 L and shall not be liable for any claims, demands, suits, actions,
36 damages, judgments, costs, charges, or expenses, including court
37 costs or attorneys' fees in any way related to such account.
38 Notwithstanding the establishment of Common Pension Fund L in
39 the Division of Investment, the Director of the Division of
40 Investment, the Division of Investment, and the State Investment
41 Council shall not have any authority to manage the Lottery
42 Enterprise or the operations account.

43 d. The portion of the lottery contribution allocated to each
44 retirement system shall increase the funded ratio with respect to
45 eligible members of such retirement system, provided, however, all
46 amounts in the investment account, to the extent of the interest of
47 each retirement system therein, may be distributed by the Director
48 of the Division of Investment to the retirement systems from
49 Common Pension Fund L and used by each retirement system for

1 any legitimate purpose of such retirement system, provided that any
2 such distribution shall be made on a simultaneous and pro rata basis
3 to the retirement systems, which pro rata basis shall be based on
4 each retirement system's relative equitable interest in the lottery
5 contribution. For the purpose of this subsection, the funded ratio
6 shall be the ratio of the actuarial value of assets plus the value of
7 the special asset, determined in accordance with section 38 of
8 P.L.2010, c.1 (C.43:3C-14), to the actuarially determined accrued
9 liabilities expressed as a percentage.

10
11 7. (New section) Nothing in this act, P.L. , c. (C.)
12 (pending before the Legislature as this bill), shall be construed as a
13 waiver of the sovereign immunity of the State or a relinquishment
14 of the sovereign powers of the State. The Superior Court of New
15 Jersey shall have exclusive original jurisdiction and venue over all
16 matters arising from this act.

17
18 8. (New section) This act, P.L. , c. (C.) (pending before
19 the Legislature as this bill), shall be construed liberally. If any
20 provision of this act or the application thereof to any person or
21 circumstance is held invalid, such invalidity shall not affect other
22 provisions or applications which can be given effect without the
23 invalid provisions or applications, and to this end the provisions of
24 this act are declared to be severable.

25
26 9. Section 3 of P.L.1970, c.13 (C.5:9-3), is amended to read as
27 follows:

28 3. For the purposes of this act:

29 a. "Commission" shall mean the State Lottery Commission
30 established by this act.

31 b. "Division" shall mean the Division of the State Lottery
32 created by this act.

33 c. "Lottery" or "State lottery" shall mean the lottery
34 established and operated pursuant to this act and includes all lottery
35 games organized or conducted by the division prior to and after the
36 effective date of P.L. , c. (pending before the Legislature as this
37 bill).

38 d. "Director" shall mean the Director of the Division of the
39 State Lottery.

40 (cf: P.L.1970, c.13, s.3)

41
42 10. Section 5 of P.L.1970, c.13 (C.5:9-5) is amended to read as
43 follows:

44 5. The commission shall consist of the State Treasurer and six
45 public members, all of whom shall be residents of this State and all
46 of whom shall be appointed by the Governor by and with the
47 advice and consent of the Senate. No more than three of the six
48 public members shall be members of the same political party. The
49 public members shall be appointed for terms of 5 years, except that

1 of the members first appointed, one shall be appointed for a term of
2 1 year, one for a term of 2 years, one for a term of 3 years, one for a
3 term of 4 years, and one for a term of 5 years, commencing as of
4 the date of their appointment by the Governor. The term of each of
5 the members first appointed shall be designated by the Governor.
6 The term of the additional public member appointed pursuant to
7 this 1983 amendatory act shall be five years. The members shall
8 annually elect one of the public members as chairman of the
9 commission and shall also annually elect one of the public members
10 as vice chairman of the commission.

11 During the term of the lottery contribution made pursuant to
12 section 4 of P.L. , c. (C.) (pending before the Legislature as this
13 bill), the commission shall consist of the State Treasurer, the
14 Director of the Division of Investment, and five public members, all
15 of whom shall be residents of this State, and all of whom shall be
16 appointed by the Governor with the advice and consent of the
17 Senate. No more than three of the five public members shall be
18 members of the same political party. When the lottery contribution
19 begins, the Governor shall select one public member, who is serving
20 on the effective date of P.L. , c. (pending before the Legislature
21 as this bill), for termination of the member's service. Members of
22 the commission serving on the date of enactment of the "Lottery
23 Enterprise Contribution Act," P.L. , c. (C.) (pending before
24 the Legislature as this bill), not terminated by the Governor shall
25 continue to serve for the remainder of their terms.

26 Any vacancy in the commission occurring for any reason other
27 than the expiration of term shall be filled for the unexpired term in
28 the same manner as the original appointment.

29 Any public member of the commission may be removed from
30 office by the Governor, for cause, upon notice and opportunity to be
31 heard at a public hearing.

32 The public members of the commission shall receive no salaries
33 but shall be allowed reasonable expenses incurred in the
34 performance of their official duties in an amount not exceeding
35 \$5,000.00 per annum in the case of the chairman, and \$3,500.00 in
36 the case of each of the other commissioners.

37 The Director of the Division of Investment and the State
38 Treasurer may each designate an officer or employee of [his
39 department] the Division of Investment or the Department of the
40 Treasury, respectively, to represent [him] the director or the
41 Treasurer at meetings of the commission, who may lawfully vote
42 and otherwise act on behalf of the Treasurer and the director,
43 respectively. Any designation shall be in writing, delivered to the
44 commission and filed with the Secretary of State and shall continue
45 in effect, unless by its terms it is made for a fixed period, until
46 revoked or amended in the same manner as provided for the
47 designation.

48 (cf: P.L.1983, c.60, s.1)

1 11. Section 7 of P.L.1970, c.13 (C.5:9-7) is amended to read as
2 follows:

3 7. The commission shall have the power, and it shall be its
4 duty:

5 a. After full and thorough study of the report and
6 recommendations of the State Lottery Planning Commission
7 established pursuant to Joint Resolution Number 11, approved
8 November 20, 1969, and such other pertinent information as may be
9 available, to promulgate such rules and regulations governing the
10 establishment and operation of a State lottery as it deems necessary
11 and desirable in order that the mandate of the people expressed in
12 their approval of the amendment to Article IV, Section VII,
13 paragraph 2, of the Constitution in the general election of
14 November, 1969, may be fully implemented, in order that such a
15 lottery shall be initiated at the earliest feasible and practicable time,
16 and in order that such lottery shall produce the maximum amount of
17 net **【revenues】** proceeds for State institutions and State aid for
18 education consonant with the dignity of the State and the general
19 welfare of the people. Such rules and regulations may include, but
20 shall not be limited to, the following:

21 (1) The type of lottery to be conducted.

22 (2) The price, or prices, of tickets or shares in the lottery.

23 (3) The number and sizes of the prizes on the winning tickets or
24 shares.

25 (4) The manner of selecting the winning tickets or shares.

26 (5) The manner of payment of prizes to the holders of winning
27 tickets or shares, including, subject to the approval of the State
28 Treasurer, provision for payment of prizes not to exceed \$599.00 by
29 agents licensed hereunder out of moneys received from sales of
30 tickets or shares.

31 (6) The frequency of the drawings or selections of winning
32 tickets or shares, without limitation.

33 (7) Without limit as to number, the type or types of locations at
34 which tickets or shares may be sold.

35 (8) The method to be used in selling tickets or shares.

36 (9) The licensing of agents to sell tickets or shares, provided
37 that no person under the age of 21 shall be licensed as an agent.

38 (10) The manner and amount of compensation, if any, to be paid
39 licensed sales agents necessary to provide for the adequate
40 availability of tickets or shares to prospective buyers and for the
41 convenience of the public.

42 (11) The apportionment of the total **【revenues】** proceeds
43 accruing from the sale of lottery tickets or shares and from all other
44 sources among (a) the payment of prizes to the holders of winning
45 tickets or shares, (b) the payment of costs incurred in the operation
46 and administration of the lottery, including the expenses of the
47 division and the costs resulting from any contract or contracts
48 entered into for promotional, advertising or operational services or
49 for the purchase or lease of lottery equipment and materials, (c) for

1 the repayment of the money appropriated to the State Lottery Fund
2 pursuant to section 23 of this act, and (d) for transfer to the general
3 fund for State institutions and State aid for education; provided,
4 however, that no less than 30% of the total **【revenues】** proceeds
5 accruing from the sale of lottery tickets or shares shall be dedicated
6 to (d) above.

7 During the term of the lottery contribution made pursuant to
8 section 4 of P.L. , c. (C.) (pending before the Legislature as this
9 bill), the apportionment of the total proceeds accruing from the sale
10 of lottery tickets or shares and from all other sources among (a) the
11 payment of prizes to the holders of winning tickets or shares, (b) the
12 payment of costs incurred in the operation and administration of the
13 Lottery Enterprise, as defined in section 3 of P.L. , c. (C.)
14 (pending before the Legislature as this bill), including the expenses
15 of the division and the costs resulting from any contract or contracts
16 entered into for promotional, advertising, or operational services for
17 the purchase or lease of lottery equipment and materials, and (c) for
18 transfer to the investment account of Common Pension Fund L, for
19 the benefit of retirement systems, as provided in the "Lottery
20 Enterprise Contribution Act," P.L. , c. (C.) (pending before
21 the Legislature as this bill); provided, however, that no less than 30
22 percent of the proceeds accruing from the sale of lottery tickets or
23 shares shall be dedicated to the investment account under (c) above.

24 (12) Such other matters necessary or desirable for the efficient
25 and economical operation and administration of the lottery and the
26 Lottery Enterprise and for the convenience of the purchasers of
27 tickets or shares and the holders of winning tickets or shares.

28 Notwithstanding the provisions of any other law to the contrary,
29 no rule or regulation establishing a lottery game shall be
30 considered an "administrative rule" or "rule" pursuant to
31 P.L.1968, c. 410 (C. 52:14B-1 et seq.).

32 b. To amend, repeal, or supplement any such rules and
33 regulations from time to time as it deems necessary or desirable.
34 Notwithstanding any provision of the "Administrative Procedure
35 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the
36 commission may adopt, immediately upon filing with the Office of
37 Administrative Law, such regulations as are necessary to implement
38 the provisions of the "Lottery Enterprise Contribution Act," P.L. ,
39 c. (C.) (pending before the Legislature as this bill), which shall
40 be effective for a period not to exceed 12 months following
41 adoption, and may thereafter be amended, adopted, or readopted by
42 the commission in accordance with the requirements of the
43 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
44 seq.).

45 c. To advise and make recommendations to the director
46 regarding the operation and administration of the lottery and the
47 Lottery Enterprise.

48 d. To report monthly to the Governor and the Legislature
49 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during

1 the lottery contribution, to the Director of the Division of
2 Investment, the total lottery [revenues] proceeds, prize
3 disbursements and other expenses for the preceding month, and to
4 make an annual report, which shall include a full and complete
5 statement of lottery [revenues] proceeds, prize disbursements and
6 other expenses, to the Governor [and] , the Legislature, and during
7 the lottery contribution, the Director of the Division of Investment,
8 including such recommendations for changes in this act as it deems
9 necessary or desirable.

10 e. To report immediately to the Governor and the Legislature
11 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during
12 the lottery contribution, to the Director of the Division of
13 Investment, any matters which shall require immediate changes in
14 the laws of this State in order to prevent abuses and evasions of this
15 act or rules and regulations promulgated thereunder or to rectify
16 undesirable conditions in connection with the administration or
17 operation of the lottery and the Lottery Enterprise.

18 f. To carry on a continuous study and investigation of the
19 lottery and the Lottery Enterprise throughout the State, which may
20 include requiring a financial or operational audit of the Lottery
21 Enterprise, (1) for the purpose of ascertaining any defects in this act
22 or in the rules and regulations issued thereunder by reason whereof
23 any abuses in the administration and operation of the lottery and the
24 Lottery Enterprise or any evasion of this act or the rules and
25 regulations may arise or be practiced, (2) for the purpose of
26 formulating recommendations for changes in this act and the rules
27 and regulations promulgated thereunder to prevent such abuses and
28 evasions, (3) to guard against the use of this act and the rules and
29 regulations issued thereunder as a cloak for the carrying on of
30 organized gambling and crime, and (4) to insure that said law and
31 rules and regulations shall be in such form and be so administered
32 as to serve the true purposes of this act and the "Lottery Enterprise
33 Contribution Act," P.L. , c. (C.) (pending before the
34 Legislature as this bill).

35 g. To make a continuous study and investigation of (1) the
36 operation and the administration of similar laws which may be in
37 effect in other states or countries, (2) any literature on the subject
38 which from time to time may be published or available, (3) any
39 Federal laws which may affect the operation of the lottery and the
40 Lottery Enterprise, and (4) the reaction of New Jersey [citizens]
41 residents to existing and potential features of the lottery and the
42 Lottery Enterprise, with a view to recommending or effecting
43 changes that will tend to serve the purposes of this act.

44 (cf: P.L.1981, c.182, s.1)

45

46 12. Section 8 of P.L.1970, c.13 (C.5:9-8) is amended to read as
47 follows:

48 8. The director shall have the power, and it shall be his duty to:

- 1 a. Supervise and administer the operation of the lottery and the
2 Lottery Enterprise in accordance with the provisions of this act and
3 the “Lottery Enterprise Contribution Act,” P.L. , c. (C.)
4 (pending before the Legislature as this bill), and with the rules and
5 regulations of the commission.
- 6 b. Subject to the approval of the commission, appoint such
7 deputy directors as may be required to carry out the functions and
8 duties of the division, which deputy directors shall be in the
9 unclassified service of the civil service.
- 10 c. Subject to the approval of the commission and Title **[11]**
11 11A of the **[Revised Statutes]** New Jersey Statutes, Civil Service,
12 appoint such professional, technical and clerical assistants and
13 employees as may be necessary to perform the duties imposed upon
14 the division by this act and the “Lottery Enterprise Contribution
15 Act,” P.L. , c. (C.) (pending before the Legislature as this
16 bill).
- 17 d. Act as secretary and executive officer of the commission.
- 18 e. In accordance with the provisions of this act and the rules
19 and regulations of the commission, to license as agents to sell
20 lottery tickets such persons as in his opinion will best serve the
21 public convenience and promote the sale of tickets or shares. The
22 director may require a bond from every licensed agent, in such
23 amount as provided in the rules and regulations of the commission.
24 Every licensed agent shall prominently display his license, or a
25 copy thereof, as provided in the rules and regulations of the
26 commission.
- 27 f. Shall confer regularly as necessary or desirable and not less
28 than once every month with the commission on the operation and
29 administration of the lottery and the Lottery Enterprise; shall make
30 available for inspection by the commission, upon request, all
31 books, records, files, and other information and documents of the
32 division; shall advise the commission and recommend such matters
33 as he deems necessary and advisable to improve the operation and
34 administration of the lottery and the Lottery Enterprise.
- 35 g. Suspend or revoke any license issued pursuant to this act or
36 the rules and regulations promulgated thereunder.
- 37 h. Subject to the approval of the commission and the applicable
38 laws relating to public contracts, to act on behalf of the commission
39 as using agency with respect to purchases made by the Division of
40 Purchase and Property of goods and services required in the
41 operation of the lottery and the Lottery Enterprise.
- 42 i. To certify monthly to the State Treasurer **[and]** , the
43 commission, and during the term of the lottery contribution made
44 pursuant to section 4 of P.L. , c. (C.) (pending before the
45 Legislature as this bill), the Director of the Division of Investment,
46 a full and complete statement of lottery **[revenues]** proceeds, prize
47 disbursements and other expenses for the preceding month.

1 j. During the term of the lottery contribution, operate, manage,
2 conduct, and control the retained assets and the retained liabilities,
3 as each term is defined in the “Lottery Enterprise Contribution
4 Act,” P.L. , c. (C.) (pending before the Legislature as this
5 bill).

6 (cf: P.L.1983, c.60, s. 2)

7
8 13. Section 17 of P.L.1970, c.13 (C.5:9-17) is amended to read
9 as follows:

10 17. Unclaimed prize money for the prize on a winning ticket or
11 share shall be retained by the director for the person entitled thereto
12 for 1 year after the drawing in which the prize was won. If no claim
13 is made for said money within such year, the prize money shall be
14 allocated to State institutions and State aid for education in the
15 same manner as lottery **[revenues]** proceeds are allocated for such
16 purposes under this act.

17 (cf: P.L.1970, c.13, s.17)

18
19 14. Section 18 of P.L.1970, c.13 (C.5:9-18) is amended to read
20 as follows:

21 18. The director may, in his discretion, require any or all lottery
22 sales agents to deposit to the credit of the operations account of
23 Common Pension Fund L, as provided in the “Lottery Enterprise
24 Contribution Act,” P.L. , c. (C.) (pending before the
25 Legislature as this bill) during the term of the lottery contribution
26 made pursuant to section 4 of P.L. , c. (C.) (pending before the
27 Legislature as this bill), and otherwise deposit to the credit of the
28 State Lottery Fund in banks, designated by the State Treasurer all
29 moneys received by such agents from the sale of lottery tickets or
30 shares, less the amount, if any, retained as compensation for the
31 sale of the tickets or shares, and to file with the director or his
32 designated agents reports of their receipts and transactions in the
33 sale of lottery tickets in such form and containing such information
34 as he may require. The director may make such arrangements for
35 any person, including a bank, to perform such functions, activities
36 or services in connection with the operation of the lottery as he
37 may deem advisable pursuant to this act and the rules and
38 regulations of the commission, and such functions, activities or
39 services shall constitute lawful functions, activities and services of
40 such person.

41 (cf: P.L.1970, c.13, s.18)

42
43 15. Section 21 of P.L.1970, c.13 (C.5:9-21) is amended to read
44 as follows:

45 21. There is hereby created and established in the Department of
46 the Treasury a separate fund, to be known as the "State Lottery
47 Fund," to be deposited in such depositories as the State Treasurer
48 may select. Such fund shall consist of all **[revenues]** proceeds
49 received from the sale of lottery tickets or shares, and all other

1 moneys credited or transferred thereto from any other fund or
2 source pursuant to law.

3 During the term of the lottery contribution made pursuant to
4 section 4 of P.L. , c. (C.) (pending before the Legislature as this
5 bill), no proceeds received from the sale of lottery tickets or shares,
6 and no other moneys credited or transferred to the Lottery
7 Enterprise, as defined as section 3 of P.L. , c. (C.) (pending
8 before the Legislature as this bill), from any other fund or source,
9 shall be deposited into the State Lottery Fund, and instead all such
10 amounts shall be deposited into the operations account of Common
11 Pension Fund L, established pursuant to the “Lottery Enterprise
12 Contribution Act,” P.L. , c. (C.) (pending before the
13 Legislature as this bill).

14 (cf: P.L.1970, c.13, s.21)

15

16 16. Section 22 of P.L.1970, c.13 (C.5:9-22) is amended to read
17 as follows:

18 22. The moneys in said State Lottery Fund shall be appropriated
19 only (a) for the payment of prizes to the holders of winning lottery
20 tickets or shares, (b) for the expenses of the division in its
21 operation of the lottery, (c) for State institutions and State aid for
22 education as shall be provided by law, and (d) for the repayment to
23 the general treasury of the amount appropriated to the fund
24 pursuant to section 23 of this act.

25 On or about March 15 and September 15 of each year, the State
26 Treasurer shall publish in at least 10 newspapers circulating
27 generally in the State a report accounting for the total revenues
28 received in the State Lottery Fund and the specific amounts of
29 money appropriated therefrom for specific expenditures during the
30 preceding six months ending December 31 and June 30.

31 During the term of the lottery contribution made pursuant to
32 section 4 of P.L. , c. (C.) (pending before the Legislature as this
33 bill), the moneys in the operations account of Common Pension
34 Fund L, established pursuant to section 6 of P.L. , c. (C.)
35 (pending before the Legislature as this bill), shall be used only (a)
36 for the payment of prizes to the holders of winning lottery tickets or
37 shares, (b) for the expenses of the division in its operation of the
38 lottery and the Lottery Enterprise, as defined in section 3 of P.L. ,
39 c. (C.) (pending before the Legislature as this bill), and (c) for
40 transfer to the investment account of Common Pension Fund L for
41 the benefit of the retirement systems.

42 (cf: P.L.1984, c.136, s.1)

43

44 17. Section 38 of P.L.2010, c.1 (C.43:3C-14) is amended as
45 follows:

46 38. a. (1) Commencing July 1, 2011 and thereafter, the
47 contribution required, by law, to be made by the State to the
48 Teachers' Pension and Annuity Fund, established pursuant to
49 N.J.S.18A:66-1 et seq., the Judicial Retirement System, established

1 pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the Prison Officers'
2 Pension Fund, established pursuant to P.L.1941, c.220 (C.43:7-7 et
3 seq.), the Public Employees' Retirement System, established
4 pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the Consolidated
5 Police and Firemen's Pension Fund, established pursuant to
6 R.S.43:16-1 et seq., the Police and Firemen's Retirement System,
7 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), and
8 the State Police Retirement System, established pursuant to
9 P.L.1965, c.89 (C.53:5A-1 et seq.), shall be made in full each year
10 to each system or fund in the manner and at the time provided by
11 law. The contribution shall be computed by actuaries for each
12 system or fund based on an annual valuation of the assets and
13 liabilities of the system or fund pursuant to consistent and generally
14 accepted actuarial standards and shall include the normal
15 contribution and the unfunded accrued liability contribution.
16 Notwithstanding the provisions of any law to the contrary, the
17 assets to be included in the calculation described in this paragraph
18 shall not include the special asset value.

19 (2) The State with regard to its obligations funded through the
20 annual appropriations act shall be in compliance with this
21 requirement provided the State makes a payment, to each State-
22 administered retirement system or fund, of at least 1/7th of the full
23 contribution, as computed by the actuaries, in the State fiscal year
24 commencing July 1, 2011 and a payment in each subsequent fiscal
25 year that increases by at least an additional 1/7th until payment of
26 the full contribution is made in the seventh fiscal year and
27 thereafter.

28 (3) The sum of the accrued liability and the normal contribution,
29 calculated by the actuaries with respect to the unfunded accrued
30 liability and normal cost for each retirement system, as defined
31 pursuant to section 3 of P.L. , c. (C.) (pending before the
32 Legislature as this bill), shall be reduced annually by the product of
33 the allocable percentage for such retirement system, established in
34 section 5 of P.L. , c. (C.) (pending before the Legislature as
35 this bill), the adjustment percentage for such retirement system, as
36 set forth in subsection c. of this section, and the special asset
37 adjustment as set forth in this paragraph.

38 For State fiscal year 2018, the annual special asset adjustment
39 shall equal \$1,000,976,874.

40 For State fiscal year 2019, the annual special asset adjustment
41 shall equal \$1,037,148,584.

42 For State fiscal year 2020, the annual special asset adjustment
43 shall equal \$1,070,451,102.

44 For State fiscal year 2021, the annual special asset adjustment
45 shall equal \$1,084,354,841.

46 For State fiscal year 2022, the annual special asset adjustment
47 shall equal \$1,095,871,137.

48 After State fiscal year 2022, the special asset adjustment shall be
49 determined based on an amortization of the special asset value over

1 the remaining term of the lottery contribution made pursuant to
2 section 4 of P.L. , c. (C.) (pending before the Legislature as this
3 bill), at the regular interest rate applicable to the retirement
4 systems; provided, however, in no event shall the annual special
5 asset adjustment be more than the maximum special asset
6 adjustment.

7 The maximum special asset adjustment shall be determined
8 based on a 30-year amortization of the initial special asset value at
9 the regular interest rate applicable to the retirement systems.

10 The special asset value shall initially be the value set forth in
11 section 5 of P.L. , c. (C.) (pending before the Legislature as
12 this bill), and shall be revalued periodically as follows:

13 (a) if and as requested by the State Treasurer, in the Treasurer's
14 discretion, which revaluation shall not occur more than once in any
15 State fiscal year; and

16 (b) five years from the date of the last valuation performed,
17 whether discretionary or otherwise.

18 The special asset value shall exclude proceeds counted in any
19 prior actuarial valuation as a receivable. The special asset shall be
20 depreciated on a straight-line basis over the remaining term of the
21 lottery contribution based on the special asset value.

22 As used in this paragraph:

23 "Special asset adjustment" means the periodic actuarial
24 adjustment with respect to the special asset applicable to the
25 retirement systems.

26 b. In the State fiscal year commencing July 1, 2017 and in each
27 State fiscal year thereafter, the contribution required to be made by
28 the State pursuant to [subsection a. of] this section shall be made to
29 each system on the following schedule: at least 25 percent by
30 September 30, at least 50 percent by December 31, at least 75
31 percent by March 31, and at least 100 percent by June 30. The
32 amount of the contribution shall be net of the amount of any
33 increase in the interest on the tax and revenue anticipation notes
34 attributable solely to the need to borrow an increased amount in
35 order to make the quarterly payments.

36 c. For State fiscal years 2018 through 2022, the adjustment
37 percentage applicable to the Teachers' Pension and Annuity Fund,
38 established pursuant to N.J.S.18A:66-1 et seq., the Public
39 Employees' Retirement System, established pursuant to P.L.1954,
40 c.84 (C.43:15A-1 et seq.), and the Police and Firemen's Retirement
41 System, established pursuant to P.L.1944, c.255 (C.43:16A-1 et
42 seq.), shall be 100 percent. For State fiscal years beginning 2023
43 and thereafter, the adjustment percentage applicable to: (1) the
44 Teachers' Pension and Annuity Fund shall be 88.27 percent; (2) the
45 Public Employees' Retirement System shall be 57.29 percent; and
46 (3) the Police and Firemen's Retirement System shall be 0.00
47 percent. In State fiscal years 2023 and thereafter, for each of the
48 Teachers' Pension and Annuity Fund, the Public Employees'
49 Retirement System, and the Police and Firemen's Retirement

1 System, in their entirety, if the funded ratio falls below 50 percent
2 for any State fiscal year, the adjustment percentage for such fiscal
3 year shall be reduced by a number of percentage points equal to
4 three times the difference between 50 percent and the funded ratio,
5 rounded to the nearest percentage point. For the purposes of this
6 subsection, the funded ratio shall include the special asset value.
7 (cf: P.L.2016, c.83, s.1)

8
9 18. Section 27 of P.L.2011, c.78 (C.43:3C-16) is amended as
10 follows:

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

26 During the term of the lottery contribution made pursuant to
27 section 4 of P.L. , c. (C.) (pending before the Legislature as
28 this bill), for the purpose of the retirement systems, as defined in
29 section 3 of P.L. , c. (C.) (pending before the Legislature as
30 this bill), "target funded ratio" means a ratio of the actuarial value
31 of assets plus the allocable special asset value, as determined in
32 section 38 of P.L.2010, c.1 (C.43:3C-14), to the actuarially
33 determined accrued liabilities expressed as a percentage that shall
34 be for the State part of each system, and the local part of each
35 system, if any, 75 percent in State fiscal year 2012, and increased in
36 each State fiscal year thereafter by equal increments for seven
37 years, until the ratio reaches 80 percent at which it shall remain for
38 all subsequent State fiscal years.
39 (cf: P.L.2011, c.78, s.27)

40
41 19. N.J.S.18A:66-17 is amended as follows:

42 18A:66-17. The expenses of administration of the retirement
43 system shall be paid by the State of New Jersey. Each employing
44 school district shall reimburse the State for a proportionate share of
45 the amount paid by the State for administrative expense. This
46 proportion shall be computed as the number of members under the
47 jurisdiction of such employing school district bears to the total
48 number of members in the system. The pro rata share of the cost of
49 the administrative expense shall be included with the certification

1 by the board of trustees to the Commissioner of Education, the
2 State Treasurer and to each employing school district. The
3 commissioner shall deduct the amount so certified from the
4 certification, to the State Treasurer and the Director of the Division
5 of Budget and Accounting, of State aid payable to such employing
6 school district under the provisions of c. 85, P.L.1954. Similar
7 reimbursement shall be made to the State by institutions and
8 districts to which c. 85, P.L.1954 does not pertain.

9 For purposes of this section, during the term of the lottery
10 contribution made pursuant to section 4 of P.L. , c. (C.)
11 (pending before the Legislature as this bill), the expenses of the
12 Lottery Enterprise shall not be considered to be expenses of the
13 retirement system but shall be paid in accordance with section 6 of
14 P.L. , c. (C.) (pending before the Legislature as this bill).
15 (cf: P.L.1971, c.121, s.7)

16
17 20. N.J.S.18A:66-18 is amended to read as follows:

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

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

29 b. Upon the basis of the tables recommended by the actuary
30 which the board of trustees adopts and regular interest, the actuary
31 of the board shall annually determine if there is an amount of the
32 accrued liability of the retirement system, computed under the
33 projected unit credit method, including the liability for pension
34 adjustment benefits for active employees funded pursuant to section
35 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered
36 by the assets of the retirement system, valued in accordance with
37 the asset valuation method established in this section. This shall be
38 known as the "unfunded accrued liability." If there was no
39 unfunded accrued liability for the valuation period immediately
40 preceding the current valuation period, the actuary, using the total
41 amount of this unfunded accrued liability, shall compute the initial
42 amount of contribution which, if paid annually in level dollars for a
43 specific period of time, will amortize this liability. The State
44 Treasurer shall determine, upon the advice of the Director of the
45 Division of Pensions and Benefits, the board of trustees and the
46 actuary, the time period for full funding of this liability, which shall
47 not exceed 30 years. This shall be known as the "accrued liability
48 contribution." Thereafter, any increase or decrease in the unfunded
49 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
3 liability, unless an increase in the amortization period will cause it
4 to exceed 30 years. If an increase in the amortization period as a
5 result of actuarial losses for a valuation year would exceed 30 years,
6 the accrued liability contribution shall be computed for the
7 valuation year in the same manner provided for the computation of
8 the initial accrued liability contribution under this section.
9 Beginning with the July 1, 2019 actuarial valuation, the accrued
10 liability contribution shall be computed so that if the contribution is
11 paid annually in level dollars, it will amortize this unfunded accrued
12 liability over a closed 30-year period. Beginning with the July 1,
13 2029 actuarial valuation, when the remaining amortization period
14 reaches 20 years, any increase or decrease in the unfunded accrued
15 liability as a result of actuarial losses or gains for subsequent
16 valuation years shall serve to increase or decrease, respectively, the
17 amortization period for the unfunded accrued liability, unless an
18 increase in the amortization period will cause it to exceed 20 years.
19 If an increase in the amortization period as a result of actuarial
20 losses for a valuation year would exceed 20 years, the accrued
21 liability contribution shall be computed for the valuation year in the
22 same manner provided for the computation of the initial accrued
23 liability contribution under this section.

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

28 The value of the assets, excluding the special asset value set
29 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
30 computation of the contributions provided for under this section for
31 valuation periods shall be the value of the assets for the preceding
32 valuation period increased by the regular interest rate, plus the net
33 cash flow for the valuation period (the difference between the
34 benefits and expenses paid by the system and the contributions to
35 the system) increased by one half of the regular interest rate, plus
36 20% of the difference between this expected value and the full
37 market value of the assets as of the end of the valuation period.
38 This shall be known as the "valuation assets." Notwithstanding the
39 first sentence of this paragraph, the valuation assets for the
40 valuation period ending March 31, 1996 shall be the full market
41 value of the assets as of that date and shall include the proceeds
42 from the bonds issued pursuant to the "Pension Bond Financing Act
43 of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system
44 by the New Jersey Economic Development Authority to fund the
45 unfunded accrued liability of the system. Notwithstanding the first
46 sentence of this paragraph, the valuation assets for the valuation
47 period ending June 30, 1999 shall be the full market value of the
48 assets as of that date.

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

- 1 (1) the valuation assets; less
- 2 (2) the actuarial accrued liability for basic benefits and pension
3 adjustment benefits, excluding the unfunded accrued liability for
4 early retirement incentive benefits pursuant to P.L.1991, c.231 and
5 P.L.1993, c.163 for employers other than the State; less
- 6 (3) the contributory group insurance premium fund created by
7 N.J.S.18A:66-77; less
- 8 (4) the post-retirement medical premium fund created pursuant
9 to section 2 of P.L.1987, c.385 (C.18A:66-18.1), as amended by
10 section 3 of P.L.1994, c.62; less
- 11 (5) the present value of the projected total normal cost for
12 pension adjustment benefits in excess of the projected total phased-
13 in normal cost for pension adjustment benefits as originally
14 authorized by section 2 of P.L.1987, c.385 (C.18A:66-18.1) over
15 the full phase-in period, determined in the manner prescribed for
16 the determination and amortization of the unfunded accrued liability
17 of the system, if the sum of the foregoing items is greater than zero.

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

- 33 (1) for valuation periods ending March 31, 1997 through March
34 31, 2001, to the extent possible by up to 100% of the excess
35 valuation assets;
- 36 (2) for the valuation period ending March 31, 2002, to the extent
37 possible by up to 84% of the excess valuation assets;
- 38 (3) for the valuation period ending March 31, 2003, to the extent
39 possible by up to 68% of the excess valuation assets; and
- 40 (4) for valuation periods ending March 31, 2004 through June
41 30, 2007, to the extent possible by up to 50% of the excess
42 valuation assets.

43 For calendar years 1998 and 1999, the rate of contribution of
44 members of the retirement system under N.J.S.18A:66-29 shall be
45 reduced by 1/2 of 1% from excess valuation assets. For calendar
46 years 2000 and 2001, the rate of contribution of members of the
47 retirement system shall be reduced equally with normal
48 contributions to the extent possible, but not more than 1/2 of 1%,
49 from excess valuation assets. Thereafter, through calendar year

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

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

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

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

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

43 e. Except as provided in N.J.S.18A:66-26 and N.J.S.18A:66-
44 53, the death benefits payable under the provisions of this article
45 upon the death of an active or retired member shall be paid from the
46 contingent reserve fund.

47 f. The disbursements for benefits not covered by reserves in
48 the system on account of veterans shall be met by direct

1 contribution of the State.
2 (cf: P.L.2011, c.78, s.20)

3
4 21. Section 3 of P.L.1993, c.375 (C.18A:72A-51) is amended to
5 read as follows:

6 3. There is created within the New Jersey Educational
7 Facilities Authority, established pursuant to N.J.S.18A:72A-1 et
8 seq., the "Higher Education Facilities Trust Fund," hereinafter
9 referred to as the "trust fund." The trust fund shall be maintained as
10 a separate account and administered by the authority to carry out
11 the provisions of this act. The trust fund shall consist of:

12 a. moneys received from the issuance of bonds or notes
13 pursuant to section 9 of P.L.1993, c.375 (C.18A:72A-57) and an
14 annual appropriation **【**from the net proceeds of the State lottery
15 established by P.L.1970, c.13 (C.5:9-1 et seq.)**】** in an amount
16 sufficient to pay the principal and interest on the bonds or notes;

17 b. all moneys appropriated by the State for the purposes of the
18 trust fund; and

19 c. all interest and investment earnings received on moneys in
20 the trust fund.

21 (cf: P.L.1993, c.375, s.3)

22

23 22. Section 3 of P.L.1999, c.217 (C.18A:72A-74) is amended to
24 read as follows:

25 3. There is created within the New Jersey Educational
26 Facilities Authority, established pursuant to chapter 72A of Title
27 18A of the New Jersey Statutes, the "Higher Education Capital
28 Improvement Fund," hereinafter referred to as the "capital
29 improvement fund." The capital improvement fund shall be
30 maintained as a separate account and administered by the authority
31 to carry out the provisions of this act. The capital improvement
32 fund shall consist of:

33 a. moneys received from the issuance of bonds, notes or other
34 obligations issued pursuant to section 7 of P.L.1999, c.217
35 (C.18A:72A-78) and an annual appropriation **【**from the net
36 proceeds of the State lottery established by P.L.1970, c.13 (C.5:9-1
37 et seq.)**】** in an amount sufficient to pay the principal and interest on
38 the bonds, notes or other obligations;

39 b. all moneys appropriated by the State for the purposes of the
40 capital improvement fund; and

41 c. all interest and investment earnings received on moneys in
42 the capital improvement fund.

43 (cf: P.L.1999, c.217, s.3)

44

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

1 23. The expenses of administration of the retirement system on
2 behalf of State employee members shall be paid by the State of New
3 Jersey.

4 The administration fees hereafter paid by participating employers
5 other than the State, shall be used to pay the expenses of
6 administration of the retirement system on behalf of all members
7 other than State employees.

8 For purposes of this section, during the term of the lottery
9 contribution made pursuant to section 4 of P.L. _____, c. (C.)
10 (pending before the Legislature as this bill), the expenses of the
11 Lottery Enterprise shall not be considered to be expenses of the
12 retirement system.

13 (cf: P.L.1954, c.84, s.23)

14

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

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

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

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

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

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

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

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

21 The value of the assets, excluding the special asset value set
22 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
23 computation of the contributions provided for under this section for
24 valuation periods shall be the value of the assets for the preceding
25 valuation period increased by the regular interest rate, plus the net
26 cash flow for the valuation period (the difference between the
27 benefits and expenses paid by the system and the contributions to
28 the system) increased by one half of the regular interest rate, plus
29 20% of the difference between this expected value and the full
30 market value of the assets as of the end of the valuation period.
31 This shall be known as the "valuation assets." Notwithstanding the
32 first sentence of this paragraph, the valuation assets for the
33 valuation period ending March 31, 1996 shall be the full market
34 value of the assets as of that date and, with respect to the valuation
35 assets allocated to the State, shall include the proceeds from the
36 bonds issued pursuant to the "Pension Bond Financing Act of
37 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system
38 by the New Jersey Economic Development Authority to fund the
39 unfunded accrued liability of the system. Notwithstanding the first
40 sentence of this paragraph, the valuation assets for the valuation
41 period ending June 30, 1999 shall be the full market value of the
42 assets as of that date.

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

- 45 (1) the valuation assets allocated to the State; less
- 46 (2) the actuarial accrued liability of the State for basic benefits
47 and pension adjustment benefits under the retirement system; less

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

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

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

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

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

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

23 (3) the contributory group insurance premium fund, created by
24 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
25 4 of P.L.1960, c.79; less

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

34 If there are excess valuation assets allocated to the State or to the
35 other employers for the valuation period ending March 31, 1996,
36 the normal contributions payable by the State or by the other
37 employers for the valuation periods ending March 31, 1996 and
38 March 31, 1997 which have not yet been paid to the retirement
39 system shall be reduced to the extent possible by the excess
40 valuation assets allocated to the State or to the other employers,
41 respectively, provided that with respect to the excess valuation
42 assets allocated to the State, the General Fund balances that would
43 have been paid to the retirement system except for this provision
44 shall first be allocated as State aid to public schools to the extent
45 that additional sums are required to comply with the May 14, 1997
46 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If
47 there are excess valuation assets allocated to the State or to the
48 other employers for a valuation period ending after March 31, 1996,
49 the State Treasurer may reduce the normal contribution payable by

1 the State or by the other employers for the next valuation period as
2 follows:

3 (1) for valuation periods ending March 31, 1997 through March
4 31, 2001, to the extent possible by up to 100% of the excess
5 valuation assets allocated to the State or to the other employers,
6 respectively;

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

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

13 (4) for valuation periods ending March 31, 2004 through June
14 30, 2007, to the extent possible by up to 50% of the excess
15 valuation assets allocated to the State or to the other employers,
16 respectively.

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

36 If there are excess valuation assets after reductions in normal
37 contributions and member contributions as authorized in the
38 preceding paragraphs for a valuation period beginning with the
39 valuation period ending June 30, 1999, an amount of excess
40 valuation assets not to exceed the amount of the member
41 contributions for the fiscal year in which the normal contributions
42 are payable shall be credited to the benefit enhancement fund. The
43 amount of excess valuation assets credited to the benefit
44 enhancement fund shall not exceed the present value of the
45 expected additional normal contributions attributable to the
46 provisions of P.L.2001, c.133 payable on behalf of the active
47 members over the expected working lives of the active members in
48 accordance with the tables of actuarial assumptions for the
49 valuation period. No additional excess valuation assets shall be

1 credited to the benefit enhancement fund after the maximum
2 amount is attained. Interest shall be credited to the benefit
3 enhancement fund as provided under section 33 of P.L.1954, c.84
4 (C.43:15A-33).

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

12 c. The retirement system shall certify annually the aggregate
13 amount payable to the contingent reserve fund in the ensuing year,
14 which amount shall be equal to the sum of the amounts described in
15 this section.

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

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

47 An employer that elects to pay 100 percent of the amount
48 certified by the retirement system for the State fiscal year ending

1 June 30, 2009 shall be credited with such payment and any such
2 amounts shall not be included in the employer's unfunded liability.

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

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

22 The State shall pay into the contingent reserve fund during the
23 ensuing year the amount so determined. The death benefits,
24 payable as a result of contribution by the State under the provisions
25 of this chapter upon the death of an active or retired member, shall
26 be paid from the contingent reserve fund.

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

30 (cf: P.L.2011, c.78, s.22)

31

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

34 37. Regular interest charges payable, the creation and
35 maintenance of reserves in the contingent reserve fund, the
36 maintenance of retirement reserves as provided for in this act and
37 the payment of all retirement allowances and other benefits granted
38 by the board of trustees under the provisions of this act, except the
39 amounts payable by other employers, are hereby made obligations
40 of the State. All income, interest and dividends derived from
41 deposits and investments authorized by this act shall be used for the
42 payment of these obligations of the State and other employers,
43 including, during the term of the lottery contribution made pursuant
44 to section 4 of P.L. , c. (C.) (pending before the Legislature as
45 this bill), all income, interest, and dividends derived from deposits
46 and investments in the investment account of Common Pension
47 Fund L, established pursuant to section 6 of P.L. , c. (C.)
48 (pending before the Legislature as this bill).

1 Upon the basis of each actuarial determination and appraisal
2 provided for in this act, the board of trustees shall submit to the
3 Governor in each year an itemized statement of the amounts
4 necessary to be appropriated by the State to provide for payment in
5 full during the ensuing fiscal year of the obligations of the State
6 accruing during that year. The Legislature shall make an
7 appropriation sufficient to provide for such obligations of the State.
8 The amounts so appropriated shall be paid into the contingent
9 reserve fund.
10 (cf: P.L.1971, c.213, s.15)

11
12 26. Section 14 of P.L.1944, c.255 (C.43:16A-14) is amended to
13 read as follows:

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

26 An elected member of the board of trustees to be designated by a
27 majority vote thereof shall serve on the State Investment Council as
28 a representative of said board of trustees, for a term of three years
29 and until a successor is designated and qualified.

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

39 (3) (Deleted by amendment.)

40 (4) Except as otherwise herein provided, no trustee and no
41 employee of the board of trustees shall have any direct interest in
42 the gains or profits of any investments of the retirement system;
43 nor shall any trustee or employee of the board directly or
44 indirectly, for himself or as an agent in any manner use the moneys
45 of the retirement system, except to make such current and necessary
46 payments as are authorized by the board of trustees; nor shall any
47 trustee or employee of the board of trustees become an endorser or
48 surety, or in any manner an obligor for moneys loaned to or
49 borrowed from the retirement system.

1 (5) For purposes of this section, during the term of the lottery
2 contribution made pursuant to section 4 of P.L. , c. (C.)
3 (pending before the Legislature as this bill), the expenses of the
4 Lottery Enterprise shall not be considered to be expenses of the
5 retirement system.

6 (cf: P.L.2011, c.78, s.31)

7
8 27. Section 15 of P.L.1944, c.225 (C.43:16A-15) is amended to
9 read as follows:

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

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

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

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

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

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

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

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

47 (9) With respect to employers other than the State, upon the
48 basis of the tables recommended by the actuary which the board
49 adopts and regular interest, the actuary shall compute the amount of

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

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

1 valuation period immediately preceding the current valuation
2 period, the actuary, using the total amount of this unfunded accrued
3 liability, shall compute the initial amount of contribution which, if
4 the contribution is paid annually in level dollars for a specific
5 period of time, will amortize this liability. The State Treasurer shall
6 determine, upon the advice of the Director of the Division of
7 Pensions and Benefits, the board of trustees and the actuary, the
8 time period for full funding of this liability, which shall not exceed
9 30 years. This shall be known as the "accrued liability
10 contribution." Thereafter, any increase or decrease in the unfunded
11 accrued liability as a result of actuarial losses or gains for
12 subsequent valuation years shall serve to increase or decrease,
13 respectively, the amortization period for the unfunded accrued
14 liability, unless an increase in the amortization period will cause it
15 to exceed 30 years. If an increase in the amortization period as a
16 result of actuarial losses for a valuation year would exceed 30 years,
17 the accrued liability contribution shall be computed for the
18 valuation year in the same manner provided for the computation of
19 the initial accrued liability contribution under this section.
20 Beginning with the July 1, 2018 actuarial valuation, the accrued
21 liability contribution shall be computed so that if the contribution is
22 paid annually in level dollars, it will amortize this unfunded accrued
23 liability over a closed 30-year period. Beginning with the July 1,
24 2028 actuarial valuation, when the remaining amortization period
25 reaches 20 years, any increase or decrease in the unfunded accrued
26 liability as a result of actuarial losses or gains for subsequent
27 valuation years shall serve to increase or decrease, respectively, the
28 amortization period for the unfunded accrued liability, unless an
29 increase in the amortization period will cause it to exceed 20 years.
30 If an increase in the amortization period as a result of actuarial
31 losses for a valuation year would exceed 20 years, the accrued
32 liability contribution shall be computed for the valuation year in the
33 same manner provided for the computation of the initial accrued
34 liability contribution under this section.

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

39 The value of the assets, excluding the special asset value set
40 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
41 computation of the contributions provided for under this section for
42 valuation periods shall be the value of the assets for the preceding
43 valuation period increased by the regular interest rate, plus the net
44 cash flow for the valuation period (the difference between the
45 benefits and expenses paid by the system and the contributions to
46 the system) increased by one half of the regular interest rate, plus
47 20% of the difference between this expected value and the full
48 market value of the assets as of the end of the valuation period.
49 This shall be known as the "valuation assets." Notwithstanding the

1 first sentence of this paragraph, the valuation assets for the
2 valuation period ending June 30, 1995 shall be the full market value
3 of the assets as of that date and, with respect to the valuation assets
4 allocated to the State, shall include the proceeds from the bonds
5 issued pursuant to the "Pension Bond Financing Act of 1997,"
6 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the
7 New Jersey Economic Development Authority to fund the unfunded
8 accrued liability of the system. Notwithstanding the first sentence of
9 this paragraph, the percentage of the difference between the
10 expected value and the full market value of the assets to be added to
11 the expected value of the assets for the valuation period ending June
12 30, 1998 for the State shall be 100% and for other employers shall
13 be 57% plus such additional percentage as is equivalent to
14 \$150,000,000. Notwithstanding the first sentence of this paragraph,
15 the amount of the difference between the expected value and the
16 full market value of the assets to be added to the expected value of
17 the assets for the valuation period ending June 30, 1999 shall
18 include an additional amount of the market value of the assets
19 sufficient to fund (1) 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) and
22 (2) the unfunded accrued liability for the full credit toward benefits
23 under the retirement system for service credited in the Public
24 Employees' Retirement System and transferred pursuant to section 1
25 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the
26 cost of any credit purchase pursuant to section 3 of P.L.1993, c.247
27 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201
28 (C.43:16A-3.14).

29 "Excess valuation assets" means, with respect to the valuation
30 assets allocated to the State, the valuation assets allocated to the
31 State for a valuation period less the actuarial accrued liability of the
32 State for the valuation period, and beginning with the valuation
33 period ending June 30, 1998, less the present value of the expected
34 additional normal cost contributions attributable to the provisions of
35 P.L.1999, c.428 (C.43:16A-15.8 et al.) payable on behalf of the
36 active members employed by the State as of the valuation period
37 over the expected working lives of the active members in
38 accordance with the tables of actuarial assumptions applicable to
39 the valuation period, and less the present value of the expected
40 additional normal cost contributions attributable to the provisions of
41 P.L.2003, c.108 as amending section 16 of P.L.1964, c.241
42 (C.43:16A-11.1) payable on behalf of the active members employed
43 by the State as of the valuation period over the expected working
44 lives of the active members in accordance with the tables of
45 actuarial assumptions applicable to the valuation period, if the sum
46 is greater than zero. "Excess valuation assets" means, with respect
47 to the valuation assets allocated to other employers, the valuation
48 assets allocated to the other employers for a valuation period less
49 the actuarial accrued liability of the other employers for the

1 valuation period, excluding the unfunded accrued liability for early
2 retirement incentive benefits pursuant to P.L.1993, c.99 for the
3 other employers, and beginning with the valuation period ending
4 June 30, 1998, less the present value of the expected additional
5 normal cost contributions attributable to the provisions of P.L.1999,
6 c.428 (C.43:16A-15.8 et al.) payable on behalf of the active
7 members employed by other employers as of the valuation period
8 over the expected working lives of the active members in
9 accordance with the tables of actuarial assumptions applicable to
10 the valuation period, and less the present value of the expected
11 additional normal cost contributions attributable to the provisions of
12 P.L.2003, c.108 as amending section 16 of P.L.1964, c.241
13 (C.43:16A-11.1) payable on behalf of the active members employed
14 by other employers as of the valuation period over the expected
15 working lives of the active members in accordance with the tables
16 of actuarial assumptions applicable to the valuation period, if the
17 sum is greater than zero.

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

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

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

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

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

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

4 (4) for valuation periods ending June 30, 2003 through June 30,
5 2007, to the extent possible by up to 50% of the excess valuation
6 assets allocated to the State or to the other employers, respectively.

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

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

21 Notwithstanding the preceding sentence, the normal and accrued
22 liability contributions to be included in the budget of and paid by
23 the employer other than the State shall be as follows: for the
24 payment due in the State fiscal year ending on June 30, 2004, 20%
25 of the amount certified by the retirement system; for the payment
26 due in the State fiscal year ending on June 30, 2005, a percentage of
27 the amount certified by the retirement system as the State Treasurer
28 shall determine but not more than 40%; for the payment due in the
29 State fiscal year ending on June 30, 2006, a percentage of the
30 amount certified by the retirement system as the State Treasurer
31 shall determine but not more than 60%; and for the payment due in
32 the State fiscal year ending on June 30, 2007, a percentage of the
33 amount certified by the retirement system as the State Treasurer
34 shall determine but not more than 80%.

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

1 circumstances that could have an impact on revenues or
2 expenditures. This resolution shall be submitted to and approved by
3 the Local Finance Board after making a finding that these fiscal
4 conditions are valid and affirming the findings contained in the
5 employer resolution.

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

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

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

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

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

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

45 (11) The expenses of administration of the retirement system
46 shall be paid by the State of New Jersey. Each employer shall
47 reimburse the State for a proportionate share of the amount paid by
48 the State for administrative expense. This proportion shall be
49 computed as the number of members under the jurisdiction of such

1 employer bears to the total number of members in the system. The
2 pro rata share of the cost of administrative expense shall be
3 included with the certification by the retirement system of the
4 employer's contribution to the system.

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

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

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

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

24 (16) The savings realized as a result of the amendments to this
25 section by P.L.2001, c.44 in the payment of normal contributions
26 computed by the actuary for the valuation periods ending June 30,
27 1998 for employers other than the State shall be used solely and
28 exclusively by a county or municipality for the purpose of reducing
29 the amount that is required to be raised by the local property tax
30 levy by the county for county purposes or by the municipality for
31 municipal purposes, as appropriate. The Director of the Division of
32 Local Government Services in the Department of Community
33 Affairs shall certify for each year that each county or municipality
34 has complied with the requirements set forth herein. If the director
35 finds that a county or municipality has not used the savings solely
36 and exclusively for the purpose of reducing the amount that is
37 required to be raised by the local property tax levy by the county for
38 county purposes or by the municipality for municipal purposes, as
39 appropriate, the director shall direct the county or municipal
40 governing body, as appropriate, to make corrections to its budget.
41 (cf: P.L.2011, c.78, s.15)

42

43 28. Section 13 of P.L.1950, c.270 (C.52:18A-91) is amended to
44 read as follows:

45 13. a. The State Investment Council shall consult with the
46 Director of the Division of Investment from time to time with
47 respect to the work of the division. It shall have access to all files
48 and records of the division and may require any officer or employee
49 therein to provide such information as it may deem necessary in the

1 performance of its functions. The council shall have authority to
2 inspect and audit the respective accounts and funds administered
3 through the Division of Investment. It shall formulate and establish,
4 and may from time to time amend, modify or repeal, such policies
5 as it may deem necessary or proper, which shall govern the
6 methods, practices or procedures for investment, reinvestment,
7 purchase, sale or exchange transactions to be followed by the
8 Director of the Division of Investment established hereunder,
9 except that the provisions of this subsection shall not apply to the
10 operations account of Common Pension Fund L established
11 pursuant to section 6 of P.L. , c. (C.) (pending before the
12 Legislature as this bill). Notwithstanding any provision of the
13 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
14 seq.) to the contrary, the council may adopt, immediately upon
15 filing with the Office of Administrative Law such policies and
16 regulations relating to the investment account, established pursuant
17 to section 6 of P.L. , c. (C.) (pending before the Legislature as
18 this bill), as are necessary to implement that section, which
19 regulations shall be effective for a period not to exceed 12 months
20 following adoption, and may thereafter be amended, adopted, or
21 readopted by the council in accordance with the requirements of the
22 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
23 seq.).

24 b. On or before January first of each year, and at such other
25 times as it may deem in the public interest, the council shall report
26 to the Governor, the Legislature, and the State Treasurer with
27 respect to its work and the work of the Division of Investment. In
28 addition to the reports specified above and in section 14 of
29 P.L.1950, c.270 (C.52:18A-92), the council shall issue a report by
30 March 1 of each year on the investment activities for the prior
31 **【calendar】 State fiscal** year, which shall include a summary of the
32 current investment policies and strategies of the council and those
33 in effect during the prior **【calendar】 State fiscal** year, a detailed
34 summary for each financial product of the amount invested,
35 **【whether the investments were made by employees of the Division**
36 **of Investment or by external managers,】** performance benchmarks,
37 and actual performance during the **【calendar】 State fiscal** year. The
38 report shall be submitted to the Governor, the Legislature, and the
39 State Treasurer, and shall be made available to the public through
40 the official Internet site of the State.

41 c. The council shall hold a meeting each year that shall be open
42 to the public, and shall accept comments from the public at such
43 meeting. The matters that shall be open to discussion and public
44 comment during this annual meeting shall include the investment
45 policies and strategies of the council, the investment activities of
46 the council, the financial disclosure statements filed by council
47 members, and the certification of contributions filed by external

1 managers, as well as other appropriate matters concerning the
2 operations, activities and reports of the council.

3 d. An external manager shall be required to file a certification
4 before being retained, and annually thereafter, that discloses the
5 political contributions made, during the 12 months preceding the
6 certification, by the manager or the manager's firm, or a political
7 committee in which the manager or firm was active. The
8 certification shall specify the political contributions made to
9 candidates for elective public office in this State and any political
10 committee established for the support of such candidates, and
11 contributions made for the transition and inaugural expenses of any
12 candidate who is elected to public office. As used in this subsection,
13 "contribution" and "political committee" shall have the meaning set
14 forth in "The New Jersey Campaign Contributions and Expenditures
15 Reporting Act," P.L.1973, c.83 (C.19:44A-1 et al.). This
16 certification shall be in addition to any other such disclosure
17 required by law or executive order of the Governor.

18 (cf: P.L.2007, c.103, s.51)

19

20 29. This act shall take effect immediately.

21

22

23

24

25 Transfers State Lottery Enterprise to TPAF, PERS, and PFRS.

SENATE, No. 3312

STATE OF NEW JERSEY
217th LEGISLATURE

INTRODUCED JUNE 15, 2017

Sponsored by:

Senator PAUL A. SARLO

District 36 (Bergen and Passaic)

Senator ANTHONY R. BUCCO

District 25 (Morris and Somerset)

Co-Sponsored by:

Senator Oroho

SYNOPSIS

Transfers State Lottery Enterprise to TPAF, PERS, and PFRS.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** concerning the contribution of the Lottery Enterprise to
2 certain State-administered retirement systems to benefit State
3 institutions and provide State aid to education, amending various
4 parts of the statutory law, and supplementing P.L.1970, c.13
5 (C.5:9-1 et seq.).

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

9
10 1. (New section) This act shall be known and may be cited as
11 the "Lottery Enterprise Contribution Act."

12
13 2. (New section) The Legislature finds and declares that:

14 a. The State Lottery, as established by and operated pursuant to
15 Article IV, Section VII, paragraph 2 of the Constitution of the State
16 of New Jersey and the "State Lottery Law," P.L.1970, c.13 (C.5:9-1
17 et seq.), is a valuable asset of the State of New Jersey.

18 b. The Lottery Enterprise has been and is a business-like entity,
19 consisting of all of the assets, properties, interests, and rights of
20 every nature and kind, tangible and intangible, of the State useful or
21 necessary to operate the State Lottery.

22 c. The Division of the State Lottery in the Department of the
23 Treasury is constantly evolving the brand, marketing, and game
24 offerings of the Lottery Enterprise in order to retain existing players
25 and attract new ones.

26 d. The Lottery Enterprise, as operated by the Division of the
27 State Lottery, is recognized as one of the most profitable and well-
28 operated lotteries in the United States and the world. The division
29 operates the Lottery Enterprise in a manner that is consonant with
30 the dignity of the State and general welfare of its people, as
31 demonstrated by the division having earned the highest level of
32 achievement in responsible gaming, and having received the Best
33 Innovation in Responsible Gambling Award from the World Lottery
34 Association in November 2016.

35 e. The continued operation, management, conduct, and control
36 of the Lottery Enterprise by the Division of the State Lottery is
37 necessary for the Lottery Enterprise to remain operating at these
38 high standards, consistent with the "State Lottery Law," P.L.1970,
39 c.13 (C.5:9-1 et seq.), and with applicable federal law.

40 f. The Teachers' Pension and Annuity Fund, the Public
41 Employees' Retirement System, and the Police and Firemen's
42 Retirement System are established as qualified governmental
43 defined benefit plans pursuant to sections 401(a) and 414(d) of the
44 federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
45 414(d)), as amended, and exempt under section 501(a) of the federal

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 Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as amended,
2 and such other provision of the federal Internal Revenue Code, as
3 applicable, regulations of the United States Department of the
4 Treasury, and other guidance of the federal Internal Revenue
5 Service, and this act, P.L. , c. (C.) (pending before the
6 Legislature as this bill). The contribution of the Lottery Enterprise
7 to these retirement systems is intended to comply with all
8 requirements of the federal Internal Revenue Code governing the
9 tax qualified status of the retirement systems, and this act shall at
10 all times be applied and construed in a manner consistent with all
11 such requirements.

12 g. The members of the Teachers' Pension and Annuity Fund are
13 serving or have served as teachers, educators, and administrators in
14 the schools of this State and are eligible members of the retirement
15 system, and contributing the Lottery Enterprise for their benefit
16 pursuant to this act constitutes State aid for education within the
17 meaning of Article IV, Section VII, paragraph 2 of the State
18 Constitution.

19 h. Some of the members of the Public Employees' Retirement
20 System are serving or have served as employees of State institutions
21 defined in R.S.30:1-7, but excluding adult or juvenile correctional
22 facilities or institutions, or are serving or have served as employees
23 of public institutions of higher education, and are eligible members
24 of the retirement system, and contributing the Lottery Enterprise for
25 their benefit pursuant to this act constitutes support for State
26 institutions and State aid for education within the meaning of
27 Article IV, Section VII, paragraph 2 of the State Constitution.

28 i. Some of the members of the Police and Firemen's
29 Retirement System are serving or have served as employees of State
30 institutions defined in R.S.30:1-7, but excluding adult or juvenile
31 correctional facilities or institutions, or are serving or have served
32 as employees of public institutions of higher education, and are
33 eligible members of the retirement system, and contributing the
34 Lottery Enterprise for their benefit pursuant to this act constitutes
35 support for State institutions and State aid for education within the
36 meaning of Article IV, Section VII, paragraph 2 of the State
37 Constitution.

38 j. The New Jersey Supreme Court has recognized the
39 compelling need for action to solve the tenuous state of New
40 Jersey's pension funding, observing that "the State must get its
41 financial house in order."

42 k. The New Jersey Pension and Health Benefit Study
43 Commission emphasized the dire condition of the public employee
44 pension systems, which continues to be a matter of grave concern
45 for public employees, retirees, their families, and all of the residents
46 of this State. The commission found that "by any measure, the
47 amount of the unfunded liability is grievous."

48 l. The contribution of the Lottery Enterprise to the retirement
49 systems pursuant to and in the manner contemplated by this act is in

1 the public interest in alleviating the underfunded status of such
2 retirement systems.

3 m. The State, pursuant to a competitive process, engaged an
4 independent valuation service provider to conduct a review and due
5 diligence of the Lottery Enterprise, including its cash flows,
6 operating history, legal structure, and projections, and the
7 independent valuation service provider issued a report which
8 represents its opinion as to the valuation of the Lottery Enterprise.

9 n. The allocable percentages established in section 5 of this act
10 were determined based on: (1) the relative percentages of the total
11 actuarial accrued liabilities of the retirement systems; (2) the
12 relative percentages of the total actuarial accrued liabilities of the
13 eligible member portions of such retirement systems; (3) the
14 relative percentages of the total unfunded actuarially accrued
15 liabilities of the retirement systems; (4) the relative percentages of
16 the total unfunded actuarially accrued liabilities of the eligible
17 member portions of such retirement systems; (5) the relative
18 percentages of the total number of members in each retirement
19 system; and (6) the relative percentages of eligible members
20 participating in each such retirement system.

21 o. Following the lottery contribution, the Division of the State
22 Lottery will operate, manage, conduct, and control the Lottery
23 Enterprise with a goal of maximizing net proceeds for the benefit of
24 the retirement systems, consonant with the dignity of the State and
25 general welfare of its people.

26

27 3. (New section) As used in this act, P.L. , c. (C.)
28 (pending before the Legislature as this bill):

29 "Adult or juvenile correctional facilities or institutions" means
30 adult or juvenile correctional facilities or institutions as defined
31 pursuant to section 8 of P.L.1976, c.98 (C.30:1B-8).

32 "Eligible members" means:

33 (1) individuals who are serving or who have served in positions
34 eligible for participation in the Teachers' Pension and Annuity
35 Fund;

36 (2) individuals who are serving or who have served in positions
37 eligible for participation in the Public Employees' Retirement
38 System and who are serving or have served as employees of State
39 institutions defined in R.S.30:1-7 or any facilities, institutions, or
40 veterans homes established for any similar purpose, but excluding
41 adult or juvenile correctional facilities or institutions, or who are
42 serving or have served as employees of public institutions of higher
43 education; and

44 (3) individuals who are serving or who have served in positions
45 eligible for participation in the Police and Firemen's Retirement
46 System and who are serving or have served as employees of State
47 institutions defined in R.S.30:1-7 or any facilities, institutions, or
48 veterans homes established for any similar purpose, but excluding
49 adult or juvenile correctional facilities or institutions, or who are

1 serving or have served as employees of public institutions of higher
2 education.

3 "Lottery Enterprise" means the lottery established pursuant to the
4 "State Lottery Law," P.L.1970, c.13 (C.5:9-1 et seq.), and all of the
5 assets, properties, interests, and rights of every nature and kind,
6 tangible and intangible, presently existing or acquired in the future,
7 useful or necessary to operate the State Lottery, including, without
8 limitation: inventory; supplies; equipment; furnishings; fixtures;
9 computers and other electronic equipment; other personal property;
10 real property and rights therein; trademarks and trademark
11 applications; logos; trade names; patents and patent applications;
12 other intellectual property rights; customer lists; going concern
13 value; goodwill; sales records; copies of business books and
14 records; monetary management systems; accounting systems;
15 licenses; permits; contracts and contract rights; rights to take
16 assignment of contracts and related receipts and revenues; accounts
17 receivable; designs; technical data and information; sales materials;
18 the right to merchandising in the State and to sell lottery products in
19 the State; all accounts payable and liabilities related to the
20 foregoing; and all ancillary or necessary appurtenances to the
21 foregoing; provided, however, that Lottery Enterprise excludes all
22 retained assets and retained liabilities.

23 "Retained assets" means those assets and rights of or related to
24 the Lottery Enterprise that relate to the operation of the Lottery
25 Enterprise necessary to satisfy liabilities arising on or prior to the
26 lottery contribution effective date as specified in the Memorandum
27 of Lottery Contribution under section 4 of this act, and cash,
28 annuities, and other similar assets specified in the Memorandum of
29 Lottery Contribution.

30 "Retained liabilities" means those liabilities, encumbrances, and
31 obligations of or related to the Lottery Enterprise that relate to the
32 operation of the Lottery Enterprise on or prior to the lottery
33 contribution effective date as specified in the Memorandum of
34 Lottery Contribution under section 4 of this act.

35 "Retirement systems" means one or more of the following
36 governmental organizations within the meaning of 18 U.S.C.
37 s.1307(a)(2)(A), as amended, and other applicable law:

38 (1) the Teachers' Pension and Annuity Fund, established
39 pursuant to N.J.S.18A:66-1 et seq.;

40 (2) the Public Employees' Retirement System, established
41 pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and

42 (3) the Police and Firemen's Retirement System, established
43 pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.).

44 "Special asset" means the Lottery Enterprise, including the
45 operations account but excluding the investment account.

46 "State institutions" means long-term care facilities, institutions,
47 and psychiatric facilities of this State, as listed in R.S.30:1-7.

1 4. (New section) a. The State Treasurer shall make a
2 contribution of the Lottery Enterprise for a period of 30 years for
3 the benefit of the retirement systems, which shall be deposited in
4 Common Pension Fund L in accordance with this act,
5 P.L. , c. (C.) (pending before the Legislature as this bill),
6 and the Memorandum of Lottery Contribution required under this
7 section.

8 b. The Division of the State Lottery shall operate, manage,
9 conduct, and control the Lottery Enterprise with a goal of
10 maximizing net proceeds for the benefit of the retirement systems,
11 consonant with the dignity of the State and the general welfare of
12 the people.

13 c. The lottery contribution shall be subject to (1) a royalty-free,
14 exclusive license with all substantial rights including the right to
15 sublicense, from Common Pension Fund L, established pursuant to
16 section 6 of this act, to the Division of the State Lottery during the
17 lottery contribution for all trademarks and trademark applications,
18 logos, tradenames, and other intellectual property rights owned or
19 used by or in connection with the Lottery Enterprise, whether
20 existing on the effective date of this act or subsequently acquired or
21 created; and (2) any existing licenses or sublicenses granted prior to
22 the effective date of this act by the Division of the State Lottery to
23 third parties for any and all trademarks and trademark applications,
24 logos, tradenames, and other intellectual property rights owned or
25 used by, or in connection with, the Lottery Enterprise.

26 d. The State Treasurer shall prepare, execute, and deliver the
27 Memorandum of Lottery Contribution, and such certificates and
28 other documents as the State Treasurer determines are consistent
29 with this act and are reasonably necessary to evidence or effectuate
30 the lottery contribution. The State Treasurer may amend or
31 supplement the Memorandum of Lottery Contribution, including to
32 correct deficiencies or errors therein.

33 e. The Memorandum of Lottery Contribution shall contain:

- 34 (1) the lottery contribution effective date;
35 (2) a transition period of up to 180 days and transition
36 procedures reasonably necessary to ensure that operations of the
37 Lottery Enterprise are not materially disrupted as a result of the
38 lottery contribution;
39 (3) a detailed description or list of all of the assets and liabilities
40 of the Lottery Enterprise;
41 (4) a description of the retained assets and retained liabilities;
42 and
43 (5) such other provisions as the State Treasurer determines in
44 the Treasurer's sole discretion are useful and necessary to make the
45 lottery contribution in a manner consistent with this act.

46 f. Notwithstanding the provisions of the "Administrative
47 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), the State
48 Treasurer shall provide the Memorandum of Lottery Contribution to

1 the Office of Administrative Law, and the Office of Administrative
2 Law shall publish the Memorandum of Lottery Contribution in the
3 New Jersey Register.

4 g. The retirement systems shall not be required or permitted to
5 pay any expenses incurred by the State Treasurer, the Division of
6 the State Lottery, or the Division of Investment in the Department
7 of the Treasury in connection with the making of the lottery
8 contribution pursuant to this act.

9 h. During the lottery contribution, all new assets acquired by or
10 for the Lottery Enterprise shall be owned by Common Pension Fund
11 L for the benefit of the retirement systems, except those assets,
12 including licenses or similar rights in or to multistate lottery games,
13 which may only be held, licensed, acquired, or procured by the
14 Division of the State Lottery and which relate to the Lottery
15 Enterprise, in which case such assets shall be held, licensed,
16 acquired, or procured by the Division of the State Lottery on behalf
17 of and for the benefit of Common Pension Fund L.

18 i. The Director of the Division of Investment shall
19 acknowledge receipt of the lottery contribution to the retirement
20 systems and of the Memorandum of Lottery Contribution, and shall
21 deposit the lottery contribution into Common Pension Fund L.

22 j. Following the lottery contribution, the Division of the State
23 Lottery shall operate, manage, conduct, and control the Lottery
24 Enterprise in accordance with the "State Lottery Law," P.L.1970,
25 c.13 (C.5:9-1 et seq.), and with applicable federal law, including the
26 applicable requirements of the federal Internal Revenue Code.

27 k. At the expiration of the lottery contribution, the Lottery
28 Enterprise, exclusive of all proceeds attributable to the operation of
29 the Lottery Enterprise prior to the expiration of the lottery
30 contribution, shall be returned to the Division of the State Lottery.
31 Prior to that time, the State Treasurer shall, in coordination with the
32 Division of Investment and the Division of the State Lottery,
33 provide for and enter into any agreements or arrangements
34 necessary or advisable for the orderly return of the Lottery
35 Enterprise, exclusive of such proceeds, as provided in the
36 Memorandum of Lottery Contribution. Such arrangements shall
37 include a transition period of up to 180 days following the
38 expiration of the lottery contribution, during which the proceeds of
39 the Lottery Enterprise may continue to be deposited into the
40 operations account established in section 6 of this act, and other
41 transition arrangements reasonably necessary to ensure that
42 operations of the Lottery Enterprise are not materially disrupted as a
43 result of the expiration of the lottery contribution.

44 l. The State Treasurer shall execute the Memorandum of
45 Lottery Contribution, and the Director of the Division of Investment
46 shall acknowledge receipt of the lottery contribution, on or before
47 December 31, 2017.

1 5. (New section) a. For the purposes of this act,
2 P.L. , c. (C.) (pending before the Legislature as this bill),
3 the Lottery Enterprise shall be valued at \$13,535,000,000, as that
4 value was determined by the independent valuation service provider
5 engaged by the State.

6 b. The lottery contribution and all proceeds of the Lottery
7 Enterprise shall be allocated among the retirement systems in the
8 allocable percentages as follows: 77.78 percent for the Teachers'
9 Pension and Annuity Fund, established pursuant to N.J.S.18A:66-1
10 et seq.; 21.02 percent for the Public Employees' Retirement System,
11 established pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and
12 1.20 percent for the Police and Firemen's Retirement System,
13 established pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.), which
14 have been determined based on (1) the relative percentages of the
15 total actuarial accrued liabilities of the retirement systems; (2) the
16 relative percentages of the total actuarial accrued liabilities of the
17 eligible member portions of such retirement systems; (3) the
18 relative percentages of the total unfunded actuarially accrued
19 liabilities of the retirement systems; (4) the relative percentages of
20 the total unfunded actuarially accrued liabilities of the eligible
21 member portions of such retirement systems; (5) the relative
22 percentages of the total number of members in each retirement
23 system; and (6) the relative percentages of eligible members
24 participating in each such retirement system. Each retirement
25 system shall have an initial equitable interest in Common Pension
26 Fund L, established pursuant to section 6 of this act, equal to its
27 allocable percentage of the entire lottery contribution made on its
28 behalf.

29
30 6. (New section) a. In order to receive the lottery contribution
31 on behalf of the retirement systems, a Common Pension Fund L is
32 hereby established within the Division of Investment in the
33 Department of the Treasury. Common Pension Fund L shall
34 constitute part of each retirement system and the participating trust
35 through which each retirement system is funded. Only the
36 retirement systems and the trusts through which they are funded
37 shall have an interest in Common Pension Fund L. Common
38 Pension Fund L shall satisfy the requirements of section 401(a)(24)
39 of the federal Internal Revenue Code of 1986 (26 U.S.C.
40 s.401(a)(24)), as amended, in accordance with Revenue Ruling 81-
41 100, as amended by Revenue Ruling 2004-67 and Revenue Ruling
42 2011-1, and the requirements for exemption under section 501(a) of
43 the federal Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as
44 amended. Consistent with section 401(a)(24) of the federal Internal
45 Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended,
46 regulations of the United States Department of the Treasury, and
47 other guidance of the federal Internal Revenue Service, each
48 retirement system shall participate in Common Pension Fund L.

1 No part of the corpus or income of Common Pension Fund L that
2 equitably belongs to a retirement system or a trust of the retirement
3 system may be used for or diverted to any purpose other than for the
4 exclusive benefit of the members or beneficiaries entitled to
5 benefits under such retirement system or trust of the retirement
6 system. No retirement system or trust of a retirement system may
7 assign any part of its equity or interest in Common Pension Fund L.

8 b. Upon receipt of the lottery contribution, the Director of the
9 Division of Investment shall:

10 (1) invest and manage all assets in the investment account;

11 (2) make distributions of proceeds and investment earnings
12 thereon from the investment account into investment vehicles
13 managed by the Division of Investment for the sole benefit of the
14 retirement systems; and

15 (3) make distributions of proceeds and investment earnings
16 thereon from the investment account to the retirement systems from
17 Common Pension Fund L to be used by each retirement system for
18 any legitimate purpose of such retirement system, provided that any
19 distribution under this part (3) shall be made on a simultaneous and
20 pro rata basis to the retirement systems, which pro rata basis shall
21 be based on each retirement system's relative equitable interest in
22 the lottery contribution.

23 c. Upon the establishment of Common Pension Fund L, there
24 shall be established two subaccounts therein as the operations
25 account and investment account for the following purposes.

26 (1) The gross proceeds of the Lottery Enterprise shall be
27 deposited into an operations account. The Division of the State
28 Lottery solely shall manage the operations account and shall make
29 deposits therein, invest amounts therein, make requisition and
30 payment for costs incurred in the operation and administration of
31 the Lottery Enterprise, including reimbursements of funds used to
32 pay such expenses, and payment for lottery sales agent
33 commissions, certain prizes paid by lottery sales agents, costs
34 resulting from any contract or contracts entered into for
35 promotional, advertising, or operational services, or for the
36 purchase or lease of lottery equipment and materials for the Lottery
37 Enterprise therefrom, hold reserves for payment of prizes and other
38 purposes related to the operation of the Lottery Enterprise, and
39 otherwise manage the operations account. All proceeds of the
40 Lottery Enterprise deposited in the operations account shall be
41 qualified plan assets subject to the requirements of sections 401(a)
42 and 501(a) of the federal Internal Revenue Code of 1986 (26 U.S.C.
43 ss.401(a) and 501(a)), as amended, but shall not be assets managed
44 by the Division of Investment for the benefit of the retirement
45 systems under N.J.S.18A:66-61, section 14 of P.L.1944, c.255
46 (C.43:16A-14), or section 32 of P.L.1954, c.84 (C.43:15A-32) until
47 any such assets have been transferred from the operations account
48 to the investment account.

1 (2) Proceeds in amounts determined by the Division of the State
2 Lottery shall be transferred from the operations account to the
3 investment account on a periodic basis and such proceeds shall
4 constitute the net proceeds of the Lottery Enterprise. Such proceeds
5 transferred together with all investments thereof and investment
6 earnings thereon shall be available solely to and for the benefit of
7 the retirement systems in the allocable percentages specified in
8 section 5 of this act, P.L. , c. (C.)(pending before the
9 Legislature as this bill). The investment account shall be managed
10 and invested by the Director of the Division of Investment pursuant
11 to the authority, responsibilities, and duties set forth in P.L.1950,
12 c.271 (C.52:18A-79 et seq.), subject to the oversight of the State
13 Investment Council, pursuant to the authority of P.L.1950, c.270
14 (C.52:18A-79 et seq.). The Director of the Division of Investment
15 shall have full discretion to distribute proceeds and all investments
16 thereof and investment earnings thereon from the investment
17 account into investment vehicles managed by the Division of
18 Investment on behalf of the retirement systems. The investment
19 account may be further subdivided into subaccounts in the
20 discretion of the Director of the Division of Investment for purposes
21 of investing in different types of investments.

22 (3) Notwithstanding any provision of this act or any other
23 provision of law to the contrary, the Director of the Division of
24 Investment and the State Investment Council shall not have any
25 responsibility for the operations account of Common Pension Fund
26 L and shall not be liable for any claims, demands, suits, actions,
27 damages, judgments, costs, charges, or expenses, including court
28 costs or attorneys' fees in any way related to such account.
29 Notwithstanding the establishment of Common Pension Fund L in
30 the Division of Investment, the Director of the Division of
31 Investment, the Division of Investment, and the State Investment
32 Council shall not have any authority to manage the Lottery
33 Enterprise or the operations account.

34 d. The portion of the lottery contribution allocated to each
35 retirement system shall increase the funded ratio with respect to
36 eligible members of such retirement system, provided, however, all
37 amounts in the investment account, to the extent of the interest of
38 each retirement system therein, may be distributed by the Director
39 of the Division of Investment to the retirement systems from
40 Common Pension Fund L and used by each retirement system for
41 any legitimate purpose of such retirement system, provided that any
42 such distribution shall be made on a simultaneous and pro rata basis
43 to the retirement systems, which pro rata basis shall be based on
44 each retirement system's relative equitable interest in the lottery
45 contribution. For the purpose of this subsection, the funded ratio
46 shall be the ratio of the actuarial value of assets plus the value of
47 the special asset, determined in accordance with section 38 of
48 P.L.2010, c.1 (C.43:3C-14), to the actuarially determined accrued
49 liabilities expressed as a percentage.

1 7. (New section) Nothing in this act, P.L. , c. (C.)
2 (pending before the Legislature as this bill), shall be construed as a
3 waiver of the sovereign immunity of the State or a relinquishment
4 of the sovereign powers of the State. The Superior Court of New
5 Jersey shall have exclusive original jurisdiction and venue over all
6 matters arising from this act.

7
8 8. (New section) This act, P.L. , c. (C.) (pending before
9 the Legislature as this bill), shall be construed liberally. If any
10 provision of this act or the application thereof to any person or
11 circumstance is held invalid, such invalidity shall not affect other
12 provisions or applications which can be given effect without the
13 invalid provisions or applications, and to this end the provisions of
14 this act are declared to be severable.

15
16 9. Section 3 of P.L.1970, c.13 (C.5:9-3), is amended to read as
17 follows:

18 3. For the purposes of this act:

19 a. "Commission" shall mean the State Lottery Commission
20 established by this act.

21 b. "Division" shall mean the Division of the State Lottery
22 created by this act.

23 c. "Lottery" or "State lottery" shall mean the lottery
24 established and operated pursuant to this act and includes all lottery
25 games organized or conducted by the division prior to and after the
26 effective date of P.L. , c. (pending before the Legislature as this
27 bill).

28 d. "Director" shall mean the Director of the Division of the
29 State Lottery.

30 (cf: P.L.1970, c.13, s.3)

31

32 10. Section 5 of P.L.1970, c.13 (C.5:9-5) is amended to read as
33 follows:

34 5. The commission shall consist of the State Treasurer and six
35 public members, all of whom shall be residents of this State and all
36 of whom shall be appointed by the Governor by and with the
37 advice and consent of the Senate. No more than three of the six
38 public members shall be members of the same political party. The
39 public members shall be appointed for terms of 5 years, except that
40 of the members first appointed, one shall be appointed for a term of
41 1 year, one for a term of 2 years, one for a term of 3 years, one for a
42 term of 4 years, and one for a term of 5 years, commencing as of
43 the date of their appointment by the Governor. The term of each of
44 the members first appointed shall be designated by the Governor.
45 The term of the additional public member appointed pursuant to
46 this 1983 amendatory act shall be five years. The members shall
47 annually elect one of the public members as chairman of the
48 commission and shall also annually elect one of the public members
49 as vice chairman of the commission.

1 During the term of the lottery contribution made pursuant to
2 section 4 of P.L. , c. (C.) (pending before the Legislature as this
3 bill), the commission shall consist of the State Treasurer, the
4 Director of the Division of Investment, and five public members, all
5 of whom shall be residents of this State, and all of whom shall be
6 appointed by the Governor with the advice and consent of the
7 Senate. No more than three of the five public members shall be
8 members of the same political party. When the lottery contribution
9 begins, the Governor shall select one public member, who is serving
10 on the effective date of P.L. , c. (pending before the Legislature
11 as this bill), for termination of the member's service. Members of
12 the commission serving on the date of enactment of the "Lottery
13 Enterprise Contribution Act," P.L. , c. (C.) (pending before
14 the Legislature as this bill), not terminated by the Governor shall
15 continue to serve for the remainder of their terms.

16 Any vacancy in the commission occurring for any reason other
17 than the expiration of term shall be filled for the unexpired term in
18 the same manner as the original appointment.

19 Any public member of the commission may be removed from
20 office by the Governor, for cause, upon notice and opportunity to be
21 heard at a public hearing.

22 The public members of the commission shall receive no salaries
23 but shall be allowed reasonable expenses incurred in the
24 performance of their official duties in an amount not exceeding
25 \$5,000.00 per annum in the case of the chairman, and \$3,500.00 in
26 the case of each of the other commissioners.

27 The Director of the Division of Investment and the State
28 Treasurer may each designate an officer or employee of [his
29 department] the Division of Investment or the Department of the
30 Treasury, respectively, to represent [him] the director or the
31 Treasurer at meetings of the commission, who may lawfully vote
32 and otherwise act on behalf of the Treasurer and the director,
33 respectively. Any designation shall be in writing, delivered to the
34 commission and filed with the Secretary of State and shall continue
35 in effect, unless by its terms it is made for a fixed period, until
36 revoked or amended in the same manner as provided for the
37 designation.

38 (cf: P.L.1983, c.60, s.1)

39

40 11. Section 7 of P.L.1970, c.13 (C.5:9-7) is amended to read as
41 follows:

42 7. The commission shall have the power, and it shall be its
43 duty:

44 a. After full and thorough study of the report and
45 recommendations of the State Lottery Planning Commission
46 established pursuant to Joint Resolution Number 11, approved
47 November 20, 1969, and such other pertinent information as may be
48 available, to promulgate such rules and regulations governing the
49 establishment and operation of a State lottery as it deems necessary

1 and desirable in order that the mandate of the people expressed in
2 their approval of the amendment to Article IV, Section VII,
3 paragraph 2, of the Constitution in the general election of
4 November, 1969, may be fully implemented, in order that such a
5 lottery shall be initiated at the earliest feasible and practicable time,
6 and in order that such lottery shall produce the maximum amount of
7 net **【revenues】** proceeds for State institutions and State aid for
8 education consonant with the dignity of the State and the general
9 welfare of the people. Such rules and regulations may include, but
10 shall not be limited to, the following:

11 (1) The type of lottery to be conducted.

12 (2) The price, or prices, of tickets or shares in the lottery.

13 (3) The number and sizes of the prizes on the winning tickets or
14 shares.

15 (4) The manner of selecting the winning tickets or shares.

16 (5) The manner of payment of prizes to the holders of winning
17 tickets or shares, including, subject to the approval of the State
18 Treasurer, provision for payment of prizes not to exceed \$599.00 by
19 agents licensed hereunder out of moneys received from sales of
20 tickets or shares.

21 (6) The frequency of the drawings or selections of winning
22 tickets or shares, without limitation.

23 (7) Without limit as to number, the type or types of locations at
24 which tickets or shares may be sold.

25 (8) The method to be used in selling tickets or shares.

26 (9) The licensing of agents to sell tickets or shares, provided
27 that no person under the age of 21 shall be licensed as an agent.

28 (10) The manner and amount of compensation, if any, to be paid
29 licensed sales agents necessary to provide for the adequate
30 availability of tickets or shares to prospective buyers and for the
31 convenience of the public.

32 (11) The apportionment of the total **【revenues】** proceeds
33 accruing from the sale of lottery tickets or shares and from all other
34 sources among (a) the payment of prizes to the holders of winning
35 tickets or shares, (b) the payment of costs incurred in the operation
36 and administration of the lottery, including the expenses of the
37 division and the costs resulting from any contract or contracts
38 entered into for promotional, advertising or operational services or
39 for the purchase or lease of lottery equipment and materials, (c) for
40 the repayment of the money appropriated to the State Lottery Fund
41 pursuant to section 23 of this act, and (d) for transfer to the general
42 fund for State institutions and State aid for education; provided,
43 however, that no less than 30% of the total **【revenues】** proceeds
44 accruing from the sale of lottery tickets or shares shall be dedicated
45 to (d) above.

46 During the term of the lottery contribution made pursuant to
47 section 4 of P.L. , c. (C.) (pending before the Legislature as this
48 bill), the apportionment of the total proceeds accruing from the sale
49 of lottery tickets or shares and from all other sources among (a) the

1 payment of prizes to the holders of winning tickets or shares, (b) the
2 payment of costs incurred in the operation and administration of the
3 Lottery Enterprise, as defined in section 3 of P.L. , c. (C.)
4 (pending before the Legislature as this bill), including the expenses
5 of the division and the costs resulting from any contract or contracts
6 entered into for promotional, advertising, or operational services for
7 the purchase or lease of lottery equipment and materials, and (c) for
8 transfer to the investment account of Common Pension Fund L, for
9 the benefit of retirement systems, as provided in the "Lottery
10 Enterprise Contribution Act," P.L. , c. (C.) (pending before
11 the Legislature as this bill); provided, however, that no less than 30
12 percent of the proceeds accruing from the sale of lottery tickets or
13 shares shall be dedicated to the investment account under (c) above.

14 (12) Such other matters necessary or desirable for the efficient
15 and economical operation and administration of the lottery and the
16 Lottery Enterprise and for the convenience of the purchasers of
17 tickets or shares and the holders of winning tickets or shares.

18 Notwithstanding the provisions of any other law to the contrary,
19 no rule or regulation establishing a lottery game shall be
20 considered an "administrative rule" or "rule" pursuant to
21 P.L.1968, c. 410 (C. 52:14B-1 et seq.).

22 b. To amend, repeal, or supplement any such rules and
23 regulations from time to time as it deems necessary or desirable.
24 Notwithstanding any provision of the "Administrative Procedure
25 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the
26 commission may adopt, immediately upon filing with the Office of
27 Administrative Law, such regulations as are necessary to implement
28 the provisions of the "Lottery Enterprise Contribution Act," P.L. ,
29 c. (C.) (pending before the Legislature as this bill), which shall
30 be effective for a period not to exceed 12 months following
31 adoption, and may thereafter be amended, adopted, or readopted by
32 the commission in accordance with the requirements of the
33 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
34 seq.).

35 c. To advise and make recommendations to the director
36 regarding the operation and administration of the lottery and the
37 Lottery Enterprise.

38 d. To report monthly to the Governor and the Legislature
39 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during
40 the lottery contribution, to the Director of the Division of
41 Investment, the total lottery [revenues] proceeds, prize
42 disbursements and other expenses for the preceding month, and to
43 make an annual report, which shall include a full and complete
44 statement of lottery [revenues] proceeds, prize disbursements and
45 other expenses, to the Governor [and] , the Legislature, and during
46 the lottery contribution, the Director of the Division of Investment,
47 including such recommendations for changes in this act as it deems
48 necessary or desirable.

1 e. To report immediately to the Governor and the Legislature
2 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during
3 the lottery contribution, to the Director of the Division of
4 Investment, any matters which shall require immediate changes in
5 the laws of this State in order to prevent abuses and evasions of this
6 act or rules and regulations promulgated thereunder or to rectify
7 undesirable conditions in connection with the administration or
8 operation of the lottery and the Lottery Enterprise.

9 f. To carry on a continuous study and investigation of the
10 lottery and the Lottery Enterprise throughout the State, which may
11 include requiring a financial or operational audit of the Lottery
12 Enterprise, (1) for the purpose of ascertaining any defects in this act
13 or in the rules and regulations issued thereunder by reason whereof
14 any abuses in the administration and operation of the lottery and the
15 Lottery Enterprise or any evasion of this act or the rules and
16 regulations may arise or be practiced, (2) for the purpose of
17 formulating recommendations for changes in this act and the rules
18 and regulations promulgated thereunder to prevent such abuses and
19 evasions, (3) to guard against the use of this act and the rules and
20 regulations issued thereunder as a cloak for the carrying on of
21 organized gambling and crime, and (4) to insure that said law and
22 rules and regulations shall be in such form and be so administered
23 as to serve the true purposes of this act and the "Lottery Enterprise
24 Contribution Act," P.L. , c. (C.) (pending before the
25 Legislature as this bill).

26 g. To make a continuous study and investigation of (1) the
27 operation and the administration of similar laws which may be in
28 effect in other states or countries, (2) any literature on the subject
29 which from time to time may be published or available, (3) any
30 Federal laws which may affect the operation of the lottery and the
31 Lottery Enterprise, and (4) the reaction of New Jersey **[citizens]**
32 residents to existing and potential features of the lottery and the
33 Lottery Enterprise, with a view to recommending or effecting
34 changes that will tend to serve the purposes of this act.

35 (cf: P.L.1981, c.182, s.1)

36
37 12. Section 8 of P.L.1970, c.13 (C.5:9-8) is amended to read as
38 follows:

39 8. The director shall have the power, and it shall be his duty to:

40 a. Supervise and administer the operation of the lottery and the
41 Lottery Enterprise in accordance with the provisions of this act and
42 the "Lottery Enterprise Contribution Act," P.L. , c. (C.)
43 (pending before the Legislature as this bill), and with the rules and
44 regulations of the commission.

45 b. Subject to the approval of the commission, appoint such
46 deputy directors as may be required to carry out the functions and
47 duties of the division, which deputy directors shall be in the
48 unclassified service of the civil service.

- 1 c. Subject to the approval of the commission and Title **[11]**
2 11A of the **[Revised Statutes]** New Jersey Statutes, Civil Service,
3 appoint such professional, technical and clerical assistants and
4 employees as may be necessary to perform the duties imposed upon
5 the division by this act and the "Lottery Enterprise Contribution
6 Act," P.L. , c. (C.) (pending before the Legislature as this
7 bill).
- 8 d. Act as secretary and executive officer of the commission.
- 9 e. In accordance with the provisions of this act and the rules
10 and regulations of the commission, to license as agents to sell
11 lottery tickets such persons as in his opinion will best serve the
12 public convenience and promote the sale of tickets or shares. The
13 director may require a bond from every licensed agent, in such
14 amount as provided in the rules and regulations of the commission.
15 Every licensed agent shall prominently display his license, or a
16 copy thereof, as provided in the rules and regulations of the
17 commission.
- 18 f. Shall confer regularly as necessary or desirable and not less
19 than once every month with the commission on the operation and
20 administration of the lottery and the Lottery Enterprise; shall make
21 available for inspection by the commission, upon request, all
22 books, records, files, and other information and documents of the
23 division; shall advise the commission and recommend such matters
24 as he deems necessary and advisable to improve the operation and
25 administration of the lottery and the Lottery Enterprise.
- 26 g. Suspend or revoke any license issued pursuant to this act or
27 the rules and regulations promulgated thereunder.
- 28 h. Subject to the approval of the commission and the applicable
29 laws relating to public contracts, to act on behalf of the commission
30 as using agency with respect to purchases made by the Division of
31 Purchase and Property of goods and services required in the
32 operation of the lottery and the Lottery Enterprise.
- 33 i. To certify monthly to the State Treasurer **[and]** , the
34 commission, and during the term of the lottery contribution made
35 pursuant to section 4 of P.L. , c. (C.) (pending before the
36 Legislature as this bill), the Director of the Division of Investment,
37 a full and complete statement of lottery **[revenues]** proceeds, prize
38 disbursements and other expenses for the preceding month.
- 39 j. During the term of the lottery contribution, operate, manage,
40 conduct, and control the retained assets and the retained liabilities,
41 as each term is defined in the "Lottery Enterprise Contribution
42 Act," P.L. , c. (C.) (pending before the Legislature as this
43 bill).
- 44 (cf: P.L.1983, c.60, s. 2)
- 45
- 46 13. Section 17 of P.L.1970, c.13 (C.5:9-17) is amended to read
47 as follows:

1 17. Unclaimed prize money for the prize on a winning ticket or
2 share shall be retained by the director for the person entitled thereto
3 for 1 year after the drawing in which the prize was won. If no claim
4 is made for said money within such year, the prize money shall be
5 allocated to State institutions and State aid for education in the
6 same manner as lottery **【revenues】** proceeds are allocated for such
7 purposes under this act.

8 (cf: P.L.1970, c.13, s.17)

9
10 14. Section 18 of P.L.1970, c.13 (C.5:9-18) is amended to read
11 as follows:

12 18. The director may, in his discretion, require any or all lottery
13 sales agents to deposit to the credit of the operations account of
14 Common Pension Fund L, as provided in the "Lottery Enterprise
15 Contribution Act," P.L. _____, c. _____ (C. _____) (pending before the
16 Legislature as this bill) during the term of the lottery contribution
17 made pursuant to section 4 of P.L. _____, c. _____ (C. _____) (pending before the
18 Legislature as this bill), and otherwise deposit to the credit of the
19 State Lottery Fund in banks, designated by the State Treasurer all
20 moneys received by such agents from the sale of lottery tickets or
21 shares, less the amount, if any, retained as compensation for the
22 sale of the tickets or shares, and to file with the director or his
23 designated agents reports of their receipts and transactions in the
24 sale of lottery tickets in such form and containing such information
25 as he may require. The director may make such arrangements for
26 any person, including a bank, to perform such functions, activities
27 or services in connection with the operation of the lottery as he
28 may deem advisable pursuant to this act and the rules and
29 regulations of the commission, and such functions, activities or
30 services shall constitute lawful functions, activities and services of
31 such person.

32 (cf: P.L.1970, c.13, s.18)

33
34 15. Section 21 of P.L.1970, c.13 (C.5:9-21) is amended to read
35 as follows:

36 21. There is hereby created and established in the Department of
37 the Treasury a separate fund, to be known as the "State Lottery
38 Fund," to be deposited in such depositories as the State Treasurer
39 may select. Such fund shall consist of all **【revenues】** proceeds
40 received from the sale of lottery tickets or shares, and all other
41 moneys credited or transferred thereto from any other fund or
42 source pursuant to law.

43 During the term of the lottery contribution made pursuant to
44 section 4 of P.L. _____, c. _____ (C. _____) (pending before the Legislature as this
45 bill), no proceeds received from the sale of lottery tickets or shares,
46 and no other moneys credited or transferred to the Lottery
47 Enterprise, as defined as section 3 of P.L. _____, c. _____ (C. _____) (pending
48 before the Legislature as this bill), from any other fund or source,
49 shall be deposited into the State Lottery Fund, and instead all such

1 amounts shall be deposited into the operations account of Common
2 Pension Fund L, established pursuant to the “Lottery Enterprise
3 Contribution Act,” P.L. , c. (C.) (pending before the
4 Legislature as this bill).
5 (cf: P.L.1970, c.13, s.21)
6

7 16. Section 22 of P.L.1970, c.13 (C.5:9-22) is amended to read
8 as follows:

9 22. The moneys in said State Lottery Fund shall be appropriated
10 only (a) for the payment of prizes to the holders of winning lottery
11 tickets or shares, (b) for the expenses of the division in its
12 operation of the lottery, (c) for State institutions and State aid for
13 education as shall be provided by law, and (d) for the repayment to
14 the general treasury of the amount appropriated to the fund
15 pursuant to section 23 of this act.

16 On or about March 15 and September 15 of each year, the State
17 Treasurer shall publish in at least 10 newspapers circulating
18 generally in the State a report accounting for the total revenues
19 received in the State Lottery Fund and the specific amounts of
20 money appropriated therefrom for specific expenditures during the
21 preceding six months ending December 31 and June 30.

22 During the term of the lottery contribution made pursuant to
23 section 4 of P.L. , c. (C.) (pending before the Legislature as this
24 bill), the moneys in the operations account of Common Pension
25 Fund L, established pursuant to section 6 of P.L. , c. (C.)
26 (pending before the Legislature as this bill), shall be used only (a)
27 for the payment of prizes to the holders of winning lottery tickets or
28 shares, (b) for the expenses of the division in its operation of the
29 lottery and the Lottery Enterprise, as defined in section 3 of P.L. ,
30 c. (C.) (pending before the Legislature as this bill), and (c) for
31 transfer to the investment account of Common Pension Fund L for
32 the benefit of the retirement systems.

33 (cf: P.L.1984, c.136, s.1)
34

35 17. Section 38 of P.L.2010, c.1 (C.43:3C-14) is amended as
36 follows:

37 38. a. (1) Commencing July 1, 2011 and thereafter, the
38 contribution required, by law, to be made by the State to the
39 Teachers' Pension and Annuity Fund, established pursuant to
40 N.J.S.18A:66-1 et seq., the Judicial Retirement System, established
41 pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the Prison Officers'
42 Pension Fund, established pursuant to P.L.1941, c.220 (C.43:7-7 et
43 seq.), the Public Employees' Retirement System, established
44 pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the Consolidated
45 Police and Firemen's Pension Fund, established pursuant to
46 R.S.43:16-1 et seq., the Police and Firemen's Retirement System,
47 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), and
48 the State Police Retirement System, established pursuant to
49 P.L.1965, c.89 (C.53:5A-1 et seq.), shall be made in full each year

1 to each system or fund in the manner and at the time provided by
2 law. The contribution shall be computed by actuaries for each
3 system or fund based on an annual valuation of the assets and
4 liabilities of the system or fund pursuant to consistent and generally
5 accepted actuarial standards and shall include the normal
6 contribution and the unfunded accrued liability contribution.
7 Notwithstanding the provisions of any law to the contrary, the
8 assets to be included in the calculation described in this paragraph
9 shall not include the special asset value.

10 (2) The State with regard to its obligations funded through the
11 annual appropriations act shall be in compliance with this
12 requirement provided the State makes a payment, to each State-
13 administered retirement system or fund, of at least 1/7th of the full
14 contribution, as computed by the actuaries, in the State fiscal year
15 commencing July 1, 2011 and a payment in each subsequent fiscal
16 year that increases by at least an additional 1/7th until payment of
17 the full contribution is made in the seventh fiscal year and
18 thereafter.

19 (3) The sum of the accrued liability and the normal contribution,
20 calculated by the actuaries with respect to the unfunded accrued
21 liability and normal cost for each retirement system, as defined
22 pursuant to section 3 of P.L. , c. (C.) (pending before the
23 Legislature as this bill), shall be reduced annually by the product of
24 the allocable percentage for such retirement system, established in
25 section 5 of P.L. , c. (C.) (pending before the Legislature as
26 this bill), the adjustment percentage for such retirement system, as
27 set forth in subsection c. of this section, and the special asset
28 adjustment as set forth in this paragraph.

29 For State fiscal year 2018, the annual special asset adjustment
30 shall equal \$1,000,976,874.

31 For State fiscal year 2019, the annual special asset adjustment
32 shall equal \$1,037,148,584.

33 For State fiscal year 2020, the annual special asset adjustment
34 shall equal \$1,070,451,102.

35 For State fiscal year 2021, the annual special asset adjustment
36 shall equal \$1,084,354,841.

37 For State fiscal year 2022, the annual special asset adjustment
38 shall equal \$1,095,871,137.

39 After State fiscal year 2022, the special asset adjustment shall be
40 determined based on an amortization of the special asset value over
41 the remaining term of the lottery contribution made pursuant to
42 section 4 of P.L. , c. (C.) (pending before the Legislature as this
43 bill), at the regular interest rate applicable to the retirement
44 systems; provided, however, in no event shall the annual special
45 asset adjustment be more than the maximum special asset
46 adjustment.

47 The maximum special asset adjustment shall be determined
48 based on a 30-year amortization of the initial special asset value at
49 the regular interest rate applicable to the retirement systems.

1 The special asset value shall initially be the value set forth in
2 section 5 of P.L. , c. (C.) (pending before the Legislature as
3 this bill), and shall be revalued periodically as follows:

4 (a) if and as requested by the State Treasurer, in the Treasurer's
5 discretion, which revaluation shall not occur more than once in any
6 State fiscal year; and

7 (b) five years from the date of the last valuation performed,
8 whether discretionary or otherwise.

9 The special asset value shall exclude proceeds counted in any
10 prior actuarial valuation as a receivable. The special asset shall be
11 depreciated on a straight-line basis over the remaining term of the
12 lottery contribution based on the special asset value.

13 As used in this paragraph:

14 "Special asset adjustment" means the periodic actuarial
15 adjustment with respect to the special asset applicable to the
16 retirement systems.

17 b. In the State fiscal year commencing July 1, 2017 and in each
18 State fiscal year thereafter, the contribution required to be made by
19 the State pursuant to [subsection a. of] this section shall be made to
20 each system on the following schedule: at least 25 percent by
21 September 30, at least 50 percent by December 31, at least 75
22 percent by March 31, and at least 100 percent by June 30. The
23 amount of the contribution shall be net of the amount of any
24 increase in the interest on the tax and revenue anticipation notes
25 attributable solely to the need to borrow an increased amount in
26 order to make the quarterly payments.

27 c. For State fiscal years 2018 through 2022, the adjustment
28 percentage applicable to the Teachers' Pension and Annuity Fund,
29 established pursuant to N.J.S.18A:66-1 et seq., the Public
30 Employees' Retirement System, established pursuant to P.L.1954,
31 c.84 (C.43:15A-1 et seq.), and the Police and Firemen's Retirement
32 System, established pursuant to P.L.1944, c.255 (C.43:16A-1 et
33 seq.), shall be 100 percent. For State fiscal years beginning 2023
34 and thereafter, the adjustment percentage applicable to: (1) the
35 Teachers' Pension and Annuity Fund shall be 88.27 percent; (2) the
36 Public Employees' Retirement System shall be 57.29 percent; and
37 (3) the Police and Firemen's Retirement System shall be 0.00
38 percent. In State fiscal years 2023 and thereafter, for each of the
39 Teachers' Pension and Annuity Fund, the Public Employees'
40 Retirement System, and the Police and Firemen's Retirement
41 System, in their entirety, if the funded ratio falls below 50 percent
42 for any State fiscal year, the adjustment percentage for such fiscal
43 year shall be reduced by a number of percentage points equal to
44 three times the difference between 50 percent and the funded ratio,
45 rounded to the nearest percentage point. For the purposes of this
46 subsection, the funded ratio shall include the special asset value.

47 (cf: P.L.2016, c.83, s.1)

1 18. Section 27 of P.L.2011, c.78 (C.43:3C-16) is amended as
2 follows:

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

18 During the term of the lottery contribution made pursuant to
19 section 4 of P.L. , c. (C.) (pending before the Legislature as
20 this bill), for the purpose of the retirement systems, as defined in
21 section 3 of P.L. , c. (C.) (pending before the Legislature as
22 this bill), "target funded ratio" means a ratio of the actuarial value
23 of assets plus the allocable special asset value, as determined in
24 section 38 of P.L.2010, c.1 (C.43:3C-14), to the actuarially
25 determined accrued liabilities expressed as a percentage that shall
26 be for the State part of each system, and the local part of each
27 system, if any, 75 percent in State fiscal year 2012, and increased in
28 each State fiscal year thereafter by equal increments for seven
29 years, until the ratio reaches 80 percent at which it shall remain for
30 all subsequent State fiscal years.

31 (cf: P.L.2011, c.78, s.27)

32

33 19. N.J.S.18A:66-17 is amended as follows:

34 18A:66-17. The expenses of administration of the retirement
35 system shall be paid by the State of New Jersey. Each employing
36 school district shall reimburse the State for a proportionate share of
37 the amount paid by the State for administrative expense. This
38 proportion shall be computed as the number of members under the
39 jurisdiction of such employing school district bears to the total
40 number of members in the system. The pro rata share of the cost of
41 the administrative expense shall be included with the certification
42 by the board of trustees to the Commissioner of Education, the
43 State Treasurer and to each employing school district. The
44 commissioner shall deduct the amount so certified from the
45 certification, to the State Treasurer and the Director of the Division
46 of Budget and Accounting, of State aid payable to such employing
47 school district under the provisions of c. 85, P.L.1954. Similar
48 reimbursement shall be made to the State by institutions and
49 districts to which c. 85, P.L.1954 does not pertain.

1 For purposes of this section, during the term of the lottery
2 contribution made pursuant to section 4 of P.L. , c. (C.)
3 (pending before the Legislature as this bill), the expenses of the
4 Lottery Enterprise shall not be considered to be expenses of the
5 retirement system but shall be paid in accordance with section 6 of
6 P.L. , c. (C.) (pending before the Legislature as this bill).
7 (cf: P.L.1971, c.121, s.7)

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

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

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

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

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

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

20 The value of the assets, excluding the special asset value set
21 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
22 computation of the contributions provided for under this section for
23 valuation periods shall be the value of the assets for the preceding
24 valuation period increased by the regular interest rate, plus the net
25 cash flow for the valuation period (the difference between the
26 benefits and expenses paid by the system and the contributions to
27 the system) increased by one half of the regular interest rate, plus
28 20% of the difference between this expected value and the full
29 market value of the assets as of the end of the valuation period.
30 This shall be known as the "valuation assets." Notwithstanding the
31 first sentence of this paragraph, the valuation assets for the
32 valuation period ending March 31, 1996 shall be the full market
33 value of the assets as of that date and shall include the proceeds
34 from the bonds issued pursuant to the "Pension Bond Financing Act
35 of 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system
36 by the New Jersey Economic Development Authority to fund the
37 unfunded accrued liability of the system. Notwithstanding the first
38 sentence of this paragraph, the valuation assets for the valuation
39 period ending June 30, 1999 shall be the full market value of the
40 assets as of that date.

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

- 42 (1) the valuation assets; less
- 43 (2) the actuarial accrued liability for basic benefits and pension
44 adjustment benefits, excluding the unfunded accrued liability for
45 early retirement incentive benefits pursuant to P.L.1991, c.231 and
46 P.L.1993, c.163 for employers other than the State; less
- 47 (3) the contributory group insurance premium fund created by
48 N.J.S.18A:66-77; less

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

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

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

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

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

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

33 (4) for valuation periods ending March 31, 2004 through June
34 30, 2007, to the extent possible by up to 50% of the excess
35 valuation assets.

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

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

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

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

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

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

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

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

43 (cf: P.L.2011, c.78, s.20)

44

45 21. Section 3 of P.L.1993, c.375 (C.18A:72A-51) is amended to
46 read as follows:

47 3. There is created within the New Jersey Educational
48 Facilities Authority, established pursuant to N.J.S.18A:72A-1 et
49 seq., the "Higher Education Facilities Trust Fund," hereinafter

1 referred to as the "trust fund." The trust fund shall be maintained as
2 a separate account and administered by the authority to carry out
3 the provisions of this act. The trust fund shall consist of:

4 a. moneys received from the issuance of bonds or notes
5 pursuant to section 9 of P.L.1993, c.375 (C.18A:72A-57) and an
6 annual appropriation **【**from the net proceeds of the State lottery
7 established by P.L.1970, c.13 (C.5:9-1 et seq.)**】** in an amount
8 sufficient to pay the principal and interest on the bonds or notes;

9 b. all moneys appropriated by the State for the purposes of the
10 trust fund; and

11 c. all interest and investment earnings received on moneys in
12 the trust fund.

13 (cf: P.L.1993, c.375, s.3)

14

15 22. Section 3 of P.L.1999, c.217 (C.18A:72A-74) is amended to
16 read as follows:

17 3. There is created within the New Jersey Educational
18 Facilities Authority, established pursuant to chapter 72A of Title
19 18A of the New Jersey Statutes, the "Higher Education Capital
20 Improvement Fund," hereinafter referred to as the "capital
21 improvement fund." The capital improvement fund shall be
22 maintained as a separate account and administered by the authority
23 to carry out the provisions of this act. The capital improvement
24 fund shall consist of:

25 a. moneys received from the issuance of bonds, notes or other
26 obligations issued pursuant to section 7 of P.L.1999, c.217
27 (C.18A:72A-78) and an annual appropriation **【**from the net
28 proceeds of the State lottery established by P.L.1970, c.13 (C.5:9-1
29 et seq.)**】** in an amount sufficient to pay the principal and interest on
30 the bonds, notes or other obligations;

31 b. all moneys appropriated by the State for the purposes of the
32 capital improvement fund; and

33 c. all interest and investment earnings received on moneys in
34 the capital improvement fund.

35 (cf: P.L.1999, c.217, s.3)

36

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

39 23. The expenses of administration of the retirement system on
40 behalf of State employee members shall be paid by the State of New
41 Jersey.

42 The administration fees hereafter paid by participating employers
43 other than the State, shall be used to pay the expenses of
44 administration of the retirement system on behalf of all members
45 other than State employees.

46 For purposes of this section, during the term of the lottery
47 contribution made pursuant to section 4 of P.L. , c. (C.)
48 (pending before the Legislature as this bill), the expenses of the

1 Lottery Enterprise shall not be considered to be expenses of the
2 retirement system.

3 (cf: P.L.1954, c.84, s.23)

4

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

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

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

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

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

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

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

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

11 The value of the assets, excluding the special asset value set
12 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
13 computation of the contributions provided for under this section for
14 valuation periods shall be the value of the assets for the preceding
15 valuation period increased by the regular interest rate, plus the net
16 cash flow for the valuation period (the difference between the
17 benefits and expenses paid by the system and the contributions to
18 the system) increased by one half of the regular interest rate, plus
19 20% of the difference between this expected value and the full
20 market value of the assets as of the end of the valuation period.
21 This shall be known as the "valuation assets." Notwithstanding the
22 first sentence of this paragraph, the valuation assets for the
23 valuation period ending March 31, 1996 shall be the full market
24 value of the assets as of that date and, with respect to the valuation
25 assets allocated to the State, shall include the proceeds from the
26 bonds issued pursuant to the "Pension Bond Financing Act of
27 1997," P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system
28 by the New Jersey Economic Development Authority to fund the
29 unfunded accrued liability of the system. Notwithstanding the first
30 sentence of this paragraph, the valuation assets for the valuation
31 period ending June 30, 1999 shall be the full market value of the
32 assets as of that date.

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
37 and 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
40 4 of P.L.1960, c.79; less
- 41 (4) the post retirement medical premium fund, created pursuant
42 to section 2 of P.L.1990, c.6 (C.43:15A-24.1), as amended by
43 section 8 of P.L.1994, c.62; less
- 44 (5) the present value of the projected total normal cost for
45 pension adjustment benefits in excess of the projected total phased-
46 in normal cost for pension adjustment benefits for the State
47 authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1) over the
48 full phase-in period, determined in the manner prescribed for the

1 determination and amortization of the unfunded accrued liability of
2 the system, if the sum of the foregoing items is greater than zero.

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

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

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

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

15 (4) the present value of the projected total normal cost for
16 pension adjustment benefits in excess of the projected total phased-
17 in normal cost for pension adjustment benefits for the other
18 employers authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1)
19 over the full phase-in period, determined in the manner prescribed
20 for the determination and amortization of the unfunded accrued
21 liability of the system, if the sum of the foregoing items is greater
22 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,
25 the normal contributions payable by the State or by the other
26 employers for the valuation periods ending March 31, 1996 and
27 March 31, 1997 which have not yet been paid to the retirement
28 system shall be reduced to the extent possible by the excess
29 valuation assets allocated to the State or to the other employers,
30 respectively, provided that with respect to the excess valuation
31 assets allocated to the State, the General Fund balances that would
32 have been paid to the retirement system except for this provision
33 shall first be allocated as State aid to public schools to the extent
34 that additional sums are required to comply with the May 14, 1997
35 decision of the New Jersey Supreme Court in *Abbott v. Burke*. If
36 there are excess valuation assets allocated to the State or to the
37 other employers for a valuation period ending after March 31, 1996,
38 the State Treasurer may reduce the normal contribution payable by
39 the State or by the other employers for the next valuation period as
40 follows:

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

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

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

4 (4) for valuation periods ending March 31, 2004 through June
5 30, 2007, to the extent possible by up to 50% of the excess
6 valuation assets allocated to the State or to the other employers,
7 respectively.

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

27 If there are excess valuation assets after reductions in normal
28 contributions and member contributions as authorized in the
29 preceding paragraphs for a valuation period beginning with the
30 valuation period ending June 30, 1999, an amount of excess
31 valuation assets not to exceed the amount of the member
32 contributions for the fiscal year in which the normal contributions
33 are payable shall be credited to the benefit enhancement fund. The
34 amount of excess valuation assets credited to the benefit
35 enhancement fund shall not exceed the present value of the
36 expected additional normal contributions attributable to the
37 provisions of P.L.2001, c.133 payable on behalf of the active
38 members over the expected working lives of the active members in
39 accordance with the tables of actuarial assumptions for the
40 valuation period. No additional excess valuation assets shall be
41 credited to the benefit enhancement fund after the maximum
42 amount is attained. Interest shall be credited to the benefit
43 enhancement fund as provided under section 33 of P.L.1954, c.84
44 (C.43:15A-33).

45 The normal contribution for the increased benefits for active
46 employees under P.L.2001, c.133 shall be paid from the benefit
47 enhancement fund. If assets in the benefit enhancement fund are
48 insufficient to pay the normal contribution for the increased benefits
49 for a valuation period, the State shall pay the amount of normal

1 contribution for the increased benefits not covered by assets from
2 the benefit enhancement fund.

3 c. The retirement system shall certify annually the aggregate
4 amount payable to the contingent reserve fund in the ensuing year,
5 which amount shall be equal to the sum of the amounts described in
6 this section.

7 The State Treasurer shall reduce the normal and accrued liability
8 contributions payable by employers other than the State, excluding
9 the contribution payable from the benefit enhancement fund, to a
10 percentage of the amount certified annually by the retirement
11 system, which percentage shall be: for payments due in the State
12 fiscal year ending June 30, 2005, 20%; for payments due in the
13 State fiscal year ending June 30, 2006, not more than 40%; for
14 payments due in the State fiscal year ending June 30, 2007, not
15 more than 60%; and for payments due in the State fiscal year ending
16 June 30, 2008, not more than 80%.

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

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

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

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

12 The State shall pay into the contingent reserve fund during the
13 ensuing year the amount so determined. The death benefits,
14 payable as a result of contribution by the State under the provisions
15 of this chapter upon the death of an active or retired member, shall
16 be paid from the contingent reserve fund.

17 d. The disbursements for benefits not covered by reserves in
18 the system on account of veterans shall be met by direct
19 contributions of the State and other employers.
20 (cf: P.L.2011, c.78, s.22)

21

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

24 37. Regular interest charges payable, the creation and
25 maintenance of reserves in the contingent reserve fund, the
26 maintenance of retirement reserves as provided for in this act and
27 the payment of all retirement allowances and other benefits granted
28 by the board of trustees under the provisions of this act, except the
29 amounts payable by other employers, are hereby made obligations
30 of the State. All income, interest and dividends derived from
31 deposits and investments authorized by this act shall be used for the
32 payment of these obligations of the State and other employers,
33 including, during the term of the lottery contribution made pursuant
34 to section 4 of P.L. , c. (C.) (pending before the Legislature as
35 this bill), all income, interest, and dividends derived from deposits
36 and investments in the investment account of Common Pension
37 Fund L, established pursuant to section 6 of P.L. , c. (C.)
38 (pending before the Legislature as this bill).

39 Upon the basis of each actuarial determination and appraisal
40 provided for in this act, the board of trustees shall submit to the
41 Governor in each year an itemized statement of the amounts
42 necessary to be appropriated by the State to provide for payment in
43 full during the ensuing fiscal year of the obligations of the State
44 accruing during that year. The Legislature shall make an
45 appropriation sufficient to provide for such obligations of the State.
46 The amounts so appropriated shall be paid into the contingent
47 reserve fund.

48 (cf: P.L.1971, c.213, s.15)

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

3 14. (1) The board of trustees shall be and are hereby constituted
4 trustees of the various funds and accounts established by this act;
5 provided, however, that all functions, powers and duties relating to
6 the investment or reinvestment of moneys of, and purchase, sale or
7 exchange of any investments or securities, of or for any fund or
8 account established under this act shall be exercised and performed
9 by the director of the Division of Investment in accordance with the
10 provisions of chapter 270, of the laws of 1950. The secretary of the
11 board of trustees shall determine from time to time the cash
12 requirements of the various funds and accounts established by this
13 act and the amount available for investment, all of which shall be
14 certified to the Director of the Division of Investment.

15 An elected member of the board of trustees to be designated by a
16 majority vote thereof shall serve on the State Investment Council as
17 a representative of said board of trustees, for a term of three years
18 and until a successor is designated and qualified.

19 (2) The Treasurer of the State of New Jersey shall be the
20 custodian of the several funds created by this act, shall select all
21 depositories and custodians and shall negotiate and execute custody
22 agreements in connection with the assets or investments of any of
23 said funds. All payments from said funds shall be made by him
24 only upon vouchers signed by the chairman and countersigned by
25 the secretary of the board of trustees. No voucher shall be drawn,
26 except upon the authority of the board duly entered in the records
27 of its proceedings.

28 (3) (Deleted by amendment.)

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

39 (5) For purposes of this section, during the term of the lottery
40 contribution made pursuant to section 4 of P.L. , c. (C.)
41 (pending before the Legislature as this bill), the expenses of the
42 Lottery Enterprise shall not be considered to be expenses of the
43 retirement system.

44 (cf: P.L.2011, c.78, s.31)

45

46 27. Section 15 of P.L.1944, c.225 (C.43:16A-15) is amended to
47 read as follows:

48 15. (1) The contributions required for the support of the
49 retirement system shall be made by members and their employers.

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

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

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

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

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

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

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

36 (9) With respect to employers other than the State, upon the
37 basis of the tables recommended by the actuary which the board
38 adopts and regular interest, the actuary shall compute the amount of
39 the accrued liability as of June 30, 1991 under the projected unit
40 credit method, which is not already covered by the assets of the
41 retirement system, valued in accordance with the asset valuation
42 method established in this section. Using the total amount of this
43 unfunded accrued liability, the actuary shall compute the initial
44 amount of contribution which, if the contribution is paid annually
45 in level dollars for a specific period of time, will amortize this
46 liability. The State Treasurer shall determine, upon the advice of
47 the Director of the Division of Pensions and Benefits, the board of
48 trustees and the actuary, the time period for full funding of this
49 liability, which shall not exceed 40 years on initial application of

1 this section as amended by this act, P.L.1994, c.62. This shall be
2 known as the "accrued liability contribution." Any increase or
3 decrease in the unfunded accrued liability as a result of actuarial
4 losses or gains for the 10 valuation years following valuation year
5 1991 shall serve to increase or decrease, respectively, the unfunded
6 accrued liability contribution. Thereafter, any increase or decrease
7 in the unfunded accrued liability as a result of actuarial losses or
8 gains for subsequent valuation years shall serve to increase or
9 decrease, respectively, the amortization period for the unfunded
10 accrued liability, unless an increase in the amortization period will
11 cause it to exceed 30 years. If an increase in the amortization
12 period as a result of actuarial losses for a valuation year would
13 exceed 30 years, the accrued liability contribution shall be
14 computed for the valuation year in the same manner provided for
15 the computation of the initial accrued liability contribution under
16 this section. Beginning with the July 1, 2018 actuarial valuation, the
17 accrued liability contribution shall be computed so that if the
18 contribution is paid annually in level dollars, it will amortize this
19 unfunded accrued liability over a closed 30-year period. Beginning
20 with the July 1, 2028 actuarial valuation, when the remaining
21 amortization period reaches 20 years, any increase or decrease in
22 the unfunded accrued liability as a result of actuarial losses or gains
23 for subsequent valuation years shall serve to increase or decrease,
24 respectively, the amortization period for the unfunded accrued
25 liability, unless an increase in the amortization period will cause it
26 to exceed 20 years. If an increase in the amortization period as a
27 result of actuarial losses for a valuation year would exceed 20 years,
28 the accrued liability contribution shall be computed for the
29 valuation year in the same manner provided for the computation of
30 the initial accrued liability contribution under this section.

31 With respect to the State, upon the basis of the tables
32 recommended by the actuary which the board adopts and regular
33 interest, the actuary shall annually determine if there is an amount
34 of the accrued liability, computed under the projected unit credit
35 method, which is not already covered by the assets of the retirement
36 system, valued in accordance with the asset valuation method
37 established in this section. This shall be known as the "unfunded
38 accrued liability." If there was no unfunded accrued liability for the
39 valuation period immediately preceding the current valuation
40 period, the actuary, using the total amount of this unfunded accrued
41 liability, shall compute the initial amount of contribution which, if
42 the contribution is paid annually in level dollars for a specific
43 period of time, will amortize this liability. The State Treasurer shall
44 determine, upon the advice of the Director of the Division of
45 Pensions and Benefits, the board of trustees and the actuary, the
46 time period for full funding of this liability, which shall not exceed
47 30 years. This shall be known as the "accrued liability
48 contribution." Thereafter, any increase or decrease in the unfunded
49 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
3 liability, unless an increase in the amortization period will cause it
4 to exceed 30 years. If an increase in the amortization period as a
5 result of actuarial losses for a valuation year would exceed 30 years,
6 the accrued liability contribution shall be computed for the
7 valuation year in the same manner provided for the computation of
8 the initial accrued liability contribution under this section.
9 Beginning with the July 1, 2018 actuarial valuation, the accrued
10 liability contribution shall be computed so that if the contribution is
11 paid annually in level dollars, it will amortize this unfunded accrued
12 liability over a closed 30-year period. Beginning with the July 1,
13 2028 actuarial valuation, when the remaining amortization period
14 reaches 20 years, any increase or decrease in the unfunded accrued
15 liability as a result of actuarial losses or gains for subsequent
16 valuation years shall serve to increase or decrease, respectively, the
17 amortization period for the unfunded accrued liability, unless an
18 increase in the amortization period will cause it to exceed 20 years.
19 If an increase in the amortization period as a result of actuarial
20 losses for a valuation year would exceed 20 years, the accrued
21 liability contribution shall be computed for the valuation year in the
22 same manner provided for the computation of the initial accrued
23 liability contribution under this section.

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

28 The value of the assets, excluding the special asset value set
29 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
30 computation of the contributions provided for under this section for
31 valuation periods shall be the value of the assets for the preceding
32 valuation period increased by the regular interest rate, plus the net
33 cash flow for the valuation period (the difference between the
34 benefits and expenses paid by the system and the contributions to
35 the system) increased by one half of the regular interest rate, plus
36 20% of the difference between this expected value and the full
37 market value of the assets as of the end of the valuation period.
38 This shall be known as the "valuation assets." Notwithstanding the
39 first sentence of this paragraph, the valuation assets for the
40 valuation period ending June 30, 1995 shall be the full market value
41 of the assets as of that date and, with respect to the valuation assets
42 allocated to the State, shall include the proceeds from the bonds
43 issued pursuant to the "Pension Bond Financing Act of 1997,"
44 P.L.1997, c.114 (C.34:1B-7.45 et seq.), paid to the system by the
45 New Jersey Economic Development Authority to fund the unfunded
46 accrued liability of the system. Notwithstanding the first sentence of
47 this paragraph, the percentage of the difference between the
48 expected value and the full market value of the assets to be added to
49 the expected value of the assets for the valuation period ending June

1 30, 1998 for the State shall be 100% and for other employers shall
2 be 57% plus such additional percentage as is equivalent to
3 \$150,000,000. Notwithstanding the first sentence of this paragraph,
4 the amount of the difference between the expected value and the
5 full market value of the assets to be added to the expected value of
6 the assets for the valuation period ending June 30, 1999 shall
7 include an additional amount of the market value of the assets
8 sufficient to fund (1) the unfunded accrued liability for the
9 supplementary "special retirement" allowances provided under
10 subsection b. of section 16 of P.L.1964, c.241 (C.43:16A-11.1) and
11 (2) the unfunded accrued liability for the full credit toward benefits
12 under the retirement system for service credited in the Public
13 Employees' Retirement System and transferred pursuant to section 1
14 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the
15 cost of any credit purchase pursuant to section 3 of P.L.1993, c.247
16 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201
17 (C.43:16A-3.14).

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

1 P.L.2003, c.108 as amending section 16 of P.L.1964, c.241
2 (C.43:16A-11.1) payable on behalf of the active members employed
3 by other employers as of the valuation period over the expected
4 working lives of the active members in accordance with the tables
5 of actuarial assumptions applicable to the valuation period, if the
6 sum is greater than zero.

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

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

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

31 (1) for valuation periods ending June 30, 1996 through June 30,
32 2000, to the extent possible by up to 100% of the excess valuation
33 assets allocated to the State or to the other employers, respectively;

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

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

40 (4) for valuation periods ending June 30, 2003 through June 30,
41 2007, to the extent possible by up to 50% of the excess valuation
42 assets allocated to the State or to the other employers, respectively.

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

1 the previous paragraph the normal contribution payable by such
2 employers for that valuation period.

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

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

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

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

46 The actuaries for the retirement system shall determine the
47 unfunded liability of the retirement system, by employer, for the
48 reduced normal and accrued liability contributions provided under
49 P.L.2009, c.19. This unfunded liability shall be paid by the

1 employer in level annual payments over a period of 15 years
2 beginning with the payments due in the State fiscal year ending
3 June 30, 2012 and shall be adjusted by the rate of return on the
4 actuarial value of assets.

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

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

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

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

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

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

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

48 (14) Commencing with valuation year 1991, with payment to be
49 made in Fiscal Year 1994, the Legislature shall annually

1 appropriate and the State Treasurer shall pay into the pension
2 accumulation fund of the retirement system an amount equal to
3 1.1% of the compensation of the members of the system for the
4 valuation year to fund the benefits provided by section 16 of
5 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

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

11 (16) The savings realized as a result of the amendments to this
12 section by P.L.2001, c.44 in the payment of normal contributions
13 computed by the actuary for the valuation periods ending June 30,
14 1998 for employers other than the State shall be used solely and
15 exclusively by a county or municipality for the purpose of reducing
16 the amount that is required to be raised by the local property tax
17 levy by the county for county purposes or by the municipality for
18 municipal purposes, as appropriate. The Director of the Division of
19 Local Government Services in the Department of Community
20 Affairs shall certify for each year that each county or municipality
21 has complied with the requirements set forth herein. If the director
22 finds that a county or municipality has not used the savings solely
23 and exclusively for the purpose of reducing the amount that is
24 required to be raised by the local property tax levy by the county for
25 county purposes or by the municipality for municipal purposes, as
26 appropriate, the director shall direct the county or municipal
27 governing body, as appropriate, to make corrections to its budget.
28 (cf: P.L.2011, c.78, s.15)

29

30 28. Section 13 of P.L.1950, c.270 (C.52:18A-91) is amended to
31 read as follows:

32 13. a. The State Investment Council shall consult with the
33 Director of the Division of Investment from time to time with
34 respect to the work of the division. It shall have access to all files
35 and records of the division and may require any officer or employee
36 therein to provide such information as it may deem necessary in the
37 performance of its functions. The council shall have authority to
38 inspect and audit the respective accounts and funds administered
39 through the Division of Investment. It shall formulate and establish,
40 and may from time to time amend, modify or repeal, such policies
41 as it may deem necessary or proper, which shall govern the
42 methods, practices or procedures for investment, reinvestment,
43 purchase, sale or exchange transactions to be followed by the
44 Director of the Division of Investment established hereunder,
45 except that the provisions of this subsection shall not apply to the
46 operations account of Common Pension Fund L established
47 pursuant to section 6 of P.L. , c. (C.) (pending before the
48 Legislature as this bill). Notwithstanding any provision of the
49 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et

1 seq.) to the contrary, the council may adopt, immediately upon
2 filing with the Office of Administrative Law such policies and
3 regulations relating to the investment account, established pursuant
4 to section 6 of P.L. , c. (C.) (pending before the Legislature as
5 this bill), as are necessary to implement that section, which
6 regulations shall be effective for a period not to exceed 12 months
7 following adoption, and may thereafter be amended, adopted, or
8 readopted by the council in accordance with the requirements of the
9 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
10 seq.).

11 b. On or before January first of each year, and at such other
12 times as it may deem in the public interest, the council shall report
13 to the Governor, the Legislature, and the State Treasurer with
14 respect to its work and the work of the Division of Investment. In
15 addition to the reports specified above and in section 14 of
16 P.L.1950, c.270 (C.52:18A-92), the council shall issue a report by
17 March 1 of each year on the investment activities for the prior
18 **【calendar】 State fiscal** year, which shall include a summary of the
19 current investment policies and strategies of the council and those
20 in effect during the prior **【calendar】 State fiscal** year, a detailed
21 summary for each financial product of the amount invested,
22 **【whether the investments were made by employees of the Division**
23 **of Investment or by external managers,】** performance benchmarks,
24 and actual performance during the **【calendar】 State fiscal** year. The
25 report shall be submitted to the Governor, the Legislature, and the
26 State Treasurer, and shall be made available to the public through
27 the official Internet site of the State.

28 c. The council shall hold a meeting each year that shall be open
29 to the public, and shall accept comments from the public at such
30 meeting. The matters that shall be open to discussion and public
31 comment during this annual meeting shall include the investment
32 policies and strategies of the council, the investment activities of
33 the council, the financial disclosure statements filed by council
34 members, and the certification of contributions filed by external
35 managers, as well as other appropriate matters concerning the
36 operations, activities and reports of the council.

37 d. An external manager shall be required to file a certification
38 before being retained, and annually thereafter, that discloses the
39 political contributions made, during the 12 months preceding the
40 certification, by the manager or the manager's firm, or a political
41 committee in which the manager or firm was active. The
42 certification shall specify the political contributions made to
43 candidates for elective public office in this State and any political
44 committee established for the support of such candidates, and
45 contributions made for the transition and inaugural expenses of any
46 candidate who is elected to public office. As used in this subsection,
47 "contribution" and "political committee" shall have the meaning set
48 forth in "The New Jersey Campaign Contributions and Expenditures

1 Reporting Act," P.L.1973, c.83 (C.19:44A-1 et al.). This
2 certification shall be in addition to any other such disclosure
3 required by law or executive order of the Governor.
4 (cf: P.L.2007, c.103, s.51)

5

6 29. This act shall take effect immediately.

7

8

9

STATEMENT

10

11 This bill contributes the State Lottery Enterprise to the Teachers'
12 Pension and Annuity Fund (TPAF), the Public Employees'
13 Retirement System (PERS), and the Police and Firemen's
14 Retirement System (PFRS) for a term of 30 years. Under the bill,
15 the TPAF, PERS, and PFRS receive a portion of the proceeds of the
16 Lottery Enterprise, based upon their members' past or present
17 employment in schools and institutions in the State.

18 Under the bill, the entirety of the Lottery Enterprise will be
19 contributed to newly created Common Pension Fund L, but there
20 will be no material change in the operation and management of the
21 Lottery Enterprise. The bill directs that operation of the State
22 lottery remain with the Division of the State Lottery, which will
23 continue in its current form as a division within the Department of
24 the Treasury. The State Lottery Commission will continue to have
25 seven members, but the bill will add the Director of the Division of
26 Investment as a member of the Commission and remove one public
27 member. The State Lottery Commission will continue to exercise
28 regulatory oversight over the State Lottery by adopting lottery rules
29 and approving all games.

30 With the exception of a few retained assets and liabilities (such
31 as annuities purchased to pay previous prize winners), the bill
32 provides that all of the assets and liabilities of the State lottery,
33 including all State lottery intellectual property, will be conveyed, as
34 delineated in a Memorandum of Lottery Contribution required to be
35 executed by this bill, to the retirement systems for the term of the
36 lottery contribution. The intellectual property will continue to be
37 used by the Division of the State Lottery under a no-fee license
38 provision in the bill.

39 The lottery contribution will take effect when the Treasurer
40 delivers the Memorandum of Lottery Contribution to the Director of
41 the Division of Investment. During the term of the lottery
42 contribution, the gross proceeds of the State Lottery will be paid
43 into an operating account within Common Pension Fund L for
44 payment of operational and administrative costs. The Division of
45 the State Lottery will manage the operating account. The bill
46 requires the Division of the State Lottery to transfer into a second
47 account, the investment account, State lottery proceeds net of
48 operating and administrative expenses on a periodic basis.

1 Administrative expenses include prize payments and advertising
2 costs.

3 Consistent with current State law, annual lottery net proceeds
4 must be at least 30 percent of gross proceeds. The net proceeds
5 may be used by each retirement system for payment of benefits to
6 members of the retirement systems or may be invested on behalf of
7 the retirement systems by the Director of the Division of
8 Investment. The lottery contribution given to the retirement
9 systems will increase the funded ratio of such systems with respect
10 to members of the retirement systems who are employed, or were
11 employed, in schools and institutions in this State.

12 The bill allocates the lottery contribution to the retirement
13 systems in allocable percentages. Under this bill, the lottery
14 contribution and all proceeds of the Lottery Enterprise are allocated
15 among the retirement systems in the allocable percentages as
16 follows: 77.78 percent for TPAF; 21.02 percent for PERS; and 1.20
17 percent for PFRS. The allocations were determined based on (1)
18 the relative percentages of the total actuarial accrued liabilities of
19 the retirement systems; (2) the relative percentages of the total
20 actuarial accrued liabilities of the eligible member portions of such
21 retirement systems; (3) the relative percentages of the total
22 unfunded actuarially accrued liabilities of the retirement systems;
23 (4) the relative percentages of the total unfunded actuarially accrued
24 liabilities of the eligible member portions of such retirement
25 systems; (5) the relative percentages of the total number of
26 members in each retirement system; and (6) the relative percentages
27 of eligible members participating in each such retirement system.
28 The bill provides each retirement system an initial equitable interest
29 in Common Pension Fund L, equal to its allocable percentage of the
30 entire lottery contribution made on its behalf.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3312

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 26, 2017

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3312, with committee amendments.

As amended, this bill contributes the State Lottery Enterprise to the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS) for a term of 30 years. Under the bill, the TPAF, PERS, and PFRS receive a portion of the proceeds of the Lottery Enterprise, based upon their members' past or present employment in schools and institutions in the State.

Under the bill, the entirety of the Lottery Enterprise will be contributed to newly created Common Pension Fund L, but there will be no material change in the operation and management of the Lottery Enterprise. The bill directs that operation of the State lottery remain with the Division of the State Lottery, which will continue in its current form as a division within the Department of the Treasury. The State Lottery Commission will continue to have seven members, but the bill will add the Director of the Division of Investment as a member of the Commission and remove one public member. The State Lottery Commission will continue to exercise regulatory oversight over the State Lottery by adopting lottery rules and approving all games.

With the exception of a few retained assets and liabilities (such as annuities purchased to pay previous prize winners), the bill provides that all of the assets and liabilities of the State lottery, including all State lottery intellectual property, will be conveyed, as delineated in a Memorandum of Lottery Contribution required to be executed by this bill, to the retirement systems for the term of the lottery contribution. The intellectual property will continue to be used by the Division of the State Lottery under a no-fee license provision in the bill.

The lottery contribution will take effect when the Treasurer delivers the Memorandum of Lottery Contribution to the Director of the Division of Investment. During the term of the lottery contribution, the gross proceeds of the State Lottery will be paid into an operating account within Common Pension Fund L for payment of operational and administrative costs. The Division of the State Lottery will manage the operating account. The bill requires the Division of

the State Lottery to transfer into a second account, the investment account, State lottery proceeds net of operating and administrative expenses on a periodic basis. Administrative expenses include prize payments and advertising costs.

Consistent with current State law, annual lottery net proceeds must be at least 30 percent of gross proceeds. The net proceeds may be used by each retirement system for payment of benefits to members of the retirement systems or may be invested on behalf of the retirement systems by the Director of the Division of Investment. The lottery contribution given to the retirement systems will increase the funded ratio of such systems with respect to members of the retirement systems who are employed, or were employed, in schools and institutions in this State.

The bill allocates the lottery contribution to the retirement systems in allocable percentages. Under this bill, the lottery contribution and all proceeds of the Lottery Enterprise are allocated among the retirement systems in the allocable percentages as follows: 77.78 percent for TPAF; 21.02 percent for PERS; and 1.20 percent for PFRS. The allocations were determined based on (1) the relative percentages of the total actuarial accrued liabilities of the retirement systems; (2) the relative percentages of the total actuarial accrued liabilities of the eligible member portions of such retirement systems; (3) the relative percentages of the total unfunded actuarially accrued liabilities of the retirement systems; (4) the relative percentages of the total unfunded actuarially accrued liabilities of the eligible member portions of such retirement systems; (5) the relative percentages of the total number of members in each retirement system; and (6) the relative percentages of eligible members participating in each such retirement system. The bill provides each retirement system an initial equitable interest in Common Pension Fund L, equal to its allocable percentage of the entire lottery contribution made on its behalf.

COMMITTEE AMENDMENTS:

The amendments revise the definition of "State institutions" in section 3 of the bill to specify that, in addition to the State facilities described or listed in R.S.30:1-7, the term also is to include certain other long-term care facilities, institutions, and psychiatric facilities of this State that have closed and are no longer in operation as identified by the State Treasurer.

The amendments also make similar changes to the definition of "eligible members" in section 3 of the bill to specify that for purposes of the Public Employees' Retirement System and the Police and Firemen's Retirement System, the term includes individuals who are serving or who have served as employees of State institutions described or listed in R.S.30:1-7 as well as institutions no longer in operation as identified by the State Treasurer.

FISCAL IMPACT:

This bill will increase the assets of three retirement systems, the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS), by contributing the State Lottery to each of those funds in proportions specified in the bill for a 30-year period. The bill stipulates the initial value of the asset contribution at \$13.535 billion. According to the State Treasurer, as stated in testimony to the Senate Budget and Appropriations Committee on June 15, 2017 this asset contribution will increase the funded ratios of the three retirement systems as follows: TPAF, from 47 percent to 63.9 percent; PERS (State) from 37.8 percent to 49.6 percent; and PFRS (State) from 41.2 percent to 44.5 percent. The impact of funded ratios will then vary over the 30-year term based on the impact of the annual allocation of Lottery net revenues to the systems and the periodic revaluation of the Lottery asset. These results assume that annual actuarial valuations of the TPAF, PERS and PFRS acknowledge that the Lottery assets held in Common Pension L are properly recognized as assets of the systems.

The contribution of the Lottery to the retirement systems should have no direct impact on the gross revenue or the net proceeds of the State Lottery. Beginning in FY 2018, for 30 years Lottery revenue collections will shift from the State Lottery Fund to Common Pension Fund L, and will become unavailable for that time period for transfer to the General Fund as State revenue available for budgetary purposes. The estimated net proceeds of the Lottery for FY 2018 are \$1.014 billion. The future trend of Lottery net revenues is indeterminate, net revenues could increase or decrease based on a number of factors, such as economic conditions and Lottery operational decisions. All State Lottery revenue will return to the State Lottery Fund in the 31st year, and at that time Lottery net proceeds become available for transfer to the General Fund as required by law.

The bill revises the statutory calculation of the annually determined contribution (ADC) by the State to TPAF, PERS and PFRS. The amount determined under current law is annually adjusted by the product of the allocation percentage (the same percentage used to allocate the assets and annual net revenues of Lottery to the retirement systems, established in the bill at 77.78 percent for TPAF, 21.02 percent for PERS and 1.2 percent for PFRS); the adjustment percentage (also established in the bill at 88.27 percent for TPAF, 57.29 percent for PERS, and zero for PFRS); and the special asset adjustment. For FY 2018 through FY 2022, the adjustment percentage is set at 100 percent for all three systems, and special asset adjustment is a fixed dollar amount, as follows:

- FY 2018: about \$1.001 billion
- FY 2019: about \$1.037 billion

- FY 2020: about \$1.070 billion
- FY 2021: about \$1.084 billion
- FY 2022: about \$1.096 billion.

These amounts, stipulated for the first five fiscal years of the bill's impact, represent a reasonable estimate of annual Lottery net receipts. Thus, the loss of revenue to the General Fund from the bill is offset by an approximately equal reduction in the amount the State would be statutorily required to contribute to the retirement systems. The State Treasurer's testimony cited above indicated that this calculation for these first five fiscal years "...will lower the State's ADC in amounts equal to the projected net proceeds to be generated by the Lottery".

In FY 2023 and thereafter, the special asset adjustment is an amount "determined based on an amortization of the special asset value over the remaining term of the lottery contribution, at the regular interest rate applicable to the retirement systems", but not to exceed the maximum special asset adjustment. Under this formula the special asset adjustment will decrease compared to the amounts of the adjustment in fiscal years 2018-2022. The Executive has provided no detailed projections of the ADC that would result from this formula in those years. The OLS notes that the formula will not result in a higher ADC than would otherwise result under current law, and that either the special asset adjustment as calculated or the maximum adjustment will be less than the adjustments stipulated for fiscal years 2018-2022.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 3312 STATE OF NEW JERSEY 217th LEGISLATURE

DATED: JULY 13, 2017

SUMMARY

- Synopsis:** Transfers State Lottery Enterprise to TPAF, PERS, and PFRS.
- Type of Impact:** State Revenue and Expenditure Reduction; Revenue Increase and Asset Gain, Certain State Administered Retirement Systems
- Agencies Affected:** Division of Pensions and Benefits and Division of Investments, Department of the Treasury; State Lottery Commission.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2018 – FY 2048</u>
State Revenues	Annual Reduction-See Comments Below
State Expenditures	Annual Reduction– See Comments Below
Certain State Administered Retirement Systems	Increased Annual Income – See Comments Below

- The Office of Legislative Services (OLS) estimates that the bill will annually decrease State revenues available to the General Fund for a 30-year period by the amount of the net proceeds of the State Lottery. The Executive estimates the FY 2018 lottery net proceeds at \$1.014 billion. The annual amount of lottery net proceeds over the remaining 29 years is indeterminate. All State Lottery revenue will return to the State Lottery Fund in the 31st year, and at that time Lottery net proceeds become available for transfer to the General Fund as required by law.
- The OLS estimates that the bill will reduce State expenditures, by revising the statutory calculation of the annually determined contribution (ADC) by the State to Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS) over the same 30-year period. The annual expenditure reduction for the first five fiscal years is set forth in the bill and described below; thereafter, the annual reduction is indeterminate.

- With respect to the bill's impact on the annual revenue received by the TPAF, PERS and PFRS, in the first five fiscal years the sum of State-funded employer contributions and lottery net proceeds will be no different than if the bill were not enacted. Thereafter, the sum of State-funded employer contributions and lottery net proceeds should increase, by indeterminate amounts, assuming that lottery net proceeds do not suffer a drastic decline.
- This bill will increase the assets of the TPAF, PERS, and PFRS by contributing the State Lottery to each of those funds in proportions specified in the bill for a 30-year period. The bill stipulates the initial value of the asset contribution at \$13.535 billion. The asset contribution will increase the funded ratios of the three retirement systems as follows: TPAF, from 47 percent to 63.9 percent; PERS (State) from 37.8 percent to 49.6 percent; and PFRS (State) from 41.2 percent to 44.5 percent.

BILL DESCRIPTION

Senate Bill No. 3312 (1R) of 2017 contributes the State Lottery Enterprise to the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS) for a term of 30 years. Under the bill, the TPAF, PERS, and PFRS receive a portion of the proceeds of the Lottery Enterprise, based upon their members' past or present employment in schools and institutions in the State.

Under the bill, the entirety of the Lottery Enterprise will be contributed to newly created Common Pension Fund L. The bill directs that operation of the State lottery remain with the Division of the State Lottery, which will continue in its current form as a division within the Department of the Treasury. The State Lottery Commission will continue to have seven members, but the bill will add the Director of the Division of Investment as a member of the Commission and remove one public member. The State Lottery Commission will continue to exercise regulatory oversight over the State Lottery by adopting lottery rules and approving all games.

The bill provides that with the exception of a few retained assets and liabilities (such as annuities purchased to pay previous prize winners), all of the assets and liabilities of the State lottery, including all State lottery intellectual property, will be conveyed, as delineated in a Memorandum of Lottery Contribution required to be executed by this bill, to the retirement systems for the term of the lottery contribution. The intellectual property will continue to be used by the Division of the State Lottery under a no-fee license provision in the bill.

The lottery contribution will take effect when the Treasurer delivers the Memorandum of Lottery Contribution to the Director of the Division of Investment. During the term of the lottery contribution, the gross proceeds of the State Lottery will be paid into an operating account within Common Pension Fund L for payment of operational and administrative costs. The Division of the State Lottery will manage the operating account. The bill requires the Division of the State Lottery to transfer into a second account, the investment account, State lottery proceeds net of operating and administrative expenses on a periodic basis. Administrative expenses include prize payments and advertising costs.

Consistent with current State law, annual lottery net proceeds must be at least 30 percent of gross proceeds. The net proceeds may be used by each retirement system for payment of

benefits to members of the retirement systems or may be invested on behalf of the retirement systems by the Director of the Division of Investment.

The bill allocates a percentage of the lottery contribution to each of the retirement systems as follows: 77.78 percent for TPAF; 21.02 percent for PERS; and 1.20 percent for PFRS. The allocable percentages were determined based on (1) the relative percentages of the total actuarial accrued liabilities of the retirement systems; (2) the relative percentages of the total actuarial accrued liabilities of the eligible member portions of such retirement systems; (3) the relative percentages of the total unfunded actuarially accrued liabilities of the retirement systems; (4) the relative percentages of the total unfunded actuarially accrued liabilities of the eligible member portions of such retirement systems; (5) the relative percentages of the total number of members in each retirement system; and (6) the relative percentages of eligible members participating in each such retirement system. The bill provides each retirement system an initial equitable interest in Common Pension Fund L, equal to its allocable percentage of the entire lottery contribution made on its behalf.

The bill sets the initial value of the lottery asset contribution at \$13.535 billion, and provides that the contribution increases the funded ratio of each retirement system benefiting from the contribution.

The bill revises the calculation of the annually determined by the State to the TPAF, PERS and PFRS. The amount as determined under current law is annually adjusted by the product of the allocation percentage (the same percentage used to allocate the assets and annual net revenues of Lottery to the retirement systems as established in the bill); the adjustment percentage (also established in the bill at 88.27 percent for TPAF, 57.29 percent for PERS, and zero for PFRS); and the special asset adjustment. The special asset adjustment is annually calculated determined based on an amortization of the special asset value over the remaining term of the lottery contribution, at the regular interest rate applicable to the retirement systems, but not to exceed the maximum special asset adjustment. However, for FY 2018 through FY 2022, the adjustment percentage is set at 100 percent for all three systems, and the special asset adjustment is a fixed dollar amount. The bill specifies that if after FY 2022, the funded ratio of a retirement system falls below 50 percent for any State fiscal year, the adjustment percentage for that fiscal year is reduced by a number of percentage points equal to three times the difference between 50 percent and the funded ratio, rounded to the nearest percentage point.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None Received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will increase the assets of three retirement systems, the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS), by contributing the State Lottery to each of those funds, in proportions specified in the bill, for a 30-year period. The OLS estimates that the bill will annually decrease State revenues available to the General Fund for the same 30-year period by the amount of the net proceeds of the State Lottery. The Executive estimates the FY 2018 lottery net proceeds at \$1.014 billion. The annual amount of lottery net proceeds over

the remaining 29 years is indeterminate. Further, the OLS estimates that the bill will reduce State expenditures, by revising the statutory calculation of the annually determined contribution (ADC) by the State to TPAF, PERS and PFRS over the same 30-year period. The annual expenditure reduction for the first five fiscal years is set forth in the bill and described below; thereafter, the annual reduction is indeterminate.

The bill stipulates the initial value of the asset contribution at \$13.535 billion. According to the State Treasurer, as stated in testimony to the Senate Budget and Appropriations Committee on June 15, 2017 this asset contribution will increase the funded ratios of the three retirement systems as follows: TPAF, from 47 percent to 63.9 percent; PERS (State) from 37.8 percent to 49.6 percent; and PFRS (State) from 41.2 percent to 44.5 percent. The impact of funded ratios will then vary over the 30-year term based on the impact of the annual allocation of lottery net revenues to the systems and the periodic revaluation of the Lottery asset. These results assume that annual actuarial valuations of the TPAF, PERS and PFRS acknowledge that the Lottery assets held in Common Pension L are properly recognized as assets of the systems.

The contribution of the State Lottery to the retirement systems should have no direct impact on the gross revenue or the net proceeds of the State Lottery. Beginning in FY 2018, for 30 years lottery revenue collections will shift from the State Lottery Fund to Common Pension Fund L, and will become unavailable for that time period for transfer to the General Fund as State revenue available for budgetary purposes. As noted above, the estimated net proceeds of the State Lottery for FY 2018 are \$1.014 billion. The future trend of lottery net revenues is indeterminate; net revenues could increase or decrease based on a number of factors, such as economic conditions and Lottery operational decisions. All State Lottery revenue will return to the State Lottery Fund in the 31st year, and at that time lottery net proceeds become available for transfer to the General Fund as required by law.

The bill revises the statutory calculation of the annually determined contribution (ADC) by the State to TPAF, PERS and PFRS. The amount determined under current law is annually reduced by the product of the allocation percentage (the same percentage used to allocate the assets and annual net revenues of the State Lottery to the retirement systems, established in the bill at 77.78 percent for TPAF, 21.02 percent for PERS and 1.2 percent for PFRS); the adjustment percentage (also established in the bill at 88.27 percent for TPAF, 57.29 percent for PERS, and zero for PFRS); and the special asset adjustment. For FY 2018 through FY 2022, the adjustment percentage is set at 100 percent for all three systems, and the special asset adjustment is a fixed dollar amount, as follows:

FY 2018: about \$1.001 billion

FY 2019: about \$1.037 billion

FY 2020: about \$1.070 billion

FY 2021: about \$1.084 billion

FY 2022: about \$1.096 billion.

These amounts, stipulated for the first five fiscal years of the bill's impact, represent a reasonable estimate of annual Lottery net receipts. Thus, the loss of revenue to the General Fund from the bill is offset by an approximately reduction in the amount the State would be statutorily required to contribute to the retirement systems. The State Treasurer's testimony cited above indicated that this calculation for these first five fiscal years "...will lower the State's ADC in amounts equal to the projected net proceeds to be generated by the Lottery".

In FY 2023 and thereafter, the special asset adjustment is an amount "determined based on an amortization of the special asset value over the remaining term of the lottery contribution, at the regular interest rate applicable to the retirement systems", but not to exceed the maximum

special asset adjustment. The bill provides that the maximum special asset adjustment shall be determined based on a 30-year amortization of the initial special asset value at the regular interest rate applicable to the retirement systems. Under this formula the special asset adjustment will likely decrease, and the ADC will increase, compared to the amounts of the adjustment and resulting ADC in fiscal years 2018-2022. The Executive has provided no detailed projections of the ADC that would result from this formula in those years. The OLS notes that the formula will not result in a higher ADC than would otherwise result under current law, and that either the special asset adjustment as calculated or the maximum adjustment will be less than the adjustments stipulated for fiscal years 2018-2022.

With respect to the bill's impact on the annual revenue received by the TPAF, PERS and PFRS, in the first five fiscal years the sum of State-funded employer contributions and lottery net proceeds will be no different than if the bill were not enacted. Thereafter, the sum of State-funded employer contributions and lottery net proceeds should increase, by indeterminate amounts, assuming that lottery net proceeds do not suffer a drastic decline. This result is attained primarily by the change in the adjustment percentage from 100 percent to lower percentages beginning in FY 2023, and the ceiling on the special asset adjustment (which serves as a floor under the ADC).

Section: State Government

*Analyst: Kimberly M. Clemmensen
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY, No. 5003

STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED JUNE 26, 2017

Sponsored by:

Assemblyman GARY S. SCHAER

District 36 (Bergen and Passaic)

Assemblyman DECLAN J. O'SCANLON, JR.

District 13 (Monmouth)

Assemblyman LOUIS D. GREENWALD

District 6 (Burlington and Camden)

SYNOPSIS

Transfers State Lottery Enterprise to TPAF, PERS, and PFRS.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/30/2017)

1 AN ACT concerning the contribution of the Lottery Enterprise to
2 certain State-administered retirement systems to benefit State
3 institutions and provide State aid to education, amending various
4 parts of the statutory law, and supplementing P.L.1970, c.13
5 (C.5:9-1 et seq.).

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

9
10 1. (New section) This act shall be known and may be cited as
11 the "Lottery Enterprise Contribution Act."

12
13 2. (New section) The Legislature finds and declares that:

14 a. The State Lottery, as established by and operated pursuant to
15 Article IV, Section VII, paragraph 2 of the Constitution of the State
16 of New Jersey and the "State Lottery Law," P.L.1970, c.13 (C.5:9-1
17 et seq.), is a valuable asset of the State of New Jersey.

18 b. The Lottery Enterprise has been and is a business-like entity,
19 consisting of all of the assets, properties, interests, and rights of
20 every nature and kind, tangible and intangible, of the State useful or
21 necessary to operate the State Lottery.

22 c. The Division of the State Lottery in the Department of the
23 Treasury is constantly evolving the brand, marketing, and game
24 offerings of the Lottery Enterprise in order to retain existing players
25 and attract new ones.

26 d. The Lottery Enterprise, as operated by the Division of the
27 State Lottery, is recognized as one of the most profitable and well-
28 operated lotteries in the United States and the world. The division
29 operates the Lottery Enterprise in a manner that is consonant with
30 the dignity of the State and general welfare of its people, as
31 demonstrated by the division having earned the highest level of
32 achievement in responsible gaming, and having received the Best
33 Innovation in Responsible Gambling Award from the World Lottery
34 Association in November 2016.

35 e. The continued operation, management, conduct, and control
36 of the Lottery Enterprise by the Division of the State Lottery is
37 necessary for the Lottery Enterprise to remain operating at these
38 high standards, consistent with the "State Lottery Law," P.L.1970,
39 c.13 (C.5:9-1 et seq.), and with applicable federal law.

40 f. The Teachers' Pension and Annuity Fund, the Public
41 Employees' Retirement System, and the Police and Firemen's
42 Retirement System are established as qualified governmental
43 defined benefit plans pursuant to sections 401(a) and 414(d) of the
44 federal Internal Revenue Code of 1986 (26 U.S.C. ss.401(a) and
45 414(d)), as amended, and exempt under section 501(a) of the federal

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 Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as amended,
2 and such other provision of the federal Internal Revenue Code, as
3 applicable, regulations of the United States Department of the
4 Treasury, and other guidance of the federal Internal Revenue
5 Service, and this act, P.L. , c. (C.) (pending before the
6 Legislature as this bill). The contribution of the Lottery Enterprise
7 to these retirement systems is intended to comply with all
8 requirements of the federal Internal Revenue Code governing the
9 tax qualified status of the retirement systems, and this act shall at
10 all times be applied and construed in a manner consistent with all
11 such requirements.

12 g. The members of the Teachers' Pension and Annuity Fund are
13 serving or have served as teachers, educators, and administrators in
14 the schools of this State and are eligible members of the retirement
15 system, and contributing the Lottery Enterprise for their benefit
16 pursuant to this act constitutes State aid for education within the
17 meaning of Article IV, Section VII, paragraph 2 of the State
18 Constitution.

19 h. Some of the members of the Public Employees' Retirement
20 System are serving or have served as employees of State institutions
21 defined in R.S.30:1-7, but excluding adult or juvenile correctional
22 facilities or institutions, or are serving or have served as employees
23 of public institutions of higher education, and are eligible members
24 of the retirement system, and contributing the Lottery Enterprise for
25 their benefit pursuant to this act constitutes support for State
26 institutions and State aid for education within the meaning of
27 Article IV, Section VII, paragraph 2 of the State Constitution.

28 i. Some of the members of the Police and Firemen's
29 Retirement System are serving or have served as employees of State
30 institutions defined in R.S.30:1-7, but excluding adult or juvenile
31 correctional facilities or institutions, or are serving or have served
32 as employees of public institutions of higher education, and are
33 eligible members of the retirement system, and contributing the
34 Lottery Enterprise for their benefit pursuant to this act constitutes
35 support for State institutions and State aid for education within the
36 meaning of Article IV, Section VII, paragraph 2 of the State
37 Constitution.

38 j. The New Jersey Supreme Court has recognized the
39 compelling need for action to solve the tenuous state of New
40 Jersey's pension funding, observing that "the State must get its
41 financial house in order."

42 k. The New Jersey Pension and Health Benefit Study
43 Commission emphasized the dire condition of the public employee
44 pension systems, which continues to be a matter of grave concern
45 for public employees, retirees, their families, and all of the residents
46 of this State. The commission found that "by any measure, the
47 amount of the unfunded liability is grievous."

1 1. The contribution of the Lottery Enterprise to the retirement
2 systems pursuant to and in the manner contemplated by this act is in
3 the public interest in alleviating the underfunded status of such
4 retirement systems.

5 m. The State, pursuant to a competitive process, engaged an
6 independent valuation service provider to conduct a review and due
7 diligence of the Lottery Enterprise, including its cash flows,
8 operating history, legal structure, and projections, and the
9 independent valuation service provider issued a report which
10 represents its opinion as to the valuation of the Lottery Enterprise.

11 n. The allocable percentages established in section 5 of this act
12 were determined based on: (1) the relative percentages of the total
13 actuarial accrued liabilities of the retirement systems; (2) the
14 relative percentages of the total actuarial accrued liabilities of the
15 eligible member portions of such retirement systems; (3) the
16 relative percentages of the total unfunded actuarially accrued
17 liabilities of the retirement systems; (4) the relative percentages of
18 the total unfunded actuarially accrued liabilities of the eligible
19 member portions of such retirement systems; (5) the relative
20 percentages of the total number of members in each retirement
21 system; and (6) the relative percentages of eligible members
22 participating in each such retirement system.

23 o. Following the lottery contribution, the Division of the State
24 Lottery will operate, manage, conduct, and control the Lottery
25 Enterprise with a goal of maximizing net proceeds for the benefit of
26 the retirement systems, consonant with the dignity of the State and
27 general welfare of its people.

28

29 3. (New section) As used in this act, P.L. , c. (C.)
30 (pending before the Legislature as this bill):

31 "Adult or juvenile correctional facilities or institutions" means
32 adult or juvenile correctional facilities or institutions as defined
33 pursuant to section 8 of P.L.1976, c.98 (C.30:1B-8).

34 "Eligible members" means:

35 (1) individuals who are serving or who have served in positions
36 eligible for participation in the Teachers' Pension and Annuity
37 Fund;

38 (2) individuals who are serving or who have served in positions
39 eligible for participation in the Public Employees' Retirement
40 System and who are serving or have served as employees of State
41 institutions described or listed in R.S.30:1-7, State institutions no
42 longer in operation as identified by the State Treasurer, or any
43 facilities, institutions, or veterans homes established for any similar
44 purpose, but excluding adult or juvenile correctional facilities or
45 institutions, or who are serving or have served as employees of
46 public institutions of higher education; and

47 (3) individuals who are serving or who have served in positions
48 eligible for participation in the Police and Firemen's Retirement

1 System and who are serving or have served as employees of State
2 institutions described or listed in R.S.30:1-7, State institutions no
3 longer in operation as identified by the State Treasurer, or any
4 facilities, institutions, or veterans homes established for any similar
5 purpose, but excluding adult or juvenile correctional facilities or
6 institutions, or who are serving or have served as employees of
7 public institutions of higher education.

8 "Lottery Enterprise" means the lottery established pursuant to the
9 "State Lottery Law," P.L.1970, c.13 (C.5:9-1 et seq.), and all of the
10 assets, properties, interests, and rights of every nature and kind,
11 tangible and intangible, presently existing or acquired in the future,
12 useful or necessary to operate the State Lottery, including, without
13 limitation: inventory; supplies; equipment; furnishings; fixtures;
14 computers and other electronic equipment; other personal property;
15 real property and rights therein; trademarks and trademark
16 applications; logos; trade names; patents and patent applications;
17 other intellectual property rights; customer lists; going concern
18 value; goodwill; sales records; copies of business books and
19 records; monetary management systems; accounting systems;
20 licenses; permits; contracts and contract rights; rights to take
21 assignment of contracts and related receipts and revenues; accounts
22 receivable; designs; technical data and information; sales materials;
23 the right to merchandising in the State and to sell lottery products in
24 the State; all accounts payable and liabilities related to the
25 foregoing; and all ancillary or necessary appurtenances to the
26 foregoing; provided, however, that Lottery Enterprise excludes all
27 retained assets and retained liabilities.

28 "Retained assets" means those assets and rights of or related to
29 the Lottery Enterprise that relate to the operation of the Lottery
30 Enterprise necessary to satisfy liabilities arising on or prior to the
31 lottery contribution effective date as specified in the Memorandum
32 of Lottery Contribution under section 4 of this act, and cash,
33 annuities, and other similar assets specified in the Memorandum of
34 Lottery Contribution.

35 "Retained liabilities" means those liabilities, encumbrances, and
36 obligations of or related to the Lottery Enterprise that relate to the
37 operation of the Lottery Enterprise on or prior to the lottery
38 contribution effective date as specified in the Memorandum of
39 Lottery Contribution under section 4 of this act.

40 "Retirement systems" means one or more of the following
41 governmental organizations within the meaning of 18 U.S.C.
42 s.1307(a)(2)(A), as amended, and other applicable law:

43 (1) the Teachers' Pension and Annuity Fund, established
44 pursuant to N.J.S.18A:66-1 et seq.;

45 (2) the Public Employees' Retirement System, established
46 pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and

47 (3) the Police and Firemen's Retirement System, established
48 pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.).

1 "Special asset" means the Lottery Enterprise, including the
2 operations account but excluding the investment account.

3 "State institutions" means long-term care facilities, institutions,
4 and psychiatric facilities of this State, as described or listed in
5 R.S.30:1-7 and long-term care facilities, institutions, and
6 psychiatric facilities of this State no longer in operation as
7 identified by the State Treasurer.

8

9 4. (New section) a. The State Treasurer shall make a
10 contribution of the Lottery Enterprise for a period of 30 years for
11 the benefit of the retirement systems, which shall be deposited in
12 Common Pension Fund L in accordance with this act,
13 P.L. , c. (C.) (pending before the Legislature as this bill),
14 and the Memorandum of Lottery Contribution required under this
15 section.

16 b. The Division of the State Lottery shall operate, manage,
17 conduct, and control the Lottery Enterprise with a goal of
18 maximizing net proceeds for the benefit of the retirement systems,
19 consonant with the dignity of the State and the general welfare of
20 the people.

21 c. The lottery contribution shall be subject to (1) a royalty-free,
22 exclusive license with all substantial rights including the right to
23 sublicense, from Common Pension Fund L, established pursuant to
24 section 6 of this act, to the Division of the State Lottery during the
25 lottery contribution for all trademarks and trademark applications,
26 logos, tradenames, and other intellectual property rights owned or
27 used by or in connection with the Lottery Enterprise, whether
28 existing on the effective date of this act or subsequently acquired or
29 created; and (2) any existing licenses or sublicenses granted prior to
30 the effective date of this act by the Division of the State Lottery to
31 third parties for any and all trademarks and trademark applications,
32 logos, tradenames, and other intellectual property rights owned or
33 used by, or in connection with, the Lottery Enterprise.

34 d. The State Treasurer shall prepare, execute, and deliver the
35 Memorandum of Lottery Contribution, and such certificates and
36 other documents as the State Treasurer determines are consistent
37 with this act and are reasonably necessary to evidence or effectuate
38 the lottery contribution. The State Treasurer may amend or
39 supplement the Memorandum of Lottery Contribution, including to
40 correct deficiencies or errors therein.

41 e. The Memorandum of Lottery Contribution shall contain:

42 (1) the lottery contribution effective date;

43 (2) a transition period of up to 180 days and transition
44 procedures reasonably necessary to ensure that operations of the
45 Lottery Enterprise are not materially disrupted as a result of the
46 lottery contribution;

47 (3) a detailed description or list of all of the assets and liabilities
48 of the Lottery Enterprise;

1 (4) a description of the retained assets and retained liabilities;
2 and

3 (5) such other provisions as the State Treasurer determines in
4 the Treasurer's sole discretion are useful and necessary to make the
5 lottery contribution in a manner consistent with this act.

6 f. Notwithstanding the provisions of the "Administrative
7 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), the State
8 Treasurer shall provide the Memorandum of Lottery Contribution to
9 the Office of Administrative Law, and the Office of Administrative
10 Law shall publish the Memorandum of Lottery Contribution in the
11 New Jersey Register.

12 g. The retirement systems shall not be required or permitted to
13 pay any expenses incurred by the State Treasurer, the Division of
14 the State Lottery, or the Division of Investment in the Department
15 of the Treasury in connection with the making of the lottery
16 contribution pursuant to this act.

17 h. During the lottery contribution, all new assets acquired by or
18 for the Lottery Enterprise shall be owned by Common Pension Fund
19 L for the benefit of the retirement systems, except those assets,
20 including licenses or similar rights in or to multistate lottery games,
21 which may only be held, licensed, acquired, or procured by the
22 Division of the State Lottery and which relate to the Lottery
23 Enterprise, in which case such assets shall be held, licensed,
24 acquired, or procured by the Division of the State Lottery on behalf
25 of and for the benefit of Common Pension Fund L.

26 i. The Director of the Division of Investment shall
27 acknowledge receipt of the lottery contribution to the retirement
28 systems and of the Memorandum of Lottery Contribution, and shall
29 deposit the lottery contribution into Common Pension Fund L.

30 j. Following the lottery contribution, the Division of the State
31 Lottery shall operate, manage, conduct, and control the Lottery
32 Enterprise in accordance with the "State Lottery Law," P.L.1970,
33 c.13 (C.5:9-1 et seq.), and with applicable federal law, including the
34 applicable requirements of the federal Internal Revenue Code.

35 k. At the expiration of the lottery contribution, the Lottery
36 Enterprise, exclusive of all proceeds attributable to the operation of
37 the Lottery Enterprise prior to the expiration of the lottery
38 contribution, shall be returned to the Division of the State Lottery.
39 Prior to that time, the State Treasurer shall, in coordination with the
40 Division of Investment and the Division of the State Lottery,
41 provide for and enter into any agreements or arrangements
42 necessary or advisable for the orderly return of the Lottery
43 Enterprise, exclusive of such proceeds, as provided in the
44 Memorandum of Lottery Contribution. Such arrangements shall
45 include a transition period of up to 180 days following the
46 expiration of the lottery contribution, during which the proceeds of
47 the Lottery Enterprise may continue to be deposited into the
48 operations account established in section 6 of this act, and other

1 transition arrangements reasonably necessary to ensure that
2 operations of the Lottery Enterprise are not materially disrupted as a
3 result of the expiration of the lottery contribution.

4 1. The State Treasurer shall execute the Memorandum of
5 Lottery Contribution, and the Director of the Division of Investment
6 shall acknowledge receipt of the lottery contribution, on or before
7 December 31, 2017.

8
9 5. (New section) a. For the purposes of this act,
10 P.L. , c. (C.) (pending before the Legislature as this bill),
11 the Lottery Enterprise shall be valued at \$13,535,000,000, as that
12 value was determined by the independent valuation service provider
13 engaged by the State.

14 b. The lottery contribution and all proceeds of the Lottery
15 Enterprise shall be allocated among the retirement systems in the
16 allocable percentages as follows: 77.78 percent for the Teachers'
17 Pension and Annuity Fund, established pursuant to N.J.S.18A:66-1
18 et seq.; 21.02 percent for the Public Employees' Retirement System,
19 established pursuant to P.L.1954, c.84 (C.43:15A-7 et seq.); and
20 1.20 percent for the Police and Firemen's Retirement System,
21 established pursuant to P.L.1944, c.255 (C.43:16A-2 et seq.), which
22 have been determined based on (1) the relative percentages of the
23 total actuarial accrued liabilities of the retirement systems; (2) the
24 relative percentages of the total actuarial accrued liabilities of the
25 eligible member portions of such retirement systems; (3) the
26 relative percentages of the total unfunded actuarially accrued
27 liabilities of the retirement systems; (4) the relative percentages of
28 the total unfunded actuarially accrued liabilities of the eligible
29 member portions of such retirement systems; (5) the relative
30 percentages of the total number of members in each retirement
31 system; and (6) the relative percentages of eligible members
32 participating in each such retirement system. Each retirement
33 system shall have an initial equitable interest in Common Pension
34 Fund L, established pursuant to section 6 of this act, equal to its
35 allocable percentage of the entire lottery contribution made on its
36 behalf.

37
38 6. (New section) a. In order to receive the lottery contribution
39 on behalf of the retirement systems, a Common Pension Fund L is
40 hereby established within the Division of Investment in the
41 Department of the Treasury. Common Pension Fund L shall
42 constitute part of each retirement system and the participating trust
43 through which each retirement system is funded. Only the
44 retirement systems and the trusts through which they are funded
45 shall have an interest in Common Pension Fund L. Common
46 Pension Fund L shall satisfy the requirements of section 401(a)(24)
47 of the federal Internal Revenue Code of 1986 (26 U.S.C.
48 s.401(a)(24)), as amended, in accordance with Revenue Ruling 81-

1 100, as amended by Revenue Ruling 2004-67 and Revenue Ruling
2 2011-1, and the requirements for exemption under section 501(a) of
3 the federal Internal Revenue Code of 1986 (26 U.S.C. s.501(a)), as
4 amended. Consistent with section 401(a)(24) of the federal Internal
5 Revenue Code of 1986 (26 U.S.C. s.401(a)(24)), as amended,
6 regulations of the United States Department of the Treasury, and
7 other guidance of the federal Internal Revenue Service, each
8 retirement system shall participate in Common Pension Fund L.
9 No part of the corpus or income of Common Pension Fund L that
10 equitably belongs to a retirement system or a trust of the retirement
11 system may be used for or diverted to any purpose other than for the
12 exclusive benefit of the members or beneficiaries entitled to
13 benefits under such retirement system or trust of the retirement
14 system. No retirement system or trust of a retirement system may
15 assign any part of its equity or interest in Common Pension Fund L.

16 b. Upon receipt of the lottery contribution, the Director of the
17 Division of Investment shall:

18 (1) invest and manage all assets in the investment account;

19 (2) make distributions of proceeds and investment earnings
20 thereon from the investment account into investment vehicles
21 managed by the Division of Investment for the sole benefit of the
22 retirement systems; and

23 (3) make distributions of proceeds and investment earnings
24 thereon from the investment account to the retirement systems from
25 Common Pension Fund L to be used by each retirement system for
26 any legitimate purpose of such retirement system, provided that any
27 distribution under this part (3) shall be made on a simultaneous and
28 pro rata basis to the retirement systems, which pro rata basis shall
29 be based on each retirement system's relative equitable interest in
30 the lottery contribution.

31 c. Upon the establishment of Common Pension Fund L, there
32 shall be established two subaccounts therein as the operations
33 account and investment account for the following purposes.

34 (1) The gross proceeds of the Lottery Enterprise shall be
35 deposited into an operations account. The Division of the State
36 Lottery solely shall manage the operations account and shall make
37 deposits therein, invest amounts therein, make requisition and
38 payment for costs incurred in the operation and administration of
39 the Lottery Enterprise, including reimbursements of funds used to
40 pay such expenses, and payment for lottery sales agent
41 commissions, certain prizes paid by lottery sales agents, costs
42 resulting from any contract or contracts entered into for
43 promotional, advertising, or operational services, or for the
44 purchase or lease of lottery equipment and materials for the Lottery
45 Enterprise therefrom, hold reserves for payment of prizes and other
46 purposes related to the operation of the Lottery Enterprise, and
47 otherwise manage the operations account. All proceeds of the
48 Lottery Enterprise deposited in the operations account shall be

1 qualified plan assets subject to the requirements of sections 401(a)
2 and 501(a) of the federal Internal Revenue Code of 1986 (26 U.S.C.
3 ss.401(a) and 501(a)), as amended, but shall not be assets managed
4 by the Division of Investment for the benefit of the retirement
5 systems under N.J.S.18A:66-61, section 14 of P.L.1944, c.255
6 (C.43:16A-14), or section 32 of P.L.1954, c.84 (C.43:15A-32) until
7 any such assets have been transferred from the operations account
8 to the investment account.

9 (2) Proceeds in amounts determined by the Division of the State
10 Lottery shall be transferred from the operations account to the
11 investment account on a periodic basis and such proceeds shall
12 constitute the net proceeds of the Lottery Enterprise. Such proceeds
13 transferred together with all investments thereof and investment
14 earnings thereon shall be available solely to and for the benefit of
15 the retirement systems in the allocable percentages specified in
16 section 5 of this act, P.L. , c. (C.)(pending before the
17 Legislature as this bill). The investment account shall be managed
18 and invested by the Director of the Division of Investment pursuant
19 to the authority, responsibilities, and duties set forth in P.L.1950,
20 c.271 (C.52:18A-79 et seq.), subject to the oversight of the State
21 Investment Council, pursuant to the authority of P.L.1950, c.270
22 (C.52:18A-79 et seq.). The Director of the Division of Investment
23 shall have full discretion to distribute proceeds and all investments
24 thereof and investment earnings thereon from the investment
25 account into investment vehicles managed by the Division of
26 Investment on behalf of the retirement systems. The investment
27 account may be further subdivided into subaccounts in the
28 discretion of the Director of the Division of Investment for purposes
29 of investing in different types of investments.

30 (3) Notwithstanding any provision of this act or any other
31 provision of law to the contrary, the Director of the Division of
32 Investment and the State Investment Council shall not have any
33 responsibility for the operations account of Common Pension Fund
34 L and shall not be liable for any claims, demands, suits, actions,
35 damages, judgments, costs, charges, or expenses, including court
36 costs or attorneys' fees in any way related to such account.
37 Notwithstanding the establishment of Common Pension Fund L in
38 the Division of Investment, the Director of the Division of
39 Investment, the Division of Investment, and the State Investment
40 Council shall not have any authority to manage the Lottery
41 Enterprise or the operations account.

42 d. The portion of the lottery contribution allocated to each
43 retirement system shall increase the funded ratio with respect to
44 eligible members of such retirement system, provided, however, all
45 amounts in the investment account, to the extent of the interest of
46 each retirement system therein, may be distributed by the Director
47 of the Division of Investment to the retirement systems from
48 Common Pension Fund L and used by each retirement system for

1 any legitimate purpose of such retirement system, provided that any
2 such distribution shall be made on a simultaneous and pro rata basis
3 to the retirement systems, which pro rata basis shall be based on
4 each retirement system's relative equitable interest in the lottery
5 contribution. For the purpose of this subsection, the funded ratio
6 shall be the ratio of the actuarial value of assets plus the value of
7 the special asset, determined in accordance with section 38 of
8 P.L.2010, c.1 (C.43:3C-14), to the actuarially determined accrued
9 liabilities expressed as a percentage.

10
11 7. (New section) Nothing in this act, P.L. , c. (C.)
12 (pending before the Legislature as this bill), shall be construed as a
13 waiver of the sovereign immunity of the State or a relinquishment
14 of the sovereign powers of the State. The Superior Court of New
15 Jersey shall have exclusive original jurisdiction and venue over all
16 matters arising from this act.

17
18 8. (New section) This act, P.L. , c. (C.) (pending before
19 the Legislature as this bill), shall be construed liberally. If any
20 provision of this act or the application thereof to any person or
21 circumstance is held invalid, such invalidity shall not affect other
22 provisions or applications which can be given effect without the
23 invalid provisions or applications, and to this end the provisions of
24 this act are declared to be severable.

25
26 9. Section 3 of P.L.1970, c.13 (C.5:9-3), is amended to read as
27 follows:

28 3. For the purposes of this act:

29 a. "Commission" shall mean the State Lottery Commission
30 established by this act.

31 b. "Division" shall mean the Division of the State Lottery
32 created by this act.

33 c. "Lottery" or "State lottery" shall mean the lottery
34 established and operated pursuant to this act and includes all lottery
35 games organized or conducted by the division prior to and after the
36 effective date of P.L. , c. (pending before the Legislature as this
37 bill).

38 d. "Director" shall mean the Director of the Division of the
39 State Lottery.

40 (cf: P.L.1970, c.13, s.3)

41
42 10. Section 5 of P.L.1970, c.13 (C.5:9-5) is amended to read as
43 follows:

44 5. The commission shall consist of the State Treasurer and six
45 public members, all of whom shall be residents of this State and all
46 of whom shall be appointed by the Governor by and with the
47 advice and consent of the Senate. No more than three of the six
48 public members shall be members of the same political party. The

1 public members shall be appointed for terms of 5 years, except that
2 of the members first appointed, one shall be appointed for a term of
3 1 year, one for a term of 2 years, one for a term of 3 years, one for a
4 term of 4 years, and one for a term of 5 years, commencing as of
5 the date of their appointment by the Governor. The term of each of
6 the members first appointed shall be designated by the Governor.
7 The term of the additional public member appointed pursuant to
8 this 1983 amendatory act shall be five years. The members shall
9 annually elect one of the public members as chairman of the
10 commission and shall also annually elect one of the public members
11 as vice chairman of the commission.

12 During the term of the lottery contribution made pursuant to
13 section 4 of P.L. , c. (C.) (pending before the Legislature as this
14 bill), the commission shall consist of the State Treasurer, the
15 Director of the Division of Investment, and five public members, all
16 of whom shall be residents of this State, and all of whom shall be
17 appointed by the Governor with the advice and consent of the
18 Senate. No more than three of the five public members shall be
19 members of the same political party. When the lottery contribution
20 begins, the Governor shall select one public member, who is serving
21 on the effective date of P.L. , c. (pending before the Legislature
22 as this bill), for termination of the member's service. Members of
23 the commission serving on the date of enactment of the "Lottery
24 Enterprise Contribution Act," P.L. , c. (C.) (pending before
25 the Legislature as this bill), not terminated by the Governor shall
26 continue to serve for the remainder of their terms.

27 Any vacancy in the commission occurring for any reason other
28 than the expiration of term shall be filled for the unexpired term in
29 the same manner as the original appointment.

30 Any public member of the commission may be removed from
31 office by the Governor, for cause, upon notice and opportunity to be
32 heard at a public hearing.

33 The public members of the commission shall receive no salaries
34 but shall be allowed reasonable expenses incurred in the
35 performance of their official duties in an amount not exceeding
36 \$5,000.00 per annum in the case of the chairman, and \$3,500.00 in
37 the case of each of the other commissioners.

38 The Director of the Division of Investment and the State
39 Treasurer may each designate an officer or employee of [his
40 department] the Division of Investment or the Department of the
41 Treasury, respectively, to represent [him] the director or the
42 Treasurer at meetings of the commission, who may lawfully vote
43 and otherwise act on behalf of the Treasurer and the director,
44 respectively. Any designation shall be in writing, delivered to the
45 commission and filed with the Secretary of State and shall continue
46 in effect, unless by its terms it is made for a fixed period, until

1 revoked or amended in the same manner as provided for the
2 designation.

3 (cf: P.L.1983, c.60, s.1)

4

5 11. Section 7 of P.L.1970, c.13 (C.5:9-7) is amended to read as
6 follows:

7 7. The commission shall have the power, and it shall be its
8 duty:

9 a. After full and thorough study of the report and
10 recommendations of the State Lottery Planning Commission
11 established pursuant to Joint Resolution Number 11, approved
12 November 20, 1969, and such other pertinent information as may be
13 available, to promulgate such rules and regulations governing the
14 establishment and operation of a State lottery as it deems necessary
15 and desirable in order that the mandate of the people expressed in
16 their approval of the amendment to Article IV, Section VII,
17 paragraph 2, of the Constitution in the general election of
18 November, 1969, may be fully implemented, in order that such a
19 lottery shall be initiated at the earliest feasible and practicable time,
20 and in order that such lottery shall produce the maximum amount of
21 net **【revenues】** proceeds for State institutions and State aid for
22 education consonant with the dignity of the State and the general
23 welfare of the people. Such rules and regulations may include, but
24 shall not be limited to, the following:

25 (1) The type of lottery to be conducted.

26 (2) The price, or prices, of tickets or shares in the lottery.

27 (3) The number and sizes of the prizes on the winning tickets or
28 shares.

29 (4) The manner of selecting the winning tickets or shares.

30 (5) The manner of payment of prizes to the holders of winning
31 tickets or shares, including, subject to the approval of the State
32 Treasurer, provision for payment of prizes not to exceed \$599.00 by
33 agents licensed hereunder out of moneys received from sales of
34 tickets or shares.

35 (6) The frequency of the drawings or selections of winning
36 tickets or shares, without limitation.

37 (7) Without limit as to number, the type or types of locations at
38 which tickets or shares may be sold.

39 (8) The method to be used in selling tickets or shares.

40 (9) The licensing of agents to sell tickets or shares, provided
41 that no person under the age of 21 shall be licensed as an agent.

42 (10) The manner and amount of compensation, if any, to be paid
43 licensed sales agents necessary to provide for the adequate
44 availability of tickets or shares to prospective buyers and for the
45 convenience of the public.

46 (11) The apportionment of the total **【revenues】** proceeds
47 accruing from the sale of lottery tickets or shares and from all other
48 sources among (a) the payment of prizes to the holders of winning

1 tickets or shares, (b) the payment of costs incurred in the operation
2 and administration of the lottery, including the expenses of the
3 division and the costs resulting from any contract or contracts
4 entered into for promotional, advertising or operational services or
5 for the purchase or lease of lottery equipment and materials, (c) for
6 the repayment of the money appropriated to the State Lottery Fund
7 pursuant to section 23 of this act, and (d) for transfer to the general
8 fund for State institutions and State aid for education; provided,
9 however, that no less than 30% of the total **【revenues】** proceeds
10 accruing from the sale of lottery tickets or shares shall be dedicated
11 to (d) above.

12 During the term of the lottery contribution made pursuant to
13 section 4 of P.L. , c. (C.) (pending before the Legislature as this
14 bill), the apportionment of the total proceeds accruing from the sale
15 of lottery tickets or shares and from all other sources among (a) the
16 payment of prizes to the holders of winning tickets or shares, (b) the
17 payment of costs incurred in the operation and administration of the
18 Lottery Enterprise, as defined in section 3 of P.L. , c. (C.)
19 (pending before the Legislature as this bill), including the expenses
20 of the division and the costs resulting from any contract or contracts
21 entered into for promotional, advertising, or operational services for
22 the purchase or lease of lottery equipment and materials, and (c) for
23 transfer to the investment account of Common Pension Fund L, for
24 the benefit of retirement systems, as provided in the "Lottery
25 Enterprise Contribution Act," P.L. , c. (C.) (pending before
26 the Legislature as this bill); provided, however, that no less than 30
27 percent of the proceeds accruing from the sale of lottery tickets or
28 shares shall be dedicated to the investment account under (c) above.

29 (12) Such other matters necessary or desirable for the efficient
30 and economical operation and administration of the lottery and the
31 Lottery Enterprise and for the convenience of the purchasers of
32 tickets or shares and the holders of winning tickets or shares.

33 Notwithstanding the provisions of any other law to the contrary,
34 no rule or regulation establishing a lottery game shall be
35 considered an "administrative rule" or "rule" pursuant to
36 P.L.1968, c. 410 (C. 52:14B-1 et seq.).

37 b. To amend, repeal, or supplement any such rules and
38 regulations from time to time as it deems necessary or desirable.
39 Notwithstanding any provision of the "Administrative Procedure
40 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the
41 commission may adopt, immediately upon filing with the Office of
42 Administrative Law, such regulations as are necessary to implement
43 the provisions of the "Lottery Enterprise Contribution Act," P.L. ,
44 c. (C.) (pending before the Legislature as this bill), which shall
45 be effective for a period not to exceed 12 months following
46 adoption, and may thereafter be amended, adopted, or readopted by
47 the commission in accordance with the requirements of the

1 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
2 seq.).

3 c. To advise and make recommendations to the director
4 regarding the operation and administration of the lottery and the
5 Lottery Enterprise.

6 d. To report monthly to the Governor and the Legislature
7 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during
8 the lottery contribution, to the Director of the Division of
9 Investment, the total lottery [revenues] proceeds, prize
10 disbursements and other expenses for the preceding month, and to
11 make an annual report, which shall include a full and complete
12 statement of lottery [revenues] proceeds, prize disbursements and
13 other expenses, to the Governor [and] , the Legislature, and during
14 the lottery contribution, the Director of the Division of Investment,
15 including such recommendations for changes in this act as it deems
16 necessary or desirable.

17 e. To report immediately to the Governor and the Legislature
18 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), and during
19 the lottery contribution, to the Director of the Division of
20 Investment, any matters which shall require immediate changes in
21 the laws of this State in order to prevent abuses and evasions of this
22 act or rules and regulations promulgated thereunder or to rectify
23 undesirable conditions in connection with the administration or
24 operation of the lottery and the Lottery Enterprise.

25 f. To carry on a continuous study and investigation of the
26 lottery and the Lottery Enterprise throughout the State, which may
27 include requiring a financial or operational audit of the Lottery
28 Enterprise, (1) for the purpose of ascertaining any defects in this act
29 or in the rules and regulations issued thereunder by reason whereof
30 any abuses in the administration and operation of the lottery and the
31 Lottery Enterprise or any evasion of this act or the rules and
32 regulations may arise or be practiced, (2) for the purpose of
33 formulating recommendations for changes in this act and the rules
34 and regulations promulgated thereunder to prevent such abuses and
35 evasions, (3) to guard against the use of this act and the rules and
36 regulations issued thereunder as a cloak for the carrying on of
37 organized gambling and crime, and (4) to insure that said law and
38 rules and regulations shall be in such form and be so administered
39 as to serve the true purposes of this act and the "Lottery Enterprise
40 Contribution Act," P.L. , c. (C.) (pending before the
41 Legislature as this bill).

42 g. To make a continuous study and investigation of (1) the
43 operation and the administration of similar laws which may be in
44 effect in other states or countries, (2) any literature on the subject
45 which from time to time may be published or available, (3) any
46 Federal laws which may affect the operation of the lottery and the
47 Lottery Enterprise, and (4) the reaction of New Jersey [citizens]
48 residents to existing and potential features of the lottery and the

1 Lottery Enterprise, with a view to recommending or effecting
2 changes that will tend to serve the purposes of this act.

3 (cf: P.L.1981, c.182, s.1)

4

5 12. Section 8 of P.L.1970, c.13 (C.5:9-8) is amended to read as
6 follows:

7 8. The director shall have the power, and it shall be his duty to:

8 a. Supervise and administer the operation of the lottery and the
9 Lottery Enterprise in accordance with the provisions of this act and
10 the "Lottery Enterprise Contribution Act," P.L. _____, c. _____ (C. _____)
11 (pending before the Legislature as this bill), and with the rules and
12 regulations of the commission.

13 b. Subject to the approval of the commission, appoint such
14 deputy directors as may be required to carry out the functions and
15 duties of the division, which deputy directors shall be in the
16 unclassified service of the civil service.

17 c. Subject to the approval of the commission and Title **[11]**
18 **11A** of the **[Revised Statutes]** New Jersey Statutes, Civil Service,
19 appoint such professional, technical and clerical assistants and
20 employees as may be necessary to perform the duties imposed upon
21 the division by this act and the "Lottery Enterprise Contribution
22 Act," P.L. _____, c. _____ (C. _____) (pending before the Legislature as this
23 bill).

24 d. Act as secretary and executive officer of the commission.

25 e. In accordance with the provisions of this act and the rules
26 and regulations of the commission, to license as agents to sell
27 lottery tickets such persons as in his opinion will best serve the
28 public convenience and promote the sale of tickets or shares. The
29 director may require a bond from every licensed agent, in such
30 amount as provided in the rules and regulations of the commission.
31 Every licensed agent shall prominently display his license, or a
32 copy thereof, as provided in the rules and regulations of the
33 commission.

34 f. Shall confer regularly as necessary or desirable and not less
35 than once every month with the commission on the operation and
36 administration of the lottery and the Lottery Enterprise; shall make
37 available for inspection by the commission, upon request, all
38 books, records, files, and other information and documents of the
39 division; shall advise the commission and recommend such matters
40 as he deems necessary and advisable to improve the operation and
41 administration of the lottery and the Lottery Enterprise.

42 g. Suspend or revoke any license issued pursuant to this act or
43 the rules and regulations promulgated thereunder.

44 h. Subject to the approval of the commission and the applicable
45 laws relating to public contracts, to act on behalf of the commission
46 as using agency with respect to purchases made by the Division of
47 Purchase and Property of goods and services required in the
48 operation of the lottery and the Lottery Enterprise.

1 i. To certify monthly to the State Treasurer **【and】** , the
2 commission, and during the term of the lottery contribution made
3 pursuant to section 4 of P.L. , c. (C.) (pending before the
4 Legislature as this bill), the Director of the Division of Investment,
5 a full and complete statement of lottery **【revenues】** proceeds, prize
6 disbursements and other expenses for the preceding month.

7 j. During the term of the lottery contribution, operate, manage,
8 conduct, and control the retained assets and the retained liabilities,
9 as each term is defined in the “Lottery Enterprise Contribution
10 Act,” P.L. , c. (C.) (pending before the Legislature as this
11 bill).

12 (cf: P.L.1983, c.60, s.2)

13
14 13. Section 17 of P.L.1970, c.13 (C.5:9-17) is amended to read
15 as follows:

16 17. Unclaimed prize money for the prize on a winning ticket or
17 share shall be retained by the director for the person entitled thereto
18 for 1 year after the drawing in which the prize was won. If no claim
19 is made for said money within such year, the prize money shall be
20 allocated to State institutions and State aid for education in the
21 same manner as lottery **【revenues】** proceeds are allocated for such
22 purposes under this act.

23 (cf: P.L.1970, c.13, s.17)

24
25 14. Section 18 of P.L.1970, c.13 (C.5:9-18) is amended to read
26 as follows:

27 18. The director may, in his discretion, require any or all lottery
28 sales agents to deposit to the credit of the operations account of
29 Common Pension Fund L, as provided in the “Lottery Enterprise
30 Contribution Act,” P.L. , c. (C.) (pending before the
31 Legislature as this bill) during the term of the lottery contribution
32 made pursuant to section 4 of P.L. , c. (C.) (pending before the
33 Legislature as this bill), and otherwise deposit to the credit of the
34 State Lottery Fund in banks, designated by the State Treasurer all
35 moneys received by such agents from the sale of lottery tickets or
36 shares, less the amount, if any, retained as compensation for the
37 sale of the tickets or shares, and to file with the director or his
38 designated agents reports of their receipts and transactions in the
39 sale of lottery tickets in such form and containing such information
40 as he may require. The director may make such arrangements for
41 any person, including a bank, to perform such functions, activities
42 or services in connection with the operation of the lottery as he
43 may deem advisable pursuant to this act and the rules and
44 regulations of the commission, and such functions, activities or
45 services shall constitute lawful functions, activities and services of
46 such person.

47 (cf: P.L.1970, c.13, s.18)

1 15. Section 21 of P.L.1970, c.13 (C.5:9-21) is amended to read
2 as follows:

3 21. There is hereby created and established in the Department of
4 the Treasury a separate fund, to be known as the "State Lottery
5 Fund," to be deposited in such depositories as the State Treasurer
6 may select. Such fund shall consist of all **[revenues]** proceeds
7 received from the sale of lottery tickets or shares, and all other
8 moneys credited or transferred thereto from any other fund or
9 source pursuant to law.

10 During the term of the lottery contribution made pursuant to
11 section 4 of P.L. , c. (C.) (pending before the Legislature as this
12 bill), no proceeds received from the sale of lottery tickets or shares,
13 and no other moneys credited or transferred to the Lottery
14 Enterprise, as defined as section 3 of P.L. , c. (C.) (pending
15 before the Legislature as this bill), from any other fund or source,
16 shall be deposited into the State Lottery Fund, and instead all such
17 amounts shall be deposited into the operations account of Common
18 Pension Fund L, established pursuant to the "Lottery Enterprise
19 Contribution Act," P.L. , c. (C.) (pending before the
20 Legislature as this bill).

21 (cf: P.L.1970, c.13, s.21)

22

23 16. Section 22 of P.L.1970, c.13 (C.5:9-22) is amended to read
24 as follows:

25 22. The moneys in said State Lottery Fund shall be appropriated
26 only (a) for the payment of prizes to the holders of winning lottery
27 tickets or shares, (b) for the expenses of the division in its
28 operation of the lottery, (c) for State institutions and State aid for
29 education as shall be provided by law, and (d) for the repayment to
30 the general treasury of the amount appropriated to the fund
31 pursuant to section 23 of this act.

32 On or about March 15 and September 15 of each year, the State
33 Treasurer shall publish in at least 10 newspapers circulating
34 generally in the State a report accounting for the total revenues
35 received in the State Lottery Fund and the specific amounts of
36 money appropriated therefrom for specific expenditures during the
37 preceding six months ending December 31 and June 30.

38 During the term of the lottery contribution made pursuant to
39 section 4 of P.L. , c. (C.) (pending before the Legislature as this
40 bill), the moneys in the operations account of Common Pension
41 Fund L, established pursuant to section 6 of P.L. , c. (C.)
42 (pending before the Legislature as this bill), shall be used only (a)
43 for the payment of prizes to the holders of winning lottery tickets or
44 shares, (b) for the expenses of the division in its operation of the
45 lottery and the Lottery Enterprise, as defined in section 3 of P.L. ,
46 c. (C.) (pending before the Legislature as this bill), and (c) for
47 transfer to the investment account of Common Pension Fund L for

1 the benefit of the retirement systems.

2 (cf: P.L.1984, c.136, s.1)

3

4 17. Section 38 of P.L.2010, c.1 (C.43:3C-14) is amended as
5 follows:

6 38. a. (1) Commencing July 1, 2011 and thereafter, the
7 contribution required, by law, to be made by the State to the
8 Teachers' Pension and Annuity Fund, established pursuant to
9 N.J.S.18A:66-1 et seq., the Judicial Retirement System, established
10 pursuant to P.L.1973, c.140 (C.43:6A-1 et seq.), the Prison Officers'
11 Pension Fund, established pursuant to P.L.1941, c.220 (C.43:7-7 et
12 seq.), the Public Employees' Retirement System, established
13 pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), the Consolidated
14 Police and Firemen's Pension Fund, established pursuant to
15 R.S.43:16-1 et seq., the Police and Firemen's Retirement System,
16 established pursuant to P.L.1944, c.255 (C.43:16A-1 et seq.), and
17 the State Police Retirement System, established pursuant to
18 P.L.1965, c.89 (C.53:5A-1 et seq.), shall be made in full each year
19 to each system or fund in the manner and at the time provided by
20 law. The contribution shall be computed by actuaries for each
21 system or fund based on an annual valuation of the assets and
22 liabilities of the system or fund pursuant to consistent and generally
23 accepted actuarial standards and shall include the normal
24 contribution and the unfunded accrued liability contribution.
25 Notwithstanding the provisions of any law to the contrary, the
26 assets to be included in the calculation described in this paragraph
27 shall not include the special asset value.

28 (2) The State with regard to its obligations funded through the
29 annual appropriations act shall be in compliance with this
30 requirement provided the State makes a payment, to each State-
31 administered retirement system or fund, of at least 1/7th of the full
32 contribution, as computed by the actuaries, in the State fiscal year
33 commencing July 1, 2011 and a payment in each subsequent fiscal
34 year that increases by at least an additional 1/7th until payment of
35 the full contribution is made in the seventh fiscal year and
36 thereafter.

37 (3) The sum of the accrued liability and the normal contribution,
38 calculated by the actuaries with respect to the unfunded accrued
39 liability and normal cost for each retirement system, as defined
40 pursuant to section 3 of P.L. , c. (C.) (pending before the
41 Legislature as this bill), shall be reduced annually by the product of
42 the allocable percentage for such retirement system, established in
43 section 5 of P.L. , c. (C.) (pending before the Legislature as
44 this bill), the adjustment percentage for such retirement system, as
45 set forth in subsection c. of this section, and the special asset
46 adjustment as set forth in this paragraph.

47 For State fiscal year 2018, the annual special asset adjustment
48 shall equal \$1,000,976,874.

1 For State fiscal year 2019, the annual special asset adjustment
2 shall equal \$1,037,148,584.

3 For State fiscal year 2020, the annual special asset adjustment
4 shall equal \$1,070,451,102.

5 For State fiscal year 2021, the annual special asset adjustment
6 shall equal \$1,084,354,841.

7 For State fiscal year 2022, the annual special asset adjustment
8 shall equal \$1,095,871,137.

9 After State fiscal year 2022, the special asset adjustment shall be
10 determined based on an amortization of the special asset value over
11 the remaining term of the lottery contribution made pursuant to
12 section 4 of P.L. , c. (C.) (pending before the Legislature as this
13 bill), at the regular interest rate applicable to the retirement
14 systems; provided, however, in no event shall the annual special
15 asset adjustment be more than the maximum special asset
16 adjustment.

17 The maximum special asset adjustment shall be determined
18 based on a 30-year amortization of the initial special asset value at
19 the regular interest rate applicable to the retirement systems.

20 The special asset value shall initially be the value set forth in
21 section 5 of P.L. , c. (C.) (pending before the Legislature as
22 this bill), and shall be revalued periodically as follows:

23 (a) if and as requested by the State Treasurer, in the Treasurer's
24 discretion, which revaluation shall not occur more than once in any
25 State fiscal year; and

26 (b) five years from the date of the last valuation performed,
27 whether discretionary or otherwise.

28 The special asset value shall exclude proceeds counted in any
29 prior actuarial valuation as a receivable. The special asset shall be
30 depreciated on a straight-line basis over the remaining term of the
31 lottery contribution based on the special asset value.

32 As used in this paragraph:

33 "Special asset adjustment" means the periodic actuarial
34 adjustment with respect to the special asset applicable to the
35 retirement systems.

36 b. In the State fiscal year commencing July 1, 2017 and in each
37 State fiscal year thereafter, the contribution required to be made by
38 the State pursuant to [subsection a. of] this section shall be made to
39 each system on the following schedule: at least 25 percent by
40 September 30, at least 50 percent by December 31, at least 75
41 percent by March 31, and at least 100 percent by June 30. The
42 amount of the contribution shall be net of the amount of any
43 increase in the interest on the tax and revenue anticipation notes
44 attributable solely to the need to borrow an increased amount in
45 order to make the quarterly payments.

46 c. For State fiscal years 2018 through 2022, the adjustment
47 percentage applicable to the Teachers' Pension and Annuity Fund,
48 established pursuant to N.J.S.18A:66-1 et seq., the Public

1 Employees' Retirement System, established pursuant to P.L.1954,
2 c.84 (C.43:15A-1 et seq.), and the Police and Firemen's Retirement
3 System, established pursuant to P.L.1944, c.255 (C.43:16A-1 et
4 seq.), shall be 100 percent. For State fiscal years beginning 2023
5 and thereafter, the adjustment percentage applicable to: (1) the
6 Teachers' Pension and Annuity Fund shall be 88.27 percent; (2) the
7 Public Employees' Retirement System shall be 57.29 percent; and
8 (3) the Police and Firemen's Retirement System shall be 0.00
9 percent. In State fiscal years 2023 and thereafter, for each of the
10 Teachers' Pension and Annuity Fund, the Public Employees'
11 Retirement System, and the Police and Firemen's Retirement
12 System, in their entirety, if the funded ratio falls below 50 percent
13 for any State fiscal year, the adjustment percentage for such fiscal
14 year shall be reduced by a number of percentage points equal to
15 three times the difference between 50 percent and the funded ratio,
16 rounded to the nearest percentage point. For the purposes of this
17 subsection, the funded ratio shall include the special asset value.
18 (cf: P.L.2016, c.83, s.1)

19

20 18. Section 27 of P.L.2011, c.78 (C.43:3C-16) is amended as
21 follows:

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

37 During the term of the lottery contribution made pursuant to
38 section 4 of P.L. , c. (C.) (pending before the Legislature as
39 this bill), for the purpose of the retirement systems, as defined in
40 section 3 of P.L. , c. (C.) (pending before the Legislature as
41 this bill), "target funded ratio" means a ratio of the actuarial value
42 of assets plus the allocable special asset value, as determined in
43 section 38 of P.L.2010, c.1 (C.43:3C-14), to the actuarially
44 determined accrued liabilities expressed as a percentage that shall
45 be for the State part of each system, and the local part of each
46 system, if any, 75 percent in State fiscal year 2012, and increased in
47 each State fiscal year thereafter by equal increments for seven

1 years, until the ratio reaches 80 percent at which it shall remain for
2 all subsequent State fiscal years.

3 (cf: P.L.2011, c.78, s.27)

4

5 19. N.J.S.18A:66-17 is amended as follows:

6 18A:66-17. The expenses of administration of the retirement
7 system shall be paid by the State of New Jersey. Each employing
8 school district shall reimburse the State for a proportionate share of
9 the amount paid by the State for administrative expense. This
10 proportion shall be computed as the number of members under the
11 jurisdiction of such employing school district bears to the total
12 number of members in the system. The pro rata share of the cost of
13 the administrative expense shall be included with the certification
14 by the board of trustees to the Commissioner of Education, the State
15 Treasurer and to each employing school district. The commissioner
16 shall deduct the amount so certified from the certification, to the
17 State Treasurer and the Director of the Division of Budget and
18 Accounting, of State aid payable to such employing school district
19 under the provisions of c. 85, P.L.1954. Similar reimbursement
20 shall be made to the State by institutions and districts to which c.
21 85, P.L.1954 does not pertain.

22 For purposes of this section, during the term of the lottery
23 contribution made pursuant to section 4 of P.L. , c. (C.)
24 (pending before the Legislature as this bill), the expenses of the
25 Lottery Enterprise shall not be considered to be expenses of the
26 retirement system but shall be paid in accordance with section 6 of
27 P.L. , c. (C.) (pending before the Legislature as this bill).

28 (cf: P.L.1971, c.121, s.7)

29

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

31 18A:66-18. The contingent reserve fund shall be the fund in
32 which shall be credited contributions made by the State and other
33 employers.

34 a. Upon the basis of the tables recommended by the actuary
35 which the board of trustees adopts and regular interest, the actuary
36 of the board shall compute annually, beginning as of March 31,
37 1992, the amount of contribution which shall be the normal cost as
38 computed under the projected unit credit method attributable to
39 service rendered under the retirement system for the year beginning
40 on July 1 immediately succeeding the date of the computation. This
41 shall be known as the "normal contribution."

42 b. Upon the basis of the tables recommended by the actuary
43 which the board of trustees adopts and regular interest, the actuary
44 of the board shall annually determine if there is an amount of the
45 accrued liability of the retirement system, computed under the
46 projected unit credit method, including the liability for pension
47 adjustment benefits for active employees funded pursuant to section
48 2 of P.L.1987, c.385 (C.18A:66-18.1), which is not already covered

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

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

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

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

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

16 (1) the valuation assets; less

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

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

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

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

33 If there are excess valuation assets for the valuation period
34 ending March 31, 1996, the normal contributions for the valuation
35 periods ending March 31, 1996 and March 31, 1997 which have not
36 yet been paid to the retirement system shall be reduced to the extent
37 possible by the excess valuation assets, provided that the General
38 Fund balances that would have been paid to the retirement system
39 except for this provision shall first be allocated as State aid to
40 public schools to the extent that additional sums are required to
41 comply with the May 14, 1997 decision of the New Jersey Supreme
42 Court in *Abbott v. Burke*, and provided further that the normal
43 contribution for the valuation period ending March 31, 1996 shall
44 not be less than \$54,000,000. If there are excess valuation assets
45 for a valuation period ending after March 31, 1996, the State
46 Treasurer may reduce the normal contribution payable for the next
47 valuation period as follows:

1 (1) for valuation periods ending March 31, 1997 through March
2 31, 2001, to the extent possible by up to 100% of the excess
3 valuation assets;

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

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

8 (4) for valuation periods ending March 31, 2004 through June
9 30, 2007, to the extent possible by up to 50% of the excess
10 valuation assets.

11 For calendar years 1998 and 1999, the rate of contribution of
12 members of the retirement system under N.J.S.18A:66-29 shall be
13 reduced by 1/2 of 1% from excess valuation assets. For calendar
14 years 2000 and 2001, the rate of contribution of members of the
15 retirement system shall be reduced equally with normal
16 contributions to the extent possible, but not more than 1/2 of 1%,
17 from excess valuation assets. Thereafter, through calendar year
18 2007, the rate of contribution of members of the retirement system
19 under that section for a calendar year shall be reduced equally with
20 normal contributions to the extent possible, but not by more than
21 2%, from excess valuation assets if the State Treasurer determines
22 that excess valuation assets shall be used to reduce normal
23 contributions by the State for the fiscal year beginning immediately
24 prior to the calendar year, and excess valuation assets above the
25 amount necessary to fund the reduction for that calendar year in the
26 member contribution rate plus an equal reduction in the normal
27 contribution shall be available for the further reduction of normal
28 contributions, subject to the limitations prescribed by this
29 subsection.

30 If there are excess valuation assets after reductions in normal
31 contributions and member contributions as authorized in the
32 preceding paragraphs for a valuation period beginning with the
33 valuation period ending June 30, 1999, an amount of excess
34 valuation assets not to exceed the amount of the member
35 contributions for the fiscal year in which the normal contributions
36 are payable shall be credited to the benefit enhancement fund. The
37 amount of excess valuation assets credited to the benefit
38 enhancement fund shall not exceed the present value of the
39 expected additional normal contributions attributable to the
40 provisions of P.L.2001, c.133 payable on behalf of the active
41 members over the expected working lives of the active members in
42 accordance with the tables of actuarial assumptions for the
43 valuation period. No additional excess valuation assets shall be
44 credited to the benefit enhancement fund after the maximum
45 amount is attained. Interest shall be credited to the benefit
46 enhancement fund as provided under N.J.S.18A:66-25.

47 The normal contribution for the increased benefits for active
48 members under P.L.2001, c.133 shall be paid from the benefit

1 enhancement fund. If assets in the benefit enhancement fund are
2 insufficient to pay the normal contribution for the increased benefits
3 for a valuation period, the State shall pay the amount of normal
4 contribution for the increased benefits not covered by assets from
5 the benefit enhancement fund.

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

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

12 e. Except as provided in N.J.S.18A:66-26 and N.J.S.18A:66-
13 53, the death benefits payable under the provisions of this article
14 upon the death of an active or retired member shall be paid from the
15 contingent reserve fund.

16 f. The disbursements for benefits not covered by reserves in
17 the system on account of veterans shall be met by direct
18 contribution of the State.

19 (cf: P.L.2011, c.78, s.20)

20
21 21. Section 3 of P.L.1993, c.375 (C.18A:72A-51) is amended to
22 read as follows:

23 3. There is created within the New Jersey Educational
24 Facilities Authority, established pursuant to N.J.S.18A:72A-1 et
25 seq., the "Higher Education Facilities Trust Fund," hereinafter
26 referred to as the "trust fund." The trust fund shall be maintained as
27 a separate account and administered by the authority to carry out
28 the provisions of this act. The trust fund shall consist of:

29 a. moneys received from the issuance of bonds or notes
30 pursuant to section 9 of P.L.1993, c.375 (C.18A:72A-57) and an
31 annual appropriation [from the net proceeds of the State lottery
32 established by P.L.1970, c.13 (C.5:9-1 et seq.)] in an amount
33 sufficient to pay the principal and interest on the bonds or notes;

34 b. all moneys appropriated by the State for the purposes of the
35 trust fund; and

36 c. all interest and investment earnings received on moneys in
37 the trust fund.

38 (cf: P.L.1993, c.375, s.3)

39
40 22. Section 3 of P.L.1999, c.217 (C.18A:72A-74) is amended to
41 read as follows:

42 3. There is created within the New Jersey Educational
43 Facilities Authority, established pursuant to chapter 72A of Title
44 18A of the New Jersey Statutes, the "Higher Education Capital
45 Improvement Fund," hereinafter referred to as the "capital
46 improvement fund." The capital improvement fund shall be
47 maintained as a separate account and administered by the authority

1 to carry out the provisions of this act. The capital improvement
2 fund shall consist of:

3 a. moneys received from the issuance of bonds, notes or other
4 obligations issued pursuant to section 7 of P.L.1999, c.217
5 (C.18A:72A-78) and an annual appropriation [from the net
6 proceeds of the State lottery established by P.L.1970, c.13 (C.5:9-1
7 et seq.)] in an amount sufficient to pay the principal and interest on
8 the bonds, notes or other obligations;

9 b. all moneys appropriated by the State for the purposes of the
10 capital improvement fund; and

11 c. all interest and investment earnings received on moneys in
12 the capital improvement fund.

13 (cf: P.L.1999, c.217, s.3)

14

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

17 23. The expenses of administration of the retirement system on
18 behalf of State employee members shall be paid by the State of New
19 Jersey.

20 The administration fees hereafter paid by participating employers
21 other than the State, shall be used to pay the expenses of
22 administration of the retirement system on behalf of all members
23 other than State employees.

24 For purposes of this section, during the term of the lottery
25 contribution made pursuant to section 4 of P.L. , c. (C.)
26 (pending before the Legislature as this bill), the expenses of the
27 Lottery Enterprise shall not be considered to be expenses of the
28 retirement system.

29 (cf: P.L.1954, c.84, s.23)

30

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

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

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

43 b. With respect to employers other than the State, upon the
44 basis of the tables recommended by the actuary which the board
45 adopts and regular interest, the actuary shall compute the amount of
46 the accrued liability of the retirement system as of March 31, 1992
47 under the projected unit credit method, excluding the liability for
48 pension adjustment benefits for active employees funded pursuant

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

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

1 unfunded accrued liability for the valuation period immediately
2 preceding the current valuation period, the actuary, using the total
3 amount of this unfunded accrued liability, shall compute the initial
4 amount of contribution which, if paid annually in level dollars for a
5 specific period of time, will amortize this liability. The State
6 Treasurer shall determine, upon the advice of the Director of the
7 Division of Pensions and Benefits, the commission and the actuary,
8 the time period for full funding of this liability, which shall not
9 exceed 30 years. This shall be known as the "accrued liability
10 contribution." Thereafter, any increase or decrease in the unfunded
11 accrued liability as a result of actuarial losses or gains for
12 subsequent valuation years shall serve to increase or decrease,
13 respectively, the amortization period for the unfunded accrued
14 liability, unless an increase in the amortization period will cause it
15 to exceed 30 years. If an increase in the amortization period as a
16 result of actuarial losses for a valuation year would exceed 30 years,
17 the accrued liability contribution shall be computed for the
18 valuation year in the same manner provided for the computation of
19 the initial accrued liability contribution under this section.
20 Beginning with the July 1, 2019 actuarial valuation, the accrued
21 liability contribution shall be computed so that if the contribution is
22 paid annually in level dollars, it will amortize this unfunded accrued
23 liability over a closed 30-year period. Beginning with the July 1,
24 2029 actuarial valuation, when the remaining amortization period
25 reaches 20 years, any increase or decrease in the unfunded accrued
26 liability as a result of actuarial losses or gains for subsequent
27 valuation years shall serve to increase or decrease, respectively, the
28 amortization period for the unfunded accrued liability, unless an
29 increase in the amortization period will cause it to exceed 20 years.
30 If an increase in the amortization period as a result of actuarial
31 losses for a valuation year would exceed 20 years, the accrued
32 liability contribution shall be computed for the valuation year in the
33 same manner provided for the computation of the initial accrued
34 liability contribution under this section.

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

39 The value of the assets, excluding the special asset value set
40 forth in section 38 of P.L.2010, c.1 (C.43:3C-14), to be used in the
41 computation of the contributions provided for under this section for
42 valuation periods shall be the value of the assets for the preceding
43 valuation period increased by the regular interest rate, plus the net
44 cash flow for the valuation period (the difference between the
45 benefits and expenses paid by the system and the contributions to
46 the system) increased by one half of the regular interest rate, plus
47 20% of the difference between this expected value and the full
48 market value of the assets as of the end of the valuation period.

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

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

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

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

18 (3) the contributory group insurance premium fund, created by
19 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
20 4 of P.L.1960, c.79; less

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

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

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

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

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

40 (3) the contributory group insurance premium fund, created by
41 section 4 of P.L.1955, c.214 (C.43:15A-91), as amended by section
42 4 of P.L.1960, c.79; less

43 (4) the present value of the projected total normal cost for
44 pension adjustment benefits in excess of the projected total phased-
45 in normal cost for pension adjustment benefits for the other
46 employers authorized by section 2 of P.L.1990, c.6 (C.43:15A-24.1)
47 over the full phase-in period, determined in the manner prescribed
48 for the determination and amortization of the unfunded accrued

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

21 (1) for valuation periods ending March 31, 1997 through March
22 31, 2001, to the extent possible by up to 100% of the excess
23 valuation assets allocated to the State or to the other employers,
24 respectively;

25 (2) for the valuation period ending March 31, 2002, 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 March 31, 2003, 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 March 31, 2004 through June
32 30, 2007, to the extent possible by up to 50% of the excess
33 valuation assets allocated to the State or to the other employers,
34 respectively.

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

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

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

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

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

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

45 The State Treasurer shall reduce the normal and accrued liability
46 contributions payable by employers other than the State, excluding
47 the contribution payable from the benefit enhancement fund, to 50
48 percent of the amount certified annually by the retirement system,

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

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

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

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

41 The State shall pay into the contingent reserve fund during the
42 ensuing year the amount so determined. The death benefits,
43 payable as a result of contribution by the State under the provisions
44 of this chapter upon the death of an active or retired member, shall
45 be paid from the contingent reserve fund.

46 d. The disbursements for benefits not covered by reserves in
47 the system on account of veterans shall be met by direct

1 contributions of the State and other employers.

2 (cf: P.L.2011, c.78, s.22)

3

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

6 37. Regular interest charges payable, the creation and
7 maintenance of reserves in the contingent reserve fund, the
8 maintenance of retirement reserves as provided for in this act and
9 the payment of all retirement allowances and other benefits granted
10 by the board of trustees under the provisions of this act, except the
11 amounts payable by other employers, are hereby made obligations
12 of the State. All income, interest and dividends derived from
13 deposits and investments authorized by this act shall be used for the
14 payment of these obligations of the State and other employers,
15 including, during the term of the lottery contribution made pursuant
16 to section 4 of P.L. , c. (C.) (pending before the Legislature as
17 this bill), all income, interest, and dividends derived from deposits
18 and investments in the investment account of Common Pension
19 Fund L, established pursuant to section 6 of P.L. , c. (C.)
20 (pending before the Legislature as this bill).

21 Upon the basis of each actuarial determination and appraisal
22 provided for in this act, the board of trustees shall submit to the
23 Governor in each year an itemized statement of the amounts
24 necessary to be appropriated by the State to provide for payment in
25 full during the ensuing fiscal year of the obligations of the State
26 accruing during that year. The Legislature shall make an
27 appropriation sufficient to provide for such obligations of the State.
28 The amounts so appropriated shall be paid into the contingent
29 reserve fund.

30 (cf: P.L.1971, c.213, s.15)

31

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

34 14. (1) The board of trustees shall be and are hereby constituted
35 trustees of the various funds and accounts established by this act;
36 provided, however, that all functions, powers and duties relating to
37 the investment or reinvestment of moneys of, and purchase, sale or
38 exchange of any investments or securities, of or for any fund or
39 account established under this act shall be exercised and performed
40 by the director of the Division of Investment in accordance with the
41 provisions of chapter 270, of the laws of 1950. The secretary of the
42 board of trustees shall determine from time to time the cash
43 requirements of the various funds and accounts established by this
44 act and the amount available for investment, all of which shall be
45 certified to the Director of the Division of Investment.

46 An elected member of the board of trustees to be designated by a
47 majority vote thereof shall serve on the State Investment Council as

1 a representative of said board of trustees, for a term of three years
2 and until a successor is designated and qualified.

3 (2) The Treasurer of the State of New Jersey shall be the
4 custodian of the several funds created by this act, shall select all
5 depositories and custodians and shall negotiate and execute custody
6 agreements in connection with the assets or investments of any of
7 said funds. All payments from said funds shall be made by him
8 only upon vouchers signed by the chairman and countersigned by
9 the secretary of the board of trustees. No voucher shall be drawn,
10 except upon the authority of the board duly entered in the records
11 of its proceedings.

12 (3) (Deleted by amendment.)

13 (4) Except as otherwise herein provided, no trustee and no
14 employee of the board of trustees shall have any direct interest in
15 the gains or profits of any investments of the retirement system;
16 nor shall any trustee or employee of the board directly or
17 indirectly, for himself or as an agent in any manner use the moneys
18 of the retirement system, except to make such current and necessary
19 payments as are authorized by the board of trustees; nor shall any
20 trustee or employee of the board of trustees become an endorser or
21 surety, or in any manner an obligor for moneys loaned to or
22 borrowed from the retirement system.

23 (5) For purposes of this section, during the term of the lottery
24 contribution made pursuant to section 4 of P.L. , c. (C.)
25 (pending before the Legislature as this bill), the expenses of the
26 Lottery Enterprise shall not be considered to be expenses of the
27 retirement system.

28 (cf: P.L.2011, c.78, s.31)

29

30 27. Section 15 of P.L.1944, c.225 (C.43:16A-15) is amended to
31 read as follows:

32 15. (1) The contributions required for the support of the
33 retirement system shall be made by members and their employers.

34 (2) The uniform percentage contribution rate for members shall
35 be 8.5% of compensation. Members of the retirement system shall
36 contribute 10% of compensation to the system on and after the
37 effective date of P.L.2011, c.78.

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

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

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

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

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

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

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

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

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

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

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

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

1 Employees' Retirement System and transferred pursuant to section 1
2 of P.L.1993, c.247 (C.43:16A-3.8) and the reimbursement of the
3 cost of any credit purchase pursuant to section 3 of P.L.1993, c.247
4 (C.43:16A-3.10) provided under section 1 of P.L.2001, c.201
5 (C.43:16A-3.14).

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

44 If there are excess valuation assets allocated to the State or to the
45 other employers for the valuation period ending June 30, 1995, the
46 normal contributions payable by the State or by the other employers
47 for the valuation periods ending June 30, 1995, and June 30, 1996
48 which have not yet been paid to the retirement system shall be

1 reduced to the extent possible by the excess valuation assets
2 allocated to the State or to the other employers, respectively,
3 provided that with respect to the excess valuation assets allocated to
4 the State, the General Fund balances that would have been paid to
5 the retirement system except for this provision shall first be
6 allocated as State aid to public schools to the extent that additional
7 sums are required to comply with the May 14, 1997 decision of the
8 New Jersey Supreme Court in *Abbott v. Burke*.

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

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

20 (1) for valuation periods ending June 30, 1996 through June 30,
21 2000, to the extent possible by up to 100% of the excess valuation
22 assets allocated to the State or to the other employers, respectively;

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

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

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

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

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

46 Notwithstanding the preceding sentence, the normal and accrued
47 liability contributions to be included in the budget of and paid by
48 the employer other than the State shall be as follows: for the

1 payment due in the State fiscal year ending on June 30, 2004, 20%
2 of the amount certified by the retirement system; for the payment
3 due in the State fiscal year ending on June 30, 2005, a percentage of
4 the amount certified by the retirement system as the State Treasurer
5 shall determine but not more than 40%; for the payment due in the
6 State fiscal year ending on June 30, 2006, a percentage of the
7 amount certified by the retirement system as the State Treasurer
8 shall determine but not more than 60%; and for the payment due in
9 the State fiscal year ending on June 30, 2007, a percentage of the
10 amount certified by the retirement system as the State Treasurer
11 shall determine but not more than 80%.

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

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

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

44 The retirement system shall annually certify to each employer
45 the contributions due to the contingent reserve fund for the liability
46 under P.L.2009, c.19. The contributions certified by the retirement
47 system shall be paid by the employer to the retirement system on or

1 before the date prescribed by law for payment of employer
2 contributions for basic retirement benefits. If payment of the full
3 amount of the contribution certified is not made within 30 days
4 after the last date for payment of employer contributions for basic
5 retirement benefits, interest at the rate of 10% per year shall be
6 assessed against the unpaid balance on the first day after the
7 thirtieth day.

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

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

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

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

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

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

40 (14) Commencing with valuation year 1991, with payment to be
41 made in Fiscal Year 1994, the Legislature shall annually
42 appropriate and the State Treasurer shall pay into the pension
43 accumulation fund of the retirement system an amount equal to
44 1.1% of the compensation of the members of the system for the
45 valuation year to fund the benefits provided by section 16 of
46 P.L.1964, c.241 (C.43:16A-11.1), as amended by P.L.1979, c.109.

47 (15) If the valuation assets are insufficient to fund the normal
48 and accrued liability costs attributable to P.L.1999, c.428

1 (C.43:16A-15.8 et al.) as provided hereinabove, the normal and
2 unfunded accrued liability contributions required to fund these costs
3 for the State and other employers shall be paid by the State.

4 (16) The savings realized as a result of the amendments to this
5 section by P.L.2001, c.44 in the payment of normal contributions
6 computed by the actuary for the valuation periods ending June 30,
7 1998 for employers other than the State shall be used solely and
8 exclusively by a county or municipality for the purpose of reducing
9 the amount that is required to be raised by the local property tax
10 levy by the county for county purposes or by the municipality for
11 municipal purposes, as appropriate. The Director of the Division of
12 Local Government Services in the Department of Community
13 Affairs shall certify for each year that each county or municipality
14 has complied with the requirements set forth herein. If the director
15 finds that a county or municipality has not used the savings solely
16 and exclusively for the purpose of reducing the amount that is
17 required to be raised by the local property tax levy by the county for
18 county purposes or by the municipality for municipal purposes, as
19 appropriate, the director shall direct the county or municipal
20 governing body, as appropriate, to make corrections to its budget.
21 (cf: P.L.2011, c.78, s.15)

22

23 28. Section 13 of P.L.1950, c.270 (C.52:18A-91) is amended to
24 read as follows:

25 13. a. The State Investment Council shall consult with the
26 Director of the Division of Investment from time to time with
27 respect to the work of the division. It shall have access to all files
28 and records of the division and may require any officer or employee
29 therein to provide such information as it may deem necessary in the
30 performance of its functions. The council shall have authority to
31 inspect and audit the respective accounts and funds administered
32 through the Division of Investment. It shall formulate and establish,
33 and may from time to time amend, modify or repeal, such policies
34 as it may deem necessary or proper, which shall govern the
35 methods, practices or procedures for investment, reinvestment,
36 purchase, sale or exchange transactions to be followed by the
37 Director of the Division of Investment established hereunder,
38 except that the provisions of this subsection shall not apply to the
39 operations account of Common Pension Fund L established
40 pursuant to section 6 of P.L. , c. (C.) (pending before the
41 Legislature as this bill). Notwithstanding any provision of the
42 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
43 seq.) to the contrary, the council may adopt, immediately upon
44 filing with the Office of Administrative Law such policies and
45 regulations relating to the investment account, established pursuant
46 to section 6 of P.L. , c. (C.) (pending before the Legislature as
47 this bill), as are necessary to implement that section, which

1 regulations shall be effective for a period not to exceed 12 months
2 following adoption, and may thereafter be amended, adopted, or
3 readopted by the council in accordance with the requirements of the
4 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
5 seq.).

6 b. On or before January first of each year, and at such other
7 times as it may deem in the public interest, the council shall report
8 to the Governor, the Legislature, and the State Treasurer with
9 respect to its work and the work of the Division of Investment. In
10 addition to the reports specified above and in section 14 of
11 P.L.1950, c.270 (C.52:18A-92), the council shall issue a report by
12 March 1 of each year on the investment activities for the prior
13 **【calendar】** State fiscal year, which shall include a summary of the
14 current investment policies and strategies of the council and those
15 in effect during the prior **【calendar】** State fiscal year, a detailed
16 summary for each financial product of the amount invested,
17 **【whether the investments were made by employees of the Division**
18 **of Investment or by external managers,】** performance benchmarks,
19 and actual performance during the **【calendar】** State fiscal year. The
20 report shall be submitted to the Governor, the Legislature, and the
21 State Treasurer, and shall be made available to the public through
22 the official Internet site of the State.

23 c. The council shall hold a meeting each year that shall be open
24 to the public, and shall accept comments from the public at such
25 meeting. The matters that shall be open to discussion and public
26 comment during this annual meeting shall include the investment
27 policies and strategies of the council, the investment activities of
28 the council, the financial disclosure statements filed by council
29 members, and the certification of contributions filed by external
30 managers, as well as other appropriate matters concerning the
31 operations, activities and reports of the council.

32 d. An external manager shall be required to file a certification
33 before being retained, and annually thereafter, that discloses the
34 political contributions made, during the 12 months preceding the
35 certification, by the manager or the manager's firm, or a political
36 committee in which the manager or firm was active. The
37 certification shall specify the political contributions made to
38 candidates for elective public office in this State and any political
39 committee established for the support of such candidates, and
40 contributions made for the transition and inaugural expenses of any
41 candidate who is elected to public office. As used in this subsection,
42 "contribution" and "political committee" shall have the meaning set
43 forth in "The New Jersey Campaign Contributions and Expenditures
44 Reporting Act," P.L.1973, c.83 (C.19:44A-1 et al.). This
45 certification shall be in addition to any other such disclosure
46 required by law or executive order of the Governor.

47 (cf: P.L.2007, c.103, s.51)

1 29. This act shall take effect immediately.

2

3

4

STATEMENT

5

6 This bill contributes the State Lottery Enterprise to the Teachers'
7 Pension and Annuity Fund (TPAF), the Public Employees'
8 Retirement System (PERS), and the Police and Firemen's
9 Retirement System (PFRS) for a term of 30 years. Under the bill,
10 the TPAF, PERS, and PFRS receive a portion of the proceeds of the
11 Lottery Enterprise, based upon their members' past or present
12 employment in schools and institutions in the State.

13 Under the bill, the entirety of the Lottery Enterprise will be
14 contributed to newly created Common Pension Fund L, but there
15 will be no material change in the operation and management of the
16 Lottery Enterprise. The bill directs that operation of the State
17 lottery remain with the Division of the State Lottery, which will
18 continue in its current form as a division within the Department of
19 the Treasury. The State Lottery Commission will continue to have
20 seven members, but the bill will add the Director of the Division of
21 Investment as a member of the Commission and remove one public
22 member. The State Lottery Commission will continue to exercise
23 regulatory oversight over the State Lottery by adopting lottery rules
24 and approving all games.

25 With the exception of a few retained assets and liabilities (such
26 as annuities purchased to pay previous prize winners), the bill
27 provides that all of the assets and liabilities of the State lottery,
28 including all State lottery intellectual property, will be conveyed, as
29 delineated in a Memorandum of Lottery Contribution required to be
30 executed by this bill, to the retirement systems for the term of the
31 lottery contribution. The intellectual property will continue to be
32 used by the Division of the State Lottery under a no-fee license
33 provision in the bill.

34 The lottery contribution will take effect when the Treasurer
35 delivers the Memorandum of Lottery Contribution to the Director of
36 the Division of Investment. During the term of the lottery
37 contribution, the gross proceeds of the State Lottery will be paid
38 into an operating account within Common Pension Fund L for
39 payment of operational and administrative costs. The Division of
40 the State Lottery will manage the operating account. The bill
41 requires the Division of the State Lottery to transfer into a second
42 account, the investment account, State lottery proceeds net of
43 operating and administrative expenses on a periodic basis.
44 Administrative expenses include prize payments and advertising
45 costs.

46 Consistent with current State law, annual lottery net proceeds
47 must be at least 30 percent of gross proceeds. The net proceeds
48 may be used by each retirement system for payment of benefits to

1 members of the retirement systems or may be invested on behalf of
2 the retirement systems by the Director of the Division of
3 Investment. The lottery contribution given to the retirement
4 systems will increase the funded ratio of such systems with respect
5 to members of the retirement systems who are employed, or were
6 employed, in schools and institutions in this State.

7 The bill allocates the lottery contribution to the retirement
8 systems in allocable percentages. Under this bill, the lottery
9 contribution and all proceeds of the Lottery Enterprise are allocated
10 among the retirement systems in the allocable percentages as
11 follows: 77.78 percent for TPAF; 21.02 percent for PERS; and 1.20
12 percent for PFRS. The allocations were determined based on (1)
13 the relative percentages of the total actuarial accrued liabilities of
14 the retirement systems; (2) the relative percentages of the total
15 actuarial accrued liabilities of the eligible member portions of such
16 retirement systems; (3) the relative percentages of the total
17 unfunded actuarially accrued liabilities of the retirement systems;
18 (4) the relative percentages of the total unfunded actuarially accrued
19 liabilities of the eligible member portions of such retirement
20 systems; (5) the relative percentages of the total number of
21 members in each retirement system; and (6) the relative percentages
22 of eligible members participating in each such retirement system.
23 The bill provides each retirement system an initial equitable interest
24 in Common Pension Fund L, equal to its allocable percentage of the
25 entire lottery contribution made on its behalf.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5003

STATE OF NEW JERSEY

DATED: JUNE 26, 2017

The Assembly Budget Committee reports favorably Assembly Bill No. 5003.

This bill contributes the State Lottery Enterprise to the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS) for a term of 30 years. Under the bill, the TPAF, PERS, and PFRS receive a portion of the proceeds of the Lottery Enterprise, based upon their members' past or present employment in schools and institutions in the State.

Under the bill, the entirety of the Lottery Enterprise will be contributed to newly created Common Pension Fund L, but there will be no material change in the operation and management of the Lottery Enterprise. The bill directs that operation of the State lottery remain with the Division of the State Lottery, which will continue in its current form as a division within the Department of the Treasury. The State Lottery Commission will continue to have seven members, but the bill will add the Director of the Division of Investment as a member of the Commission and remove one public member. The State Lottery Commission will continue to exercise regulatory oversight over the State Lottery by adopting lottery rules and approving all games.

With the exception of a few retained assets and liabilities (such as annuities purchased to pay previous prize winners), the bill provides that all of the assets and liabilities of the State lottery, including all State lottery intellectual property, will be conveyed, as delineated in a Memorandum of Lottery Contribution required to be executed by this bill, to the retirement systems for the term of the lottery contribution. The intellectual property will continue to be used by the Division of the State Lottery under a no-fee license provision in the bill.

The lottery contribution will take effect when the Treasurer delivers the Memorandum of Lottery Contribution to the Director of the Division of Investment. During the term of the lottery contribution, the gross proceeds of the State Lottery will be paid into an operating account within Common Pension Fund L for payment of operational and administrative costs. The Division of the State Lottery will manage the operating account. The bill requires the Division of the State Lottery to transfer into a second account, the investment account, State lottery proceeds net of operating and administrative

expenses on a periodic basis. Administrative expenses include prize payments and advertising costs.

Consistent with current State law, annual lottery net proceeds must be at least 30 percent of gross proceeds. The net proceeds may be used by each retirement system for payment of benefits to members of the retirement systems or may be invested on behalf of the retirement systems by the Director of the Division of Investment. The lottery contribution given to the retirement systems will increase the funded ratio of such systems with respect to members of the retirement systems who are employed, or were employed, in schools and institutions in this State.

The bill allocates the lottery contribution to the retirement systems in allocable percentages. Under this bill, the lottery contribution and all proceeds of the Lottery Enterprise are allocated among the retirement systems in the allocable percentages as follows: 77.78 percent for TPAF; 21.02 percent for PERS; and 1.20 percent for PFRS. The allocations were determined based on (1) the relative percentages of the total actuarial accrued liabilities of the retirement systems; (2) the relative percentages of the total actuarial accrued liabilities of the eligible member portions of such retirement systems; (3) the relative percentages of the total unfunded actuarially accrued liabilities of the retirement systems; (4) the relative percentages of the total unfunded actuarially accrued liabilities of the eligible member portions of such retirement systems; (5) the relative percentages of the total number of members in each retirement system; and (6) the relative percentages of eligible members participating in each such retirement system. The bill provides each retirement system an initial equitable interest in Common Pension Fund L, equal to its allocable percentage of the entire lottery contribution made on its behalf.

FISCAL IMPACT:

This bill will increase the assets of three retirement systems, the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS), by contributing the State Lottery to each of those funds in proportions specified in the bill for a 30-year period. The bill stipulates the initial value of the asset contribution at \$13.535 billion. According to the State Treasurer, as stated in testimony to the Senate Budget and Appropriations Committee on June 15, 2017 this asset contribution will increase the funded ratios of the three retirement systems as follows: TPAF, from 47 percent to 63.9 percent; PERS (State) from 37.8 percent to 49.6 percent; and PFRS (State) from 41.2 percent to 44.5 percent. The impact of funded ratios will then vary over the 30-year term based on the impact of the annual allocation of Lottery net revenues to the systems and the periodic revaluation of the Lottery asset. These results assume that annual actuarial valuations of the TPAF, PRES and PFRS acknowledge that the Lottery assets held

in Common Pension L are properly recognized as assets of the systems.

The contribution of the Lottery to the retirement systems should have no direct impact on the gross revenue or the net proceeds of the State Lottery. Beginning in FY 2018, for 30 years Lottery revenue collections will shift from the State Lottery Fund to Common Pension Fund L, and will become unavailable for that time period for transfer to the General Fund as State revenue available for budgetary purposes. The estimated net proceeds of the Lottery for FY 2018 are \$1.014 billion. The future trend of Lottery net revenues is indeterminate, net revenues could increase or decrease based on a number of factors, such as economic conditions and Lottery operational decisions. All State Lottery revenue will return to the State Lottery Fund in the 31st year, and at that time Lottery net proceeds become available for transfer to the General Fund as required by law.

The bill revises the statutory calculation of the annually determined contribution (ADC) by the State to TPAF, PERS and PFRS. The amount determined under current law is annually adjusted by the product of the allocation percentage (the same percentage used to allocate the assets and annual net revenues of Lottery to the retirement systems, established in the bill at 77.78 percent for TPAF, 21.02 percent for PERS and 1.2 percent for PFRS); the adjustment percentage (also established in the bill at 88.27 percent for TPAF, 57.29 percent for PERS, and zero for PFRS); and the special asset adjustment. For FY 2018 through FY 2022, the adjustment percentage is set at 100 percent for all three systems, and special asset adjustment is a fixed dollar amount, as follows:

- FY 2018: about \$1.001 billion
- FY 2019: about \$1.037 billion
- FY 2020: about \$1.070 billion
- FY 2021: about \$1.084 billion
- FY 2022: about \$1.096 billion.

These amounts, stipulated for the first five fiscal years of the bill's impact, represent a reasonable estimate of annual Lottery net receipts. Thus, the loss of revenue to the General Fund from the bill is offset by an approximately equal reduction in the amount the State would be statutorily required to contribute to the retirement systems. The State Treasurer's testimony cited above indicated that this calculation for these first five fiscal years "...will lower the State's ADC in amounts equal to the projected net proceeds to be generated by the Lottery".

In FY 2023 and thereafter, the special asset adjustment is an amount "determined based on an amortization of the special asset value over the remaining term of the lottery contribution, at the regular interest rate applicable to the retirement systems", but not to exceed the maximum special asset adjustment. Under this formula the special asset adjustment will decrease compared to the amounts of the adjustment in fiscal years 2018-2022. The Executive has provided no

detailed projections of the ADC that would result from this formula in those years. The OLS notes that the formula will not result in a higher ADC than would otherwise result under current law, and that either the special asset adjustment as calculated or the maximum adjustment will be less than the adjustments stipulated for fiscal years 2018-2022.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 5003
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: JULY 13, 2017

SUMMARY

Synopsis: Transfers State Lottery Enterprise to TPAF, PERS, and PFRS.

Type of Impact: State Revenue and Expenditure Reduction; Revenue Increase and Asset Gain, Certain State Administered Retirement Systems

Agencies Affected: Division of Pensions and Benefits and Division of Investments, Department of the Treasury; State Lottery Commission.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2018 – FY 2048</u>
State Revenues	Annual Reduction-See Comments Below
State Expenditures	Annual Reduction– See Comments Below
Certain State Administered Retirement Systems	Increased Annual Income – See Comments Below

- The Office of Legislative Services (OLS) estimates that the bill will annually decrease State revenues available to the General Fund for a 30-year period by the amount of the net proceeds of the State Lottery. The Executive estimates the FY 2018 lottery net proceeds at \$1.014 billion. The annual amount of lottery net proceeds over the remaining 29 years is indeterminate. All State Lottery revenue will return to the State Lottery Fund in the 31st year, and at that time Lottery net proceeds become available for transfer to the General Fund as required by law.
- The OLS estimates that the bill will reduce State expenditures, by revising the statutory calculation of the annually determined contribution (ADC) by the State to Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS) over the same 30-year period. The annual expenditure reduction for the first five fiscal years is set forth in the bill and described below; thereafter, the annual reduction is indeterminate.

- With respect to the bill's impact on the annual revenue received by the TPAF, PERS and PFRS, in the first five fiscal years the sum of State-funded employer contributions and lottery net proceeds will be no different than if the bill were not enacted. Thereafter, the sum of State-funded employer contributions and lottery net proceeds should increase, by indeterminate amounts, assuming that lottery net proceeds do not suffer a drastic decline.
- This bill will increase the assets of the TPAF, PERS, and PFRS by contributing the State Lottery to each of those funds in proportions specified in the bill for a 30-year period. The bill stipulates the initial value of the asset contribution at \$13.535 billion. The asset contribution will increase the funded ratios of the three retirement systems as follows: TPAF, from 47 percent to 63.9 percent; PERS (State) from 37.8 percent to 49.6 percent; and PFRS (State) from 41.2 percent to 44.5 percent.

BILL DESCRIPTION

Assembly Bill No. 5003 of 2017 contributes the State Lottery Enterprise to the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS) for a term of 30 years. Under the bill, the TPAF, PERS, and PFRS receive a portion of the proceeds of the Lottery Enterprise, based upon their members' past or present employment in schools and institutions in the State.

Under the bill, the entirety of the Lottery Enterprise will be contributed to newly created Common Pension Fund L. The bill directs that operation of the State lottery remain with the Division of the State Lottery, which will continue in its current form as a division within the Department of the Treasury. The State Lottery Commission will continue to have seven members, but the bill will add the Director of the Division of Investment as a member of the Commission and remove one public member. The State Lottery Commission will continue to exercise regulatory oversight over the State Lottery by adopting lottery rules and approving all games.

The bill provides that with the exception of a few retained assets and liabilities (such as annuities purchased to pay previous prize winners), all of the assets and liabilities of the State lottery, including all State lottery intellectual property, will be conveyed, as delineated in a Memorandum of Lottery Contribution required to be executed by this bill, to the retirement systems for the term of the lottery contribution. The intellectual property will continue to be used by the Division of the State Lottery under a no-fee license provision in the bill.

The lottery contribution will take effect when the Treasurer delivers the Memorandum of Lottery Contribution to the Director of the Division of Investment. During the term of the lottery contribution, the gross proceeds of the State Lottery will be paid into an operating account within Common Pension Fund L for payment of operational and administrative costs. The Division of the State Lottery will manage the operating account. The bill requires the Division of the State Lottery to transfer into a second account, the investment account, State lottery proceeds net of operating and administrative expenses on a periodic basis. Administrative expenses include prize payments and advertising costs.

Consistent with current State law, annual lottery net proceeds must be at least 30 percent of gross proceeds. The net proceeds may be used by each retirement system for payment of

benefits to members of the retirement systems or may be invested on behalf of the retirement systems by the Director of the Division of Investment.

The bill allocates a percentage of the lottery contribution to each of the retirement systems as follows: 77.78 percent for TPAF; 21.02 percent for PERS; and 1.20 percent for PFRS. The allocable percentages were determined based on (1) the relative percentages of the total actuarial accrued liabilities of the retirement systems; (2) the relative percentages of the total actuarial accrued liabilities of the eligible member portions of such retirement systems; (3) the relative percentages of the total unfunded actuarially accrued liabilities of the retirement systems; (4) the relative percentages of the total unfunded actuarially accrued liabilities of the eligible member portions of such retirement systems; (5) the relative percentages of the total number of members in each retirement system; and (6) the relative percentages of eligible members participating in each such retirement system. The bill provides each retirement system an initial equitable interest in Common Pension Fund L, equal to its allocable percentage of the entire lottery contribution made on its behalf.

The bill sets the initial value of the lottery asset contribution at \$13.535 billion, and provides that the contribution increases the funded ratio of each retirement system benefiting from the contribution.

The bill revises the calculation of the annually determined by the State to the TPAF, PERS and PFRS. The amount as determined under current law is annually adjusted by the product of the allocation percentage (the same percentage used to allocate the assets and annual net revenues of Lottery to the retirement systems as established in the bill); the adjustment percentage (also established in the bill at 88.27 percent for TPAF, 57.29 percent for PERS, and zero for PFRS); and the special asset adjustment. The special asset adjustment is annually calculated determined based on an amortization of the special asset value over the remaining term of the lottery contribution, at the regular interest rate applicable to the retirement systems, but not to exceed the maximum special asset adjustment. However, for FY 2018 through FY 2022, the adjustment percentage is set at 100 percent for all three systems, and the special asset adjustment is a fixed dollar amount. The bill specifies that if after FY 2022, the funded ratio of a retirement system falls below 50 percent for any State fiscal year, the adjustment percentage for that fiscal year is reduced by a number of percentage points equal to three times the difference between 50 percent and the funded ratio, rounded to the nearest percentage point.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None Received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will increase the assets of three retirement systems, the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), and the Police and Firemen's Retirement System (PFRS), by contributing the State Lottery to each of those funds, in proportions specified in the bill, for a 30-year period. The OLS estimates that the bill will annually decrease State revenues available to the General Fund for the same 30-year period by the amount of the net proceeds of the State Lottery. The Executive estimates the FY 2018 lottery net proceeds at \$1.014 billion. The annual amount of lottery net proceeds over

the remaining 29 years is indeterminate. Further, the OLS estimates that the bill will reduce State expenditures, by revising the statutory calculation of the annually determined contribution (ADC) by the State to TPAF, PERS and PFRS over the same 30-year period. The annual expenditure reduction for the first five fiscal years is set forth in the bill and described below; thereafter, the annual reduction is indeterminate.

The bill stipulates the initial value of the asset contribution at \$13.535 billion. According to the State Treasurer, as stated in testimony to the Senate Budget and Appropriations Committee on June 15, 2017 this asset contribution will increase the funded ratios of the three retirement systems as follows: TPAF, from 47 percent to 63.9 percent; PERS (State) from 37.8 percent to 49.6 percent; and PFRS (State) from 41.2 percent to 44.5 percent. The impact of funded ratios will then vary over the 30-year term based on the impact of the annual allocation of lottery net revenues to the systems and the periodic revaluation of the Lottery asset. These results assume that annual actuarial valuations of the TPAF, PERS and PFRS acknowledge that the Lottery assets held in Common Pension L are properly recognized as assets of the systems.

The contribution of the State Lottery to the retirement systems should have no direct impact on the gross revenue or the net proceeds of the State Lottery. Beginning in FY 2018, for 30 years lottery revenue collections will shift from the State Lottery Fund to Common Pension Fund L, and will become unavailable for that time period for transfer to the General Fund as State revenue available for budgetary purposes. As noted above, the estimated net proceeds of the State Lottery for FY 2018 are \$1.014 billion. The future trend of lottery net revenues is indeterminate; net revenues could increase or decrease based on a number of factors, such as economic conditions and Lottery operational decisions. All State Lottery revenue will return to the State Lottery Fund in the 31st year, and at that time lottery net proceeds become available for transfer to the General Fund as required by law.

The bill revises the statutory calculation of the annually determined contribution (ADC) by the State to TPAF, PERS and PFRS. The amount determined under current law is annually reduced by the product of the allocation percentage (the same percentage used to allocate the assets and annual net revenues of the State Lottery to the retirement systems, established in the bill at 77.78 percent for TPAF, 21.02 percent for PERS and 1.2 percent for PFRS); the adjustment percentage (also established in the bill at 88.27 percent for TPAF, 57.29 percent for PERS, and zero for PFRS); and the special asset adjustment. For FY 2018 through FY 2022, the adjustment percentage is set at 100 percent for all three systems, and the special asset adjustment is a fixed dollar amount, as follows:

FY 2018: about \$1.001 billion

FY 2019: about \$1.037 billion

FY 2020: about \$1.070 billion

FY 2021: about \$1.084 billion

FY 2022: about \$1.096 billion.

These amounts, stipulated for the first five fiscal years of the bill's impact, represent a reasonable estimate of annual Lottery net receipts. Thus, the loss of revenue to the General Fund from the bill is offset by an approximately reduction in the amount the State would be statutorily required to contribute to the retirement systems. The State Treasurer's testimony cited above indicated that this calculation for these first five fiscal years "...will lower the State's ADC in amounts equal to the projected net proceeds to be generated by the Lottery".

In FY 2023 and thereafter, the special asset adjustment is an amount "determined based on an amortization of the special asset value over the remaining term of the lottery contribution, at the regular interest rate applicable to the retirement systems", but not to exceed the maximum

special asset adjustment. The bill provides that the maximum special asset adjustment shall be determined based on a 30-year amortization of the initial special asset value at the regular interest rate applicable to the retirement systems. Under this formula the special asset adjustment will likely decrease, and the ADC will increase, compared to the amounts of the adjustment and resulting ADC in fiscal years 2018-2022. The Executive has provided no detailed projections of the ADC that would result from this formula in those years. The OLS notes that the formula will not result in a higher ADC than would otherwise result under current law, and that either the special asset adjustment as calculated or the maximum adjustment will be less than the adjustments stipulated for fiscal years 2018-2022.

With respect to the bill's impact on the annual revenue received by the TPAF, PERS and PFRS, in the first five fiscal years the sum of State-funded employer contributions and lottery net proceeds will be no different than if the bill were not enacted. Thereafter, the sum of State-funded employer contributions and lottery net proceeds should increase, by indeterminate amounts, assuming that lottery net proceeds do not suffer a drastic decline. This result is attained primarily by the change in the adjustment percentage from 100 percent to lower percentages beginning in FY 2023, and the ceiling on the special asset adjustment (which serves as a floor under the ADC).

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

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Governor Christie Signs Final Balanced Budget, Delivering 2 Full Terms of Unprecedented Pension Stability, Fiscal Responsibility, & Tax Relief

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Trenton, NJ – Fully delivering on his promise to create fiscal stability, economic growth opportunities and a lower tax burden during the entirety of his two terms, Governor Chris Christie today signed into law his eighth balanced New Jersey budget with broad-based tax relief and no new taxes. The Governor’s action ends a three day closure of state government.

The Governor’s Fiscal Year 2018 State Budget meets all fiscal obligations, while spending nearly \$2 billion less in discretionary spending than his Democrat predecessor’s last budget in Fiscal Year 2008. This \$34.7 billion budget makes the largest-ever state aid commitment for public schools for the seventh straight year, makes a record-high

investment in New Jersey's transportation infrastructure and again makes the highest pension payment in New Jersey history — all three of which provide an unprecedented sum of billions of dollars in real property tax relief.

"My Fiscal Year 2018 budget completes eight straight years of instilling fiscal sanity in Trenton, accomplished by making the difficult choices too many of my predecessors were afraid to do in the face of strong political pressures. This balanced budget, like the seven before it, sets up New Jersey for a year of economic growth and improved quality of life, highlighted by a reduced tax burden for residents and employers. This budget will improve public education and transportation infrastructure, while meeting the needs of our most-vulnerable citizens," Governor Christie said. "Beyond all of that, I am proud many of the pro-taxpayer, pro-family initiatives in this budget will persist, and benefit people, for years to come. New Jersey is unquestionably better than we found it eight years ago."

Key Priorities Delivered by Governor Christie's Fiscal Year 2018 Budget include:

A seventh consecutive year of record-high funding for Pre-K through Grade 12 public education. Fiscal Year 2018 spending including lottery revenues totals nearly \$14 billion on education, an increase of \$683.1 million from Fiscal Year 2017.

The highest-ever annual investment in New Jersey's transportation infrastructure, \$2 billion, which is in place for seven more years plus federal matching funds. Implementing the first year of [this historic broad-based tax relief plan](#) will make roads, bridges and mass transit lines safer, create more jobs, foster economic growth and improve the quality of life.

The [largest pension payment in New Jersey history](#) with \$2.5 billion in combined contributions to the State's defined benefit funds from the State budget and net Lottery proceeds. This brings Governor Christie's total contributions by the Christie Administration to \$8.8 billion, more than two and a half times the combined total contributions of all New Jersey governors since 1995.

This also marks the first time Lottery revenues, under a proposal the Governor announced in February, will be dedicated to the state pension system, immediately elevating the system's Funded Ratio from 45 percent to 59 percent, while reducing the General Fund obligation to the system. The move establishes new stability for the pension system, and is projected to elevate the entire Retirement System's Funded Ratio to approximately 90 percent by Fiscal Year 2047, years earlier than immediate full-funding of the actuarially determined contributions. It should lower the state's borrowing costs.

Nearly \$900 million in direct property tax relief programs including the Homestead Rebate and Senior Freeze programs.

An ongoing commitment to make [New Jersey the leading state](#) in the fight against America's most deadly public health crisis since HIV/AIDS, by investing \$452 million in state and federal funds to advance drug addiction prevention, treatment, recovery and re-entry programs and services.

Steady resources for higher education in New Jersey, to the tune of \$2.3 billion in Fiscal Year 2018.

BILL SIGNINGS:

A-5001/S-3327 (Schaer/Sarlo) - Amends and supplements various language provisions in Fiscal Year 2017 annual State appropriations act.

A-5005/S-3328 (Burzichelli/Sarlo) - Transfers \$8,000,000 from New Jersey Surplus Lines Insurance Guaranty Fund to General Fund.

S-3312/A-5003 (Sarlo, Bucco, Oroho/Schaer, O'Scanlon, Greenwald) - Transfers State Lottery Enterprise to TPAF, PERS, and PFRS.

S-2/A-5129 (Vitale/Prieto, Muoio,Vainieri Huttie, Mukherji, Caputo) - Clarifies role of health service corporations, revises membership of board of directors, regulates surplus, and requires timely publication of certain information by DOBI.

A-5000/S-18 (Schaer/Sarlo) - Appropriates State budget for fiscal year 2017-2018. (with line item veto of language)

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